

Memorandum

To: Board of Directors

From: Lauren M. Smith

Subject: Action Plan in Response to CPSC Proposal to Regulate Chemical Used in SG99 Eyepiece

Executive Summary

The Consumer Product Safety Commission (CPSC) is considering regulating a chemical used in the eyepiece of our best-selling SG99 telescope. While the chemical poses serious health risks *when ingested*, medical and scientific analysis confirms it presents **no known risk** when used as designed in our telescopes. Despite this, the regulatory path forward is unclear and could result in significant financial costs and reputational risks if we do not respond strategically.

After consultation with legal counsel, medical experts, and considering the potential financial impact, I propose the following **three-step action plan** that balances cost, legal risk, and public safety:

Recommended Action Plan

1. Submit Formal Comments to the CPSC – Immediate Step

- **What it is:** A formal submission to the CPSC to argue that our telescope eyepieces should be **exempt from regulation** due to the lack of ingestion risk.
- **Cost:** \$10,000
- **Why:**
 - The CPSC often considers public comments in shaping final rules.
 - Early engagement positions us as a responsible and proactive manufacturer.
 - It's a low-cost way to potentially influence the outcome.
- **Expected Questions:**

- *“Can we make a good argument?”*
Yes. Our medical expert confirms the chemical poses no health risk in our application.
- *“Is this legally binding?”*
No, but it’s a vital step in the rulemaking process that could help avoid broader regulation.

2. Prepare for Litigation, But Do Not File Unless Necessary

- **What it is:** Have our legal team **prepare arguments and documents** to challenge any regulation that adversely affects our product.
- **Estimated Cost (Preparation Only):** ~\$50,000 initially
- **Why:**
 - Litigation is costly and slow, but it could ultimately prevent a recall or unnecessary labeling.
 - Preparation ensures we're not caught off guard if the CPSC finalizes a rule against our interests.
- **When to escalate:** Only if the CPSC issues a regulation that includes our eyepiece without exemption.
- **Expected Questions:**
 - *“Can we win a court case?”*
Possibly. We’d argue the regulation is **arbitrary and capricious** if it treats our eyepiece the same as ingestible products.
 - *“What if we lose?”*
We may still have to comply, but legal delays can buy time to adjust manufacturing or plan a lower-cost phaseout.

3. Contingency Planning: Mild Lobbying and Internal R&D Review

- **Lobbying:**
 - **Cost:** ~\$100,000 (only if necessary)

- If early signs show the CPSC is leaning toward an outright ban or recall, we can engage a lobbying firm to push for a **warning label alternative**.
 - This should be considered a **fallback option**, not a primary approach, given the uncertain impact.
 - **R&D Review:**
 - Begin evaluating **alternative eyepiece materials** in case regulation becomes unavoidable.
 - This ensures we remain agile and can shift designs with minimal future disruption.
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What We Should Avoid: Doing Nothing

- While tempting, **inaction is risky**.
 - If the CPSC enacts strict rules and we're unprepared:
 - We could face **costly recalls** (\$500K–\$1M+),
 - **Manufacturing delays**, and
 - Potential **reputational damage**.
 - We should not assume that scientific evidence alone will stop regulation — especially in today's regulatory climate.
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Financial Context

Option	Estimated Cost	Timing	Risk Mitigation
Formal Comments	\$10,000	Immediate	High potential for exemption
Legal Preparation	\$50,000–\$1M	If regulation proceeds	Medium, litigation risk

Lobbying	~\$100,000	Only if needed	Low-to-medium
Inaction	Unknown, but \$500K–\$1M+ likely	N/A	High financial and brand risk

Recommendation

I recommend:

1. **Immediately submit formal comments** to the CPSC advocating for eyepiece exemption.
2. **Authorize legal preparation** to challenge adverse regulation if necessary.
3. **Monitor CPSC developments**, and only engage in lobbying or redesign efforts if signals worsen.

This approach protects our brand, minimizes costs, and positions [Company] as both a science-driven and responsible company.

Please let me know if you would like me to arrange a briefing with our legal counsel or medical advisor for further clarification.

Respectfully,
Lauren M Smith