

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

April 7, 1998 (March 30, 1998)

JAKKS PACIFIC, INC.

(Exact name of registrant as specified in its charter)

Delaware

0-28104

95-4527222

(State or other jurisdiction of
incorporation or organization)(Commission
File Number)(I.R.S. Employer
Identification No.)22761 Pacific Coast Highway, Suite #226
Malibu, California
(Address of principal executive offices)90265
(Zip Code)

Registrant's telephone number, including area code: (310) 456-7799

1. On March 30, 1998, all of the Company's outstanding shares of 4% Redeemable Convertible Preferred Stock, par value \$.001 per share, were converted, upon demand of the respective holders thereof, into 939,998 shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), based on a conversion price of \$7.50. On April 7, 1998, the Company filed a Certificate of Elimination of all Shares of 4% Redeemable Convertible Preferred Stock.

2. On April 1, 1998, the Company issued and sold 1,000 shares of Series A Cumulative Convertible Preferred Stock, par value \$.001 per share (the "Series A Preferred Stock"), to two investment funds at a price of \$5,000 per share. The holders of the Series A Preferred Stock are entitled to receive preferential dividends at an annual rate of \$350 per share and to convert their shares into Common Stock based on a conversion price of \$8.95 (subject to adjustment for certain dilutive events and specified transactions). The Series A Preferred Stock is redeemable, in whole, but not in part, at par (together with all accrued and unpaid dividends) at the Company's option if (a) the Common Stock is then traded on the Nasdaq National Market or the New York Stock Exchange; (b) the average Current Market Price (as defined) of the Common Stock over a period of 20 Trading Days (as defined) equals or exceeds \$20.00; and (c) the shares of Common Stock issuable upon conversion of the Series A Preferred Stock are subject to a registration statement under the Securities Act of 1933 that has become effective and permits the sale of such shares on a continuous or delayed basis. The Series A Preferred Stock is also redeemable at par (together with accrued and unpaid dividends) at the option of any holder thereof upon the occurrence of certain specified Events of Redemption (as defined). The holders of the Series A Preferred Stock have no voting rights, other than as required by the Delaware General Corporation Law; class voting with respect to certain amendments of the Company's Certificate of Incorporation or By-laws or the authorization or issuance of certain shares; or in the event of the non-payment of dividends for two quarters, in which case, the holders may designate or elect two directors of the Company.

(c) EXHIBITS.

NUMBER	DESCRIPTION
3.1	Certificate of Elimination of all Shares of 4% Redeemable Convertible Preferred Stock of the Registrant.
3.2	Certificate of Designation and Preferences of Series A Cumulative Convertible Preferred Stock of the Registrant.
10.1	Series A Cumulative Convertible Preferred Stock Purchase Agreement dated April 1, 1998 among the Registrant, Renaissance Capital Growth & Income Fund III, Inc. and ProFutures Bridge Capital Fund, L.P.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 7, 1998

JAKKS PACIFIC, INC.

By: /s/ Jack Friedman

 Jack Friedman
 Chairman and Chief Executive Officer

EXHIBIT INDEX

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CERTIFICATE OF ELIMINATION OF ALL SHARES
OF
4% REDEEMABLE CONVERTIBLE PREFERRED STOCK
OF
JAKKS PACIFIC, INC.

UNDER SECTION 151(g)
OF THE
DELAWARE GENERAL CORPORATION LAW

The undersigned hereby certifies on behalf of JAKKS Pacific, Inc., a Delaware corporation (the "Company"), as follows:

The Company having authorized and issued 3,525 shares of 4% Redeemable Convertible Preferred Stock, par value \$.001 per share (the 4% Preferred Stock"); and all of such shares having been converted into shares of common stock, par value \$.001 per share, of the Company; and the Certificate of Designation of the 4% Preferred Stock, as filed with the Secretary of State of the State of Delaware on October 23, 1997, providing in Section 3(e) thereof that, upon such conversion, all such shares of 4% Preferred Stock shall be retired and resume the status of preferred stock of the Company without designation;

To eliminate from the Restated Certificate of Incorporation of the Company all matters pertaining to the 4% Preferred Stock, the Board of Directors of the Company adopted the following resolution:

RESOLVED, that, none of the authorized shares of 4% Redeemable Convertible Preferred Stock of the Company being outstanding, none of such shares is to be issued, and the President and each Vice President of the Company be, and each of them hereby is, authorized and directed, in the name and on behalf of the Company, to execute and file, pursuant to the Delaware General Corporation Law, and, in particular, Section 151(g) thereof, a Certificate setting forth this resolution to eliminate from the Certificate of Incorporation of the Company all provisions of the Certificate of Designation of the 4% Redeemable Convertible Preferred Stock previously filed.

Dated April 6, 1998

/s/ Stephen G. Berman

Stephen G. Berman
Executive Vice President

JAKKS PACIFIC, INC.

CERTIFICATE OF DESIGNATION AND PREFERENCES OF
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

DATED AS OF MARCH 31, 1998

JAKKS PACIFIC, INC.

CERTIFICATE OF DESIGNATION AND PREFERENCES OF
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

JAKKS PACIFIC, INC., a Delaware corporation, having its principal office in Malibu, California (the "Corporation"), hereby certifies to the Secretary of State of the State of Delaware that:

Pursuant to authority expressly vested in the Board of Directors of the Corporation by the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors has duly adopted resolutions authorizing the creation and issuance of up to One Thousand (1,000) shares of Series A Cumulative Convertible Preferred Stock, \$.001 par value, with a liquidation preference of Five Thousand Dollars (\$5,000.00) per share, and determining the preferences, rights, powers, limitations, qualifications and restrictions, as follows:

SECTION 1. NUMBER OF SHARES AND DESIGNATION. This series of Preferred Stock, \$.001 par value, shall be designated as Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock"), and the number of shares which shall constitute such series shall be 1,000 shares.

SECTION 2. DEFINITIONS. For purposes of the Series A Preferred Stock, the following terms shall have the meanings indicated below:

"Act" shall mean the Securities Act of 1933, as amended.

"Affiliate" of a person means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified.

"Board of Directors" shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series A Preferred Stock.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

"Call Date" shall have the meaning set forth in paragraph (b) of Section 6 hereof.

"Common Stock" shall mean the common stock, \$.001 par value, of the Corporation or such shares of the Corporation's capital stock into which such Common Stock shall be reclassified.

"Current Market Price" of publicly traded shares of Common Stock or any other class or series of capital stock or other security of the Corporation or of any similar security of any other issuer for any day shall mean the last reported sale price, regular way on such day, or, if no sale takes place on such day, the reported closing bid price, regular way on such day, in either case as reported on the NASDAQ National Market of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or, if not quoted on NASDAQ, on the principal national securities exchange on which such security is listed or admitted for trading or, if such security is not listed or admitted for trading on a national securities exchange or quoted on the NASDAQ National Market, the closing bid price on such day in the over-the-counter market as reported by NASDAQ, or, if the bid price for such security on such day shall not have been reported through NASDAQ, the bid price on such day as furnished by any NYSE member firm regularly making a market in such security selected for such purpose by the Chief Executive Officer or the Board of Directors or if any class or series of securities are not publicly traded, the fair value of the shares of such class as determined reasonably and in good faith by the Board of Directors of the Corporation or other issuer.

"Dividend Payment Date" shall mean, with respect to each Dividend Period, the last day of March, June, September and December, in each year, commencing on June 30, 1998; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall be paid on the Business Day immediately following such Dividend Payment Date.

"Dividend Periods" shall mean quarterly dividend periods commencing on January 1, April 1, July 1 and October 1 of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period (other than the initial Dividend Period, which shall commence on the Issue Date and end on and include June 30, 1998).

"Fair Market Value" on any date shall mean the average of the daily Current Market Price of a share of Common Stock during five (5) consecutive Trading Days ending on the day before such date.

"Funds Available for Distribution" shall mean funds from operations (net income, computed in accordance with generally accepted accounting principles, excluding gains or losses from debt restructuring and sales of property, plus depreciation and amortization) minus non-revenue generated capital expenditures and debt principal amortization, as determined by the Board of Directors on a basis consistent with the policies and practices adopted by the Corporation for reporting publicly its results of operations and financial condition.

"Issue Date" shall mean April 1, 1998.

"Junior Stock" shall have the meaning set forth in paragraph (c) of Section 9 hereof.

"NYSE" shall mean the New York Stock Exchange.

"Parity Stock" shall have the meaning set forth in paragraph (b) of Section 9 hereof.

"Permitted Common Stock Cash Distributions" means cash dividends and cash distributions paid on Common Stock after December 31, 1997 not in excess of the sum of the Corporation's cumulative undistributed net earnings at December 31, 1997, plus the cumulative amount of Funds Available for Distribution after December 31, 1997, minus the cumulative amount of dividends accumulated, accrued or paid on the Series A Preferred Stock or any other class of Preferred Stock after January 1, 1998.

"Person" shall mean any individual, partnership, corporation or other entity and shall include the successor (by merger or otherwise) of such entity.

"Redemption Date" shall have the meaning set forth in paragraph (b) of Section 7 hereof.

"Series A Preferred Stock" shall have the meaning set forth in Section 1 hereof.

"Set apart for payment" shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; provided, however, that if any funds for any class or series of Junior Stock or any class or series of Parity Stock are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then "set apart for payment" with respect to the Series A Preferred Stock shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

"Trading Day," as to any securities, shall mean any day on which such securities are traded on the NYSE or, if such securities are not listed or admitted for trading on the NYSE, on the principal national securities exchange on which such securities are listed or admitted or, if such securities are not listed or admitted for trading on any national securities exchange, on the NASDAQ National Market or, if such securities are not quoted on the NASDAQ National Market, in the securities market in which such securities are traded.

SECTION 3. DIVIDENDS.

(a) The holders of Series A Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available for that purpose, cumulative dividends payable in cash in an amount per share of Series A Preferred Stock equal to \$350.00 per annum. Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Periods such dividends shall be declared or there shall be funds of the Corporation legally available for the payment of such dividends, and shall be payable

quarterly on the Dividend Payment Dates, commencing on the first Dividend Payment Date after the Issue Date. Each such dividend shall be payable to the holders of record of the Series A Preferred Stock, as they appear on the stock records of the Corporation at the close of business on a record date which shall be not more than sixty (60) days prior to the applicable Dividend Payment Date. Accumulated, accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, which date shall not precede by more than forty-five (45) days the payment date thereof, as may be fixed by the Board of Directors. The amount of accumulated, accrued and unpaid dividends on any share of Series A Preferred Stock, or fraction thereof, at any date shall be the amount of any dividends thereon calculated at the applicable rate to and including such date, whether or not earned or declared, which have not been paid in cash.

(b) The amount of dividends payable per share of Series A Preferred Stock for each Dividend Period shall be computed by dividing the annual dividend by four (4). The amount of dividends payable per share of Series A Preferred Stock for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, shall be computed ratably on the basis of twelve (12) 30-day months and a 360-day year. Holders of Series A Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided on the Series A Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears.

(c) So long as any of the shares of Series A Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be declared or paid or set apart for payment by the Corporation, or other distribution of cash or other property declared or made directly or indirectly by the Corporation or any affiliate or any person acting on behalf of the Corporation or any of its affiliates with respect to any class or series of Parity Stock for any period, unless dividends equal to the full amount of accumulated, accrued and unpaid dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof have been or contemporaneously are set apart for such payment on the Series A Preferred Stock for all Dividend Periods terminating on or prior to the Dividend Payment Date with respect to such class or series of Parity Stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon the Series A Preferred Stock and all dividends declared upon any other class or series of Parity Stock shall be declared ratably in proportion to the respective amounts of dividends accumulated, accrued and unpaid on the Series A Preferred Stock and accumulated, accrued and unpaid on such Parity Stock.

(d) So long as any of the shares of Series A Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Stock) shall be declared or paid or set apart for payment by the Corporation, or other distribution of cash or other property declared or made directly or indirectly by the Corporation or any affiliate or any person acting on behalf of the Corporation or any of its affiliates with respect to any shares of Junior Stock, nor shall any shares of Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption,

purchase or other acquisition of Common Stock made for purposes of an employee incentive or benefit plan of the Corporation or any subsidiary) for any consideration (or any moneys be paid to or made available for a sinking-fund for the redemption of any shares of any such stock) directly or indirectly by the Corporation or any affiliate or any person acting on behalf of the Corporation or any of its affiliates (except by conversion into or exchange for Junior Stock), nor shall any other cash or other property otherwise be paid or distributed to or for the benefit of any holder of shares of Junior Stock in respect thereof, directly or indirectly, by the Corporation or any affiliate or any person acting on behalf of the Corporation or any of its affiliates unless in each case (i) the full cumulative dividends (including all accumulated, accrued and unpaid dividends) on all outstanding shares of Series A Preferred Stock and any other Parity Stock of the Corporation shall have been paid or such dividends have been declared and set apart for payment for all past Dividend Periods with respect to the Series A Preferred Stock and all past Dividend Periods with respect to such Parity Stock, and (ii) sufficient funds shall have been paid or set apart for the payment of the full dividend for the current Dividend Period with respect to the Series A Preferred Stock and the current Dividend Period with respect to such Parity Stock.

SECTION 4. LIQUIDATION PREFERENCE.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Stock, the holders of shares of Series A Preferred Stock shall be entitled to receive Five Thousand Dollars (\$5,000.00) per share of Series A Preferred Stock, plus an amount equal to all dividends (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holders. Until the holders of the Series A Preferred Stock have been paid the liquidation preference in full, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series A Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Series A Preferred Stock and any such other Parity Stock ratably in the same proportion as the respective amounts that would be payable on such Series A Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more corporations, (ii) a sale or transfer of all or substantially all of the Corporation's assets, or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of any shares of Parity Stock, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Series A Preferred Stock and any Parity Stock, as provided in this Section 4, any other series or class or classes of Junior Stock shall, subject to the respective terms thereof, be entitled to receive any and all assets remaining to be paid or distributed, and

the holders of the Series A Preferred Stock and any Parity Stock shall not be entitled to share therein.

SECTION 5. CONVERSION RIGHTS. The holders of shares of Series A Preferred Stock shall have the right, at their option, to convert such shares into shares of Common Stock of the Corporation at any time on and subject to the following terms and conditions:

(a) The shares of Series A Preferred Stock shall be convertible at the office of the transfer agent for the Common Stock or the principal executive office of the Corporation, into fully paid and non-assessable shares (calculated as to each conversion to the nearest 1/100th of a share) of Common Stock of the Corporation, at the conversion price, determined as hereinafter provided, in effect at the time of conversion, each share of Series A Preferred Stock being taken at \$5,000.00 for the purpose of such conversion. The price at which shares of Common Stock shall be delivered upon conversion (the "Conversion Price") shall initially be \$8.95 per share of Common Stock. The conversion price shall be adjusted in certain instances as provided below.

(b) In order to convert shares of Series A Preferred Stock into Common Stock, the holder thereof shall surrender at the office or offices hereinabove mentioned the certificate or certificates therefor, duly endorsed or assigned to the Corporation or in blank, and give written notice to the Corporation at said office or offices that such holder elects to convert such shares. Shares of Series A Preferred Stock surrendered for conversion during the period from the close of business on any record date for the payment of a dividend on the shares of Series A Preferred Stock to the opening of business on the date for payment of such dividend shall (except in the case of shares of Series A Preferred Stock which have been called for redemption on a redemption date within such period) be accompanied by a payment of an amount equal to the dividend declared and payable on such dividend payment date on the shares of Series A Preferred Stock being surrendered for conversion. Except as provided in the preceding sentence, no payment or adjustment shall be made upon any conversion on account of any unpaid or accrued dividends on the shares of Series A Preferred Stock surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

Shares of Series A Preferred Stock shall be deemed to have been converted immediately prior to the close of business on the day of the surrender of the certificates for such shares for conversion in accordance with the foregoing provisions, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Corporation shall issue and shall deliver at such office a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with payment in lieu of any fraction of a share, as hereinafter provided, to the person or persons entitled to receive the same. In case shares of Series A Preferred Stock are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the date fixed for redemption, unless default shall be made in payment of the redemption price.

(c) No fractional shares of Common Stock shall be issued upon conversion of shares of Series A Preferred Stock, but, instead of any fraction of a share which would otherwise be issuable, the Corporation shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the Closing Price (as hereinafter defined) on the date on which the certificate or certificates for such shares were duly surrendered for conversion, or, if such date is not a Trading Day (as hereinafter defined), on the next Trading Day.

(d) The Conversion Price shall be adjusted from time to time as follows:

(i) Adjustment for Issuance of Shares at Less Than the Conversion Price. If at any time after the date of the first issuance of Series A Preferred Stock, the Company shall issue any shares of Common Stock, Convertible Securities (as hereinafter defined), Rights (as hereinafter defined) or Related Rights (as hereinafter defined; any such shares, Convertible Securities, Rights or Related Rights, "Securities") without consideration or for a consideration per share or unit less than the Conversion Price in effect immediately prior to the issuance of such Securities, then the Conversion Price in effect immediately prior to each such issuance shall forthwith be reduced to the quotient obtained by dividing:

(A) an amount equal to the sum of (1) the total number of shares of Common Stock outstanding immediately prior to such issuance (including for this purpose the number of shares of Common Stock into which the shares of Series A Preferred Stock outstanding immediately prior to such issuance are convertible on the date of such issuance in accordance with Subsection 5(a) (without regard to Subsection 5(c)), without giving effect to such issuance) multiplied by the Conversion Price in effect immediately prior to such issuance, and (2) the amount of consideration, if any, received by the Company upon such issuance, by

(B) the total number of shares of Common Stock (1) outstanding immediately after such issuance (including the number of shares of Common Stock into which the shares of Series A Preferred Stock outstanding immediately prior to such issuance are convertible on the date of such issuance in accordance with Subsection 5(a) (without regard to Subsection 5(c)), without giving effect to such issuance) or (2) into or for which any such newly issued Convertible Securities are then convertible or exchangeable or (3) issuable upon the exercise of any such Rights or Related Rights).

(C) For the purpose of this Subsection 5(d), the following definitions and procedures shall be applicable:

(1) In the case of the issuance of options, warrants or other rights to purchase or otherwise acquire Common Stock, whether or not at the time exercisable ("Rights"), the total number of shares of Common Stock issuable upon exercise of such Rights shall be deemed to

have been issued at the time such Rights are issued, for a consideration equal to the sum of the consideration, if any, received by the Company upon the issuance of such rights and the minimum purchase or exercise price payable upon the exercise of such Rights for the Common Stock to be issued upon the exercise thereof.

(2) In the case of the issuance of any class or series of stock or any bonds, debentures, notes or other securities or obligations convertible into or exchangeable for Common Stock, whether or not then convertible or exchangeable ("Convertible Securities"), or options, warrants or other rights to purchase or otherwise acquire Convertible Securities ("Related Rights"), the total number of shares of Common Stock issuable upon the conversion or exchange of such Convertible Securities or exercise of such Related Rights shall be deemed to have been issued at the time such Convertible Securities or Related Rights are issued, for a consideration equal to the sum of (I) the consideration, if any, received by the Company upon issuance of such Convertible Securities or Related Rights (excluding any cash received on account of accrued interest or dividends) and (II) (A) in the case of Convertible Securities, the minimum additional consideration, if any, to be received by the Company upon the conversion or exchange of such Convertible Securities or (B) in the case of Related Rights, the sum of (x) the minimum purchase or exercise price payable upon the exercise of such Related Rights for Convertible Securities and (y) the minimum additional consideration, if any, to be received by the Company upon the conversion or exchange of the Convertible Securities issued upon the exercise of such Related Rights.

(3) On any change in the number of shares of Common Stock issuable upon the exercise of Rights or Related Rights or upon the conversion or exchange of Convertible Securities or on any change in the minimum purchase or exercise price of Rights, Related Rights or Convertible Securities, including, but not limited to, a change resulting from the anti-dilution provisions of such Rights, Related Rights or Convertible Securities, the Conversion Price to the extent in any way affected by such Rights, Related Rights or Convertible Securities shall forthwith be readjusted to be thereafter the Conversion Price that would have been obtained had the adjustment which was made upon the issuance of such Rights, Related Rights or Convertible Securities been made after giving effect to such change. No further adjustment shall be made in respect of such change upon the actual issuance of Common Stock or any payment of consideration upon the exercise of any such Rights or Related Rights or the conversion or exchange of such Convertible Securities.

(4) On the expiration or cancellation of any such Rights, Related Rights or Convertible Securities, if the Conversion Price shall

have been adjusted upon the issuance thereof, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have been obtained had the adjustment made upon the issuance of such Rights, Related Rights or Convertible Securities been made upon the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such Rights or Related Rights or the conversion or exchange of such Convertible Securities.

(ii) Sale of Shares. In case of the issuance of Securities for a consideration part or all of which shall be cash, the amount of the cash consideration therefor shall be deemed to be the gross amount of the cash paid to Corporation for such shares, before deducting any underwriting compensation or discount in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services or for any expenses incurred in connection therewith. In case of the issuance of any Securities for a consideration part or all of which shall be other than cash, the amount of the consideration therefor, other than cash, shall be deemed to be the then fair market value of the property received.

(iii) Reclassification of Shares. In case of the reclassification of securities into shares of Common Stock, the shares of Common Stock issued in such reclassification shall be deemed to have been issued for a consideration other than cash. Securities issued by way of dividend or other distribution on any class of stock of Corporation shall be deemed to have been issued without consideration.

(iv) Stock Dividends, Stock Splits, Subdivisions or Combinations. In the event of a stock dividend, stock split or subdivision of shares of Common Stock into a greater number of shares, the Conversion Price shall be proportionately decreased, and in the event of a combination of shares of Common Stock into a smaller number of shares, the Conversion Price shall be proportionately increased, such increase or decrease, as the case may be, becoming effective at the record date.

(v) Exceptions. The adjustments provided in Subsection 5(d)(i) shall not apply to any (A) Common Stock issued upon the conversion of any of the Series A Preferred Stock; (B) Common Stock issued upon exercise of any outstanding warrants, options or debentures; (C) Common Stock issued upon exercise of outstanding employee stock options; and (D) up to 200,000 shares of Common Stock issuable upon exercise of employee stock options to be granted subsequent to the date hereof.

(vi) Adjustment for Mergers and Consolidations.

(A) In the event of distribution to all Common Stock holders of any stock, indebtedness of the Corporation or assets (excluding cash dividends or distributions from retained earnings) or other rights to purchase securities or assets, then, after such event, the shares of Series A Preferred Stock will be convertible into the kind and amount of securities, cash and other property which

the holder of the shares of Series A Preferred Stock would have been entitled to receive if the holder owned the Common Stock issuable upon conversion of the shares of Series A Preferred Stock immediately prior to the occurrence of such event.

(B) In case of any capital reorganization, reclassification of the stock of the Corporation (other than a change in par value or as a result of a stock dividend, subdivision, split up or combination of shares), the shares of Series A Preferred Stock shall be convertible into the kind and number of shares of stock or other securities or property of the Corporation to which the holder of the shares of Series A Preferred Stock would have been entitled to receive if the holder owned the Common Stock issuable upon conversion of the shares of Series A Preferred Stock immediately prior to the occurrence of such event. The provisions of the immediately foregoing sentence shall similarly apply to successive reorganizations, reclassifications, consolidations, exchanges, leases, transfers or other dispositions or other share exchanges.

(C) The term "Fair Market Value," as used herein, is the value ascribed to consideration other than cash as determined by the Board of Directors of the Corporation in good faith, which determination shall be final, conclusive and binding. If the Board of Directors shall be unable to agree as to such fair market value, then the issue of fair market value shall be submitted to arbitration under and pursuant to the rules and regulations of the American Arbitration Association, and the decision of the arbitrators shall be final, conclusive and binding, and a final judgment may be entered thereon; provided, however, that such arbitration shall be limited to determination of the fair market value of assets tendered in consideration for the issue of Common Stock.

(e) Whenever the conversion price is adjusted as herein provided:

(i) The Corporation shall compute the adjusted conversion price in accordance with this Section 5 and shall cause to be prepared a certificate signed by the Corporation's treasurer setting forth the adjusted conversion price and showing in reasonable detail the fact upon which such adjustment is based; and

(ii) A notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall, as soon as practicable, be mailed to the holders of record of outstanding shares of Series A Preferred Stock.

(f) In case:

(i) The Corporation shall declare a dividend or other distribution on its Common Stock payable otherwise than in cash out of retained earnings;

(ii) The Corporation shall authorize the issuance to the holders of its Common Stock of rights or warrants entitling them to subscribe for or purchase any shares of capital stock of any class or any other subscription rights or warrants; or

(iii) Of any reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or of the sale, transfer or other disposition of all or substantially all of the assets of the Corporation; or

(iv) Of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

then the Corporation shall cause to be mailed to the holders of record of the outstanding shares of Series A Preferred Stock, at least 20 days (or 10 days in any case specified in clause (i) or (ii) above) prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date as of which the holders of record of Common Stock to be entitled to such dividend, distribution, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up is expected to become effective, and the date as of which it is expected that holders of record of Common Stock shall be entitled to exchange their shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding up, or the vote on any action authorizing such.

(g) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of issuance upon conversion of shares of Series A Preferred Stock, the full number of shares of Common Stock then deliverable upon the conversion of all shares of Series A Preferred Stock then outstanding.

(h) The Corporation will pay any and all taxes that may be payable in respect of the issuance or delivery of shares of Common Stock on conversion of shares of Series A Preferred Stock pursuant thereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation that such tax has been paid.

(i) The certificate of any independent firm of public accountants of nationally recognized standing selected by the Board of Directors shall be presumptive evidence of the correctness of any computation made under this Section 5.

SECTION 6. REDEMPTION AT THE OPTION OF THE CORPORATION.

(a) On any Dividend Payment Date, and after prior irrevocable notice of redemption as provided for below, the Series A Preferred Stock is redeemable, in whole but not in part, at the option of the Corporation at 100% of par, together with accrued and unpaid dividends through the Redemption Date, by the Corporation, if all of the following conditions are satisfied: (i) the Current Market Price for the Common Stock averages at least \$20.00 per share for the 20 consecutive Trading Days prior to the irrevocable notice and the Common Stock is listed or quoted on the NASDAQ National Market or NYSE; and (ii) the Corporation shall have filed a shelf registration statement covering the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, which shall have become effective. The Corporation's right of redemption is subject to the holders' prior right of conversion of the Series A Preferred Stock.

(b) Shares of Series A Preferred Stock shall be redeemed by the Corporation on the date specified in the notice to holders required under paragraph (d) of this Section 6 (the "Call Date"). The Call Date shall be selected by the Corporation, shall be specified in the notice of redemption and shall be thirty (30) days after the date notice of redemption is sent by the Corporation. Immediately prior to authorizing any redemption of the Series A Preferred Stock, and as a condition precedent for such redemption, the Corporation, by resolution of its Board of Directors, shall declare a mandatory dividend on the Series A Preferred Stock payable in cash on the Call Date in an amount equal to all accumulated, accrued and unpaid dividends as of the Call Date on the Series A Preferred Stock to be redeemed, which amount shall be added to the redemption price. If the Call Date falls after a dividend payment record date and prior to the corresponding Dividend Payment Date, then each holder of Series A Preferred Stock at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date, notwithstanding the redemption of such shares prior to such Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for accumulated or accrued dividends on shares of Series A Preferred Stock called for redemption.

(c) Neither the Corporation nor any affiliate of the Corporation may purchase or acquire shares of Series A Preferred Stock, otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of shares of Series A Preferred Stock.

(d) If the Corporation shall redeem shares of Series A Preferred Stock pursuant to this Section 6, notice of such redemption shall be given to each holder of record of the shares to be redeemed. Such notice shall be provided by first class mail, postage prepaid, at such holder's address as the same appears on the stock records of the Corporation thirty (30) days prior to the Call Date. Neither the failure to mail any notice required by this paragraph (d), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed notice shall state, as appropriate: (1) the Call Date; (2) the number

of shares of Series A Preferred Stock to be redeemed from such holder as shown on the stock transfer records of the Corporation; (3) the place or places at which certificates for such shares are to be surrendered; and (4) that dividends on the shares of Series A Preferred Stock to be redeemed shall cease to accrue on such Call Date, except as otherwise provided herein. Notice having been mailed as aforesaid, from and after the Call Date (unless the Corporation shall fail to issue and make available at the office of the transfer agent the amount of cash necessary to effect such redemption, including all accumulated, accrued and unpaid dividends to the Call Date, whether or not earned or declared), (i) except as otherwise provided herein, dividends on the shares of Series A Preferred Stock so called for redemption shall cease to accumulate or accrue on the shares of Series A Preferred Stock called for redemption (except that, in the case of a Call Date after a dividend record date and prior to the related Dividend Payment Date, holders of Series A Preferred Stock on the dividend record date will be entitled on such Dividend Payment Date to receive the dividend payable on such shares), (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series A Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Call Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has an office in the Borough of Manhattan, the City of New York, or in Dallas, Texas, and that has, or is an affiliate of a bank or trust company that has, capital and surplus of at least \$25,000,000, such amount of cash as is necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the shares of Series A Preferred Stock. No interest shall accrue for the benefit of the holders of shares of Series A Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two (2) years from the Call Date shall revert to the general funds of the Corporation, after which reversion the holders of shares of Series A Preferred Stock so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such certificates shall be exchanged for cash (without interest thereon) for which such shares have been redeemed in accordance with such notice.

SECTION 7. REDEMPTION AT THE OPTION OF THE HOLDER.

(a) At any time after the date hereof, upon notice by the Corporation of any proposed change of any provision of the Certificate of Incorporation or Bylaws that relate to the Board of Directors or the election of directors or any merger or consolidation involving the Corporation or a sale of all or substantially all of the assets of the Corporation (collectively, "Events of Redemption"), the Series A Preferred Stock is redeemable at the option of each holder of Series A Preferred Stock at 100% of par, together with accrued and unpaid dividends through the Redemption Date. Notice of an Event of Redemption shall be given by the

Corporation to each holder of record of Series A Preferred Stock by first class mail, postage prepaid, at such holder's address as the same appears on the stock records of the Corporation. Each holder may exercise his right to require the Corporation to redeem all, but not less than all, of the shares of Series A Preferred Stock owned by him of record by written notice to the Corporation at the address specified in the notice of an Event of Redemption. Such notice shall be sent by first class mail, postage prepaid, within thirty (30) days of receipt by such holder of the notice of an Event of Redemption.

(b) Shares of Series A Preferred Stock may be redeemed at the option of the holder by the Corporation on the date specified in the notice of an Event of Redemption (the "Redemption Date"). The Redemption Date selected by the Corporation shall be sixty (60) days after the date notice of an Event of Redemption is sent by the Corporation. As a condition precedent for such redemption, the Corporation, by resolution of its Board of Directors, shall declare a mandatory dividend on the Series A Preferred Stock payable in cash on the Redemption Date in an amount equal to all accumulated, accrued and unpaid dividends as of the Redemption Date on the Series A Preferred Stock to be redeemed, which amount shall be added to the redemption price. If the Redemption Date falls after a dividend payment record date and prior to the corresponding Dividend Payment Date, then each holder of Series A Preferred Stock at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date, notwithstanding the redemption of such shares prior to such Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for accumulated or accrued dividends on shares of Series A Preferred Stock to be redeemed.

(c) Neither the failure to mail any notice required by Subsection 7(a), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed notice shall state, as appropriate: (1) the Redemption Date; (2) the place or places at which certificates for such shares are to be surrendered; and (3) that dividends on the shares of Series A Preferred Stock to be redeemed shall cease to accrue on such Redemption Date, except as otherwise provided herein. Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to issue and make available at the office of the transfer agent the amount of cash necessary to effect such redemption, including all accumulated, accrued and unpaid dividends to the Redemption Date, whether or not earned or declared), (i) except as otherwise provided herein, dividends on the shares of Series A Preferred Stock to be redeemed shall cease to accumulate or accrue on the shares of Series A Preferred Stock to be redeemed, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series A Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon).

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such certificates shall be exchanged for cash (without interest thereon) for which such shares have been redeemed in accordance with such notice.

SECTION 8. SERIES A PREFERRED STOCK TO BE RETIRED. All shares of Series A Preferred Stock which shall have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized, but unissued shares of Preferred Stock, without designation as to series. The Corporation may also retire any unissued shares of Series A Preferred Stock, and such shares shall then be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

SECTION 9. RANKING. Any class or series of capital stock of the Corporation shall be deemed to rank:

(a) prior or senior to the Series A Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series A Preferred Stock;

(b) on a parity with the Series A Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series A Preferred Stock, if the holders of such class of stock or series and the Series A Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority of one over the other ("Parity Stock"); and

(c) junior to the Series A Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock or series shall be Common Stock or if the holder of Series A Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such class or series ("Junior Stock").

SECTION 10. VOTING.

(a) The affirmative vote of the holders of sixty-six and two-thirds percent (66 2/3%) of the votes entitled to be cast by holders of the Series A Preferred Stock then outstanding, voting as a single class, in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be required in order to amend the Certificate of Incorporation or Bylaws to affect materially and adversely the rights, preferences

or voting power of the holders of the Series A Preferred Stock or to authorize, create or increase the authorized amount of, any class of stock having rights prior or senior to the Series A Preferred Stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up. However, the Corporation may create additional classes, shares or series of Parity Stock with the consent of the holders of a majority of the outstanding shares of Series A Preferred Stock, and may create classes of Junior Stock, increase the authorized number of shares of Junior Stock and issue additional series of Junior Stock, without the consent of any holder of Series A Preferred Stock.

(b) If and whenever two (2) quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two (2), and the directors then serving shall appoint to the Board of Directors two (2) persons designated by the holders of a majority of the then outstanding shares of Series A Preferred Stock; provided that if ProFutures Bridge Capital Fund, L.P., a Delaware limited partnership ("ProFutures"), owns in excess of twenty-five percent (25%) of the outstanding Series A Preferred Stock, then one (1) such person shall be acceptable to ProFutures. The holders of shares of Series A Preferred Stock shall thereafter be entitled to designate or elect the two (2) additional directors to serve on the Board of Directors, by the vote of a plurality of the votes cast by the holders of the Series A Preferred Stock at an annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series A Preferred Stock called from time to time for the election of directors; provided that if ProFutures owns in excess of twenty-five percent (25%) of the outstanding Series A Preferred Stock, then one (1) such director shall be acceptable to ProFutures. Whenever all arrears in dividends on the Series A Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series A Preferred Stock to elect such additional two (2) directors shall cease (but subject always to the same provision of the vesting of such voting rights in the case of any similar future arrearage in two (2) quarterly dividends), and the terms of office of all persons elected as directors by the holders of the Series A Preferred Stock shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of Series A Preferred Stock, if the Board of Directors fails to appoint the two designees of the holders of the Series A Preferred Stock, as hereinabove provided, the Secretary of the Corporation shall, upon the written request of any holder of Series A Preferred Stock (addressed to the Secretary at the principal office of the Corporation), call a special meeting of the holders of the Series A Preferred Stock for the election of the two (2) directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called, as above provided, shall not be called by the Secretary within twenty (20) days after receipt of any such request, then any holder of Series A Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu

thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series A Preferred Stock, a successor shall be elected by the Board of Directors, upon the nomination of the then remaining directors elected by the holders of the Series A Preferred Stock or the successors of such remaining directors, to serve until the next annual meeting of the stockholders or special meeting held in place thereof if such office shall not have previously terminated as above provided. Notwithstanding the foregoing, the total number of directors designated or elected by the holders of shares of Series A Preferred Stock, as such, pursuant to this Section 10(b) or by such holders, as such, or any affiliate of any of them pursuant to any other agreement or instrument will not exceed two (2), unless such other agreement or instrument expressly provides for a greater number.

So long as any shares of Series A Preferred Stock are outstanding, the number of directors of the Corporation shall at all times be such that the exercise by the holders of shares of Series A Preferred Stock of the right to designate or elect directors under the circumstance provided in this Section 10(b) will not contravene any provisions of the Corporation's Certificate of Incorporation or Bylaws.

For purposes of the foregoing provisions of this Section 10, each share of Series A Preferred Stock shall have one (1) vote per share. Except as otherwise required by applicable law or as set forth herein, the holders of the Series A Preferred Stock shall not have any voting rights and powers, and the approval or consent of the holders thereof shall not be required for the taking of any corporate action.

SECTION 11. RECORD HOLDERS. The Corporation may deem and treat the record holder of any share of Series A Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be
duly executed as of March 31, 1998.

JAKKS PACIFIC, INC.

By: /s/ Jack Friedman

Jack Friedman, President

JAKKS PACIFIC, INC.

SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

PURCHASE AGREEMENT

APRIL 1, 1998

TABLE OF CONTENTS

ARTICLE I - PURCHASE AND SALE.....	1
Section 1.1 Purchase and Sale; Purchase Price	1
Section 1.2 Closing	2
Section 1.3 Transactions at Closing	2
Section 1.4 Fees and Expenses	2
ARTICLE II - REPRESENTATIONS AND WARRANTIES OF THE COMPANY	2
Section 2.1 Organization, Standing and Qualification	2
Section 2.2 Capitalization	3
Section 2.3 Validity of Stock	3
Section 2.4 Subsidiaries	3
Section 2.5 Financial Statements	3
Section 2.6 No Material Changes	4
Section 2.7 Permits	5
Section 2.8 Insurance	5
Section 2.9 Authorization; Approvals	5
Section 2.10 No Conflict with Other Instruments	6
Section 2.11 Labor Agreements and Actions	6
Section 2.12 Title to Properties; Liens and Encumbrances	6
Section 2.13 Compliance with Law and Other Instruments	7
Section 2.14 Patents, Trademarks and Other Intangible Assets ...	7
Section 2.15 Taxes	8
Section 2.16 Contracts	8
Section 2.17 Litigation	8
Section 2.18 Securities Laws	8
Section 2.19 Fees and Commissions	9
Section 2.20 Interested Party Transactions	9
Section 2.21 ERISA	9
Section 2.22 Environmental and Safety Laws	9
Section 2.23 SEC Reports	9
Section 2.24 Full Disclosure	10
ARTICLE III - REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PURCHASERS	10
Section 3.1 Authorization; Approvals; No Conflicts	10
Section 3.2 Investment Representations	10
Section 3.3 Investment Experience; Access to Information	10
Section 3.4 Restrictions on Transfer	11

Section 3.5	Transfer Instructions	11
Section 3.6	Fees and Commissions	11
ARTICLE IV - CONDITIONS TO CLOSING OF THE PURCHASERS		11
ARTICLE V - CONDITIONS TO CLOSING OF THE COMPANY		12
ARTICLE VI - REGISTRATION RIGHTS		13
Section 6.1	Shelf Registration	13
Section 6.2	Obligations of the Company	13
Section 6.3	Expenses of Registration	14
Section 6.4	Indemnification Regarding Registration Rights	14
Section 6.5	Reports Under the 1934 Act	17
Section 6.6	Assignment of Registration Rights	17
ARTICLE VII - MISCELLANEOUS		18
Section 7.1	Entire Agreement	18
Section 7.2	Survival of Representations and Warranties	18
Section 7.3	Notices	18
Section 7.4	Amendments	19
Section 7.5	Waiver and Consent	20
Section 7.6	Successors and Assigns	20
Section 7.7	Rights of Purchasers	20
Section 7.8	Execution and Counterparts	20
Section 7.9	No Third Party Beneficiaries	20
Section 7.10	Severability	20
Section 7.11	GOVERNING LAW	21

SCHEDULES

- 2.2 - Security Holders
- 2.5 - Financial Statements
- 2.6 - Material Changes

EXHIBITS

- A - Form of Certificate of Designation and Preferences of Series A Cumulative Convertible Preferred Stock
- B - Form of Legal Opinion of the Company's Counsel

SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

PURCHASE AGREEMENT

This AGREEMENT (the "Agreement"), dated as of April 1, 1998, is entered into by and among JAKKS PACIFIC, INC., a Delaware corporation (the "Company"), RENAISSANCE CAPITAL GROWTH & INCOME FUND III, INC., a Texas corporation, and PROFUTURES BRIDGE CAPITAL FUND, L.P., a Delaware limited partnership (individually referred to as Renaissance III and ProFutures, respectively, and together with any permitted assignees or successors in interest individually referred to as each or any "Purchaser" and collectively referred to as the "Purchasers").

RECITAL

WHEREAS, the Purchasers desire to purchase 1,000 shares of Series A Cumulative Convertible Preferred Stock, par value \$.001 per share, of the Company (the "Series A Preferred Stock"), having the rights, preferences, privileges and restrictions set forth in the Company's Certificate of Designation and Preferences of Series A Cumulative Convertible Preferred Stock by resolution, substantially in the form attached hereto as EXHIBIT A (the "Certificate of Designation"), and the Company desires to sell to the Purchasers such shares of Series A Preferred Stock on the terms and subject to the conditions set forth herein;

AGREEMENT

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements hereinafter contained and for other good and valuable consideration, the Company and the Purchasers hereby agree as follows:

ARTICLE I - PURCHASE AND SALE

Section 1.1 Purchase and Sale; Purchase Price. Subject to the provisions of this Agreement, at Closing (as hereinafter defined), the Company shall sell to the Purchasers, and the Purchasers shall purchase from the Company 1,000 shares of Series A Preferred Stock at the purchase price of \$5,000,000 (the "Purchase Price"), as follows:

PURCHASER -----	PURCHASE PRICE -----	NO. OF ----- SHARES -----
Renaissance Capital Growth & Income III, Inc.	\$3,000,000	600
ProFutures Bridge Capital Fund, L.P.	\$2,000,000	400

Section 1.2 Closing. The purchase and sale of the Series A Preferred Stock pursuant to Section 1.1 (the "Closing") shall each take place at the offices of Renaissance Capital Group, Inc., 8080 North Central Expressway, Suite 210, Dallas, Texas or at such other place as may be agreed upon by the Company and the Purchasers, at 10:00 a.m. local time on April 1, 1998 or at such other time and date as may be agreed upon by the Company and the Purchasers (the "Closing Date").

Section 1.3 Transactions at Closing. At the Closing, the Company shall deliver to the Purchasers certificates for the shares of Series A Preferred Stock to be issued and sold to the Purchasers hereunder duly registered in the Purchasers' names, or in such other names as the Purchasers shall have specified in writing to the Company, against payment in full by the Purchasers of the Purchase Price by delivery of checks drawn or wire transfers of immediately available funds payable to the order of the Company in the amount of the Purchase Price.

Section 1.4 Fees and Expenses. At Closing:

(a) The Company shall pay to Renaissance Capital Group, Inc. ("RCG") a closing fee of \$30,000.

(b) The Company shall pay \$15,000 for legal fees and expenses of RCG in connection with the preparation and negotiation of this Agreement and the Closing.

(c) All unpaid fees and expenses required to have been paid prior to the date hereof pursuant to the letter agreement dated March 12, 1998 among the parties.

(d) The Company shall pay to ProFutures closing and due diligence fees of \$45,000.

ARTICLE II - REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchasers that:

Section 2.1 Organization, Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its property and assets and to conduct its business as presently conducted and as proposed to be conducted by it. The Company has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and to carry out the transactions contemplated hereby. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its assets, properties, condition (financial or otherwise), operating results, prospects or business. Complete and correct copies of the Certificate of Incorporation and Bylaws of the Company have been delivered to the Purchasers.

Section 2.2 Capitalization. On the Closing Date, the authorized capital stock of the Company will consist of (a) 5,000 shares of preferred stock, par value \$.001 per share, of which 1,000 shares will be designated "Series A Cumulative Convertible Preferred Stock," and of which no shares are issued or outstanding prior to the Closing and (b) 25,000,000 shares of common stock, par value \$.001 per share (the "Common Stock"), of which 5,882,092 shares are issued and outstanding, a total of 2,340,603 shares are reserved for issuance pursuant to outstanding options, warrants and debentures, and 558,660 shares are reserved for issuance upon conversion of the Series A Preferred Stock. The outstanding shares of Common Stock are duly authorized and validly issued, fully paid and nonassessable and not subject to preemptive rights. Holders of shares of the Company's capital stock have no preemptive rights or rights of first refusal. Except for the transactions contemplated by this Agreement and as set forth in its SEC Filings (as defined in Section 2.23 herein) or on Schedule 2.2, there are (i) no outstanding warrants, options, convertible securities or rights to subscribe for or purchase any capital stock or other securities from the Company, (ii) no existing rights of security holders to require the Company to register any securities of the Company or to participate with the Company in any registration by the Company of its securities, (iii) to the best knowledge of the Company, no agreements among stockholders providing for the purchase or sale of the Company's capital stock and (iv) no obligations (contingent or otherwise) of the Company to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof. The Company is not a party or subject to any agreement or understanding, and, to the best knowledge of the Company, there is no agreement or understanding between any persons, that affects or relates to the voting or giving of written consents with respect to any security or the voting by a director of the Company.

Section 2.3 Validity of Stock. The Series A Preferred Stock, when issued, sold and delivered in accordance with the terms of this Agreement, will be duly authorized and validly issued, fully paid and nonassessable, and will be free of restrictions on transfer, other than restrictions on transfer under applicable state and federal securities laws, and not subject to preemptive rights. The Common Stock issuable upon conversion of the Series A Preferred Stock purchased under this Agreement has been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Certification of Designation, will be duly and validly issued, fully paid, and nonassessable and will be free of restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws.

Section 2.4 Subsidiaries. Except as set forth in its SEC Filings or on Schedule 2.4, the Company does not own or control, directly or indirectly, any other corporation, partnership, association or business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement.

Section 2.5 Financial Statements. The Company has furnished the Purchasers with the Company's (i) unaudited balance sheet as of December 31, 1997 (the "Balance Sheet") and (ii) unaudited statements of income for the period then ended (the "Statements of Income" and, together with the Balance Sheet, the "Financial Statements"). The Financial Statements are attached hereto as Schedule 2.5. The Financial Statements are true and correct in all material

respects, are in accordance with the books and records of the Company and have been prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied, and fairly and accurately present in all material respects the financial position of the Company as of such date and the results of its operations for the period then ended. Except as described in Schedule 2.5, the Company has no material liabilities, debts or obligations, whether accrued, absolute or contingent, other than liabilities reflected or reserved for in the Balance Sheet or disclosed in the notes to the Financial Statements. Except as disclosed in the Financial Statements, the Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP.

Section 2.6 No Material Changes. Since December 31, 1997, except as set forth in Schedule 2.6, the Company has been operated in the ordinary and usual course of business, and there has not been:

(a) any change in the (i) assets, liabilities, condition (financial or otherwise) or business of the Company from that reflected in the Balance Sheet, or (ii) operating results of the Company from that reflected in the Statements of Income, in either case, except changes in the ordinary course of business which have not been, in the aggregate, materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company (as such business is presently conducted and as it is proposed to be conducted);

(c) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and which is not individually or in the aggregate material to the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company (as such business is presently conducted and as it is proposed to be conducted);

(e) any change or amendment to a material contract or arrangement by which the Company or any of its assets or properties is bound or subject, other than those that have not been, individually or in the aggregate, materially adverse to the business of the Company;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder of the Company;

(g) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company, and the Company, to the best of its knowledge, does not know of the impending resignation or termination of employment of any such officer;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company with respect to any of its material properties or assets, except liens for taxes not yet due or payable;

(k) any loans or guarantees made by the Company to or for the benefit of its employees, officers or directors or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(l) any declaration, setting aside, or payment or other distribution in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Company;

(m) to the best knowledge of the Company, any other event or condition of any character which might materially adversely affect the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company (as such business is presently conducted and as it is proposed to be conducted); or

(n) any agreement or commitment by the Company to do any of the things described in this Section 2.6.

Section 2.7 Permits. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

Section 2.8 Insurance. The Company has in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow it to replace any of its material properties that might be damaged or destroyed.

Section 2.9 Authorization; Approvals. All corporate action on the part of the Company and its stockholders necessary for the authorization, execution, delivery and performance of all its obligations under this Agreement and for the authorization, issuance and delivery of the Series A Preferred Stock being sold under this Agreement and of the Common Stock initially issuable upon conversion of the Series A Preferred Stock has been (or will be) taken prior to the

Closing. This Agreement, when executed and delivered by or on behalf of the Company, shall constitute the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms. The Company has obtained or will obtain prior to the Closing Date all necessary consents, authorizations, approvals and orders, and has made all registrations, qualifications, designations, declarations or filings with all federal, state or other relevant governmental authorities required on the part of the Company in connection with the consummation of the transactions contemplated by this Agreement, except for such filings as may be required to be made after the Closing in order to comply with the requirements of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act") and applicable state laws.

Section 2.10 No Conflict with Other Instruments. The execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute, with or without the passage of time or giving of notice or both, a default under any terms or provisions of (i) the Certificate of Incorporation or Bylaws of the Company; (ii) any judgment, decree or order of any court or government agency or body having jurisdiction over the Company or its properties; (iii) any agreement, contract, understanding, indenture or other instrument to which the Company is a party or by which it is bound, the effect of which would have a material adverse effect on the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company; or (iv) any statute, rule or governmental regulation applicable to the Company.

Section 2.11 Labor Agreements and Actions. The Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the best knowledge of the Company, has sought to represent any of the employees, representatives or agents of the Company. There is no strike or other labor dispute involving the Company pending, or, to the best knowledge of the Company, threatened, which could have a material adverse effect on the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company (as such business is presently conducted and as it is proposed to be conducted), nor is the Company aware of any labor organization activity involving its employees. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate such person's employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing persons.

Section 2.12 Title to Properties; Liens and Encumbrances. Set forth in the SEC Filings is a description of the material real and personal property of the Company owned, leased or licensed to or by the Company. Except as set forth in the SEC Filings, (i) the Company has good and marketable title to all of the properties and assets, both real and personal, tangible and intangible, that it purports to own, including the properties and assets reflected on the Balance Sheet (except as sold or disposed of after the date thereof in the ordinary course of business and which in any event have not individually or in the aggregate had a material adverse affect on the assets, properties, condition (financial or otherwise), operating results, prospects or business of

the Company), and they are not subject to any mortgage, pledge, lien, security interest, conditional sale agreement, encumbrance or charge except routine statutory liens securing liabilities not yet due and payable and minor liens, encumbrances, restrictions, exceptions, reservations, limitations and other imperfections which do not materially detract from the value of the specific asset affected or the present use of such asset; and (ii) the Company is not in default or in breach of any provision of its leases or licenses other than provisions which would not permit acceleration or termination of any such lease or license and holds a valid leasehold or licensed interest in (y) the material property it leases or (z) the property that is licensed to it.

Section 2.13 Compliance with Law and Other Instruments. The Company is not in violation of any provision of (i) the Certificate of Incorporation or its Bylaws, or (ii) any judgment, decree, order, statute, rule or governmental regulation applicable to it, the violation of which would materially and adversely affect the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company. The Company is not in violation or default in any material respect of any provision of any mortgage, indenture, agreement, instrument or contract to which it is a party or by which it is bound. To the best knowledge of the Company, no employee of the Company is in violation of any term of any employment contract, patent or other proprietary information disclosure agreement or any other contract or agreement relating to the employment of such employee with the Company.

Section 2.14 Patents, Trademarks and Other Intangible Assets. All material patents, patent applications, trademarks, service marks, trade names and copyrights, and licenses and rights to the foregoing presently owned or held by the Company are disclosed in the SEC Filings, none of which is in dispute or in any conflict with the right of any other person or entity where an adverse outcome would have a material adverse effect on the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company. Except as disclosed in the SEC Filings, the Company (i) owns or has the unrestricted right to use, free and clear of all liens, claims and restrictions, all patents, trademarks, service marks, trade names, copyrights and trade secrets, including know-how, inventions, designs, processes, works of authorship, computer programs (with the exception of normal software purchased and sold as such) and technical data and information (collectively, the "Intellectual Property"), and licenses and rights with respect to the foregoing, used in the conduct of its business as now conducted or proposed to be conducted without infringing upon or otherwise acting adversely to the right or claimed right of any person, corporation or other entity, including former or current consultants, or employees and former employers of its past and present employees and (ii) is not obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any patent, trademark, service mark, trade name, copyright or other intangible asset, with respect to the use thereof or in connection with the conduct of its business or otherwise. There are no outstanding options, licenses or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks trade names, copyrights, trade secrets, licenses, information and proprietary rights and processes of any other person or entity. The Company has not received

any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets or other proprietary rights or processes of any other person or entity.

Section 2.15 Taxes. The Company has accurately and timely filed all federal income tax returns and all state and municipal tax returns that are required to be filed by it and has paid or made provision for the payment of all amounts due pursuant to such returns. The federal income tax returns of the Company have not been audited by the Internal Revenue Service, and there are no waivers in effect of the applicable statute of limitations for any period. No deficiency assessment or proposed adjustment of federal income taxes or state or municipal taxes of the Company is pending and the Company has no knowledge of any proposed liability for any tax to be imposed.

Section 2.16 Contracts. Except as set forth in its SEC Filings, the Company is not a party to any contract, and has no obligation or commitment, in each case (i) involving aggregate payments by the Company or having an aggregate value of more than \$25,000, or (ii) that is otherwise material to the business of the Company, or (iii) that is, or is reasonably likely to be, materially adverse to the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Company. Except as set forth in its SEC Filings or on Schedule 2.6, the Company has no employment or consulting contracts, deferred compensation agreements or bonus, incentive, profit-sharing or pension plans currently in force and effect, or any understanding with respect to any of the foregoing, or any non-competition and confidentiality agreements between the Company and any employee of the Company, any consultant to the Company or any other entity.

Section 2.17 Litigation. Except as set forth in its SEC Filings, there is no action, proceeding or governmental inquiry or investigation pending or, to the best knowledge of the Company, threatened against the Company or any of its officers, directors or employees (in their capacity as such) or any of the Company's assets or properties before any court, arbitration board or tribunal or administrative or other governmental agency. The foregoing includes, without limiting its generality, actions pending or known to the Company to be threatened involving (i) the prior employment of any of the Company's employees or use by any of them in connection with the Company's business of any information, property or techniques allegedly proprietary to any of their former employers or (ii) any prior employees of the Company in connection with rights to the Intellectual Property or any portion thereof. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental agency or instrumentality. There is no action, suit or proceeding by the Company currently pending, or that the Company intends to initiate.

Section 2.18 Securities Laws. Assuming the accuracy of the representations and warranties of the Purchasers set forth in Article III hereof, the offer, sale and issuance of the shares of Series A Preferred Stock to the Purchasers as provided herein are and will be exempt from the registration and prospectus delivery requirements of the Securities Act and have been

registered or qualified (or are exempt from registration or qualification) under all applicable state registration or qualification requirements.

Section 2.19 Fees and Commissions. The Company has not retained any finder, broker, agent, financial advisor or other intermediary (collectively "Intermediary") in connection with the transactions contemplated by this Agreement, and the Company shall indemnify and hold harmless the Purchasers from liability for any compensation to any Intermediary and the fees and expenses of defending against such liability or alleged liability.

Section 2.20 Interested Party Transactions. Except as disclosed in the SEC Filings, no executive officer or director of the Company or holder of more than five percent (5%) of the capital stock of the Company or, to the best of the Company's knowledge, any "affiliate" or "associate" (as these terms are defined in Rule 405 promulgated under the Securities Act) of any such person or entity or the Company has or has had, either directly or indirectly, (a) an interest in any person or entity which (i) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by the Company, or (ii) purchases from or sells or furnishes to the Company any goods or services, or (b) a beneficial interest in any material contract or agreement to which the Company is a party or by which it may be bound or affected. Except as disclosed in the SEC Filings, there are no existing material arrangements or proposed material transactions between the Company and any officer, director or holder of more than 5% of the capital stock of the Company, or, to the best of the Company's knowledge, any affiliate or associate of any such person.

Section 2.21 ERISA. The Company does not maintain, sponsor, or contribute to any program or arrangement that is an "employee pension benefit plan," an "employee welfare benefit plan," or a "multi-employer plan", as those terms are defined in Section s 3(2), 3(1), and 3(37) of the Employee Retirement Income Security Act of 1974, as amended.

Section 2.22 Environmental and Safety Laws. To the best knowledge of the Company, the Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

Section 2.23 SEC Reports. The Company has filed all reports, registration or proxy statements, forms and documents with the SEC that it was required to file since the date of the initial public offering of its Common Stock (the "SEC Filings"), all of which have complied in all material respects with all applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As of their respective dates, each of the SEC Filings, including, without limitation, any financial statements or schedules included therein, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the Company's subsidiaries is required to file any reports, statements, forms or other documents with the SEC.

Section 2.24 Full Disclosure. Neither the representations and warranties or the schedules to this Agreement, contain or will contain, as of the date thereon, any untrue statement of a material fact or omits or will omit to state any material fact necessary to keep the statements contained herein or therein from being misleading in any material respect.

ARTICLE III - REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE
PURCHASERS

The Purchasers represent and warrant to the Company that:

Section 3.1 Authorization; Approvals; No Conflicts. All corporate action on the part of the Purchasers necessary for the authorization, execution, delivery and performance of all their obligations under this Agreement has been (or will be) taken prior to the Closing. This Agreement, when executed and delivered by or on behalf of the Purchasers, shall constitute the valid and binding obligation of the Purchasers, enforceable against the Purchasers in accordance with its terms. The Purchasers have obtained or will obtain prior to the Closing Date all necessary consents, authorizations, approvals and orders, and have made all registrations, qualifications, designations, declarations or filings with all federal, state or other relevant governmental authorities required on the part of the Purchasers in connection with the consummation of the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute, with or without the passage of time or giving of notice or both, a default under any terms or provisions of (i) the respective Certificates of Incorporation or Bylaws of the Purchasers; (ii) any judgment, decree or order of any court or government agency or body having jurisdiction over the Purchasers or their properties; (iii) any agreement, contract, understanding, indenture or other instrument to which the Purchasers are a party or by which they are bound, the effect of which would have a material adverse effect on the assets, properties, condition (financial or otherwise), operating results, prospects or business of the Purchasers; or (iv) any statute, rule or governmental regulation applicable to the Purchasers.

Section 3.2 Investment Representations. The Purchasers are acquiring the Series A Preferred Stock (and any Common Stock into which the Series A Preferred Stock may be converted) for the Purchasers' own accounts, for investment purposes and not with a view to, or for sale in connection with, any distribution of such shares.

Section 3.3 Investment Experience; Access to Information. The Purchasers are "accredited investors," as that term is defined in Rule 501(a) promulgated under the Securities Act. The Purchasers have been afforded prior to the Closing Date the opportunity to ask questions of, and to receive answers from, the Company and to obtain any additional information, written and oral, to the extent the Company has such information or could have acquired it without unreasonable effort or expense, all as necessary for the Purchasers to make an informed investment decision with respect to the purchase of the Series A Preferred Stock.

Section 3.4 Restrictions on Transfer. The Purchasers agree that (a) they will not offer, sell, transfer, give, pledge, hypothecate or otherwise dispose of the Series A Preferred Stock (or the Common Stock into which it may be converted) or make any attempt to do the foregoing unless such offer, sale, transfer, gift, pledge, hypothecation or other disposition is (i) registered under the Securities Act and any applicable state securities law, or (ii) in compliance with an opinion of counsel to the Purchasers, delivered to the Company and reasonably acceptable to it, to the effect that such offer, sale, pledge, hypothecation or other disposition thereof does not violate the Securities Act or applicable state securities law, and (b) the certificate(s) representing the Series A Preferred Stock (and any Common Stock into which it may be converted) shall bear a legend stating in substance:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR OTHER TRANSFER, PLEDGE OR HYPOTHECATION DOES NOT VIOLATE THE PROVISIONS THEREOF.

Upon request of a holder of Series A Preferred Stock (or the Common Stock into which it has been converted), the Company shall remove the legend set forth above from the certificates evidencing such Series A Preferred Stock or Common Stock or issue to such holder new certificates therefor free of such legend, if with such request the Company shall have received an opinion of counsel selected by the holder and reasonably satisfactory to the Company, in form and substance reasonably satisfactory to the Company, to the effect that such Series A Preferred Stock or Common Stock is not required by the Securities Act to continue to bear the legend.

Section 3.5 Transfer Instructions. The Purchasers agree that the Company may provide for appropriate transfer instructions to implement the provisions of Section 3.4 hereof.

Section 3.6 Fees and Commissions. The Purchasers have retained no Intermediary in connection with the transactions contemplated by this Agreement, and the Purchasers agree to indemnify and hold harmless the Company from liability for any compensation to any Intermediary and the fees and expenses of defending against such liability or alleged liability.

ARTICLE IV - CONDITIONS TO CLOSING OF THE PURCHASERS

The obligation of the Purchasers on the Closing Date to purchase the Series A Preferred Stock shall be subject to each of the following conditions precedent, any one or more of which may be waived by the Purchasers:

(a) Representations and Warranties. The representations and warranties made by the Company herein shall be true and accurate in all material respects on and as of the Closing Date as if made on the Closing Date.

(b) Performance. The Company shall have performed and complied with all agreements and conditions contained herein and other documents incident to the transactions contemplated by this Agreement required to be performed or complied with by it prior to or at the Closing.

(c) Consents. The Company shall have secured all permits, consents and authorizations that shall be necessary or required lawfully to consummate the transactions contemplated by this Agreement, to issue the Series A Preferred Stock to be purchased by the Purchasers and to issue the Common Stock into which the Series A Preferred Stock may be converted.

(d) Compliance Certificates. The Company shall have delivered to the Purchasers or their representative at the Closing an Officer's Certificate to the effect that all conditions specified in subsections (a) to (c), inclusive, have been fulfilled.

(e) Opinion of the Company's Counsel. The Purchasers shall have received from counsel for the Company, a legal opinion, dated the Closing Date and satisfactory in form and substance to the Purchasers, substantially in the form attached hereto as EXHIBIT B.

(f) Certificate of Designation. The Certificate of Designation shall have been duly filed with the Secretary of State of the State of Delaware.

(g) Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Purchasers, and the Purchasers shall have received all such counterpart originals or certified or other copies of such documents as the Purchasers may reasonably request.

ARTICLE V - CONDITIONS TO CLOSING OF THE COMPANY

The obligation of the Company on the Closing Date to issue and sell the Series A Preferred Stock to be purchased under this Agreement shall be subject to the representations and warranties made by the Purchasers herein being true and accurate on and as of such Closing Date.

ARTICLE VI - REGISTRATION RIGHTS

Section 6.1 Shelf Registration. The Company shall file a "shelf" registration statement on an appropriate form under the 1933 Act (the "Shelf Registration") covering all of the Common Stock into which the Series A Preferred Stock is convertible (the "Registerable Securities") within one hundred eighty (180) days from the Closing and shall use its best efforts to cause the Shelf Registration to be declared effective and to keep the Shelf Registration continuously effective until all of the Registerable Securities registered therein cease to be Registrable Securities. The securities shall cease to be Registrable Securities when (a) the Shelf Registration shall have become effective under the 1933 Act and such securities shall have been disposed of pursuant to the Shelf Registration, or (b) such securities shall have been sold as permitted by Rule 144 under the 1933 Act. The Company agrees, if necessary, to supplement or amend the Shelf Registration, as required by the registration form utilized by the Company or by the instructions applicable to such registration form or by the 1933 Act, and the Company agrees to furnish to the holders of the Registrable Securities copies of any such supplement or amendment prior to its being used.

Section 6.2 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities pursuant to this Agreement, the Company shall, as expeditiously as reasonably possible:

(a) Furnish to the Purchasers such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the 1933 Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(b) Use all reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Purchasers, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify as a broker-dealer in any states or jurisdictions or to do business or to file a general consent to service of process in any such states or jurisdictions;

(c) Notify each Purchaser of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto and covered by such registration statement is required to be delivered under the 1933 Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; and

(d) In the event of the notification provided for in Section 6.2(c) above, the Company shall use its best efforts to prepare and file with the SEC (and to provide copies

thereof to the Purchasers) as soon as reasonably possible an amended prospectus complying with the 1933 Act.

(e) Any other provision hereof notwithstanding, each Purchaser's registration rights under this Section 6 are subject to the conditions that, in the case of a Shelf Registration relating to an underwritten offering of Registrable Securities, the underwriting agreement and other documents to which the Company is a party or which purport to obligate the Company with respect to any matter be reasonably satisfactory to the Company; no public sales may be made by the Purchasers or by the Company at any time when the Company does not have a class of equity securities (as defined in Section 3(a)(11) of the Exchange Act and Rule 3a11-1 thereunder) registered under Section 12(b) or 12(g) of the Exchange Act; and, notwithstanding that a Shelf Registration shall have been made, no Purchaser may publicly sell any Registrable Securities for a period not in excess of ninety (90) days, if the Board of Directors of the Company determines in good faith that any such sale(s) would interfere with or adversely affect the prospects of consummating, or result in terms or conditions materially less favorable to the Company relating to, any material acquisition or disposition of assets (within the meaning and scope of Item 2 of Form 8-K under the Exchange Act) or any public or private financing as to which the Company has entered into a definitive agreement or is engaged in substantive negotiations; provided that the Company may not require the suspension of any such public sale(s) on more than one (1) occasion in any period of twelve (12) consecutive months.

(f) For so long as any Purchaser holds beneficially or of record (including shares issuable upon the conversion of the Series A Preferred Stock) five percent (5%) or more of the shares of Common Stock from time to time outstanding, such Purchaser shall agree to any restrictions on its resale of the Registrable Securities, whether in public or non-public transactions, for a period not in excess of ninety (90) days in any period of twelve (12) consecutive months, as required by the managing underwriter, representative or selling agent of any public or private offering of securities by the Company and shall execute and deliver to the Company and such managing underwriter, representative or selling agent an agreement to such effect, if each other director and executive officer of the Company and holder of five percent (5%) or more of the shares of Common Stock from time to time outstanding likewise agrees to such restrictions on resale and executes and delivers such an agreement.

Section 6.3 Expenses of Registration. All expenses incurred in connection with the registration of the Registrable Securities pursuant to this Section, including, without limitation, all registration, filing and qualification fees, printer's expenses, and accounting and legal fees and expenses of the Company, shall be borne by the Company.

Section 6.4 Indemnification Regarding Registration Rights. If any Registrable Securities are included in a registration statement under this Section :

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Purchaser, the officers and directors of each Purchaser and each person, if any, who controls such Purchaser or underwriter within the meaning of the 1933 Act or the 1934 Act,

against any losses, claims, damages, liabilities (joint or several) or any legal or other costs and expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action to which they may become subject under the 1933 Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, costs, expenses or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact with respect to the Company or its securities contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements therein; (ii) the omission or alleged omission to state therein a material fact with respect to the Company or its securities required to be stated therein or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the 1933 Act, the 1934 Act or any state securities law. Notwithstanding the foregoing, the indemnity agreement contained in this Section 6.4(a) shall not apply and the Company shall not be liable (i) in any such case for any such loss, claim, damage, costs, expenses, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Purchaser, underwriter or controlling person, or (ii) for amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld.

(b) To the extent permitted by law, each Purchaser who participates in a registration pursuant to the terms and conditions of this Agreement shall indemnify and hold harmless the Company, each of its directors and officers who have signed the registration statement, each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act, each of the Company's employees, agents, counsel and representatives, any underwriter and any other Purchaser selling securities in such registration statement, or any of its directors or officers, or any person who controls such Purchaser, against any losses, claims, damages, costs, expenses, liabilities (joint or several) to which the Company or any such director, officer, controlling person, employee, agent, representative, underwriter, or other such Purchaser, or director, officer or controlling person thereof, may become subject, under the 1933 Act, the 1934 Act or other federal or state law, only insofar as such losses, claims, damages, costs, expenses or liabilities or actions in respect thereto arise out of or are based upon any Violation, in each case to the extent and only to the extent that such Violation occurs in reliance upon and in conformity with written information furnished by such Purchaser expressly for use in connection with such. Each such Purchaser will indemnify any legal or other expenses reasonably incurred by the Company or any such director, officer, employee, agent representative, controlling person, underwriter or other Purchaser, or officer, director or of any controlling person thereof, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.4(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, costs, expenses, liability or action if such settlement is effected without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld.

(c) Promptly after receipt by an indemnified party under this Section 6.4 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6.4, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the reasonable fees and expenses of such counsel to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve the indemnifying party of its obligations under this Section 6.4, except to the extent that the failure results in a failure of actual notice to the indemnifying party and such indemnifying party is materially prejudiced in its ability to defend such action solely as a result of the failure to give such notice.

(d) If the indemnification provided for in this Section 6.4 is unavailable to an indemnified party under this Section 6.4 in respect of any losses, claims, damages, costs, expenses, liabilities or actions referred to herein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, costs, expenses, liabilities or actions in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand and of the Purchaser, on the other, in connection with the Violation that resulted in such losses, claims, damages, costs, expenses, liabilities or actions. The relative fault of the Company, on the one hand, and of the Purchaser, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of the material fact or the omission to state a material fact relates to information supplied by the Company or by the Purchaser, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company, on the one hand, and the Purchasers, on the other hand, agree that it would not be just and equitable if contribution pursuant to this Section 6.4 were determined by a pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of losses, claims, damages, costs, expenses, liabilities and actions referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other expenses incurred by such indemnified party in connection with defending any such action or claim. Notwithstanding the provisions of this Section 6.4, neither the Company nor the Purchasers shall be required to contribute any amount in excess of the amount by which the total price at which the securities were offered to the public exceeds the amount of any damages which the Company or each such Purchaser has otherwise been required to pay by reason of

such Violation. No person guilty of fraudulent misrepresentations (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

Section 6.5 Reports Under the 1934 Act. So long as the Company has a class of securities registered pursuant to Section 12 of the 1934 Act, with a view to making available to the Purchasers the benefits of Rule 144 under the 1933 Act and any other rule or regulation of the SEC that may at any time permit a Purchaser to sell securities of the Company to the public without registration or pursuant to a shelf registration on Form S-3, if applicable, the Company agrees to use its reasonable efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times;

(b) File with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act;

(c) Use its best efforts to include, upon notice of issuance, all Common Stock covered by such registration statement on NASDAQ National Market if the Common Stock is then quoted on NASDAQ National Market; or list all Common Stock covered by such registration statement on such securities exchange on which any of the Common Stock is then listed; or, if the Common Stock is not then quoted on NASDAQ National Market or listed on any national securities exchange, use its best efforts to have such Common Stock covered by such registration statement quoted on NASDAQ National Market or, at the option of the Company, listed on a national securities exchange; and

(d) Furnish to any Purchaser, so long as the Purchaser owns any Registrable Securities, (i) forthwith upon request a copy of the most recent annual or quarterly report of the Company and such other SEC reports and documents so filed by the Company, and (ii) such other information (but not any opinion of counsel) as may be reasonably requested by any Purchaser seeking to avail itself of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

Section 6.6 Assignment of Registration Rights. Subject to the terms and conditions of this Agreement, the right to cause the Company to register Registrable Securities pursuant to this Agreement may be assigned by Purchaser to any transferee or assignee of such securities; provided that said transferee or assignee is a transferee or assignee of at least ten percent (10%) of the Registrable Securities and provided that the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the 1933 Act; it being the intention that so long as Purchaser holds any Registrable Securities hereunder, either Purchaser or its transferee or assignee of at least ten percent may exercise the

registration rights hereunder. Other than as set forth above, the parties hereto hereby agree that the registration rights hereunder shall not be transferable or assigned and any contemplated transfer or assignment in contravention of this Agreement shall be deemed null and void and of no effect whatsoever.

ARTICLE VII - MISCELLANEOUS

Section 7.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof. No party shall be liable or bound to any other party in any manner by any warranties, representation, or covenants except as specifically set forth herein or therein.

Section 7.2 Survival of Representations and Warranties. The warranties, representations and covenants of the Company and the Purchasers contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing.

Section 7.3 Notices. All notices, requests, demands, consents and other communications herein shall be in writing and shall be deemed, unless otherwise specified herein, to have been duly given if personally delivered or mailed, first-class certified mail, postage prepaid and return receipt requested or sent by recognized overnight courier service or transmitted by telex or facsimile, as follows:

(a) If to the Company:

JAKKS Pacific, Inc.
22761 Pacific Coast Hwy., Suite 226
Malibu, California 90265
Attention: President
Facsimile number: (310) 317-8527

with a copy to (which shall not constitute effective notice to the Company):

Feder, Kaszovitz, Isaacson, Weber, Skala & Bass, LLP
750 Lexington Avenue
New York, New York 10022-1200
Attention: Murray L. Skala, Esq.
Facsimile number: (212) 888-7776

(b) If to Renaissance III:

Renaissance Capital Growth & Income Fund III, Inc.
8080 North Central Expressway, Suite 210-LB59
Dallas, Texas 75206
Attention: President
Facsimile number: (214) 891-8291

with a copy to (which shall not constitute effective notice to Renaissance III):

Wolin, Ridley & Miller LLP
3100 Bank One Center
1717 Main Street
Dallas, Texas 75201
Attn: Norman R. Miller, Esq.
Facsimile number: (214) 939-4949

(c) If to ProFutures:

ProFutures Bridge Capital Fund, L.P.
5350 S. Roslyn Street, Suite 350
Englewood, Colorado 80111
Attention: President
Facsimile number: (303) 721-1190

with a copy to (which shall not constitute effective notice to ProFutures):

Goins, Underkofler, Crawford & Langdon
1601 Elm Street, Suite 3300
Dallas, Texas 75201
Attn: Ira Levy, Esq.
Facsimile number: (214) 969-5902

or such other addresses as each of the parties hereto may provide from time to time in writing to the party. For purposes of computing the time periods set forth in this Section 7.3, the delivery date shall be deemed to be (i) three (3) days after the date of mailing, (ii) the date personally delivered or sent by telex or facsimile, or (iii) the business day after the date sent by recognized overnight courier service.

Section 7.4 Amendments. Any term of this Agreement may be amended only with the written consent of the Company and the holders of more than sixty-six and two-thirds percent (66 2/3%) of the Common Stock issued or issuable upon conversion of the Series A Preferred

Stock not previously sold to the public. Any amendment effected in accordance with this paragraph shall be binding upon each holder of Series A Preferred Stock purchased under this Agreement at the time outstanding (including Common Stock into which such Series A Preferred Stock have been converted), each future holder of such securities, and the Company.

Section 7.5 Waiver and Consent. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any party hereto or a breach of any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach, and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

Section 7.6 Successors and Assigns. Except as otherwise expressly provided in this Agreement, all of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto (including permitted transfers of any shares of Series A Preferred Stock sold hereunder or any Common Stock issued upon conversion thereof).

Section 7.7 Rights of Purchasers. The Purchasers shall have the absolute right to exercise or refrain from exercising any right or rights that the Purchasers may have by reason of this Agreement or any Series A Preferred Stock, including the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into any agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification.

Section 7.8 Execution and Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

Section 7.9 No Third Party Beneficiaries. Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company and the Purchasers and no other person shall acquire or have any rights under or by virtue of this Agreement.

Section 7.10 Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or lack of authorization without invalidating the remaining provisions hereof or affecting the validity, unenforceability or legality of such provision in any other jurisdiction.

Section 7.11 GOVERNING LAW. THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO ITS CONFLICTS OF LAW DOCTRINE.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the date first above written.

COMPANY:

JAKKS PACIFIC, INC.

By: /s/ Jack Friedman

Jack Friedman, President

PURCHASERS:

RENAISSANCE CAPITAL GROWTH & INCOME
FUND III, INC.

By: /s/ Vance M. Arnold

Name: Vance M. Arnold
Title: Vice President

PROFUTURES BRIDGE CAPITAL FUND, L.P.

By: Bridge Capital Partners, Inc., General
Partner

By: /s/ James H. Perry

Name: James H. Perry
Title: President