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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(MARK ONE)

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

☐ FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996
TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 0-28104

JAKKS PACIFIC, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

95-4527222
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

24955 PACIFIC COAST HIGHWAY, #B202
MALIBU, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

90265
(ZIP CODE)

ISSUER'S TELEPHONE NUMBER: (310) 456-7799

	TITLE OF CLASS -----	EXCHANGE ON WHICH REGISTERED -----
Securities registered pursuant to Section 12(b) of the Exchange Act:	Common Stock, \$.001 Par Value	NASDAQ SmallCap Market
Securities registered pursuant to Section 12(g) of the Exchange Act:	Common Stock, \$.001 par value	

Check whether the Issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the Issuer was required to file such reports),
and (2) has been subject to such filing requirements for the past 90 days. Yes
☒ No

Check if there is no disclosure of delinquent filers pursuant to Item 405
of Regulation S-B contained herein, and no disclosure will be contained, to the
best of Issuer's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-KSB or any amendment to
this Form 10-KSB.

Issuer's revenues for its most recent fiscal year: \$12,052,016

The aggregate market value of the voting stock held by non-affiliates
computed by reference to the price at which the stock was sold, or the average
bid and asked prices of such stock as of March 26, 1997: \$20,784,712

The number of shares outstanding of the Issuer's Common Stock is 4,182,969
(as of 3/26/97).

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format: Yes: No: ☒

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JAKKS PACIFIC, INC.

INDEX TO ANNUAL REPORT ON FORM 10-KSB
FILED WITH THE SECURITIES AND EXCHANGE COMMISSION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996
ITEMS IN FORM 10-KSB

PAGE

Facing page

PART I

ITEM 1.	Description of Business.....	2
ITEM 2.	Description of Property.....	8
ITEM 3.	Legal Proceedings.....	8
ITEM 4.	Submission of Matters to a Vote of Security Holders.....	8

PART II

ITEM 5.	Market for Common Equity and Related Stockholder Matters.....	8
ITEM 6.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	9
ITEM 7.	Financial Statements.....	13
ITEM 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	40

PART III

ITEM 9.	Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.....	40
ITEM 10.	Executive Compensation.....	41
ITEM 11.	Security Ownership of Certain Beneficial Owners and Management.....	43
ITEM 12.	Certain Relationships and Related Transactions.....	44
ITEM 13.	Exhibits and Reports on Form 8-K.....	45
	Signatures.....	47

PART I.

ITEM 1. DESCRIPTION OF BUSINESS

OVERVIEW

JAKKS Pacific, Inc. ("JAKKS" or the "Company"), which was incorporated under the laws of Delaware in January 1995, develops, manufactures and markets toys and related products. The Company's principal products are (i) toys and action figures featuring licensed characters, including characters from the World Wrestling Federation ("WWF"), (ii) die cast collectible and toy vehicles marketed under the name Road Champs (see "Road Champs Acquisition"), (iii) fashion dolls with related accessories, (iv) electronic toys designed for children and (v) new lines of radio controlled and battery-operated vehicles.

The Company sells its products through its employees and independent sales representatives. Purchasers of the Company's products include retail chain stores, department stores, toy specialty stores and wholesalers. The Road Champs products are also sold to smaller hobby shops and specialty retailers.

INDUSTRY OVERVIEW

According to the Toy Manufacturers of America, Inc. ("TMA"), an industry trade group, total domestic manufacturers' shipments of toys, excluding video games and accessories, were approximately \$13.9 billion in 1996. According to the TMA, the United States is the world's largest toy market, followed by Japan and Western Europe. The Company believes the two largest U.S. toy companies collectively hold a dominant share of the domestic non-video toy market. Hundreds of smaller companies, including JAKKS, compete in the design and development of new toys, the procurement of character and product licenses, the improvement and expansion of previously introduced products and product lines and the marketing and distribution of toy products.

CURRENT PRODUCTS

MALE ACTION FIGURES AND ACCESSORIES

- World Wrestling Federation

The Company has a license with Titan Sports, Inc. ("Titan"), pursuant to which the Company has the exclusive right to develop and market 6" action figures of the popular WWF professional wrestlers in the United States and Canada. These 6" figures feature moveable body parts and real-life action sounds. A WWF microphone with action background sounds is available with these figures. This product line, which retails for approximately \$5.99 for the individual figures, was introduced by the Company in the second quarter of 1996. A second and third series of the action figures were released in the third and fourth quarters of 1996, respectively, along with a wrestling ring play set in the fourth quarter of 1996. The Company intends to expand its current WWF products in 1997, including seven new series of wrestler figure assortments. The Company is expanding its WWF product line by introducing lines of 7" figures, sets of 3" figures with a wrestling ring and a new amplified microphone.

MINI VEHICLES

- Die Cast Vehicles

The Road Champs die cast collectible and toy vehicle product line consists of new and classic cars, trucks, motorcycles, emergency and service vehicles (including police cars, fire trucks and ambulances), buses and aircraft (including propeller planes, jets and helicopters). As a part of the Road Champs Acquisition, the Company acquired the right to produce the Road Champs line of collectible vehicle replicas including vehicles from Ford, Chevrolet, Jeep, Kawasaki and Yamaha, as well as the right to use certain corporate names on die cast vehicles, such as Pepsi, Goodyear and Hershey. Management believes that these licenses increase the perceived value of the products. These products are currently retailing individually from approximately \$2.99 to \$7.99 and in play sets from \$9.99 to \$24.99.

- Power Rangers ZEO

The Company has entered into a license agreement with Saban Merchandising, Inc. and Saban International N.V. (collectively, "Saban") pursuant to which the Company markets and produces Power Rangers ZEO vehicles with attached figures, a "Stunt Stadium" and mini vehicles known as "Sound Blasters" and "Stunt Speedsters." The retail prices for these products range from approximately \$4.99 to \$9.99.

FASHION/MINI DOLLS

- Fashion Dolls

The Company produces various lines of proprietary fashion dolls and accessories for children between the ages of three and ten. The product line includes 11 1/2" fashion dolls outfitted to correspond with particular holidays or events such as Christmas and birthdays and the Starr Model Agency line comprised of 6 1/2" fashion dolls which come in various themed outfits such as "Midnight Jewel" and "Prized Pets," as well as accessories which include mobile play sets, carrying cases and a sport utility vehicle. In 1997, the Company intends to add to its doll lines by producing additional Starr Model Agency Playsets, as well as dolls based on children's classic fairy tales and holidays and other theme-based play sets. These products retail from approximately \$3.99 for the individual dolls to approximately \$14.99 for the playsets.

CHILDREN'S ELECTRONIC TOYS

- Sky Com and Audio Kid

The Company markets and sells a line of children's electronic toys, including Sky Com base stations and walkie-talkies and Audio Kid Sing-along radios and cassette players. These products are made of durable plastic, with rounded corners to increase safety for children. The retail prices of these products range from \$5.99 to \$24.99.

NEW PRODUCTS

- TURBO Power Rangers

In 1997, the Company, under agreement with Saban, will market and sell mini vehicles appearing in the TURBO Power Rangers feature film which is anticipated to be released in March 1997, and related children's television program. These mini vehicles include TURBO Power Rangers "Road Blasters" and Micro TURBO Zords, as well as accessories such as a TURBO Morpher wrist carrying case. The Company also intends to introduce a radio controlled vehicle. The retail price for these products will range from approximately \$5.99 to \$12.99.

- Turbo Touch Racer

The Company has entered into an agreement with Wow Wee International ("Wow Wee") to market and distribute a radio controlled car known as Turbo Touch Racer. The car is controlled by a special glove worn by the user as opposed to the traditional hand-held transmitter. These toy vehicles are expected to be sold at retail prices ranging from \$29.95 to \$34.95. The Company anticipates that it will begin to sell this product line in the Spring of 1997.

- Reactor and Mini Reactor

The Company has entered into an agreement with Quantum Toy Concepts Pty, Ltd. to market and sell certain radio controlled vehicles, known as Reactor, and similar vehicles in a smaller size, known as Mini Reactor. These products are expected to be sold at retail prices from \$59.99 to \$69.99 for Reactor and from \$19.99 to \$24.99 for Mini Reactor. Initial shipments of these products are expected to commence in Spring 1997.

- Other Products

The Company plans to market various other toys and products designed for children including: wall rollers and pop ups related to the Sony Pictures' Starship Troopers feature film, which is expected to be released in November 1997; battery-operated vehicles ("Road Blasters"), based on models from Ford, Chevrolet and Pontiac; foam mats with licensed cartoon characters, including Berenstain Bears, Cartoon Network and Looney Tunes Lovables; and disposable cameras and photo albums with licensed characters, including Berenstain Bears, The Simpsons and WWF wrestlers.

LICENSE AND MARKETING AGREEMENTS

License Agreements. The Company has entered into a license with Titan for the use of certain WWF properties and characters of professional wrestlers who perform in WWF live events broadcast on free and cable television, including pay-per-view television specials. The Company has the exclusive right to market those action figures in 7", 6" and 3" sizes in the United States and Canada and recently acquired the exclusive right to market the same products in Europe, Africa and Australia. The line also includes related products and accessories. The Company has been selling WWF products since May 1996. These licenses both expire on December 31, 1999. The Company has agreed to pay Titan royalties on net sales with certain minimum guarantees.

The Company has entered into a license agreement with Saban for the use of the TURBO Power Rangers and Power Rangers ZEO properties and names on a number of products. The agreement provides for the sale of such products in mass market retail stores, specialty stores and toy stores in the United States and Canada. The agreement terminates on July 31, 1998. The Company pays royalties to Saban on net sales of toys sold with certain minimum guarantees.

Turbo Touch Racer products are sold by the Company under an exclusive license agreement with Wow Wee. The Company has the rights to market and sell the Turbo Touch Racer toy vehicles and accessories in the United States. The agreement expires on June 30, 1998 unless renewed by the Company for additional twelve month periods. Under that agreement, the Company is obligated to buy specified amounts of the products from Wow Wee and also pay Wow Wee royalties with certain minimum guarantees. However, the Company may cancel the agreement by payment of the guaranteed royalties.

The Company's recent acquisition of the Road Champs product line included numerous licenses for the use of certain well-known corporate names, marks and logos on such products. Under such licenses, the Company acquired the right to produce a line of collectible vehicle replicas of certain well-known vehicles from companies such as Ford, Chevrolet, Jeep, Kawasaki and Yamaha, as well as the right to use certain highly recognizable corporate names, such as Pepsi, Goodyear and Hershey on other of the die cast vehicles. Under the terms of such licenses, which expire on various dates ranging through May 10, 2001 (many of which include automatic annual extensions without affirmative action taken by either party), the Company pays the licensor a royalty based on the Company's net sales of each product bearing such licensed name. While the Company is not required to pay any royalty on certain of the products, the royalties on a majority of such products generally range from 1% to 5% of sales.

Marketing Agreements. The radio controlled vehicles known as Reactor and Mini Reactor are sold by the Company in the United States and Canada pursuant to an exclusive agreement with Quantum Toy Concepts Pty, Ltd., the owner of these products. The agreement expires December 31, 1998.

MARKETING AND DISTRIBUTION

The Company sells all of its products through its employees and independent sales representatives. Purchasers of the Company's products include retail chain stores, department stores, toy specialty stores and wholesalers. The Road Champs products are also sold to smaller hobby shops and specialty retailers. The Company's six largest customers are Toys "R" Us, Wal Mart, Kay-Bee Toys, Kmart, Target and Caldor. For the year ended December 31, 1996, these customers, in the aggregate, accounted for approximately 64.3% of the Company's sales. No other customers accounted for more than 3% of the Company's revenue during 1996.

Other than purchase orders, the Company does not have written agreements with its customers but generally sells products pursuant to letters of credit or, in certain cases, on open account with payment terms typically varying from 30 to 90 days. The termination by one or more of the customers named above of its relationship with the Company could have a material adverse effect on the Company's business, financial condition and results of operations. Although the Company's policy is not to sell any of its products on consignment, in accordance with industry practice, the Company may sell, on a case-by-case negotiated basis, its products on a partial consignment basis. To date, there have been no consignment sales.

The Company directly, or through sales representatives, obtains orders for its products from its customers and arranges for the manufacture of its products as discussed below. Cancellations are generally made in writing, and the Company takes appropriate steps to notify its manufacturers of such cancellations. Based upon the sales of the Road Champs products in the past, the Company expects approximately half of the Road Champs products to be sold domestically through the Company's warehouse in New Jersey, which maintains an inventory for sale.

The Company maintains a full-time sales and marketing staff, many of whom make on-site visits to customers for the purpose of soliciting orders for products, and retains a number of independent sales representatives, many of which had previously been employed by Road Champs, to sell and promote its products, both domestically and internationally.

The Company generally budgets approximately 3% of its gross revenues for the advertising of its products, most of which is in conjunction with retailers in the form of cooperative advertising. The Company, together with retailers, sometimes tests the consumer acceptance of new products in selected markets before committing resources to production. In addition, the Company also advertises its products in trade and consumer magazines and other publications, as well as marketing its products at major and regional toy trade shows. The Company has recently engaged an advertising agency to produce television commercials for its line of radio controlled vehicles. If management concludes that sales of a particular product would support the high cost, it may use television commercials to advertise certain of its products.

PRODUCT DEVELOPMENT

The Company's products are generally acquired by the Company from others or developed for the Company by non-affiliated third-parties. If the Company accepts and develops a third-party's concept for a new toy, it generally pays a royalty on the toys developed from such concept that are sold, and may, on an individual basis, guarantee a minimum royalty. Royalties payable to such developers generally range from 1% to 5% of the wholesale sales price for each unit of a product sold by the Company. The Company believes that utilizing experienced third-party inventors gives it access to a wide range of development talent. The Company currently works with several toy inventors and designers for the development of new and existing products.

Safety testing of the Company's products is done at the manufacturers' facilities by engineers employed by the Company and independent third-party contractors engaged by the Company, and is designed to meet safety regulations imposed by federal and state governmental authorities. The Company also monitors quality assurance procedures for its products for safety purposes.

MANUFACTURING AND SUPPLIES

The Company's products are currently produced by manufacturers chosen by the Company on the basis of quality, reliability and price. Consistent with industry practice, the use of third-party manufacturers enables the Company to avoid incurring fixed manufacturing costs. All manufacturing services performed overseas for the Company are paid for by either letter of credit or open account with such manufacturers. To date, the Company has not experienced any material delays in the delivery of its products; however, delivery schedules are subject to various factors beyond the control of the Company and any delays in the future could adversely affect the Company's sales. The Company believes that alternative sources of supply are available and that adequate supplies of manufactured products can be obtained.

Although it does not conduct the day-to-day manufacturing of its products, the Company participates in the design of the prototype product and production tooling and molds for the products it develops or acquires. The Company seeks to insure quality control by actively reviewing the production process and testing the products produced by its manufacturers.

The principal raw materials used in the production and sale of the Company's toy products are plastics, plush, printed fabrics, zinc alloy, paper products and electronic components, all of which are currently available at reasonable prices from a variety of sources. Although the Company does not manufacture its products, it owns the molds and tooling used to manufacture such products. Such molds and tooling are transferable among manufacturers if the Company chooses to employ alternative manufacturers.

TRADEMARKS AND COPYRIGHTS

Most of the Company's products are produced and sold under trademarks owned by or licensed to the Company, many of which were acquired by the Company as part of the acquisition of the operations of Road Champs. See "Road Champs Acquisition." The Company typically registers its properties, and seeks protection under the trademark, copyright and patent laws of the United States and other countries where its products are produced or sold.

COMPETITION

Competition in the toy industry is intense. Competition is based on consumer preferences, quality and price. In recent years, the toy industry has experienced rapid consolidation driven, in part, by the desire of industry competitors to offer a range of products across a broader variety of categories. Many of the Company's competitors have greater financial resources, stronger name recognition, larger sales, marketing and product development departments and greater economics of scale that may cause their products to be more competitively priced. Competition extends to the procurement of character and product licenses, as well as to the marketing and distribution of products, including obtaining adequate shelf space in retail stores.

In the toy industry categories in which the Company primarily competes, the Company's largest competitors are as follows:

Male action figures and accessories.....	Hasbro, Inc., Playmates, Inc. and Mattel, Inc.
Mini vehicles.....	Tyco, Inc. ("Matchbox") and Mattel, Inc. ("Hot Wheels"), both of which manufacture vehicles smaller in size than the Company's Road Champs product line, and Racing Champions, Inc. and Action Performance Cars, Inc., some of whose products are the same in size as the Company's Road Champs products.
Radio controlled vehicles.....	Tyco, Inc. (a division of Mattel, Inc.), Kenner, Inc. (a division of Hasbro, Inc.) and Nikko America, Inc.
Fashion/Mini Dolls.....	Mattel, Inc., the owner of "Barbie."

The Company also competes with smaller domestic and foreign toy manufacturers, importers and marketers in each of these categories.

SEASONALITY AND BACKLOG

Sales of toy products are seasonal, with a majority of retail sales occurring during the period from September through December. Approximately 73% of the Company's sales in 1996 were made in the third and fourth quarters. Generally, the first quarter is the period of lowest shipments and revenues in the toy industry and therefore the least profitable due to certain fixed costs. Seasonality factors may cause the Company's operating results to fluctuate significantly from quarter to quarter. Due to these fluctuations, the results of operations for any quarterly period may vary significantly. The Company's results of operations also fluctuate as a result of factors such as the timing of new products (and expenses incurred in connection

therewith) of the Company or its competitors, the advertising activities of its competitors and the emergence of new market entrants. The Company believes that most of the Company's products have low retail prices and, as a result, such products may be less subject to seasonal fluctuations.

The Company generally ships products to customers within three to six months of the date an order is received. The Company's backlog, exclusive of Road Champs, at March 8, 1997, was approximately \$5.3 million, compared to \$2.5 million at March 31, 1996. Because customer orders may be canceled at any time without penalty, the Company believes that backlog may not accurately indicate sales for any future period.

GOVERNMENT AND INDUSTRY REGULATION

The Company's products are subject to the provisions of the Consumer Product Safety Act ("CPSA"), the Federal Hazardous Substances Act ("FHSA"), the Flammable Fabrics Act ("FFA") and the regulations promulgated under each such Act. The CPSA and the FHSA enable the Consumer Product Safety Commission ("CPSC") to exclude from the market consumer products that fail to comply with applicable product safety regulations or otherwise create a substantial risk of injury and articles that contain excessive amounts of a banned hazardous substance. The FFA enables the CPSC to regulate and enforce flammability standards for fabrics used in consumer products. The CPSC may also require the repurchase by the manufacturer of articles which are banned. Similar laws exist in some states and cities and in various international markets. The Company maintains a quality control program designed to ensure compliance in all material respects with all applicable laws.

EMPLOYEES

As of March 26, 1997, the Company employed 55 persons, all of whom are full-time employees, including three executive officers. Twenty-eight of the Company's employees are located in the United States, while the remaining twenty-seven are located in Hong Kong. The Company believes that it has good relationships with its employees. None of the Company's employees are represented by a union.

ENVIRONMENTAL ISSUES

The Company is subject to legal and financial obligations under environmental, health and safety laws in the United States and in other jurisdictions where the Company operates which have such laws. The Company is not currently aware of any material environmental liabilities associated with any of its operations. The Company does not believe that any environmental obligations will have a material adverse impact on the financial condition of the Company.

ROAD CHAMPS ACQUISITION

In February 1997, the Company, through a wholly-owned subsidiary, purchased all of the shares of Road Champs, Inc. ("RC Inc."), a Pennsylvania corporation, which owns all of the shares of Road Champs Ltd. ("RC Ltd."), a Hong Kong corporation, and the operating assets of Die Cast Associates, Inc., a related Florida corporation (collectively, the "Road Champs Companies"). As part of such acquisition, the Company purchased, among other things, inventory, product lines, tools and molds and trademarks (the "Road Champs Acquisition"). The net purchase price was approximately \$12.0 million. Payments of approximately \$4.6 million in cash and \$1.5 million through the issuance of 198,020 shares of Common Stock were made at the closing. Payment of approximately \$2.9 million was deferred and is payable in three installments in June and October 1997 and February 1998 with interest at the rate of 7% per annum. Payment of approximately \$2.0 million for the inventory will be made over the six-month period following the closing. Payment of approximately \$1.0 million is due on the earlier of seven days after the close of a public offering of the Company's Common Stock or May 6, 1997. All outstanding payments are secured by a pledge of the shares of stock of RC Inc. and RC Ltd. and a security interest in the Road Champs Companies' assets which is subordinate to the security interest given by the Company to Renaissance Capital Growth & Income Fund III, Inc. and Renaissance US Growth & Income Trust PLC (together "Renaissance") to secure payment of

Convertible Debentures issued by the Company in January 1997. See Part II, Item 5, "Sales of Unregistered Securities."

ITEM 2. DESCRIPTION OF PROPERTY

The Company leases approximately 1,800 square feet of space at 24955 Pacific Coast Highway, #B202, Malibu, California, all of which is currently used for the Company's principal executive offices. The lease for such premises expires on August 31, 1997. The current base rent is \$4,730 per month. The Company also leases, pursuant to a lease expiring on April 20, 2003, approximately 2,100 square feet of showroom and office space at the Toy Center South, 200 Fifth Avenue, New York, New York, at a current rental of \$5,539 per month. The Company leases two additional locations in the United States acquired as a part of the Road Champs Acquisition. One such facility is approximately 2,000 square feet and is used as a showroom at the Toy Center North, 1107 Broadway, New York, New York, at a current rent of \$4,959 per month. Such lease expires on April 30, 2001. The other facility of approximately 51,000 square feet of warehouse and office space, is at 7 Patton Drive, West Caldwell, New Jersey, has a current monthly rent of \$21,235 and expires on May 31, 2000 or upon six-month prior notice by either party after July 1997.

The Company also leases two locations in Hong Kong. One such location, at the Chinachen Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong, consisting of approximately 1,210 square feet, is leased on a month to month basis and is used as office space for the Company's sourcing operations. The base rent for such facility is the U.S. dollar equivalent of \$5,119 per month. The Company acquired the lease for the second Hong Kong location in connection with the Road Champs Acquisition. The property is located at the Peninsula Center, 67 Mody Road, Tsimshatsui East, Kowloon, Hong Kong. The lease provides for a monthly rent of the U.S. dollar equivalent of \$10,200, consists of approximately 3,200 square feet and is used for office space and expires on March 14, 1998. The Company will shortly combine all of its Hong Kong operations at the location previously occupied by Road Champs. The Company expects to lease a modestly larger space for its offices in California. With such increase, the Company believes that its facilities in the United States and Hong Kong will be adequate for its reasonably foreseeable future needs.

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Company's Common Stock trades on the Nasdaq SmallCap Market under the symbol "JAKK." The following table sets forth the high and low closing sales prices of the Company's Common Stock in each of the following quarters as reported by the Nasdaq SmallCap Market since inception of trading on May 1, 1996.

1996	HIGH	LOW
-----	----	----
Second quarter (from May 1).....	9	6 1/2
Third quarter.....	8 3/4	6 1/4
Fourth quarter.....	9	7 1/4

SECURITY HOLDERS

To the best knowledge of the Company, at March 26, 1997, there were 41 record holders of the Company's Common Stock. The Company believes there are numerous beneficial owners of the Company's Common Stock whose shares are held in "street name." To the best knowledge of the Company, the number of beneficial owners as of December 31, 1996 was 1,375.

DIVIDENDS

The Company has not paid, and has no current plans to pay, dividends on its Common Stock. The Company intends to retain earnings, if any, for use in its business to finance the operation and expansion of its business.

SALES OF UNREGISTERED SECURITIES

On February 14, 1996, the Company conducted a private placement bridge financing in which 39 investors invested an aggregate of \$1,300,000 for Unsecured Subordinated Promissory Notes (convertible into 469,300 shares of the Company's Common Stock). Of such 469,300 shares, 223,000 shares were sold as part of the Company's initial public offering in May 1996, and the remaining 246,300 shares were listed as additional registered shares in the Prospectus relating thereto.

On May 1, 1996, the Company issued 13,649 shares of Common Stock to Justin Products Limited as an adjustment to the shares issues as partial consideration for the acquisition by the Company of the operations of Justin Products Limited (the "Justin Acquisition"). The number of shares issued was based on the offering price in the Company's initial public offering.

Dated December 31, 1996, but effective January 8, 1997, the Company issued \$6,000,000 in aggregate, of 9% seven-year convertible debentures to Renaissance. Net proceeds to the Company after payment of a 6% brokerage commission to Joseph Charles & Associates, Inc. and fees to Renaissance and its attorneys were \$5,450,000. The debentures are convertible into 750,000 shares of the Company's Common Stock assuming a conversion price of \$8.00 per share. The debentures are convertible at the lower of \$9.00 per share or the next sale price by the Company, subject to further adjustment if the Company issues shares of its stock at a price less than such conversion price. The indebtedness must be repaid in part each month beginning December 1999, in the amount of 1% of the then unpaid balance and in full at December 31, 2003. The Company has the right to prepay all or part of such indebtedness in certain events at 120% of their original \$6,000,000 face value.

In 1996, the Company granted (i) options under its Amended and Restated 1995 Stock Option Plan to 9 persons (6 employees and three non-employee directors) to purchase an aggregate of 114,625 shares of the Company's Common Stock at exercise prices ranging from \$4.50 to \$8.25 per share and (ii) options outside of its 1996 Stock Option Plan to one consultant to purchase an aggregate of 75,000 shares of the Company's Common Stock at exercise prices ranging from \$7.50 to 7.625 per share.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto which appear elsewhere in this Report.

OVERVIEW

The Company was founded in early 1995 to develop, manufacture and market toys and related products for children. The Company commenced business operations as of July 1, 1995, when it assumed operating control over the toy business of Justin Products Limited ("Justin") and has included the results of Justin's operations in its consolidated financial statements from the effective date of such acquisition (the "Justin

Acquisition"). The Justin product lines accounted for substantially all of the Company's sales for the period from April 1, 1995 (Inception) to December 31, 1995.

In 1996, the Company expanded its product lines to include products based on licensed characters and properties such as WWF action figures and Power Rangers ZEO mini vehicles. Presently, the Company's products include (i) toys and action figures featuring licensed characters, including action figures based on characters from the WWF, (ii) die cast collectible and toy vehicles marketed under the name Road Champs, (iii) fashion dolls with related accessories, (iv) electronic toys designed for children and (v) new lines of radio controlled and battery-operated vehicles.

The toys sold by the Company are currently produced by non-affiliated manufacturers located in China on letter of credit basis or on open account and are shipped F.O.B. Hong Kong. These methods allow the Company to keep certain operating costs down and reduce working capital requirements. To date, substantially all of the Company's sales have been to domestic customers. The Company intends to expand distribution of its products internationally.

The Company's products are generally acquired from others or developed for the Company by non-affiliated third parties, thus minimizing operating costs. Royalties payable to such developers generally range from 1% to 5% of the wholesale sales price for each unit of a product sold by the Company.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statement of operations data as a percentage of net sales. As indicated, the data is based on twelve month results for each year presented. The 1995 data reflects the pro forma combined results of Justin and the Company as though the Justin Acquisition was effective January 1, 1995, and the 1996 data relates exclusively to the Company's operations:

	YEARS ENDED DECEMBER 31,	
	PRO FORMA 1995	ACTUAL 1996
Net sales.....	100.0%	100.0%
Cost of sales.....	68.2	60.0
Gross profit.....	31.8	40.0
Selling, general and administrative expenses.....	24.0	30.0
Income from operations.....	7.8	10.0
Other income.....	0.2	--
Interest, net.....	(0.1)	1.1
Income before income taxes.....	7.9	11.1
Provision for income taxes.....	1.6	1.3
Net income.....	6.3%	9.8%
	=====	=====

YEARS ENDED DECEMBER 31, 1996 AND 1995

Net Sales. Net sales were \$12.1 million in 1996, an increase of \$4.2 million, or 52%, over \$7.9 million in 1995. The strong growth in net sales was due primarily to the introduction of new products including WWF action figures and Power Rangers ZEO mini vehicles, in addition to the continuing sales of the Company's other product lines, including fashion dolls and accessories.

Gross Profit. Gross profits were \$4.8 million or 40.0% of net sales in 1996. This represented an increase of approximately 148% over gross profits of \$1.9 million or 31.8% of net sales in 1995. This increase was due primarily to increasing sales of new products featuring licensed characters and properties with higher after-royalty margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$3.6 million in 1996 and \$1.9 million in 1995, constituting 30.0% and 24.0% of net sales, respectively. The increase as a percentage of net sales was due to the increase in such expenses in support of the Company's growth including staffing and infrastructure, as well as expenses incurred in connection with the placement of the Convertible Debentures and the Road Champs Acquisition. The Company expects that such fixed costs should decrease as a percentage of net sales as sales volume increases. The overall dollar increase in 1996 over 1995 was due mainly to the increase in variable selling expenses, staffing and infrastructure additions in support of the Company's growth, the placement of the Convertible Debentures and the Road Champs Acquisition. The increase in variable selling expenses, such as freight and shipping related expenses, sales commissions and travel expenses, were attributable to significant increases in net sales. Major accounts are serviced internally, thereby minimizing sales commissions; however, this benefit is partially offset by increased travel required by the Company to cover those accounts. Selling expenses are expected to increase as net sales increase due to the variable nature of such expenses. From time to time, the Company may increase its advertising efforts, including the use of more expensive advertising media such as television if the Company deems it appropriate for particular products. Such advertising costs may be substantial, and there is no certainty as to the effectiveness of such advertising or whether any resultant sales would be sufficient to cover such costs.

Interest, Net. The Company maintained significantly higher average cash balances during 1996 than in 1995 resulting in significantly higher interest income, though offset by interest expense consisting mainly of the interest incurred on the bridge financing conducted by the Company prior to the Company's initial public offering in May 1996 and the discount amortization on the Justin Acquisition payable.

Provision for Income Taxes. Provision for income taxes in 1996 included foreign income taxes offset by the tax benefit generated by operating losses for Federal and state tax purposes. In 1995, the provision included Federal, state and foreign income taxes. The Company's earnings have benefited from a favorable overall effective tax rate of 12.2% in 1996 and 20.3% in 1995 as a substantial portion of the Company's earnings were subject to the Hong Kong Corporation Tax, a flat 16.5%, on its income arising in, or derived from, Hong Kong. At December 31, 1996, the Company had Federal and state net operating loss carryforwards of \$360,000 and \$180,000, respectively, available to offset future taxable income. This carryforward generally begins to expire in 2011 and may be subject to annual limitations as a result of changes in the Company's ownership. There can be no assurance that changes in ownership in future periods or any future losses will not significantly limit the Company's use of the net operating loss carryforward. In addition, no valuation allowance for its deferred tax assets, amounting to approximately \$146,000 at December 31, 1996, has been provided for since, in the opinion of management, realization of the future benefit is probable. In making this determination, management considered all available evidence, both positive and negative, as well as the weight and importance given to such evidence.

QUARTERLY FLUCTUATIONS AND SEASONALITY

The Company has experienced significant quarterly fluctuations in operating results and anticipates such fluctuations in the future. The operating results for any quarter are not necessarily indicative of results for any future period. The first quarter for the Company is typically expected to be the least profitable as a result of lower net sales but substantially similar fixed operating expenses. The Company's first quarter performance is thus expected to be consistent with the toy industry, in general, where many companies may experience only moderate profits and many others may even experience losses.

The following tables present the unaudited quarterly results for the Company and the Company pro forma with Justin for the years indicated. The seasonality of the business is reflected in this quarterly presentation.

	1995 PRO FORMA(1)				1996			
	1ST	2ND	3RD	4TH	1ST	2ND	3RD	4TH
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Net sales.....	\$ 219	\$1,634	\$3,769	\$2,309	\$ 835	\$2,382	\$4,458	\$4,377
Gross profit.....	72	501	989	958	418	839	1,804	1,760
Income (loss) before income taxes.....	(91)	163	436	115	(42)	195	730	460
Net income (loss).....	(76)	136	359	78	20	202	628	330
Net income (loss) per share.....	\$ (0.03)	\$ 0.06	\$ 0.16	\$ 0.04	\$ 0.01	\$ 0.06	\$ 0.15	\$ 0.08

	1995 PRO FORMA(1)				1996			
	1ST	2ND	3RD	4TH	1ST	2ND	3RD	4TH
	(IN PERCENTAGES OF NET SALES)							
Net sales.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit.....	32.9	30.7	26.2	41.5	50.1	35.2	40.5	40.2
Income (loss) before income taxes.....	(41.6)	10.0	11.6	5.0	(5.0)	8.2	16.4	10.5
Net income (loss).....	(34.7)	8.3	9.5	3.3	2.4	8.5	14.1	7.5

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(1) Pro forma results include Justin's results as though the acquisition took place as of January 1, 1995.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1996, the Company had working capital of \$7.8 million, as compared to a working capital deficit of \$0.6 million as of December 31, 1995. Such increase was primarily attributable to the receipt of net proceeds from the issuance of the Common Stock by the Company in its Initial Public Offering as well as the placement of the bridge financing in February 1996 and the subsequent conversion thereof to Common Stock.

Net cash used by operating activities was \$0.7 million for the year ended December 31, 1996. Net cash was used primarily by the increase in accounts receivable and other current assets, though offset by net earnings, depreciation and amortization, and increases in accounts payable and accrued expenses. At December 31, 1996, the Company had cash of \$6.4 million.

Net cash provided by operating activities was \$1.1 million for the period from April 1, 1995 (Inception) to December 31, 1995, excluding any effect of pre-acquisition results of Justin. Net cash was provided primarily from net earnings and depreciation and amortization as well as from increases in accounts payable and various other liabilities, offset in part by increases in accounts receivable and various other assets. As of December 31, 1995, the Company had cash of \$0.1 million.

The Company's investing activities have used net cash of \$1.1 million in 1996, consisting primarily of the purchase of molds and tooling used in the manufacture of the Company's products. As part of the Company's strategy to develop and market new products, the Company has entered into various character and product licenses with royalties of 1% to 10% payable on net sales of such products. As of January 1, 1997, these agreements require future aggregate minimum guarantees of \$2.4 million, exclusive of \$0.3 million in advances already paid.

The Company's financing activities have provided net cash of \$8.0 million in 1996, consisting primarily of the issuance of the Common Stock in connection with its Initial Public Offering, which provided \$7.7 million, net of offering costs, and the placement of the bridge financing in February 1996 and the subsequent conversion thereof to Common Stock, which provided \$1.1 million, net of offering costs, less approximately \$0.7 million in debt repaid.

In January 1997, the Company received net proceeds of approximately \$5.5 million, net of issuance costs, from the issuance of \$6.0 million in convertible debentures which are convertible into 750,000 shares of Common Stock at an assumed conversion price of \$8.00 per share, subject to anti-dilution provisions. Such debentures bear interest at 9% per annum, payable monthly, and are due in December 2003.

In February 1997, the Company acquired Road Champs for approximately \$12.0 million. Consideration paid at closing was approximately \$4.6 million in cash plus the issuance of \$1.5 million (198,020 shares) of Common Stock. The balance of the cash consideration (\$5.9 million) is payable during the twelve-month period ending in February 1998. This acquisition provided the Company with immediate significant growth in the mini vehicle product category with Road Champs product line of die cast collectible and toy vehicles. Assets included in the purchase were molds and tooling, office and warehouse equipment and other operating assets, as well as license agreements, trade name and goodwill.

The Company believes that its cash flow from operations, cash on hand and the net proceeds from the issuance of the Convertible Debentures, together with the anticipated net proceeds of approximately \$14.2 million to the Company from a proposed public offering of 2,000,000 shares of its Common Stock, will be sufficient to meet working capital and capital expenditure requirements and provide the Company with adequate liquidity to meet its anticipated operating needs for the foreseeable future. Although operating activities are expected to provide cash, to the extent the Company grows significantly in the future, its operating and investing activities may use cash and, consequently, such growth may require the Company to obtain additional sources of financing. There can be no assurance that any necessary additional financing will be available to the Company on commercially reasonable terms, if at all.

EXCHANGE RATES

The Company sells substantially all of its products in U.S. dollars and pays for substantially all of the manufacturing costs in either U.S. or Hong Kong dollars. Operating expenses of the Hong Kong office are paid in Hong Kong dollars. The exchange rate of the Hong Kong dollar to the U.S. dollar has been fixed by the Hong Kong government since 1983 at HK\$7.80 to US\$1.00 and, accordingly, has not represented a currency exchange risk to the U.S. dollar. No assurance can be made that the exchange rate between the United States and Hong Kong currencies will continue to be fixed or that exchange rate fluctuations will not have a material adverse effect on the Company's business, financial condition or results of operations.

RECENT ACCOUNTING PRONOUNCEMENT

The FASB issued a new standard, SFAS No. 123, "Accounting for Stock-Based Compensation," which contains a fair value based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, the standard permits entities to continue accounting for employee stock option and similar equity instruments under APB Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using APB Opinion No. 25 are required to make pro forma disclosures of net income and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied. Management accounts for options under APB Opinion No. 25. If the alternative accounting-related provisions of SFAS No. 123 had been adopted as of the beginning of 1995, the effect on 1996 and 1995 net income and earnings per share would have been immaterial.

ITEM 7. FINANCIAL STATEMENTS

The financial statements begin on the following page.

INDEPENDENT AUDITORS' REPORT

The Stockholders
JAKKS Pacific, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of JAKKS Pacific, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for the year and nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JAKKS Pacific, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the results of their operations and cash flows for the year and nine months then ended, in conformity with generally accepted accounting principles.

PANNELL KERR FORSTER
Certified Public Accountants
A Professional Corporation

Los Angeles, California
January 23, 1997, except for note 15, for which
the date is February 6, 1997

JAKKS PACIFIC, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31,	
	1996	1995
Current assets:		
Cash.....	\$ 6,355,260	\$ 81,752
Accounts receivable.....	2,420,470	575,489
Inventory.....	140,105	86,128
Deferred product development costs.....	515,870	89,171
Prepaid expenses and other.....	450,107	129,735
Advanced royalty payments.....	276,000	50,000
Advances to officers.....	120,030	--
Total current assets.....	10,277,842	1,012,275
Property and equipment		
Office furniture and equipment.....	121,305	92,156
Molds and tooling.....	1,350,949	325,577
Leasehold improvements.....	4,808	675
Total.....	1,477,062	418,408
Less accumulated depreciation and amortization.....	277,265	55,448
Net property and equipment.....	1,199,797	362,960
Deferred offering and acquisition costs.....	85,301	74,915
Intangibles and deposits, net.....	91,776	51,977
Deferred income taxes.....	7,531	--
Goodwill, net.....	2,537,697	2,626,014
Total assets.....	\$14,199,944	\$4,128,141
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,610,987	\$ 711,058
Accrued expenses.....	205,087	178,038
Reserve for returns and allowances.....	175,000	460,513
Current portion of acquisition debt.....	190,008	202,485
Income taxes payable.....	272,605	80,983
Total current liabilities.....	2,453,687	1,633,077
Long-term portion of acquisition debt.....	--	229,889
Notes payable to officer.....	--	382,816
Deferred income taxes.....	--	32,655
Total liabilities.....	2,453,687	2,278,437
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 5,000 shares authorized, no shares issued.....	--	--
Common stock, \$.001 par value; 25,000,000 shares authorized, issued and outstanding 3,984,949 and 2,000,000 shares, respectively.....	3,985	2,000
Additional paid-in capital.....	10,321,295	1,624,238
Retained earnings.....	1,616,140	436,371
Unearned compensation from grant of options.....	11,941,420	2,062,609
	195,163	212,905
Net stockholders' equity.....	11,746,257	1,849,704
Total liabilities and stockholders' equity.....	\$14,199,944	\$4,128,141
	=====	=====

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1996 -----	APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 1995 -----
Net sales.....	\$12,052,016	\$6,077,763
Cost of sales.....	7,231,296 -----	4,130,997 -----
Gross profit.....	4,820,720	1,946,766
Selling, general and administrative expenses.....	3,611,471 -----	1,400,368 -----
Income from operations.....	1,209,249	546,398
Interest expense.....	63,171	8,971
Other income.....	196,966 -----	13,382 -----
Income before provision for income taxes.....	1,343,044	550,809
Provision for income taxes.....	163,275 -----	114,438 -----
Net income.....	\$ 1,179,769 =====	\$ 436,371 =====
Net income per share.....	\$.34 =====	\$.20 =====
Weighted average common shares outstanding and common equivalent shares.....	3,503,767 =====	2,191,423 =====

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 1996 AND APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 1995

	COMMON SHARES OUTSTANDING	PAR VALUE PER SHARE	STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNEARNED COMPENSATION FROM GRANT OF OPTIONS	TOTAL STOCKHOLDERS' EQUITY
-----	-----	-----	-----	-----	-----	-----	-----
Balance, April 1, 1995 (Inception).....	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Issuance of common stock for cash.....	1,896,925	.001	1,897	843,103	--	--	845,000
Issuance of common stock in partial consideration for purchase of toy business assets.....	75,951	.001	76	559,924	--	--	560,000
Issuance of common stock for services.....	27,124	.001	27	8,306	--	--	8,333
Grant of compensatory stock options.....	--	--	--	212,905	--	(212,905)	--
Net income.....	--	--	--	--	436,371	--	436,371
-----	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1995.....	2,000,000	.001	2,000	1,624,238	436,371	(212,905)	1,849,704
Issuance of common stock for cash.....	1,502,000	.001	1,502	7,652,761	--	--	7,654,263
Issuance of common stock from bridge financing conversion.....	469,300	.001	469	1,044,310	--	--	1,044,779
Issuance of common stock in partial consideration for purchase of toy business assets.....	13,649	.001	14	(14)	--	--	--
Earned compensation from grant of options.....	--	--	--	--	--	17,742	17,742
Net income.....	--	--	--	--	1,179,769	--	1,179,769
-----	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1996.....	3,984,949	\$.001	\$3,985	\$10,321,295	\$1,616,140	\$(195,163)	\$11,746,257
	=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1996 -----	APRIL 1, 1995 (INCEPTION) TO DECEMBER 31, 1995 -----
Cash flows from operating activities:		
Net income.....	\$ 1,179,769	\$ 436,371
	-----	-----
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization.....	338,032	101,203
Earned compensation from stock option grants.....	17,742	--
Changes in operating assets and liabilities:		
Accounts receivable.....	(1,844,981)	(575,489)
Inventory.....	(53,977)	(86,128)
Prepaid expenses and other.....	(973,076)	(268,906)
Advances to officers.....	(120,030)	--
Accounts payable.....	899,929	711,058
Accrued expenses.....	27,049	178,038
Income taxes payable.....	191,622	80,983
Reserve for returns and allowances.....	(285,513)	460,513
Deferred income taxes.....	(40,186)	32,655
	-----	-----
Total adjustments.....	(1,843,389)	633,927
	-----	-----
Net cash (used) provided by operating activities.....	(663,620)	1,070,298
	-----	-----
Cash flows from investing activities		
Property and equipment.....	(1,058,653)	(418,408)
Intangibles and deposits.....	(49,129)	(45,143)
Excess of cost over toy business assets acquired (goodwill).....	--	(2,110,270)
	-----	-----
Net cash (used) by investing activities.....	(1,107,782)	(2,573,821)
	-----	-----
Cash flows from financing activities		
Deferred costs.....	(85,301)	(74,915)
Proceeds from sale of common stock.....	7,669,263	845,000
Proceeds from convertible notes payable.....	1,104,694	--
Proceeds from (repayments of) note payable to officer.....	(382,816)	382,816
Proceeds from (repayments of) acquisition debt.....	(260,930)	432,374
	-----	-----
Net cash provided by financing activities.....	8,044,910	1,585,275
	-----	-----
Net increase in cash.....	6,273,508	81,752
Cash, beginning of year and at inception.....	81,752	--
	-----	-----
Cash, end of year.....	\$ 6,355,260	\$ 81,752
	=====	=====
Cash paid during the period for:		
Interest.....	\$ 49,638	\$ 335
	=====	=====
Income taxes.....	\$ 11,839	\$ 800
	=====	=====

See note 17 for supplemental information to consolidated statements of cash flows.

See notes to consolidated financial statements.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1996

NOTE 1 -- PRINCIPAL INDUSTRY

JAKKS Pacific, Inc. (the "Company") is engaged in the development, manufacture and marketing of toys and children's electronics products, some of which are based on character and product licenses. The Company commenced operations in July 1995 through the purchase of substantially all of the assets of a Hong Kong toy company. The Company is marketing its product lines domestically and internationally.

The Company was incorporated under the laws of the State of Delaware in January 1995.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries, JAXXS (HK) Limited, JP (HK) Limited, both Hong Kong Corporations, J-X Enterprises, Inc., a New York Corporation, and JAKKS Acquisition Corp., a Delaware Corporation. In consolidation, all significant intercompany balances and transactions are eliminated.

Cash and cash equivalents

The Company considers all highly liquid assets, having an original maturity of less than three months, to be cash equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual future results could differ from those estimates.

Revenue recognition

Revenue of the Company's products is recognized upon shipment to its customers. The Company provides allowances for estimated returns at the time of sales.

Deferred product development costs

The Company defers certain costs related to the preliminary activities associated with the manufacture of its products, which the Company has determined have future economic benefit. These costs are then expensed in the period in which the initial shipment of the related product is made. Management periodically reviews and revises, when necessary, its estimate of the future benefit of these costs, and expenses them if it is deemed there no longer is a future benefit.

Deferred offering and acquisition costs

During 1996, costs incurred for an additional public offering, convertible debenture offering, and certain acquisition costs were deferred. The deferred costs will be offset against respective proceeds received and upon completion of an on-going acquisition to the costs of the new affiliate (note 15).

In 1995, offering costs incurred directly related to the issuance of convertible promissory notes pursuant to its private offering and costs incurred directly related to its public offering were capitalized. The Company

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

completed the private offering and public offering in February and May 1996, respectively, and offset these deferred offering costs against the respective proceeds received.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over their estimated useful lives as follows:

Personal computers.....	5 years
Office equipment.....	5 years
Furniture and fixtures.....	5 years
Molds and tooling.....	3 - 4 years
Leasehold improvements.....	Shorter of length of lease or 10 years

Advertising

Production costs of commercials and programming are charged to operations in the year during which the production is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the year incurred. Advertising expense for the year ended December 31, 1996 was approximately \$22,000.

Income taxes

The Company does not file a consolidated return with its foreign subsidiaries. The Company files Federal and state returns and its foreign subsidiaries file Hong Kong returns. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized as deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Translation of foreign currencies

Monetary assets and liabilities denominated in Hong Kong dollars are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Transactions during the period are translated at the rates ruling at the dates of the transactions.

Profits and losses resulting from the above translation policy are recognized in the consolidated statements of operations.

Goodwill

Goodwill represents the excess purchase price paid over the fair market value of the assets acquired of a Hong Kong toy company. Goodwill is being amortized over 30 years on a straight-line basis. Accumulated amortization at December 31, 1996 totalled \$133,301.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

The carrying value of goodwill is based on management's current assessment of recoverability. Management evaluates recoverability using both objective and subjective factors. Objective factors include management's best estimates of projected future earnings and cash flows and analysis of recent sales and earnings trends. Subjective factors include competitive analysis and the Company's strategic focus.

Intangible assets

Intangible assets consist of organizational costs, product technology rights and patents. Intangible assets are amortized on a straight-line basis, over five to six years, the estimated economic lives of the related assets. Accumulated amortization as of December 31, 1996 and 1995 was \$10,834 and \$1,500, respectively.

Reverse stock split

The Company effected a reverse split of its common stock of approximately one-for-1.843333. All common stock and common stock equivalent shares and per share amounts have been adjusted retroactively to give effect to the reverse stock split.

Net income per share

Net income per share is computed using the weighted average number of shares outstanding of common stock and common equivalent shares from stock options using the treasury stock method.

NOTE 3 -- ACQUISITION

Effective July 1, 1995, the Company acquired substantially all of the assets constituting the toy business of Justin Products Limited, a Hong Kong Corporation ("JPL"). Total consideration paid of \$2,965,353 consisted of cash, assumption of liabilities and the issuance of 89,600 shares of the Company's common stock.

Other consideration includes percentage payments equal to 5% of the net sales of the acquired product lines during each of the calendar years 1995, 1996, and 1997, with minimums of \$250,000 for each of 1995 and 1996, and 2.5% of the net sales of the acquired product lines during each of the calendar years 1998 and 1999. Such percentage payments are subject to offset against \$500,000 in cash consideration paid. The 1996 minimum percentage payment has been discounted at 10% and is presented at net as a long-term liability (note 8). Percentage payments for the year and period ended December 31, 1996 and 1995, respectively, amounted to \$250,000 and \$264,917, respectively.

The assets acquired from JPL were as follows:

Furniture and fixtures.....	\$ 47,500
Office equipment.....	12,500
Molds and tooling.....	250,000
Goodwill.....	2,655,353

Total assets acquired.....	\$2,965,353
	=====

NOTE 4 -- CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Company to concentration of credit risk are cash equivalents and trade receivables. Cash equivalents consist principally of short-term money market funds. These instruments are short-term in nature and bear minimal risk. To date, the Company has not experienced losses on these instruments.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

The Company maintains cash balances at financial institutions located in California and Hong Kong. Accounts located in California institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 1996, the Company's uninsured cash balance totaled \$6,476,475.

The Company performs on-going credit evaluations of its customers financial condition but does not require collateral to support customer receivables. Most goods are sold on irrevocable letter of credit basis.

Included in the Company's consolidated balance sheets at December 31, 1996 and 1995, are the Company's operating net assets, most of which are located in facilities in Hong Kong and China and which total approximately \$3,531,379 and \$1,019,077, for 1996 and 1995, respectively.

NOTE 5 -- ADVANCES TO OFFICERS

Advances to officers represent balances of \$55,030 and \$65,000 due from two of the Company's officers. The \$55,030 is due on demand and bears no interest. The amount of \$65,000 relates to two notes receivable, \$25,000 and \$40,000, that are due on the earlier of August 27 and September 20, 1997, respectively, or immediately upon the termination of the officer's employment with the Company for any reason; the notes receivable bear interest of approximately 6 percent. See note 18.

NOTE 6 -- ACCRUED EXPENSES

Accrued expenses consist of the following:

	1996	1995
	-----	-----
Bonuses.....	\$107,444	\$ --
Insurance.....	--	36,972
Hong Kong subsidiaries accruals.....	--	36,531
Reserve for vendor claims arising from the Justin acquisition.....	--	98,476
Royalties.....	78,060	--
Other.....	19,583	6,059
	-----	-----
	\$205,087	\$178,038
	=====	=====

NOTE 7 -- RESERVE FOR RETURNS AND ALLOWANCES

The Company provides allowances for estimated sales returns and allowances at the time of sales. In 1996, the balance of the reserve for returns and allowance was \$175,000. In 1995, the reserve for returns and allowances includes actual amounts due to customers for pre-acquisition obligations assumed by the Company of \$260,513, and an estimated reserve for returns and allowances of \$200,000.

NOTE 8 -- LONG-TERM DEBT

Long-term debt, entirely due in 1997, consists of the following:

	1996	1995
	-----	-----
Asset purchase obligation.....	\$191,555	\$452,485
Less amount representing interest.....	1,547	20,111
	-----	-----
Present value of asset purchase obligation.....	190,008	432,374
Less current portion.....	190,008	202,485
	-----	-----
Long-term portion of asset purchase obligation.....	\$ --	\$229,889
	=====	=====

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

NOTE 9 -- INCOME TAXES

The provision differs from the expense that would result from applying Federal statutory rates to income before taxes because of the inclusion of a provision for state income taxes, and the income of the Company's foreign subsidiaries is taxed at a rate of 16.5% applicable in Hong Kong. In addition, the provision includes deferred income taxes resulting from adjustments in the amount of temporary differences.

Temporary differences arise primarily from differences in timing in the deduction of state income taxes and the use of the straight-line method of depreciation for financial reporting purposes and accelerated methods of depreciation for tax purposes.

The Company does not file a consolidated return with its foreign subsidiaries. The Company files Federal and state returns and its foreign subsidiaries file Hong Kong returns. Income taxes reflected in the accompanying consolidated statements of operations is comprised of the following:

	1996	1995
	-----	-----
Federal.....	\$ --	\$ 3,030
State and local.....	1,350	2,870
Hong Kong.....	277,994	75,883
	-----	-----
	279,344	81,783
Deferred.....	(116,069)	32,655
	-----	-----
	\$ 163,275	\$114,438
	=====	=====

As of December 31, 1996, the Company has Federal and state net operating loss carryovers of approximately \$360,000 and \$180,000, respectively, available to offset future taxable income. The carryovers expire through 2011.

Deferred tax assets resulting from deductible temporary differences from loss carryforwards, noncurrent.....	\$ 145,692	\$ --
Deferred tax liabilities resulting from taxable temporary differences, noncurrent.....	(138,161)	(32,655)
	-----	-----
	\$ 7,531	\$(32,655)
	=====	=====

No valuation allowance for deferred tax assets has been provided for as of December 31, 1996, since, in the opinion of the Company's management, realization of the future benefit is probable.

A reconciliation of the statutory United States Federal income tax rate to the Company's effective income tax rate is as follows:

	1996	1995
	-----	-----
Statutory income tax rate.....	35%	35%
State and local income taxes, net of Federal income tax effect.....	1	1
Effect of net operating loss carryovers.....	(40)	--
Income taxes on foreign earnings at rates other than the United States Statutory rate not subject to United States income taxes.....	16	(15)
	-----	-----
	12%	21%
	=====	=====

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

The components of earnings before income taxes are as follows:

	1996	1995
	-----	-----
Domestic.....	\$ (360,040)	\$ 16,555
Foreign.....	1,703,084	534,254
	-----	-----
	\$1,343,044	\$550,809
	=====	=====

NOTE 10 -- NOTES PAYABLE -- OFFICER

Notes payable -- officer, is due to a Company officer and stockholder. The officer advanced monies to the Company totaling \$382,816 at an interest rate of approximately 6%. During 1996, additional advances of \$50,000 and \$25,000 had been made to the Company by two of its officers under the same terms disclosed above. All notes payable were repaid, including accrued interest, during 1996. See note 18.

NOTE 11 -- LEASES

The Company leases office facilities and certain equipment under operating leases. The following is a schedule of future minimum lease payments as of December 31, 1996.

1997.....	\$111,342
1998.....	73,402
1999.....	70,682
2000.....	68,925
2001.....	66,467
Thereafter.....	132,934

	\$523,752
	=====

Rent expense for the year and period ended December 31, 1996 and 1995 totalled \$182,690 and \$89,737, respectively.

NOTE 12 -- COMMON STOCK AND PREFERRED STOCK

All references to the number of shares of the Company's common stock and per share amounts have been retroactively restated in the accompanying consolidated financial statements to reflect the effect of the approximately one-for-1.843333 reverse stock split.

The Company has 25,005,000 authorized shares of stock consisting of 25,000,000 shares of \$.001 par value common stock and 5,000 shares of \$.001 par value preferred stock.

During 1995, the Company issued JPL 75,951 shares of common stock, and an additional 13,649 shares in connection with the Company's public offering in May 1996, pursuant to the asset purchase agreement (note 3), and had issued 27,124 shares, valued at \$8,333, to the Company's legal counsel for services rendered.

The Company has entered into a letter of intent with a certain underwriter relating to a contemplated additional public offering of its Common Stock.

NOTE 13 -- COMMITMENTS

The Company entered into various license agreements whereby the Company may use certain characters and properties in conjunction with its products. Such license agreements call for royalties to be paid at 5 to 10% of net sales with minimum guarantees and advance payments. Additionally, under one such license, the Company has committed to spend 12.5% of related net sales, not to exceed \$1,000,000, on advertising per year.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

Future minimum royalty guarantees as of December 31, 1996 are as follows:

1997.....	\$ 730,451
1998.....	714,166
1999.....	949,667

Total.....	\$2,394,284
	=====

NOTE 14 -- STOCK OPTION PLAN

Under the Company's Amended and Restated 1995 Stock Option Plan, the Company has reserved 216,998 shares of the Company's Common Stock for issuance under the Plan. Under the Amended and Restated 1995 Stock Option Plan, employees (including officers), nonemployee directors and independent consultants may be granted options to purchase shares of Common Stock. Prior to the adoption of the Plan in 1995, options for 276,500 shares have been granted at an exercise price of \$2.00 per share. The Company has recorded deferred compensation costs and a related increase in paid-in capital of \$212,905 for the difference between the grant price and the deemed fair market value of the Common Stock of \$2.77 per share at the date of grant. Such compensation costs will be recognized on a straight-line basis over the vesting period of the options, which is 25% per year commencing twelve months after the grant date of such options. In 1996, the fair value of each employee option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used: risk-free rate of interest of 6.0%; dividend yield of 0%; and expected lives of 5 years. See note 19.

As of December 31, 1996 and 1995, 91,523 and 206,148 shares were available for future grant respectively. Additional shares may become available for grant to the extent that options presently outstanding under the Plan terminate or expire unexercised.

Stock option activity pursuant to the Amended and Restated 1995 Plan is summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding, April 1, 1995 (Inception).....	--	\$ --
Granted.....	10,850	4.50
Exercised.....	--	--
Canceled.....	--	--
Outstanding, December 31, 1995.....	10,850	4.50
Granted.....	114,625	6.70
Exercised.....	--	--
Canceled.....	--	--
	-----	-----
Outstanding, December 31, 1996.....	125,475	\$ 6.51
	=====	=====

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996

Stock option activity outside of the Amended and Restated 1995 Plan is summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding, April 1, 1995 (Inception).....	--	\$ --
Granted.....	276,500	2.00
Exercised.....	--	--
Canceled.....	--	--
Outstanding, December 31, 1995.....	276,500	2.00
Granted.....	75,000	7.54
Exercised.....	--	--
Canceled.....	--	--
	-----	-----
Outstanding, December 31, 1996.....	351,500	\$ 3.18
	=====	=====

The weighted average fair value of options granted to employees in 1996 and 1995 was \$2.30 and \$0.77 per share, respectively.

The following table summarizes information about stock options outstanding and exercisable at December 31, 1996:

	OUTSTANDING			EXERCISABLE	
	NUMBER OF SHARES	WEIGHTED AVERAGE LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
OPTION PRICE RANGE	-----	-----	-----	-----	-----
\$ 2.00 - \$8.25	476,975	6.1 years	\$ 4.06	182,100	\$ 5.03

At December 31, 1995, options were exercisable for 10,850 shares at a weighted average exercise price of \$4.50 per share.

In addition, in 1996, 150,000 shares were reserved for issuance upon exercise of warrants granted to the representatives of the underwriters of the Company's Initial Public Offering exercisable at \$9.375 per share.

NOTE 15 -- SUBSEQUENT EVENTS

On January 8, 1997, the Company issued two \$3,000,000 convertible debentures for a total of \$6,000,000. Interest on the principal amounts outstanding will accrue at 9.0% per annum with the first monthly installment payable on February 1, 1997. If not sooner redeemed or converted into common stock, the debentures shall mature on December 31, 2003. Commencing on December 31, 1999, and the first day of each successive month thereafter prior to maturity, mandatory principal redemption installments, each of such installment to be in the amount of \$10 per \$1,000 of the then remaining principal amount of the debenture. Such debentures are convertible at an assumed conversion price of \$8.00 per share into 750,000 shares of the Company's common stock, subject to reset and anti-dilution provisions. A stock pledge agreement from the Company pledging as security all outstanding shares of a certain entity being acquired, upon acquisition thereof from use of loan proceeds, and all of the outstanding shares of the Company's wholly-owned subsidiaries. In addition, all marketing and manufacturing licenses acquired or to be acquired, and all machinery and equipment to the extent assignable by the Company are also to be pledged as security. As compensation paid to an investment banker, 6% of the gross proceeds was paid in cash and warrants for the purchase of 150,000 shares of common stock, exercisable at \$8.00 per share, were sold for \$0.001 per share.

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996

On February 6, 1997, the Company acquired all of the stock of Road Champs, Inc. and all of the operating assets of an affiliated company for approximately \$12,045,000. Consideration paid at closing was approximately \$4,619,000 in cash plus the issuance of \$1,500,000 (198,020 shares) of the Company's common stock. The balance of the adjusted purchase price of approximately \$2,937,000 is to be paid in three equal installments, with the third installment payable one year after the closing of the transactions all of which will carry interest at a rate of 7.0% per annum. In addition, the payment for inventory of approximately \$1,988,000, without interest, is payable within 30 days of shipment to customers and the balance is payable no later than August 6, 1997, and a payment of \$1,001,000 is due seven days after the close of an additional public offering of the Company's common stock, but not later than May 6, 1997. Outstanding balances will be secured by all acquired shares and assets, however, they will be subordinated to the security interest for the convertible debentures noted above.

NOTE 16 -- MAJOR CUSTOMERS

Sales to major customers were as follows:

1996		1995	
AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
\$3,398,059	28.2%	\$1,890,184	31.1%
1,679,281	13.9	729,332	12.0
1,007,590	8.4	686,787	11.3
847,392	7.0	577,387	9.5
508,941	4.2	571,310	9.4
\$7,441,263	61.7%	\$4,455,000	73.3%
=====	=====	=====	=====

NOTE 17 -- SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

469,300 shares of common stock were issued in 1996 pursuant to the conversion of bridge financing promissory notes which provided net proceeds of \$1,044,779.

Shares of common stock were issued as partial consideration for toy business assets acquired totalling \$560,000 in 1995. The excess of cost over toy business assets acquired (goodwill) is reflected in the consolidated statement of cash flows net of the stock issued.

27,124 shares of stock valued at \$8,333 were issued in consideration for legal services in connection with the Company's organizational start-up during 1995.

NOTE 18 -- RELATED PARTY TRANSACTIONS

A director of the Company is a partner in the law firm that acts as counsel to the Company. The company paid legal fees to the law firm in the amounts of approximately \$270,000 in 1996 and \$75,000 in 1995. Also see footnotes 5 and 10 for other related party transactions.

NOTE 19 -- RECENT ACCOUNTING PRONOUNCEMENT

The FASB issued a new standard, SFAS No. 123 "Accounting for Stock-Based Compensation," which contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, the standard permits entities to continue accounting for employee stock option and similar equity instruments under APB Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using

JAKKS PACIFIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

APB Opinion No. 25 are required to make pro forma disclosures of net income and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied. Management accounts for options under APB Opinion No. 25. If the alternative accounting-related provisions of SFAS No. 123 had been adopted as of the beginning of 1995, the effect on 1996 and 1995 net income and earnings per share would have been immaterial. See note 14.

In March 1995, the FASB issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of " ("Statement 121"). Statement 121 addresses the accounting for the impairment of long-lived assets, certain identifiable intangible and goodwill related to those assets to be held and used. It also addresses the accounting for long-lived assets and certain identifiable intangibles to be disposed of. Statement 121 establishes guidance for recognizing and measuring impairment losses and requires that the carrying amount of impaired assets be reduced to fair value. Statement 121 was effective for fiscal years beginning after December 15, 1995. The impact of the adoption of Statement 121 did not have a material adverse effect on the Company's financial condition or results of operations.

INDEPENDENT AUDITORS' REPORT

To the Stockholders of Road Champs, Inc.
and Subsidiary and Die Cast Associates, Inc.

We have audited the accompanying combined balance sheets of Road Champs, Inc. and Subsidiary and Die Cast Associates, Inc. as of December 31, 1996 and 1995 and the related combined statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Road Champs, Inc. and Subsidiary and Die Cast Associates, Inc. as of December 31, 1996 and 1995, and the results of their combined operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

PANNELL KERR FORSTER PC

New York, New York
February 12, 1997

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

COMBINED BALANCE SHEETS

ASSETS

	DECEMBER 31,	
	1996	1995
Current assets:		
Cash and cash equivalents.....	\$ 2,792,336	\$ 2,779,649
Investments (notes 1 and 4).....	6,032,816	3,591,664
Accounts receivable, net of allowance for doubtful accounts of \$65,266 and \$83,008 at December 31, 1996 and 1995, respectively.....	1,958,344	3,142,352
Loan receivable affiliated entity (notes 1 and 9).....	1,034,784	695,535
Inventory (note 3).....	1,961,068	2,401,014
Prepaid expenses and other.....	158,373	156,992
Deferred tax asset (note 6).....	72,615	--
Total current assets.....	14,010,336	12,767,206
Property and equipment		
Office furniture and equipment.....	463,067	712,258
Molds and tooling.....	4,749,085	4,771,572
Leasehold improvements.....	81,250	--
Total.....	5,293,402	5,483,830
Less accumulated depreciation and amortization.....	4,690,231	4,629,009
Net property and equipment.....	603,171	854,821
Deposits.....	138,322	156,755
Total assets.....	\$14,751,829	\$13,778,782
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 507,541	\$ 662,870
Accrued expenses (note 7).....	1,139,613	253,211
Notes payable -- stockholder (note 8).....	375,000	375,000
Income taxes payable.....	689,106	37,578
Deferred tax liability (note 6).....	--	415,725
Total current liabilities.....	2,711,260	1,744,384
Commitments (note 7)		
Stockholders' equity:		
Common stock (note 5).....	9,750	9,750
Additional paid-in capital.....	104,000	104,000
Unrealized holding gain on securities net of deferred taxes of \$3,719 and \$713,577 in 1996 and 1995, respectively (note 4).....	133,157	1,175,472
Retained earnings.....	11,793,662	10,745,176
Total stockholders' equity.....	12,040,569	12,034,398
Total liabilities and stockholders' equity.....	\$14,751,829	\$13,778,782
	=====	=====

See notes to combined financial statements.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.
COMBINED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,	
	1996	1995
Net sales.....	\$15,510,611	\$17,141,445
Cost of sales.....	9,564,332	11,427,162
Gross profit.....	5,946,279	5,714,283
Selling, general and administrative expenses.....	4,119,424	5,022,977
Income from operations.....	1,826,855	691,306
Interest expense.....	45,359	48,072
Other income (note 4).....	2,733,020	125,456
Other expenses (note 7).....	923,841	--
Income before provision for income taxes.....	3,590,675	768,690
Provision for income taxes (note 6).....	1,615,276	246,417
Net income.....	\$ 1,975,399	\$ 522,273
	=====	=====

See notes to combined financial statements.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	COMMON SHARES OUTSTANDING	PAR VALUE PER SHARE	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED HOLDING GAIN ON SECURITIES NET OF TAXES	TOTAL STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1994.....	195	\$50	\$9,750	\$104,000	\$10,611,152	\$ 1,472,351	\$12,197,253
Net income.....	--	--	--	--	522,273	--	522,273
Dividends paid.....	--	--	--	--	(320,000)	--	(320,000)
Unrecoverable advances due from former subsidiary....	--	--	--	--	(68,249)	--	(68,249)
Net change in unrealized holding gain on securities, net of taxes of \$237,784.....	--	--	--	--	--	(296,879)	(296,879)
	---	---	---	---	---	---	---
Balance, December 31, 1995.....	195	50	9,750	104,000	10,745,176	1,175,472	12,034,398
Net income.....	--	--	--	--	1,975,399	--	1,975,399
Dividends paid.....	--	--	--	--	(817,598)	--	(817,598)
Unrecoverable advances due from former subsidiary....	--	--	--	--	(109,315)	--	(109,315)
Net change in unrealized holding gain on securities, net of taxes of \$709,858.....	--	--	--	--	--	(1,042,315)	(1,042,315)
	---	---	---	---	---	---	---
Balance, December 31, 1996.....	195	\$50	\$9,750	\$104,000	\$11,793,662	\$ 133,157	\$12,040,569
	===	===	=====	=====	=====	=====	=====

See notes to combined financial statements.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.
COMBINED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	1996	1995
Cash flows from operating activities:		
Net income.....	\$ 1,975,399	\$ 522,273
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization.....	510,316	656,210
Deferred taxes.....	221,518	224,003
Provision for doubtful accounts.....	(17,742)	(157,280)
Gain on sale of investments.....	(2,501,857)	--
Changes in certain assets and liabilities		
Accounts receivable.....	1,201,750	225,102
Inventory.....	438,946	967,451
Prepaid expenses and other.....	11,917	(11,532)
Deposits.....	18,433	159,272
Accounts payable.....	(155,329)	275,224
Accrued expenses.....	886,402	(23,311)
Income taxes payable.....	651,528	10,874
Net cash provided by operating activities.....	3,241,281	2,848,286
Cash flows from investing activities:		
Purchase of property and equipment.....	(270,963)	(412,997)
Sale of investments.....	8,401,624	150,000
Purchase of investments.....	(10,093,093)	(102,536)
Loan receivable affiliated entity.....	(339,249)	(340,530)
Unrecoverable advances due from former subsidiary.....	(109,315)	(68,249)
Net cash (used) by investing activities.....	(2,410,996)	(774,312)
Cash flows from financing activities:		
Notes payable -- bank.....	--	(975,000)
Dividends paid.....	(817,598)	(320,000)
Net cash (used) by financing activities.....	(817,598)	(1,295,000)
Net increase in cash and cash equivalents.....	12,687	778,974
Cash and cash equivalents -- beginning of year.....	2,779,649	2,000,675
Cash and cash equivalents -- end of year.....	\$ 2,792,336	\$ 2,779,649
Supplemental disclosure of cash flow information		
Cash paid for interest.....	\$ 45,359	\$ 59,020
Cash paid for income taxes.....	\$ 729,850	\$ 31,415

See notes to combined financial statements.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1996

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and description of business

The combined financial statements include the accounts of Road Champs, Inc. (Road Champs) and its wholly-owned subsidiary Road Champs, Ltd. (Limited) and Die Cast Associates, Inc. (Die Cast). Road Champs, located in New Jersey is a toy wholesaler principally in the United States. Limited, a Hong Kong corporation, is a toy wholesaler that sells worldwide principally on an F.O.B. Hong Kong basis against letters of credit. Die Cast, a Florida corporation, acts as the sales agent and product development consultant for Road Champs and Limited. Road Champs and Die Cast (collectively the Company) are owned and/or controlled by the same stockholder who, on January 21, 1997 agreed to sell the stock of Road Champs, Inc. and Subsidiary and certain operating assets of Die Cast for approximately \$12,045,000 plus the value of certain defined assets less defined liabilities. The sale closed on February 6, 1997.

The businesses under common control and which are being sold have been combined for financial statement purposes. All significant intercompany transactions and balances have been eliminated. Road Champs Die Casting Factory (Factory), a Hong Kong corporation, operates a die cast toy manufacturing facility in China and is the principal supplier of merchandise to Road Champs and Limited. Factory is under the same common ownership as the Company but was not part of the aforementioned sales transaction and, accordingly, is excluded from the combined financial statements. During 1996 and 1995, Road Champs had net advances of \$109,315 and \$68,249, respectively, due from Factory which were deemed unrecoverable and are reflected in stockholders' equity in the combined financial statements.

Cash and cash equivalents

The Company considers all highly liquid assets, having an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Revenue recognition

Revenue from sales of the Company's products is recognized upon shipment to its customers.

Inventory

Inventory generally is valued at the moving average cost basis and is stated at the lower of cost or market.

Investments

Investments consists of equity securities and bonds. These investments are classified as available-for-sale and are stated at fair value. The Company computes gains/losses on sales of its investments using the specific identification method.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

Property and equipment

Property and equipment are stated at cost and are being depreciated using accelerated methods over their estimated useful lives as follows:

Office furniture and equipment.....	5-7 years
Molds and tooling.....	3-4 years
Leasehold improvements.....	5 years

Income taxes

Road Champs accounts for income taxes using the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce the carrying amount of deferred tax assets to their net realizable value.

Die Cast has elected to be treated as an "S" Corporation for Federal and New Jersey income tax purposes. Consequently, it does not record income taxes (except for capital gains, certain passive investment income, and certain investment credit recapture). The stockholder is liable for the individual income taxes of Die Cast's taxable income (even though such income is not distributed) or include a share of Die Cast's net operating loss in the individual's income tax return. Die Cast records New Jersey income taxes at the reduced "S" Corporation rate.

Foreign Currency Translation

Foreign currency financial statements of the Road Champ's Hong Kong subsidiary are converted into United States dollars by translating balance sheet accounts at the current exchange rate at year end and statement of operations accounts at the average exchange rate for the year.

Use of estimates

The preparation of the combined financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

The Company's cash and cash equivalents, accounts and loan receivables and notes payable -- stockholder represent financial instruments. The carrying value of these financial instruments is a reasonable approximation of fair value.

Split Dollar Insurance Plan

An insurance trust was created for the Road Champs majority stockholder in December 1993. The terms of the trust require that it pay premiums equal to the current term rate for the insured's age multiplied by the excess of the current death benefit over Road Champs current premium advance. This amount, also referred

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

to as the "economic value", is a fringe benefit expense of Road Champs. The remaining amount of the premium is recorded as a loan receivable from the insurance trust, an affiliated entity.

International operations

Limited operates in Hong Kong. As a result, a significant portion of Road Champs sales and operations are subject to certain risks, including adverse developments in the foreign political and economic environment, exchange rates, tariffs and other trade barriers, staffing and managing foreign operations and potentially adverse tax consequences. There can be no assurance that any of these factors will not have a material adverse effect on the Company's financial condition or results of operations in the future. Net sales of Limited totaled \$10,361,376 and \$12,051,301 for the years ended December 31, 1996 and 1995.

NOTE 2 -- RISK CONCENTRATIONS

Accounts receivable and sales

A significant amount of the accounts receivable and sales of Road Champs are from a limited number of customers. Four customers owed 37%, 17%, 12% and 10%, respectively, of the total accounts receivable at December 31, 1995, and two customers owed 22% and 21%, respectively, of the total accounts receivable at December 31, 1996. Two customers had 21% and 26%, respectively of total sales in 1995, and one customer had 15% of total sales in 1996.

NOTE 3 -- INVENTORY

Inventory consists of the following:

	1996	1995
	-----	-----
Packaging.....	\$ 117,817	\$ 182,688
Finished goods.....	1,843,251	2,218,326
	-----	-----
Total inventory.....	\$1,961,068	\$2,401,014
	=====	=====

NOTE 4 -- INVESTMENTS

The following is a summary of the Company's available-for-sale securities at December 31, 1996 and 1995.

DECEMBER 31, 1996

SECURITIES AVAILABLE-FOR-SALE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	ESTIMATED FAIR VALUE
-----	-----	-----	-----	-----
Common Stock.....	\$2,362,922	\$ 137,505	\$ --	\$2,500,427
U.S. Government Obligations.....	179,201	320	--	179,521
Municipal Bonds.....	3,353,817	409	(1,358)	3,352,868
	-----	-----	-----	-----
Total.....	\$5,895,940	\$ 138,234	\$ (1,358)	\$6,032,816
	=====	=====	=====	=====

Proceeds from the sale of available for sale securities amounted to \$8,401,624 in 1996, while realized gains on the sale of available-for-sale securities amounted to \$2,501,857 during 1996. The change in unrealized holding gain on available-for-sale securities in 1996 amounted to \$1,752,173.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

DECEMBER 31, 1995

SECURITIES AVAILABLE-FOR-SALE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	ESTIMATED FAIR VALUE
Common Stock.....	\$1,600,079	\$1,893,745	\$ (6,015)	\$3,487,809
Municipal Bonds.....	102,536	1,319	--	103,855
Total.....	<u>\$1,702,615</u>	<u>\$1,895,064</u>	<u>\$ (6,015)</u>	<u>\$3,591,664</u>

Proceeds from the sale of available-for-sale securities amounted to \$150,000. Realized gain on the sale of available-for-sale securities were not significant during 1995. The change in unrealized holding gains on available-for-sale securities in 1995 amounted to \$534,663.

The amortized cost and estimated fair value of debt securities classified as available-for-sale at December 31, 1996 and 1995 by contractual maturity are as follows:

MATURITY	1996		1995	
	AMORTIZED COST	ESTIMATED FAIR VALUE	AMORTIZED COST	ESTIMATED FAIR VALUE
Less than one year.....	\$1,307,442	\$1,307,018	\$ --	\$ --
One to five years.....	25,576	25,371	102,536	103,855
Greater than ten years.....	2,200,000	2,200,000	--	--
	<u>\$3,533,018</u>	<u>\$3,532,389</u>	<u>\$102,536</u>	<u>\$103,855</u>

NOTE 5 -- COMMON STOCK

Common stock at December 31, 1996 and 1995 consists of:

	SHARES		
	PAR VALUE	AUTHORIZED	ISSUED AND OUTSTANDING
Road Champs, Inc.....	\$50	100	95
Die Cast Associates, Inc.	50	100	100
		200	195
		===	===

NOTE 6 -- INCOME TAXES

The provision for income taxes consists of:

	1996	1995
Current		
Federal.....	\$1,045,811	\$ 22,414
State.....	347,947	--
Deferred.....	1,393,758	22,414
	<u>\$1,615,276</u>	<u>\$246,417</u>

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

The provision for income taxes generated for year end 1996 and 1995 differ from amounts which would result from applying the Federal statutory tax rate to pretax income as follows:

	1996	1995
	-----	-----
Income before provision for income taxes.....	\$3,590,675	\$ 768,690
Items not includible/deductible for tax purposes (income) losses of Die Cast Associates Inc. -- Sub "S" Corp.....	52,511	(147,715)
	-----	-----
Adjusted pretax income.....	3,643,186	620,975
Federal statutory tax rate.....	34%	34%
	-----	-----
Provision for income tax at statutory rate.....	1,238,683	211,131
State income taxes, net of Federal income tax benefit.....	229,645	36,886
Effects of foreign tax rate and other.....	146,948	(1,600)
	-----	-----
Provision for income taxes.....	\$1,615,276	\$ 246,417
	=====	=====

The components of the net deferred tax asset (liability) are as follows:

	1996	1995
	-----	-----
Deferred tax assets		
Net operating loss carryforwards.....	\$76,334	\$ 339,227
	-----	-----
Deferred tax liabilities		
Property and equipment.....	--	(41,375)
Unrealized holding gain on investments.....	(3,719)	(713,577)
	-----	-----
	(3,719)	(754,952)
	-----	-----
Net deferred tax asset (liability).....	\$72,615	\$(415,725)
	=====	=====

At December 31, 1996, Limited had available net operating loss carryforwards of approximately \$259,050 which have no expiration date.

NOTE 7 -- COMMITMENTS

a. Leases

Road Champs leases its New Jersey office and warehouse and its New York showroom under lease agreements which expire May 2000 and April 2001, respectively. The leases call for additional charges based upon utilities, real estate taxes and repairs, as defined. The New Jersey building is owned by a limited partnership controlled by the majority shareholder of Road Champs.

Limited leases its Hong Kong office space under a lease agreement which expires March 1998.

ROAD CHAMPS, INC. AND SUBSIDIARY
AND
DIE CAST ASSOCIATES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1996

The following is a schedule by year of the future minimum rent, exclusive of escalations, required by the leases as of December 31, 1996:

1997.....	\$ 484,922
1998.....	395,169
1999.....	371,550
2000.....	195,150
2001.....	23,050

	\$1,469,841
	=====

Rent expense for the years ended December 31, 1996 and 1995 amounted to \$304,871 and \$446,229, respectively.

b. Stock Appreciation Plan

Road Champs had a nonqualified Stock Appreciation Plan (Plan) with two of its key employees which vest upon the death or retirement of a participant, or the change in control of Road Champs, as defined.

In contemplation of the sale of the Company, Road Champs and the two key employees reached a cash settlement to terminate the Plan totalling approximately \$917,000, which was accrued at December 31, 1996 and included in other expenses in the accompanying combined statement of operations.

c. Line-of-credit

Road Champs has established a line-of-credit with a commercial bank in the amount of \$3,000,000 expiring September 1997. Borrowings against the line-of-credit bear interest at LIBOR plus 150 basis points and are collateralized by accounts receivable and inventory and guaranteed by Limited and Die Cast.

NOTE 8 -- NOTES PAYABLE -- STOCKHOLDER

The notes payable -- stockholder are unsecured, payable on demand, and bears interest at 10% per annum. Interest paid during each of the years 1996 and 1995 amounted to \$37,500.

NOTE 9 -- SPLIT DOLLAR INSURANCE PLAN

The total premiums required to be paid annually under the Plan, (see note 1) aggregate \$366,129. The fringe benefit expense to Road Champs included in the total was \$26,879 and \$25,599 for 1996 and 1995, respectively. Premiums in excess of the fringe benefit expense are recorded as a loan receivable from the insurance trust, an affiliated entity.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

The Company's directors and executive officers are as follows:

NAME	AGE	POSITION WITH THE COMPANY
-----	---	-----
Jack Friedman.....	57	Chairman, Chief Executive Officer and President
Stephen G. Berman.....	32	Chief Operating Officer, Executive Vice President, Secretary and Director
Joel M. Bennett.....	35	Chief Financial Officer
Michael G. Miller.....	49	Director
Murray L. Skala.....	50	Director
Robert E. Glick.....	51	Director

Jack Friedman has been Chairman, Chief Executive Officer and President of the Company since co-founding it in 1995. From January 1989 until January 1995, Mr. Friedman was Chief Executive, President, Officer and a director of T-HQ, Inc., a publicly-held company that develops and sells interactive games and software. From 1970 to 1989, Mr. Friedman was President and Chief Operating Officer of LNJ Toys, Ltd. ("LJN"), a toy and software company. After LJN was acquired by MCA/Universal, Inc. ("MCA") in 1986, Mr. Friedman continued as President until MCA's sale of LJN in late 1989.

Stephen G. Berman has been Chief Operating Officer, Executive Vice President, Secretary and a director of the Company since co-founding it in 1995. From October 1991 to August 1995, Mr. Berman was a Vice President and Managing Director of T-HQ International, Inc., a subsidiary of T-HQ, Inc. From 1988 to 1991, he was President and an owner of Balanced Approach, Inc., a distributor of personal fitness products and services.

Joel M. Bennett joined the Company in September 1995 as Chief Financial Officer. From August 1993 to September 1995, he served in several financial management capacities at Time Warner Entertainment Company, L.P., including Controller of Warner Brothers Consumer Products Worldwide Merchandising and Interactive Entertainment. From June 1991 to August 1993, Mr. Bennett was Vice President and Chief Financial Officer of TTI Technologies, Inc., a direct-mail computer hardware and software distribution company. From 1986 to June 1991, Mr. Bennett held various financial management positions at the Walt Disney Company, including Senior Manager of Finance for the international television syndication and production division.

Michael G. Miller has been a director of the Company since February 1996. Since 1979, Mr. Miller has been President and a director of several privately-held affiliated companies: JAMI Marketing, a list brokerage and list management consulting firm, JAMI Data, a database management consulting firm, and JAMI Direct, a direct mail graphic and creative design firm. He is also a director of Quintel Entertainment, Inc., a publicly-held company in the telephone entertainment services business.

Murray L. Skala has been a director of the Company since October 1995. Since 1976, Mr. Skala has been a partner of the law firm Feder, Kaszovitz, Isaacson, Weber, Skala & Bass LLP, counsel to the Company. Mr. Skala is also a director of Quintel Entertainment, Inc. and Katz Digital Technologies, Inc., a publicly-held company in the business of producing digital printing and prepress services.

Robert E. Glick has been a director of the Company since October 1996. For more than twenty years, Mr. Glick has been an officer, director and a principal stockholder in a number of privately-held affiliated companies which manufacture and market women's apparel.

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Directors currently receive no cash compensation for serving on the Board other than reimbursement of reasonable expenses incurred in attending meetings. Directors who are not employees of the Company are entitled to receive options to purchase shares of Common Stock upon their election as a director and annually while they serve as directors. Officers are elected annually by the Board and serve at the discretion of the Board.

Until the Convertible Debentures are fully redeemed or converted, Renaissance has the right to designate one person for nomination by management as a director of the Company or as an advisor to the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

The Company has an Audit Committee, a Compensation Committee and a Stock Option Committee. The Board does not have a Nominating Committee and performs the functions of a Nominating Committee itself.

Audit Committee. The functions of the Audit Committee are to recommend the appointment of the Company's independent certified public accountants and to review the scope and effect of such audits. Messrs. Miller, Glick and Skala are the current members of the Audit Committee.

Compensation Committee. The functions of the Compensation Committee are to make recommendations to the Board regarding compensation of management employees and to administer plans and programs relating to employee benefits, incentives and compensation, other than the Stock Option Plan. Messrs. Friedman, Miller and Skala are the current members of the Compensation Committee.

Stock Option Committee. The function of the Stock Option Committee is to determine the recipients of and the size of awards granted under the Company's Stock Option Plan. Messrs. Miller and Glick are the current members of the Stock Option Committee. Both Stock Option Committee members are non-employee directors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

To the best of the Company's knowledge, Robert E. Glick filed a late report on Form 3 during the fiscal year ended December 31, 1996. One amendment each to the Form 3 of Mr. Berman and Mr. Glick was filed to reflect the initial ownership of Common Stock of the Company of each of these individuals. To the best of the Company's knowledge, all other Forms 3, 4 or 5 required to be filed during the fiscal year ended December 31, 1996 were done so on a timely basis.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the compensation paid by the Company for the Company's fiscal years ending December 31, 1996 and 1995 to its Chief Executive Officer and to each of its executive officers whose compensation exceeded \$100,000 on an annual basis (collectively, the "Named Officers").

SUMMARY COMPENSATION TABLE

(a) NAME AND PRINCIPAL POSITION	(b) YEAR	ANNUAL COMPENSATION		(e) OTHER ANNUAL COMPEN- SATION (\$)	LONG-TERM AWARDS		COMPENSATION PAYOUTS	
		(c) SALARY (\$)	(d) BONUS (\$)		(f) RESTRICTED STOCK AWARDS (\$)	(g) OPTIONS (\$)	(h) PLAN PAYOUTS (\$)	(i) ALL OTHER COMPEN- SATION (\$)
Jack Friedman.....	1996	226,000	53,722(3)	--	--	--	--	--
Chairman,	1995(1)	67,000	--	--	--	--	--	--
Chief Executive Officer and President								
Stephen G. Berman.....	1996	201,000	53,722(3)	--	--	--	--	--
Chief Operating Officer,	1995(2)	41,667	--	--	--	--	--	--
Executive Vice President and Secretary								

- - - - -

(1) Mr. Friedman's employment with the Company commenced on September 1, 1995. See "Employment Agreements."

(2) Mr. Berman's employment with the Company commenced on September 1, 1995. See "Employment Agreements."

(3) Bonuses were earned in 1996 but were paid during 1997.

The Company did not have any long-term incentive plans in 1995. Neither of the Named Officers were granted options under the Company's Stock Option Plan in 1996 or 1995.

EMPLOYMENT AGREEMENTS

The Company has entered into an employment agreement with Mr. Friedman expiring on December 31, 2001. Pursuant to this agreement, Mr. Friedman is employed as Chief Executive Officer and President. The employment agreement provides for employment on a full-time basis and contains a provision that Mr. Friedman will not compete or engage in a business competitive with the current or anticipated business of the Company during the term of the agreement and for a period of one year thereafter, if his employment is terminated prior to December 31, 1997 voluntarily or by the Company for cause, as such term is defined in the employment agreement. Pursuant to such agreement, the Company agreed to pay Mr. Friedman a base salary of \$296,000 per annum until December 31, 1997, with increases of \$25,000 per annum thereafter and an annual bonus equal to 4% of the Company's pre-tax earnings.

The Company has entered into an employment agreement with Mr. Berman expiring on December 31, 2001. Pursuant to this agreement, Mr. Berman is employed as Chief Operating Officer, Executive Vice President, and Secretary. The employment agreement provides for employment on a full-time basis and contains a provision that Mr. Berman will not compete or engage in a business competitive with the current or anticipated business of the Company during the term of the agreement and for a period of one year thereafter, if his employment is terminated prior to December 31, 1997 voluntarily or by the Company for cause, as such term is defined in the employment agreement. Pursuant to such agreement, the Company agreed to pay Mr. Berman a base salary of \$271,000 per annum until December 31, 1997, with increases of \$25,000 per annum thereafter and an annual bonus equal to 4% of the Company's pre-tax earnings.

The Company has obtained a key-man life insurance policy in the amount of \$2,000,000 on Mr. Friedman's life.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of March 19, 1997, with respect to the beneficial ownership of the Company's Common Stock by (i) each current director and nominee for director of the Company, (ii) each executive officer of the Company named in the Summary Compensation Table, (iii) all directors and executive officers of the Company as a group and (iv) each person known by the Company to own beneficially more than five per cent (5%) of the outstanding shares of Common Stock of the Company.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENTAGE OF OUTSTANDING SHARES OWNED
Jack Friedman..... 24955 Pacific Coast Highway #B202 Malibu, California 90265	1,410,488(1)	33.7
Stephen Berman(2)..... 24955 Pacific Coast Highway #B202 Malibu, California 90265	216,998	5.2
Michael G. Miller..... One Blue Hill Plaza Pearl River, NY 10965	16,275(3)	*
Murray L. Skala..... 750 Lexington Avenue New York, NY 10022	238,696(4)	5.7
Robert E. Glick..... 1400 Broadway New York, NY 10018	23,275(5)	*
Renaissance Capital Growth & Income Fund III, Inc. and Renaissance US Growth & Income Trust PLC..... 8080 N. Central Expressway Suite 310/LB59 Dallas, Texas 75206	750,000(6)	15.2
All Officers and Directors as a Group (six persons)(1)(2)(3)(4)(5)(7).....	1,734,485	40.8

* Less than 1% of the Company's outstanding shares.

(1) Includes an aggregate of 189,872 shares held by Mr. Skala as trustee under trusts for the benefit of the children of Mr. Friedman, the Company's Chairman, Chief Executive Officer and President.

(2) Mr. Berman is the Company's Chief Operating Officer, Executive Vice President, Secretary and a director.

(3) Represents 16,275 shares which Mr. Miller, a director of the Company, has the right to acquire pursuant to outstanding stock options.

(4) Includes 27,124 shares owned by Mr. Skala, a director of the Company, 21,700 shares which Mr. Skala has the right to acquire pursuant to outstanding stock options and an aggregate of 189,872 shares held by Mr. Skala as trustee under trusts for the benefit of the children of Mr. Friedman.

(5) Includes 16,275 shares which Mr. Glick, a director of the Company, has the right to acquire pursuant to outstanding stock options.

(6) Consists of 750,000 shares in the aggregate which these two entities have the right to acquire upon the conversion of an aggregate of \$6,000,000 convertible debentures owned by them (at an assumed conversion price of \$8.00 per share). Each of these entities owns \$3,000,000 of such convertible debentures. The Company believes that these two entities are under common control by a third-party.

(7) Includes 2,000 shares beneficially owned by Joel M. Bennett, the Company's Chief Financial Officer, and 16,625 shares which Mr. Bennett has the right to acquire pursuant to outstanding stock options.

Messrs. Friedman and Berman may be deemed "founders" of the Company, as such term is defined under the federal securities laws.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has made two loans to Joel M. Bennett, the Company's Chief Financial Officer, in the amounts of \$25,000 and \$40,000, respectively. The \$25,000 loan bears interest at the rate of 6.15% and is payable at the earlier of August 27, 1997 or the termination of Mr. Bennett's employment with the Company. The \$40,000 loan bears interest at the rate of 6.02% and is payable at the earlier of September 20, 1997 or the termination of Mr. Bennett's employment.

Mr. Skala, a director of the Company, is a partner in the law firm of Feder, Kaszovitz, Isaacson, Weber, Skala & Bass LLP, counsel to the Company. The Company paid legal fees to Feder, Kaszovitz, Isaacson, Weber, Skala & Bass, LLP in the amount of approximately \$270,000 in 1996 and \$75,000 in 1995.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1 --	Restated Certificate of Incorporation of the Company(1)
3.2.1 --	By-Laws of the Company(1)
3.2.2 --	Amendment to By-Laws of the Company(2)
4.1 --	JAKKS Pacific, Inc. 9.00% Convertible Debenture issued to Renaissance Capital Growth & Income Fund III, Inc. dated December 31, 1996(2)
4.2 --	JAKKS Pacific, Inc. 9.00% Convertible Debenture issued to Renaissance US Growth & Income Trust PLC dated December 31, 1996(2)
10.1 --	Amended and Restated 1995 Stock Option Plan(2)
10.2 --	Employment Agreement by and between the Company and Jack Friedman dated January 1, 1997(2)
10.3 --	Employment Agreement by and between the Company and Stephen G. Berman dated January 1, 1997(2)
10.4 --	Asset Purchase Agreement dated October 19, 1995 (as of July 1, 1995) between the Company, JP (HK) Limited and Justin(1)
10.5 --	Convertible Loan Agreement by and between the Company and Renaissance Capital Growth & Income Fund III, Inc. and Renaissance US Growth & Income Trust PLC dated December 31, 1996(2)
10.6 --	Purchase Agreement among JAKKS Pacific, Inc. and JAKKS Acquisition Corp. and Road Champs, Inc., Road Champs Ltd. and Die Cast Associates, Inc. and the shareholders of Road Champs, Inc. for the purchase of all of the shares of stock of Road Champs, Inc. and Road Champs Ltd. and the operating assets of Die Cast Associates, Inc. dated January 21, 1997(3)
10.7.1 --	Lease of the Company's offices at 24955 Pacific Coast Highway, Malibu, California(1)
10.7.2 --	Amendment to Lease of Company's offices at 24955 Pacific Coast Highway, Malibu, California(4)
10.8 --	Lease of the Company's warehouse space at 7 Patton Drive, West Caldwell, New Jersey and amendment thereto(3)
10.9 --	Lease of the Company's showroom at the Toy Center South, 200 Fifth Avenue, New York, New York(1)
10.10 --	Lease of the Company's showroom at the Toy Center North, 1107 Broadway, New York, New York(3)
10.11 --	Lease of the Company's office space at the Peninsula Center, 67 Mody Road, Tsimshatsui East, Kowloon, Hong Kong(4)
10.12.1 --	License Agreement with Titan Sports, Inc. dated October 24, 1995(1)
10.12.2 --	Amendments to License Agreement with Titan Sports, Inc. dated April 22, 1996 and January 21, 1997(4)
10.12.3 --	International License Agreement with Titan Sports, Inc. dated February 24, 1997(4)
10.13 --	License Agreement with Saban Merchandising, Inc. and Saban International N.V. dated May 21, 1996, with amendment dated October 31, 1996(4)
10.14 --	License Agreement with Wow Wee International dated June 1, 1996(4)
10.15 --	Agreement with Quantum Toy Concepts Pty, Ltd. dated July 1996(4)
21 --	Subsidiaries of the Company(2)
23.1 --	Consent of Pannell Kerr Forster, Certified Public Accountants, A Professional Corporation, Los Angeles, California(2)
23.2 --	Consent of Pannell Kerr Forster PC, New York, New York(2)
27 --	Financial Data Schedule(2)

(1) Filed previously as an exhibit to the Company's Registration Statement on Form SB-2 (File no. 333-2048-LA) dated May 1, 1996, and incorporated herein by reference in its entirety.

- (2) Filed previously as an exhibit to the Company's Registration Statement on Form SB-2 (File no. 333-22583) filed on February 27, 1997, and incorporated herein by reference in its entirety.
- (3) Filed previously as an exhibit to the Company's Current Report on Form 8-K, filed February 21, 1997 or as schedule 4.2(iii) thereto. (Such schedule was filed by paper pursuant to a continuing hardship exemption.)
- (4) Filed herewith.

(b) REPORTS ON FORM 8-K

The Company filed no Current Reports on Form 8-K during the fourth quarter of the fiscal year ended December 31, 1996.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Issuer caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 31, 1997

JAKKS PACIFIC, INC.

By: /s/ JACK FRIEDMAN

 Jack Friedman
 Chairman, President and
 Chief Executive Officer

In accordance with the Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Issuer and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- /s/ JACK FRIEDMAN ----- Jack Friedman	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 31, 1997
----- /s/ JOEL M. BENNETT ----- Joel M. Bennett	Chief Financial Officer (Pincipal Financial and Accounting Officer)	March 31, 1997
----- /s/ STEPHEN G. BERMAN ----- Stephen G. Berman	Chief Operating Officer, Executive Vice President, Secretary and Director	March 31, 1997
----- /s/ MURRAY L. SKALA ----- Murray L. Skala	Director	March 31, 1997
----- /s/ MICHAEL G. MILLER ----- Michael G. Miller	Director	March 31, 1997
----- /s/ ROBERT E. GLICK ----- Robert E. Glick	Director	March 31, 1997

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(3) Filed previously as an exhibit to the Company's Current Report on Form 8-K, filed February 21, 1997 or as schedule 4.2(iii) thereto. (Such schedule was filed by paper pursuant to a continuing hardship exemption.)

(4) Filed herewith.

ADDENDUM TO JAXXS(1) LEASE

- 1. Upon completion of tenant improvements in Suite 304 (approximately May 1-10, 1996), Jaxxs will assume the lease for B201 (613 sq. ft.) at the current rent of \$1,632.00 per month, plus pro-rata CAM charges per month of \$39.24, through June 30, 1996.
- 2. Beginning July 1, 1996, Jaxxs will assume the scheduled rental increase for B201 (5%) which will bring the monthly rental to \$1,714.00 per month plus CAM, through August 31, 1997 (i.e. the expiration date of Jaxxs' current lease for B202).

/s/ Jack Friedman

Jack Friedman
JAXXS, Inc.

/s/ Jack Friedman

Jack Friedman, as an individual

date: -----

signature: /s/ Ron Goldman

Ron Goldman
Lessor

date: 5/27/96

(1) also JAKKS Pacific, Inc.

EXHIBIT 10.11

THIS AGREEMENT made the 18th day of Jan., one thousand nine hundred and ninety-six

BETWEEN

ASTORIA INVESTMENT COMPANY LIMITED whose registered office is situate at Room 2703, Wing On House, No. 71 Des Voeux Road Central, Hong Kong (hereinafter called "the "Landlord") of the one part and

ROAD CHAMPS LIMITED whose registered office is situate at Room 713, Chinachem Golden Plaza, 77 Mody Road, Tsimshatui East, Kowloon, Hong Kong (hereinafter called "the Tenant") of the other part.

WHEREBY IT IS AGREED by and between the parties hereto as follows:

1. The Landlord hereby lets to the Tenant and the Tenant takes from the Landlord the premises known as Unit 1008-9 on 10th Floor, Peninsula Centre, No. 67 Mody Road, Kowloon, Hong Kong (hereinafter called "the said premises") Together with the right in common with the Landlord and others having the like right to use go pass and repass up down over and upon the common parts including inter alia entrance passages halls staircases and lifts so far as the same are necessary for the proper enjoyment of the said premises subject to the term and conditions hereinafter contained TO HOLD the same unto the Tenant for the term of TWO YEARS commencing from the 15th day of March 1996 and expiring on the 14th day of March 1998 at a rent of HONG KONG DOLLARS SEVENTY THREE THOUSAND SIX HUNDRED AND NINETY TWO ONLY (HK\$73,692.00) Hong Kong Currency per calendar month payable in advance on the 1st day of each and every calendar month without deduction Provided that the rent payable by the Tenant for the period from the expiration of the rent-free period mentioned in Clause 12 hereof to the end of the Calendar month shall be apportioned (if appropriate) accordingly and the rent for the last calendar month of the tenancy shall be apportioned (if appropriate) and be payable in advance on the 1st day of the last calendar month, last of such payment shall be made pro-rata according to the number of days then unexpired in the month on which such payment is made.

2. It is hereby agreed and declared that the said premises are let for the use of an office by the Tenant only.

3. The tenant hereby agrees with the Landlord as follows:

- (a) To pay the said rent at the times and in the manner aforesaid.
- (b) To pay and discharge all rates taxes assessments duties charges impositions and other outgoings now or at any time hereafter to be imposed or charged by the Government of Hong Kong or other lawful authority in respect of the said premises upon the owner or occupier in respect

thereof (Crown Rent, Property Tax and all other outgoings of a capital or non-recurring nature excepted).

- (c) To pay all charges for electricity, water and gas consumed by the Tenant in the said premises and all service, maintenance charges and management fees payable in respect of the said premises, including the deposits for the meters therefor.
- (d) To well and sufficiently paid maintain and keep in good repair and condition the interior of the said premises, the repair and condition the interior of the said premises, the furniture and filling (if any) and all the Landlord's fixtures and additions thereto (fair wear and tear excepted). In particular, the Tenant will at its own expense replace any broken or damaged window panes, fan-coil, pipes, wires, drains, taps, wash-basins and cisterns on the said premises save and except damage caused by the agent or servant of the Landlord.
- (e) To take all diligent precautions and due care to protect the interior of the said premises against damage by fire storm typhoon or the like.
- (f) To permit the Landlord and its agents with or without workmen or others at all reasonable times and upon reasonable notice being given to the Tenant to enter upon the said premises and to view the condition thereof and upon notice being given by the Landlord forthwith to repair in accordance therewith. Upon the Tenant failing to comply with the said notice the Landlord or its agents shall be entitled with or without workmen or others at all reasonable times and upon reasonable notice being given to the Tenant to enter upon the said premises to carry out any repair and the Tenant shall be liable to pay the Landlord's costs of carrying out any such repair and incidental charges provided that in the event of any emergency the Landlord its servants or agents may enter without notice and forcibly if necessary, provided that the Landlord shall keep the Tenant indemnified for any loss and damages caused by the negligence of the landlord or its agents in gaining such entry.
- (g) Not without the previous written consent of the Landlord (which consent shall not be unreasonably withheld or delayed) to erect install or alter any fixtures partitioning or other erection or installation in the said premises or any part thereof or without the like consent to make or permit or suffer to be made alteration in or additions to the electrical/gas wiring/piping and installations or to install or permit or suffer to be installed any equipment apparatus or machinery which imposes a weight on any part of the flooring in excess of that for which it is designed or which requires any additional electrical/gas main wiring/piping or which consumes electricity/gas not metered through the Tenant's

separate meter. The Landlord shall be entitled to prescribe the maximum weight and permitted locations of safes and other heavy equipment and to require that the same stand on supports of such dimensions and material to distribute the weight as the Landlord may deem necessary.

- (h) Not to transfer assign underlet or otherwise part with the possession of the said premises or any part thereof either by way of subletting lending sharing or other means whereby any person or persons not party to this Agreement obtains the use or possession of the said premises or any part thereof irrespective of whether any rental or other consideration is given for such use or possession and in the event of any such transfer subletting sharing assignment or parting with the possession of the said premises (whether for monetary consideration or not) this Agreement shall at the discretion of the Landlord determine and the Tenant shall forthwith surrender the said premises to the Landlord. The tenancy shall be personal to the Tenant named in this Agreement and without in any way limiting the generality of the foregoing, the following acts and events shall, unless previously approved in writing by the Landlord (which approval the Landlord shall not be unreasonably withheld) be deemed to be breaches of this subclause:-
- (1) in the case of the Tenant which is a partnership, the taking in of one or more new partners whether on the death or retirement of an existing partner or otherwise.
 - (2) in the case of a tenant who is an individual (including a sole surviving partner of a partnership tenant) the death, insanity or other disability of that individual to the intent that no right to use, possess, occupy or enjoy the said premises or any part thereof shall vest in the executors, administrators, personal representatives, next of kin, trustee or committee of any such individual.
 - (3) in the case of a tenant which is a corporation any take-over reconstruction, amalgamation, merger, voluntary liquidation or change in the person or persons who owns or own a majority of its voting shares or who otherwise has or have effective control thereof.
 - (4) the giving by the Tenant of a Power of Attorney or similar authority whereby the donee of the Power obtains the right to use, possess, occupy or enjoy the said premises or any part thereof or does in fact use, occupy or enjoy the same.
 - (5) the change of the Tenant's business name without the previous consent of the Landlord which consent shall not be withheld or delayed.
- (i) Not to do or permit or suffer to be done in or upon the

said premises or any part thereof any act or thing which may be or become or cause a nuisance annoyance damage or disturbance to the Landlord or to any of the tenants or occupiers of the other parts of the said building or of the neighbouring premises or which shall amount to the breach or non-observance of any of the covenants and conditions contained in the Crown Lease of the said premises, the Occupation Permit and the Deed of Mutual Covenant of which shall be in anywise against the laws of regulations of the said Colony of Hong Kong.

- (j) Not to keep or store or cause or permit or suffer to be kept or stored any arms, ammunition, gunpowder, salt-petre, or other explosives or inflammable substance in the said premises.
- (k) Not to use or permit or suffer to be used the said premises or any part thereof for any illegal or immoral purposes.
- (l) To observe and comply with all house rules and regulations made by the appropriate management authorities relating to the use and management of the common parts of the said building.
- (m) Not to do or permit or suffer to be done anything in or upon the said building and the said premises which may infringe any laws, regulations, bye-laws and rules and all notices and requirements of the Governmental Departments and other competent authorities in connection with or in relation to the use and occupation of the said premises and the said building.
- (n) Not to do or cause or permit or suffer to be done anything whereby the policy or policies of insurance on the said premises and/or the said building against damage by fire or against other damage howsoever caused may be rendered void or voidable or whereby the premium for such insurance may be liable to be increased and the Tenant shall indemnify the Landlord against such increased or additional premium as shall have been brought about or caused by its acts or default.
- (o) Not to obstruct or permit any employee or agent to obstruct any passageway lift staircase entrance exit or other common parts of the said building, and it is hereby expressly agreed that if any such obstruction shall happen and the Tenant shall fail to remove the same immediately upon request either to the Tenant or to the person then in charge of the said premises on the Tenant's behalf, the Landlord shall be entitled to dispose of the same in whatever manner the Landlord shall deem fit including inter alia destroying and disposing of the same as rubbish and selling the same on such terms and conditions as the Landlord may deem fit.
- (p) Not to use the verandah of the said premises for the purpose of drying or hanging any clothing and not to exhibit or display anything on or near the verandah of

the said premises or any part thereof in such a manner which will affect the appearance of the said building.

- (q) Not to erect or permit to be erected outside the said premises any wireless or television aerial nor do to permit to be done anything to the external walls of the said premises which will affect the appearance of the said building.
- (r) Not to place or allow to be placed any showboard name-bill placard advertisement or notice of any description upon the external walls and the window of the said premises.
- (s) Not to keep in the said premises any animal or domestic pet without the prior consent of the Landlord.
- (t) To pay and make good to the Landlord all and every loss and damage whatsoever incurred or sustained by the Landlord as a consequence of every breach or non-observance of the Tenant's obligations and stipulations herein contained and to indemnify the Landlord from and against all actions claims liability costs and expenses thereby arising.
- (u) At the expiration or sooner determination of this Agreement to deliver up to the Landlord the said premises in particular the furniture and fittings (if any) in good clean and tenantable repair and condition (fair wear and tear excepted) as aforesaid together with any additional erections alterations or improvements which the Tenant may with the consent of the Landlord as aforesaid have made upon or in the said premises without payment of any compensation for such additional erections alterations or improvements.
- (v) To allow at all reasonable times by appointment within three calendar months immediately preceding the expiration of the said term prospective Tenants or occupiers to inspect the said premises.

4. The Landlord hereby agrees with the Tenant as follows: -

- (a) That the Tenant paying the rent hereby reserved and performing and observing the terms and conditions herein contained and on the part of the Tenant to be performed and observed may peaceably hold and enjoy the said premises during the said term without any interruption by the Landlord or any person lawfully claiming through or under it.
- (b) To pay Crown rent, property tax and all outgoings of a capital or non-recurring nature which are now or may hereafter during the said term be imposed by the Government upon the said premises.
- (c) To use its best endeavour at the Landlord's expense to procure the manager of the said building to maintain the main walls, main drains and main pipes, main structures, roof, lifts, electricity cables and all common areas and

facilities of the said building and/or the said premises in good and substantial repair and condition throughout the said term.

5. PROVIDED ALWAYS AND IT IS HEREBY EXPRESSLY AGREED AND DECLARED as follows: -

- (a) If the rent reserved or any part thereof shall be unpaid for seven (7) days after becoming payable (whether legally or formally demanded or not) or if the Tenant shall fail or neglect to perform or observe any term or condition herein contained and on the Tenant's part to be performed or observed or if the Tenant shall become bankrupt or in the case of a limited company shall go into liquidation or if a petition for the Tenant's bankruptcy or winding up, as the case may be, shall have been filed or if the Tenant shall enter into any composition or arrangement with creditors or shall suffer the Tenant's goods or other property to be levied on execution then and in any of the said cases it shall be lawful for the Landlord at any time thereafter to determine this Agreement and to re-enter the said premises or any part thereof in the name of the whole but without prejudice to any right of action of the Landlord in respect of any breach of the Tenant's terms and conditions herein contained and the deposit paid hereunder shall be forfeited to the Landlord but without prejudice to the Landlord's rights to claim any further damages which the Landlord shall have sustained or may sustain and a written notice served by the Landlord on the Tenant to the effect that the Landlord thereby exercises the power of re-entry and determination hereinbefore contained shall be a full and sufficient exercise of such power.
- (b) In the event of any breach of any term or condition on the part of the Tenant herein contained, the Landlord shall not by acceptance of rent or by any other act whatsoever or by any omission be deemed to have waived any such breach of term or condition notwithstanding any rule of law or equity to the contrary and that no consent to or waiver of any breach shall be binding on the Landlord unless the same is in writing of the Landlord.
- (bb) Notwithstanding anything hereinbefore contained in the event of default in payment by the Tenant in respect of any payments to be made hereunder for a period of seven days from the date of which the same falls due for payments, the Tenant shall further pay to the Landlord on demand interest on the amount in arrears at the rate of 1.5% per month calculated from the date on which the same becomes due for payment until the date of payment as liquidated damages and not as penalty provided that the demand and/or receipt by the Landlord of interest

pursuant to this provision shall be without prejudice to and shall not affect the right of the Landlord to exercise any other right or remedy hereof (including the right of re-entry) exercisable under the terms of this Agreement.

- (c) For the purpose of this Agreement any act default neglect or omission of any servant, agent, licensee, visitor and invitee of the Tenant shall be deemed to be the act default neglect or omission of the Tenant.
- (d) In the event of the said premises or any part thereof at any time during the said term being damaged or destroyed by acts of war fire typhoon earthquake flood white ants or subsidence of the soil so as to render the same unfit for occupation and use and the cause of which is not attributable to the acts or omission of the Tenant then the rent hereby reserved or a fair proportion thereof according to the nature and extent of the damage sustained shall cease to be payable until the said premises shall have been again rendered fit for occupation and use PROVIDED ALWAYS that should the whole of the said premises or the greater part thereof be so destroyed or damaged by the happening of any of the above events as to be unfit for use and occupation the Landlord shall not be required to rebuild or reinstate the said premises or the said building if by reason of the condition of the same or any local Regulations or other circumstances beyond the control of the Landlord it is not practicable or reasonable to do so Provided that if the Landlord shall fail to reinstate or cause to be reinstated the said premises or the said building within one month of receiving a written notice to reinstate the same from the Tenant or if the said premises or the greater part thereof or the said building remain uninhabitable or inaccessible for a period of one month the Tenant may forthwith or within a reasonable time thereafter by a written notice terminate this Agreement and thereupon the same and everything herein contained shall be void as from the date of occurrence of such damage or destruction and the Landlord shall forthwith refund to the Tenant the said deposit or the balance thereof but without prejudice to the rights and remedies of either party against the other in respect of any antecedent claim or breach of covenant.
- (e) Any notice required to be served hereunder shall be sufficiently served on the Tenant if delivered or sent by post or left addressed to it at the said premises or at its registered office in Hong Kong and any notice to the Landlord shall be sufficiently served if sent to the Landlord by post at the Landlord's registered office in Hong Kong. A notice sent by post shall be deemed to have been received at the time when in due course of post it would be delivered at the address to which it is sent.

- (f) For the purpose of distress for rent in terms of Part III of the Landlord and Tenant (Consolidation) Ordinance (Cap.7) and for the purpose of this Agreement the rent in respect of the said premises shall be deemed to be in arrears if not paid in advance at the time and in the manner hereinbefore provided for payment thereof.
- (g) The Tenant shall not be entitled to any compensation or abatement of rent in respect of any failure howsoever caused in respect of the lifts, electricity supply or other services provided to the said building.
- (h) The Landlord does not warrant that the light and air to the premises would not be obstructed.
- (i) The Landlord shall not be in any way liable to the Tenant or to any person or persons claiming any right title or interest under the Tenant or any person expressly or impliedly authorized by the Tenant to enter leave or remain on the said building or any part thereof for any damage to property or injury to person which may be sustained by the Tenant or any such person or persons as aforesaid on account of the defective or damaged condition of the said premises the said building and the Landlord's fixtures or fittings therein and any part thereof and in particular the person or persons as aforesaid for any damage to property or injury to person caused by or through or in any way owing to the overflow of water or water leakage from any floor flat or premises or any part of the said building any typhoon electric current water pipes electric wiring or cables situated upon under or in any way connected with the said premises and/or the said building or dropping of cigarette ends broken pieces of glass or other articles from any floor flat premises or any part of the said building or neighbourhood and the Tenant hereby agrees to indemnify the Landlord against all claims demands actions costs expenses whatsoever made upon the Landlord by any person or persons in respect of the matters aforesaid and further the Tenant shall be responsible for any damage which may be done to any part of the said premises or to the Landlord's fixtures and fittings therein.

- 6. (a) The Tenant shall on or before the signing hereof deposit with the Landlord the sum specified in the Schedule hereto to secure the due observance and performance by the Tenant of the agreements stipulations and conditions herein contained and on the Tenant's part to be observed and performed. The said deposit shall be retained by the Landlord throughout the said term free of any interest to the Tenant and in the event of any breach or non- observance or non-performance by the Tenant or any of the agreements stipulations or conditions aforesaid the Landlord shall be entitled to terminate this Agreement in which event the said deposit may be forfeited to the

Landlord without prejudice to the Landlord's right of action to claim for any monetary loss or damage which the Landlord may sustain by reasons of the aforesaid breach non-observance or non-performance. Notwithstanding the foregoing the Landlord may in any such event at its option elect not to terminate this Agreement but to deduct from the deposit the amount of any monetary loss incurred by the Landlord in consequence of the breach non-observance or non-performance by the Tenant in which event the Tenant shall as a condition precedent to the continuation of the tenancy deposit with the Landlord the amount so deducted and if the Tenant shall fail so to do the Landlord shall forthwith be entitled to re-enter on the said premises or any part thereof in the name of the whole and to determine this Agreement in which event the deposit may be forfeited to the Landlord as hereinbefore provided.

- (b) Subject as aforesaid the said deposit shall be refunded to the Tenant by the Landlord without interest within thirty days after the expiration or sooner determination of this Agreement and delivery of vacant possession to the Landlord against the Tenant for any arrears of rent rates and other charges and for any breach non-observance or non-performance of any of the covenants agreements stipulations terms and conditions herein contained and on the part of the Tenant to be observed or performed whichever shall be the later.

7. AND IT IS HEREBY AGREED that the Tenant paying the rent hereby reserved and duly performing and observing the terms and conditions herein contained on the part of the Tenant to be performed and observed shall upon giving at least six calendar months' previous notice in writing to the Landlord prior to the expiration of the said term hereby created have the option of renewing the tenancy of the said premises for one further term of 1 YEAR at the new monthly rental of fair market rent at the time of renewal which shall be agreed between both parties and failing agreement three months before the expiry of the term such rent shall be determined by a chartered surveyor as an expert appointed by the then President of the Royal Institution of Chartered Surveyors (Hong Kong Branch) whose determination shall be conclusive and binding on the parties (the express for the said appointment shall be borne and paid by the Tenant and the Landlord in equal shares) such new rent to be exclusive of rates and management fees and upon and subject to the same terms and conditions herein save and except that such renewed agreement shall not contain this clause of renewal and subject to the payment of the balance of the new deposit under the renewed agreement.

8. It is hereby expressly declared that no key or construction money or other premium of a similar nature has been paid by the Tenant or any person or persons for and on behalf of

the Tenant to the Landlord or any other person for the grant of this tenancy.

9. Where more than one person is a party hereto as Landlord or Tenant, the expression "the Landlord" and "the Tenant" shall where the context admits include all either or any of such persons and their liability contained or implied herein shall be joint and several.

10. In this Agreement unless inconsistent with the context, words denoting persons include corporations and firms; words denoting masculine gender include feminine gender and neuter gender, and words denoting the singular number include the plural number and vice versa.

11. Each party shall bear his own solicitors' costs charges and expenses of and incidental to this Agreement and the stamp duty (including the counterpart) and registration fee, if any, on this agreement shall be borne equally by the parties hereto.

12. Notwithstanding anything herein contained, the Landlord hereby agrees to grant a rent free period to the Tenant from 15th March 1996 to 1st May 1996 for decoration purpose only. The management fee, government rates and all outgoings payable in respect of the said premises for the said rent-free period shall be borne and paid by the Tenant solely.

13. The Landlord hereby agrees to carry out and complete the following works before handing over the said premises to the Tenant:-

- (a) to provide the false ceiling and a standard entrance door (which should be facing the lift lobby); and
- (b) to build a brick wall in accordance with the prescription and standard as agreed by the Landlord and the Tenant as partitioning wall between Unit No. 1007-1008; and
- (c) to demolish all the partitions of the said premises.

AS WITNESS the hands of the parties hereto the day and year first above written.

THE SCHEDULE

The deposits in the sum of HK\$248,928.00 the breakdown of which are as follows:-

(a) Rental deposits	HK\$221,076.00
(b) Air-conditioning charges and Management fee deposit	HK\$ 27,852.00 -----

HK\$248,928.00
=====

SIGNED by Lauw Siang Liong)
)
for and on behalf of the Landlord)
)
whose signature is verified by:-)

Authorized Signature

SIGNED by its director, Mr Lai Sai)
)
Kit for and on behalf of the)
)
Tenant in the presence of:-)

Authorized Signature

RECEIVED the day and year first)	
)	
above written of and from the Tenant HONG)	
)	
KONG DOLLARS TWO HUNDRED FORTY EIGHT)	
)	
THOUSAND NINE HUNDRED AND TWENTY EIGHT ONLY)	HK\$248,928.00
)	
being the rental deposits, management and)	
)	
air-conditioning charges deposit above)	
)	
expressed to be paid by the Tenants to the)	
)	
Landlord in respect of the said premises.)	

the Landlord

Dated the ____ day of _____, 1996

ASTORIA INVESTMENT COMPANY LIMITED

AND

ROAD CHAMPS LIMITED

TENANCY AGREEMENT

TANG, LAI & LEUNG,
SOLICITORS,
ROOMS 2706-8, WING ON HOUSE,
71 DES VOEUX ROAD CENTRAL,
HONG KONG.

EXHIBIT 10.12.2

AMENDMENT TO
WORLD WRESTLING FEDERATION
LICENSE AGREEMENT
WITH JAKKS, INC.
Dated: October 24, 1995

Pursuant to Section L(3) of the Standard Terms and Conditions of the above License Agreement, Titan and Licensee agree that said License Agreement shall be and is amended, effective as of _____ as follows:

1. Paragraph 1(e) which defines the "Licensed Products" is amended to add: disposable cameras, photo albums and thumb-operated wrestling figures.

2. All other provisions of said License Agreement remain unamended and in full force and effect according to their terms.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have executed this Amendment to License Agreement as of this 22nd day of April, 1996.

JAKKS, INC.

By: /s/ Stephen G. Berman
Senior Vice President

TITAN

By: /s/
(Title)

SECOND AMENDMENT TO
WORLD WRESTLING FEDERATION
LICENSE AGREEMENT
WITH JAKKS PACIFIC, INC.

Pursuant to Section L(3) of the Standard Terms and Conditions of the above License Agreement dated October 24, 1995, Titan and Licensee agree that said License Agreement shall be and is amended, effective as of January 1, 1997, as follows:

1. Paragraph 1(c) shall now read: The term "Events" shall mean the professional wrestling exhibitions produced, promoted, and performed by Titan, before a live audience and/or broadcast via pay, cable, or free television.

2. Paragraph 1(e) shall now read: The term "Licensed Products" shall mean the following items: articulated and non-articulated molded plastic six inch (6") figures, articulated molded plastic three inch (3") figure sets inclusive of wrestling ring, articulated seven inch (7") figure with special features, figure finger rings, and wrestling ring scaled to the figures.

3. Paragraph 3 shall now read in full: Period of Agreement. The period of this Agreement shall be extended through December 31, 1999.

4. Paragraph 4(c) shall now read in full: Guaranteed Royalties. If total of all royalties payable to Titan under the foregoing subparagraphs 4(a) and 4(b) is less than the Guaranteed Royalty Amount set forth below, the licensee shall pay Titan, on or before December 31st of each year the difference between the Guaranteed Royalty amount due for each one year period as set forth below and the total of all royalties paid to Titan under subparagraphs 4(a) and 4(b):

Guaranteed Royalty Amount for the year ending December 31, 1997:
\$666,667 (to be paid in quarterly installments of \$166,667.00, commencing March 31, 1997).

Guaranteed Royalty Amount for the year ending December 31, 1998:
\$666,667 (to be paid in quarterly installments of \$166,667.00, commencing March 31, 1998).

Guaranteed Royalty Amount for the year ending December 31, 1999:
\$666,667 (to be paid in quarterly installments of \$166,667.00, commencing March 31, 1999).

Total Guaranteed Royalty Amount for the period January 1, 1997 to December 31, 1999: US\$2,000,000.

5. All other provisions of said License Agreement remain unamended and in full force and effect according to their terms.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have executed this Amendment to License Agreement as of this 30 day of December, 1996.

Titan Sports, Inc.

Date: January 21, 1997

By: /s/ Linda E. McMahon

Co-CEO (Title)

Jakks Pacific, Inc.

By: Joel M. Bennett

Chief Financial Officer (Title)

THIS AGREEMENT, dated as of 2/10/97, 1997, between TITAN SPORTS, INC., a Delaware corporation with its principal office at Titan Tower, 1241 East Main Street, Stamford, Connecticut 06902 ("Titan"), and JAKKS PACIFIC, INC. a corporation with its principal office at 24955 Pacific Coast Highway, Suite B202, Malibu, CA 90265 (the "Licensee"), is to evidence:

1. Definitions. For purposes of this Agreement the following definitions shall apply:

(a) The term "Advertising Materials" shall mean all advertising and promotional materials and all packaging, wrapping, and labeling materials for the Licensed Products (including, by way of illustration but not limitation, catalogs, trade advertisements, flyers, sales sheets, labels, package inserts, hangtags and displays) which are produced by or for the Licensee and which make use of the Intellectual Property.

(b) The term "Copyrights" shall mean all copyrights now or hereafter owned by Titan relating to the Events or the Talent.

(c) The term "Events" shall mean the professional wrestling exhibition produced, promoted, and performed by Titan, before a live audience and/or broadcast via pay, cable, or free television.

(d) The term "Intellectual Property" shall mean the Rights of Publicity, the Trademarks, the Copyrights, and all other proprietary rights relating to the Events.

(e) The term "Licensed Products" shall mean the following items: articulated and non-articulated molded plastic six inch (6") figures, articulated molded plastic three inch (3") figure sets inclusive of wrestling ring, articulated seven inch (7") figures with special features (first special feature will be Lenticular), figure finger rings, wrestling ring scaled to figures and action figures with sound and microphone which may utilize infrared technology.

(f) The term "Net Sales Price" shall mean the Licensee's invoiced billing price to its customers or distributors for the Licensed Products, less returns for damaged goods, discounts and allowances.

(g) The term "Rights of Publicity" shall mean the likenesses, physical characteristics, personalities, characters, and personas of the Talent.

(h) The term "Talent" shall mean all individuals who perform in the Events, including, but not limited to, the professional wrestlers who perform in the Events.

(i) The term "Territory" shall mean Australia, Bahrain, Cyprus, Egypt, France, Germany, Israel, Italy, Kuwait, Lebanon, Jordan, Morocco, New Zealand, Oman, Qatar, Saudi Arabia, South Africa, Spain, Syria, Tunisia, United Arab Emirates, United Kingdom.

(j) The term "Trademarks" shall mean all symbols, designs, styles, emblems, logos and marks used in connection with the Events, including, but not limited to, the name WORLD WRESTLING FEDERATION, the WWF logo or logos, the mark WORLD WRESTLING FEDERATION SUPERSTARS, and the names of the Talent, but excluding the initials WWF in block letters.

2. Grant of License; Channels of Distribution Reserved to Titan.

(a) Grant of License. Titan grants to the Licensee, upon the terms and conditions set forth in this Agreement, the exclusive right and license to use the Intellectual Property in connection with the manufacture, distribution, sale, and advertising of the Licensed Products in the Territory through all channels of distribution except those reserved to Titan under subparagraph 2(b).

(b) Titan's Channels of Distribution. The rights granted to the Licensee by Titan under subparagraph 2(a) shall not include the right to distribute the Licensed Products through the following Titan channels of distribution: (i) at-Event sales; (ii) catalog sales; (iii) direct mail sales; (iv) sales via television or other electronic media; and (v) vending machine sales.

3. Period of Agreement. The period of this Agreement shall commence on January 1, 1997 and end on December 31, 1999 unless terminated earlier pursuant to the terms hereof. Thereafter, if the Licensee wishes to renew this, it shall provide written notice of such intent to Titan no less than sixty (60) days prior to the commencement of the renewal period in question. In that event, provided the Licensee is not in default of any term under this Agreement, and further provided that Licensee has paid to Titan all royalties during the then current period, Titan will discuss with Licensee such potential renewal, and the terms thereof. No renewal period will be effective unless and until the parties reach a mutual agreement as to the terms applicable to such renewal. This paragraph is in no way to be construed so as to obligate Titan to renew this Agreement, or to renew this Agreement with any particular terms.

4. Royalties. In consideration for the rights granted to it under this Agreement, the Licensee agrees to pay Titan the following royalties:

(a) Advance Royalties. On execution of this Agreement the Licensee agrees to pay to Titan the following non-refundable Advance Royalty Amount, which shall be set off as a credit against the royalties due to Titan under subparagraph 4(b):

Advance Royalty Amount	US\$150,000.00

If Titan has not received the Advance Royalty Amount due on execution of this Agreement by the date 15 days from the date of Titan's execution of this Agreement, Titan shall have the right to terminate this Agreement, with immediate effect, by providing the Licensee with written notice of termination at any time prior to Titan's receipt of said Advance Royalty Amount payment.

(b) Percentage Royalties. Percentage Royalties shall be computed as follows:

(i) The Licensee shall pay Titan a percentage royalty of 10% of the Net Sales Price on all sales of the Licensed Products by the Licensee to its customers or distributors. If the Licensee sells any Licensed Products to a customer or distributor in the Territory on an F.O.B. basis from a manufacturing source outside the Territory (for example, a shipment of Licensed Products F.O.B. Hong Kong to a customer in the

Territory), the royalty rate on such sales shall be computed on the basis of the average Net Sales Price of all non-F.O.B. sales of the same Licensed Products by the Licensee during the accounting period in which such F.O.B. sale occurs.

(ii) All royalty computations under this subparagraph 4(b) shall be made on the basis of the Net Sales Price charged by the Licensee, or, if the Licensee sells a Licensed Product to a subsidiary or other party controlled by the Licensee, on the basis of the Net Sales Price for such Licensed Product charged by such subsidiary or controlled party on resale of the Licensed Product.

(c) Guaranteed Royalties. If the total of all royalties payable to Titan under the foregoing subparagraphs 4(a) and 4(b) is less than the Guaranteed Royalty Amount set forth below, the Licensee shall pay Titan, on or before December 31, 1999, the difference between the Guaranteed Royalty Amount and the total of all royalties paid to Titan under subparagraphs 4(a) and 4(b):

Guaranteed Royalty Amount	US\$375,000.00

(Payment Schedule Attached)

5. Non-Competition. The Licensee agrees that it shall not, while this Agreement remains in effect and for six months thereafter, produce any products or provide any services using the name or other trademarks or service marks associated with any professional wrestling organization other than the WORLD WRESTLING FEDERATION or its affiliates, or the name and/or likeness of any professional wrestler not associated with Titan.

6. Marketing Plans. Within 90 days of the execution of this Agreement, and on or before each one-year anniversary of the commencement date of this Agreement, the Licensee shall provide Titan with a written marketing plan with respect to the Licensed Products. Each such marketing plan shall include, on a Licensed Product-by-Licensed Product basis, a marketing timetable, sales projections, channels and methods of distribution, nature and amount of advertising and advertising expenditures, and any other information which Titan may ask the Licensee to include. Each marketing plan shall contain specific information for the one-year period immediately succeeding its submission and general estimates or projections for subsequent periods during which this agreement remains in effect.

7. Licensee Acknowledgment. The Licensee by executing this Agreement acknowledges that it has reviewed and understands all provisions of this Agreement, including the attached Standard Terms and Conditions.

8. Standard Terms and Conditions. This Agreement is subject to all of the provisions of the Standard Terms and Conditions which are attached to and made a part of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

TITAN SPORTS, INC.

Date 2/24/97

By: /s/ Linda E. McMahon

Pres. - Co-CEO (Title)

JAKKS PACIFIC, INC.

By: Joel M. Bennett

Chief Financial Officer (Title)

APPENDIX A

MINIMUM GUARANTEE PAYMENT SCHEDULE

1997

January 1, 1997 to March 31, 1997	\$31,250
April 1, 1997 to June 30, 1997	31,250
July 1, 1997 to September 30, 1997	31,250
October 1, 1997 to December 31, 1997	31,250

1998

January 1, 1998 to March 31, 1998	\$31,250
April 1, 1998 to June 30, 1998	31,250
July 1, 1998 to September 30, 1998	31,250
October 1, 1998 to December 31, 1998	31,250

1998

January 1, 1999 to March 31, 1999	\$31,250
April 1, 1999 to June 30, 1999	31,250
July 1, 1999 to September 30, 1999	31,250
October 1, 1999 to December 31, 1999	31,250

TOTAL PAYMENT	US\$375,000
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WORLD WRESTLING FEDERATION LICENSE AGREEMENT
STANDARD TERMS AND CONDITIONS

SECTION A. QUALITY CONTROLS AND APPROVAL PROCEDURES FOR LICENSED PRODUCTS AND ADVERTISING MATERIALS.

A(1) Warranty of Quality. The Licensee warrants that the Licensed Products will be of good quality in design, material and workmanship and suitable for their intended purpose; that no injurious, deleterious, or toxic substances will be used in or on the Licensed Products; that the Licensed Products will not cause harm when used as instructed and with ordinary care for their intended purpose; and that the Licensed Products will be manufactured, sold, and distributed in strict compliance with all applicable laws and regulations.

A(2) Approval Procedures for Licensed Products and Advertising Materials; Approval Standards; Time for Approval by Titan.

(a) General. the Licensee shall comply with all reasonable procedures which Titan may from time to time adopt regarding its approval of Licensed Products and Advertising Materials which the Licensee proposes to manufacture, sell, or use under this Agreement. These approval procedures shall be implemented using prescribed forms to be supplied to the Licensee by Titan, and shall incorporate the basic approval requirements and steps outlined in the following sections. the Licensee agrees to retain all materials relating to approvals in its files while this Agreement remains in effect and for one year thereafter.

(b) Approval of Licensed Products. With respect to each different Licensed Product which the Licensee proposes to manufacture and sell under this Agreement, the Licensee shall submit to Titan for its review and approval the following materials in the order stated:

(i) generic sample of the type of Licensed Product in question (that is, a sample of the kind of merchandise article to which the Licensee proposes to add the Intellectual Property in producing the Licensed Product, showing the general quality standard which will be met by the Licensed Product);

(ii) finished art for the Licensed Product, showing the exact use of the Intellectual Property on or in connection with the proposed Licensed Product;

(iii) a preproduction prototype sample of the Licensed Product, where appropriate, or a preproduction final sample of the Licensed Product, showing in either case the exact form, finish, and quality the Licensed Product will have when manufactured in production quantities; and

(iv) forty-eight identical production samples of the Licensed Product, to be submitted immediately upon commencement of production.

The Licensee shall comply with all of the foregoing approval steps for each Licensed Product, obtaining Titan's written approval at each step of the procedure, unless by prior written notice from Titan it is exempted from any such step with respect to a specific Licensed Product.

(c) Approval of Advertising Materials. With respect to each different item of Advertising Material which the Licensee (or any party acting on its behalf) proposes to produce and use under this Agreement, the Licensee shall submit to Titan for its review and approval the following materials, in the order stated:

(i) proposed written copy for the item of Advertising Material, with attached rough art showing how the Intellectual Property will be used in connection with the copy;

(ii) a final printed sample of the item, where feasible (as, for example, in the case of labels, hangtags, printed brochures, catalogs, and the like).

The Licensee shall comply with all of the foregoing approval steps for each item of Advertising Material, obtaining Titan's written approval at each step of the procedure, unless by prior written notice from Titan it is exempted from any such step with respect to a specific item of Advertising Material.

(d) Approval Standards. Titan shall have the right to disapprove any materials submitted to it under Sections A(2)(b) or A(2)(c) if it determines, in its sole and unfettered discretion, that the materials in question would impair the value and goodwill associated with the Events or Titan's licensing program for the Intellectual Property, by reason of (i) their failure to satisfy the general quality standards including those set forth in Section A(1); (ii) their use of artwork, designs, or concepts which fail to depict accurately the Talent or the Intellectual Property; (iii) their use of materials which are unethical, immoral, or offensive to good taste; (iv) their failure to carry proper copyright or trademark notices; or (v) any other reasonable cause.

(e) Time for Approval by Titan. Titan agrees to use reasonable efforts to notify the Licensee in writing of its approval or disapproval of any materials submitted to it under Section A(2)(b) and A(2)(c) within 15 business days after its receipt of such materials, and agrees, in the case of its disapproval, to notify the Licensee in writing of its reasons for disapproval.

A(3) Maintenance of Quality of Licensed Products; Inspection of Production Facilities. The Licensee agrees to maintain the quality of each Licensed Product manufactured under this Agreement up to the specifications, quality, and finish of the production sample of such Licensed Product approved by Titan under Section A(2)(b), and agrees not to change the Licensed Product in any respect or to make any change in the artwork for the Licensed Product without first submitting to Titan samples showing such proposed changes and obtaining Titan's written approval of such samples. From time to time after it has commenced manufacturing the Licensed Products, the Licensee, upon request, shall furnish free of charge to Titan a reasonable number of random production samples of any Licensed Product specified by Titan. The Licensee shall also furnish to Titan upon request the addresses of the production facilities used by the Licensee for manufacturing the Licensed Products, and shall make arrangements for Titan or its representatives to inspect such production facilities during reasonable business hours.

A(4) Miscellaneous.

(a) Artwork for Licensed Products. If the Licensee requests Titan to furnish it with any photographs or special artwork incorporating the Intellectual Property, the Licensee agrees to reimburse Titan for its costs of supplying such materials to the Licensee.

(b) Translations. All translations of written material used on or in connection with the Licensed Products or Advertising Materials shall be accurate, and the Licensee, when submitting the Licensed Products

and the Advertising Materials for approval, shall provide Titan with English translations of all such written materials in a language other than English.

(c) Use of Talent in Licensed Products and Advertising Materials. With prior written consent of Titan Licensee shall be allowed to use any Talent for purposes of explicit endorsement in any Licensed Product or items as contemplated by the definition of Intellectual Property set forth above.

(d) Transactions with Other Licensee. The Licensee shall not, without Titan's prior written consent, (i) sell or deliver to another Titan licensee the films or other devices used by the Licensee to produce the Licensed Products; or (ii) print or otherwise produce any items using the Intellectual Property for another Titan licensee.

(e) Duplicate Films. If the Licensee in connection with the manufacture of the Licensed Products develops film or other reproductive media incorporating the Intellectual Property, the Licensee, when requested by Titan to do so, shall supply duplicates of such films or other reproductive media to other licensees of Titan outside the Territory, at cost of duplication plus 10%.

(f) Titan's Right to Purchase Licensed Products. In addition to the random production samples of the Licensed Products to be supplied by the Licensee to Titan free of charge under Section A(3), Titan shall be entitled at any time while this Agreement remains in effect to purchase from the Licensee, at the Licensee's cost of manufacture plus 13.5% of cost any available quantity of the Licensed Products. Any such Licensed Products purchased by Titan shall be royalty-free.

SECTION B. EFFORTS TO SELL LICENSED PRODUCTS; RESTRICTIONS ON SALE

B(1) Manufacture and Sale of Licensed Products. The Licensee agrees to manufacture the Licensed Products at the Licensee's own expense in sufficient quantities to meet the reasonably anticipated demand. The Licensee also agrees to exercise reasonable efforts to advertise and promote the Licensed Products at its own expense and to use its best efforts to sell the licensed Products in the Territory.

B(2) Good Faith Effort to Exploit Rights. If within three months of the execution of this Agreement the Licensee has failed to take any good faith steps to exploit the rights granted to it (for example, by seeking to obtain Titan's approval of a proposed Licensed Product, or commencing to manufacture and sell an approved Licensed Product), Titan shall have the right to terminate this Agreement immediately by giving written notice of termination to the Licensee. If within three months of the execution of this Agreement the Licensee has failed to submit to Titan a prototype of a particular Licensed Product, such Licensed Product shall be automatically deleted from the definition of "Licensed Products" under subparagraph 1(e) of this Agreement, and all rights to such Licensed Product shall revert to Titan.

B(3) Titan's Right to Eliminate Country from Territory. If at any time during the period of this Agreement the Licensee is not making regular sales of more than a nominal nature of any of the Licensed Products in a country of the Territory, Titan shall have the right, upon giving 30 days prior written notice to the Licensee, to terminate the Licensee's rights for all Licensed Products of such country.

B(4) Titan's Right to Terminate License for Specific Licensed Product. If at any time during the period of this Agreement the Licensee is not making regular sales of more than a nominal nature of a particular Licensed Product in a country of the Territory, Titan shall have the right, upon giving 30 days prior written notice to the Licensee, to terminate the Licensee's rights for such Licensed Product for such country. In order

to assist Titan in reviewing its marketing activities, the Licensee agrees to furnish Titan upon request complete information evidencing on a country-by-country basis the Licensee's efforts to market the Licensed Products in such countries.

B(5) Restrictions on Sale of Licensed Products. The Licensed Products shall be sold to the public only in the manner in which merchandise articles of the same general description are customarily merchandised to the public. the Licensee shall not use or sell the Licensed Products as premiums, or distribute the Licensed Products to parties which the Licensee has reason to believe intend to use or sell the Licensed Products as premiums. Use or sale of the Licensed Products as "premiums," for purposes of the foregoing provisions, shall mean use or sale of the Licensed Products in connection with the following kinds of promotional activities: self-liquidator programs; joint merchandising programs; giveaways; sales incentive programs; door openers; traffic builders; and any other kinds of promotional programs designed to promote the sale of the Licensed Products or other goods or services of the Licensee or a third party.

SECTION C ROYALTIES; STATEMENTS.

C(1) Computation of Royalties. All royalties due to Titan shall accrue upon the sale of the Licensed Products, regardless of the time of collection by the Licensee. For purposes of this agreement, a Licensed Product shall be considered "sold" as of the date on which such Licensed Product is billed, invoiced, shipped, or paid for, whichever event occurs first. If any Licensed Products are consigned to a distributor by the Licensee, the Licensed Products shall be considered "sold" by the Licensee upon the date on which such distributor bills, invoices, ships, or receives payment for any of the Licensed Products, whichever event occurs first.

C(2) Time of Payment. The Licensee shall pay all royalties owing to Titan under this Agreement for any calendar quarter within 30 days following the end of the calendar quarter in question. All royalty amounts in this Agreement are stated in U.S. Dollars, and all royalty payments shall be made in U.S. Dollars. All royalty statements required to be submitted by the Licensee shall be submitted within 30 days following the end of the calendar quarter to which they relate and shall accompany the royalty payments made to Titan.

C(3) Titan Approval of Discounted Sales. If the Licensee proposes to sell any Licensed Product at a price which is less than 10% above the Licensee's manufactured cost of such Licensed Product, Titan shall have a right of prior approval over the terms of such sale and the percentage royalty to be payable by the licensee under paragraph 4 with respect to such sale.

C(4) Deductions; Taxes.

(a) There shall be no deduction from the royalties owed to Titan for uncollectible accounts, or for taxes, fees, assessments, or other expenses of any kind which may be incurred or paid by the Licensee in connection with: (i) royalty payments to Titan; (ii) the manufacture, sale, distribution, or advertising of the Licensed Products in the Territory; or (iii) the transfer of funds or royalties or the conversion of any currency into U.S. Dollars. It shall be the Licensee's sole responsibility at its expense to obtain the approval of any foreign authorities; to take whatever steps may be required to effect the payment of funds from abroad; to minimize or eliminate the incidence of foreign taxes, fees, or assessments which may be imposed; to protect its investments in foreign territories; to enable it to commence or continue doing business in any foreign territory; and to comply in any and all respects with all applicable laws and regulations.

(b) Notwithstanding the provisions of the preceding Section C(4)(a), if (i) any country imposes a withholding tax against Titan, as licensor, with respect to the royalties payable to Titan by the Licensee on sales of the Licensed Products in such country, (ii) such tax is paid by the Licensee on behalf of Titan, and (iii) such tax is an income tax as to which a foreign tax credit is allowable to Titan under Section 901 of the Internal Revenue Code of 1986, as amended, the Licensee may deduct the amount of such withholding tax from the royalties owing to Titan on the condition that the Licensee furnishes to Titan such information as Titan requires to evidence Titan's right to credit such withholding tax against its federal income tax liability in the United States.

C(5) Royalty Statements. The Licensee shall furnish to Titan, at the same time it makes payment of royalties, a full and complete statement, duly certified by an officer of the Licensee to be true and accurate, showing the number of each type of Licensed Product sold during the calendar quarter in question, the total gross sales revenues for each such Licensed Product, an itemization of all allowable deductions, if any, the Net Sales Price for each Licensed Product sold, the amount of royalties due with respect to such sales, and the quantities of each Licensed Product on hand and in transit as of the end of such quarter, together with such other pertinent information as Titan may reasonably request from time to time. The Licensee's royalty accountings shall identify with specificity the types of Intellectual Property used on or in connection with each Licensed Product sold, including the identities of all Talent appearing on each Licensed Product. There shall be a breakdown of sales of Licensed Products by country, and all figures and monetary amounts shall first be stated in the currency in which the sales were actually made. If several currencies are involved in any reporting category, that category shall be broken down by each such currency. Next to each currency amount shall be set forth the equivalent amount stated in U.S. Dollars, and the rate of exchange used in making the required conversion calculation. The rate of exchange shall be the actual rate of exchange obtained by the Licensee on the date of payment.

C(6) Royalty Adjustments. The receipt or acceptance by Titan of any royalty statements furnished pursuant to this Agreement, or the receipt or acceptance of any royalty payments made, shall not preclude Titan from questioning their accuracy at any time. If any inconsistencies or mistakes are discovered in such statements or payments, appropriate adjustments shall be made immediately by the parties. The Licensee shall pay Titan interest on late royalty payments at an annual rate of 2% over the prevailing prime interest rate in effect at New York, New York, on the date on which such late royalty payments should have been received by Titan.

SECTION D BOOKS OF ACCOUNT AND OTHER RECORDS; AUDITS

D(a) Retention of Records. While this Agreement remains in effect and for two years thereafter, the Licensee shall keep full and accurate books of account and copies of all documents and other material relating to this Agreement at the Licensee's principal office. Titan, by its duly authorized agents and representatives, and by giving licensee five days advance notice, shall have the right to audit such books, documents, and other material, shall have access thereto during ordinary business hours, and shall be at liberty to make copies of such books, documents, and other material. Audits by Titan will be limited to one per year. At Titan's request, the Licensee shall provide an authorized employee to assist in the examination of the Licensee's records.

D(2) Audits by Titan. If any audit of the Licensee's books and records reveals that the Licensee has failed properly to account for and pay royalties owing to Titan, and the amount of any royalties which the Licensee has failed properly to account for or pay for any quarterly accounting period exceeds, by 5% or more, the royalties actually accounted for and paid to Titan for such period, the Licensee shall, in addition to paying Titan such past due royalties, reimburse Titan for its direct out-of-pocket expenses incurred in conducting such audit, together with interest on the overdue royalty amount at an annual rate of 2% over the prevailing prime

interest rate in effect at New York, New York, on the date on which such overdue royalty amount should have been paid to Titan.

SECTION E TRADEMARK PROTECTION.

E(1) Trademark Uses Inure to Titan's Benefit. All trademark uses of the Trademarks and other Intellectual Property by the Licensee shall inure to the benefit of Titan, which shall own all trademarks and trademark rights created by such uses. the Licensee hereby assigns and transfers to Titan all trademarks and trademark rights created by such uses of the Trademarks and other Intellectual Property, together with the goodwill of the business in connection with which such trademarks are sued.

E(2) Trademark Registrations. Titan shall have the right, but not the obligation, to file in the appropriate offices of countries of the Territory, at its own expense, trademark applications relating to the use or proposed use by the Licensee of any of the Trademarks and any other Intellectual Property in connection with the Licensed Products, such filings to be made in the name of Titan.

E(3) Records Relative to Trademark Uses. The Licensee shall keep appropriate records (including copies of pertinent invoices and correspondence) relating to the dates when each of the Licensed Products is first placed on sale or sold in each country of the Territory, and the dates of first use in each country of each different element of the Intellectual Property on the Licensed Products and Advertising Materials, If requested to do so by Titan, the Licensee agrees to supply Titan with samples of the trademark usages in question and other information which will enable Titan to complete and obtain trademark applications or registrations, or to valuable or oppose any trademark applications, registrations, or uses of other parties.

E(4) Registered User Laws. As to those countries which require applications to register the Licensee as a registered user of a Trademark or Trademarks or other element of the Intellectual Property used on or in connection with the Licensed Products or which require the recordation of this Agreement, the Licensee agrees to execute and deliver to Titan such documents as may be necessary and as are furnished by Titan for such purposes.

E(5) Trademark Notices. The Licensee agrees to affix or to cause its authorized manufacturing sources to affix to the Licensed Products and to the Advertising Materials such trademark notice as may be supplied by Titan.

E(6) No Use of Initials WWF. The Licensee agrees that it will not use the initials WWF in block letters on or in connection with any Advertising Materials or Licensed Products.

SECTION F COPYRIGHT PROVISIONS

F(1) Copyright Notices. The authorization of Titan to the Licensee to make public distribution of the Licensed Products and Advertising Materials is expressly conditioned upon the following agreement of the Licensee. The Licensee agrees to place on all Licensed Products and on all Advertising Materials the copyright notice or notices in the name of Titan specified in writing by Titan.

F(2) Assignment by Licensee. The Licensee hereby sells, assigns, and transfers to Titan its entire, worldwide right, title, and interest in and to all "new works" or "derivative works" heretofore or hereafter created using the Intellectual Property, including, but not limited to, the copyrights thereon. If parties who are not

employees of the Licensee living in the United States make or have made any contribution to the creation of a "new work", so that such parties might be deemed to be "authors" of such "new work" as that term is used in present or future United States copyright statutes, the Licensee agrees to obtain from such parties a comparable full assignment of rights so that the foregoing assignment by the Licensee vests in Titan full rights in the "new work", free of any claims, interests, or rights of other parties. The Licensee agrees not to permit any of its employees to obtain or reserve by oral or written employment agreements any rights as "authors" of such "new works". At Titan's request, the Licensee agrees to furnish Titan with full information concerning the creation of "new works" and with copies of assignments of rights obtained from other parties.

SECTION G INDEMNIFICATIONS; PRODUCT LIABILITY INSURANCE

G(1) Licensee's Indemnification. The Licensee agrees to indemnify and hold Titan harmless from any and all claims (and liabilities, judgments, penalties, losses, costs, damages, and expenses resulting therefrom, including reasonable attorneys' fees but excluding lost profits) made by third parties against Titan arising by reason of or in connection with any act under or in violation of this Agreement by the Licensee, its subsidiaries, manufacturers, distributors, or other persons, or the employees or agents of any of the foregoing or of the Licensee, including, but not limited to, the manufacture, distribution, exploitation, advertising, sale, or use of the Licensed Products by any of them, but excluding any claims based solely upon the use of the Intellectual Property by the Licensee in strict accordance with the terms of this Agreement.

G(2) Titan's Indemnification. Titan agrees to indemnify and hold the Licensee, its directors, officers, employees and agents harmless from any and all claims (and liabilities, judgments, penalties, losses, costs, damages, and expenses resulting therefrom, including reasonable attorneys' fees, but excluding lost profits) made by third parties against the Licensee asserting rights in one or more elements of the Intellectual Property and based solely upon the use of the Intellectual Property by the Licensee in strict accordance with the terms of this Agreement.

G(3) Claims Procedures. With respect to any claims falling within the scope of the foregoing indemnifications: (a) each party agrees promptly to notify the other of and keep the other fully advised with respect to such claims and the progress of any suits in which the other party is not participating; (b) each party shall have the right to assume, at its sole expense, the defense of a claim or suit made or filed against the other party; (c) each party shall have the right to participate, at its sole expense, in any suit instituted against it and to approve any attorneys selected by the other party to defend it, which approval shall not be unreasonably withheld or delayed; and (d) a party assuming the defense of a claim or suit against the other party shall not settle such claim or suit without the prior written approval of the other party, which approval shall not be unreasonably withheld or delayed.

G(4) Product Liability Insurance. the Licensee agrees to obtain and maintain during the term of this Agreement, at its own expense, product liability insurance providing protection (at a minimum, in the amount of \$1,000,000 per occurrence/\$2,000,000 annual aggregate) applicable to any claims, liabilities, damages, costs or expenses arising out of any defects or alleged defects in the Licensed Products. Such insurance shall include coverage of Titan, its directors, officers, agents, employees, assignees, and successors. Within 30 days after execution of this Agreement by Titan, the Licensee shall cause the insurance company issuing such policy to issue a certificate to Titan confirming that such policy has been issued and is in full force and effect and provides coverage of Titan as required by this Section G(4), and also confirming that before any cancellation, modification, or reduction in coverage of such policy, the insurance company shall give Titan 30 days prior written notice of such proposed cancellation, modification, or reduction.

SECTION H RESERVATION OF RIGHTS.

All rights in and to the Intellectual Property (including premium rights in the Licensed Products) are retained by Titan for its own use, except for the specific rights which are granted to the Licensee under this Agreement. Titan reserves the right to use, and to license other parties to use, the Intellectual Property in the Territory for any purpose Titan may determinate.

SECTION I INFRINGEMENTS; CLAIMS.

I(1) Infringements. When the Licensee learns that a party is making unauthorized uses of the Intellectual Property, the Licensee agrees promptly to give Titan written notice giving full information with respect to the actions of such party. The Licensee agrees not to make any demands or claims, bring suit, effect any settlements, or take any other action against such party without the prior written consent of Titan. The Licensee agrees to cooperate with Titan, at no out-of-pocket expense to the Licensee, in connection with any action taken by Titan to terminate infringements.

I(2) Claims. If claims or suits are made against Titan or the Licensee by a party asserting the ownership of rights in a name or design which is the same as or similar to one of the elements of the Intellectual Property, and asserting further that the use of a particular element of the Intellectual Property by the Licensee infringes the right of such party, or if the parties learn that another party has or claims rights in a trademark, name, or design which would or might conflict with the proposed or actual use of an element of the Intellectual Property by the Licensee, Titan and the Licensee agree in any such cast to consult with each other on a suitable course of action. In no event shall the Licensee have the right, without the prior written consent of Titan, to acknowledge the validity of the claim of such party, to obtain or seek a license from such party, or to take any other action which might impair the ability of Titan to contest the claim of such party if Titan so elects. The Licensee agrees at the request of Titan to make reasonable modifications requested by Titan in the Licensee's use of the element of the Intellectual Property in question or to discontinue use of such element in the country of the Territory in question on the particular Licensed Product or Licensed Products which are involved, if Titan, in its sole discretion, reasonably exercised, determines that such action is necessary or desirable to resolve or settle the claim or suit or eliminate or reduce the threat of a claim or suit by such party. If this event should occur, the Licensee will have the right to negotiate a reduction in the Guaranteed Royalty Amount due under paragraph 4(c) of this Agreement. Titan shall have the right to participate fully at its own expense in the defense of any claim or suit instituted against the Licensee with respect to the use by the Licensee of an element of the Intellectual Property.

SECTION J NO SUBLICENSING OR RIGHTS; AGREEMENTS WITH MANUFACTURERS.

J(1) Sublicensing. The Licensee shall not have the right to sublicense any of the rights granted to it under this Agreement except to a wholly owned subsidiary with the written approval of Titan.

J(2) Agreements with Manufacturers. The Licensee shall have the right to arrange with another party to manufacture the Licensed Products or components of the Licensed Products for exclusive sale, use, and distribution by the Licensee. the Licensee agrees to enter into a written agreement with all such manufacturers, and agrees to incorporate into such written agreements all of the provisions, for the protection of the rights of Titan, which are contained in the form manufacturer agreement which is available from Titan. The Licensee further agrees to furnish Titan within 30 days of their execution copies of all agreement with such manufacturers.

J(3) Enforcement of Manufacturer Agreements. The Licensee agrees strictly to enforce against its manufacturers all of the provisions which are required to be included in such agreements for the protection of Titan, as provided in Section J(2); to advise Titan of any violations thereof by manufacturers, and of corrective actions taken by the Licensee and the results thereof; and at the request of Titan to terminate such an agreement with any manufacturer which violates any of such provisions for the protection of Titan. If the Licensee fails to exercise such termination rights by giving written notice to the manufacturer within 20 days after being requested to do so in writing by Titan, the Licensee appoints Titan its irrevocable attorney-in-fact to send a notice of termination in the name of the Licensee to the manufacturer for the purpose of terminating the agreement or any specific rights of the party under such agreement.

SECTION K BREACH AND TERMINATION.

K(1) Immediate Right of Termination. Titan shall have the right to terminate this Agreement immediately, by giving written notice to the Licensee, in any of the following situations:

(a) If the Licensee make, sells, offers for sale, or distributes or uses any Licensed Product or Advertising Material without having the prior written approval of Titan, as required by Section A, or makes any use of the Intellectual Property not authorized under this Agreement.

(b) If the Licensee Fails to make any Advance Royalty Amount payment or Guaranteed Royalty Amount payment by the date such payment is required under the provisions of paragraph 4, or if the Licensee fails to submit royalty statements and/or royalty payments to Titan during the time period specified in Section C(2).

(c) If the Licensee becomes subject to any voluntary or involuntary order of any governmental agency involving the recall of any of the Licensed Products because of safety, health, or other hazards or risks to the public.

(d) If, other than under Title 11 of the United States Code, the Licensee becomes subject to any voluntary or involuntary insolvency, cession, bankruptcy, or similar proceedings, or an assignment for the benefit of creditors is made by the Licensee, or an agreement between the Licensee and its creditors generally is entered into providing for extension or composition of debt, or a receiver is appointed to administer the assets of the Licensee, or the assets of the Licensee are liquidated, or any distress, execution, or attachment is levied on such of its manufacturing or other equipment as is used in the production and distribution of the Licensed Products and remains undischarged for a period of 30 days.

(e) If the Licensee breaches any of the provisions of Section J.

(f) If the Licensee breaches any of the provisions of Section L(1).

K(2) Assumption and Rejection Pursuant to United States Bankruptcy Code. After any order for relief under the Bankruptcy Code is entered against the Licensee, the Licensee must assume or reject this Agreement within 60 days after the order for relief is entered. If the Licensee does not assume this Agreement within such 60-day period, Titan may, at its sole option, terminate this Agreement immediately by giving written notice to the Licensee, without further liability on the part of Titan.

K(3) Curable Breaches. If either party breaches any of the terms and provisions of this Agreement, other than those specified in Section K(1), and the party involved fails to cure the breach within 30 days after receiving written notice by certified or registered mail from the other party specifying the particulars of the breach, the nondefaulting party shall have the right to terminate this Agreement by giving written notice to the defaulting party by registered or certified mail.

K(4) Effect of Termination. Termination of this Agreement under the provisions of this Section K or the provisions set forth elsewhere in this Agreement shall be without prejudice to any rights or claims which either party may otherwise have against the other party. Upon the termination of this Agreement, all royalties on sales previously made shall become immediately due and payable to Titan. Upon the termination of this Agreement under the provisions of Section K(1)(d) or K(2) of this Agreement, the Licensee, its receivers, trustees, assignees, or other representatives shall have no right to sell, exploit, or in any way deal with the Licensed Products, the Advertising Materials, or the Intellectual Property, except with the special written consent and instructions of Titan.

K(5) Discontinuance of Use of Intellectual Property, Etc. Subject to the provisions of Section K(6), upon the expiration or earlier termination of this Agreement, the Licensee agrees immediately and permanently to discontinue manufacturing, selling, advertising, distributing, and using the Licensed Products and Advertising Materials; immediately and permanently to discontinue using the Intellectual Property: immediately to destroy any films, molds, dies, patterns, or similar items from which the Licensed Products and Advertising Materials were made, where any element of the Intellectual Property is an integral part thereof; and immediately to terminate all agreements with manufacturers, distributors, and others which related to the manufacture, sale, distribution, and use of the Licensed Products.

K(6) Disposition of Inventory upon Expiration. Notwithstanding the provisions of Section K(5), if this Agreement expires in accordance with its terms, and is not terminated for cause by Titan, the provisions of this Section K(6) shall apply. If the Licensee delivers to Titan on or before the date 30 days prior to the expiration of this Agreement a written inventory listing, on a Licensed Product-by-Licensed Product basis, all Licensed Products in the Licensee's possession, custody, or control as of the date of such inventory, the Licensee shall have the non-exclusive right to sell any Licensed Products listed on such inventory for a period of 120 days immediately following such expiration, subject to the payment of royalties to Titan on any such sales in accordance with the terms of this Agreement. Titan shall have the right (but not the obligation) to buy any or all of the Licensed Products listed on such inventory at the Licensee's cost of manufacture. The sell-off right granted the Licensee under this Section K(6) shall in no event apply to a quantity of any Licensed Product exceeding 50% of the Licensee's average quarterly unit sales of such Licensed Product during the one-year period immediately preceding the expiration of this Agreement.

SECTION L MISCELLANEOUS PROVISIONS.

L(1) Restriction on Assignments. Without the prior written consent of Titan, the Licensee shall not directly or indirectly assign, transfer, sublicense, or encumber any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Titan.

L(2) Parties Not Joint Venturers. Nothing contained in this Agreement shall be construed so as to make the parties partners or joint venturers or to permit the Licensee to bind Titan to any agreement or purport to act on behalf of Titan in any respect.

L(3) Modifications of Agreement; Remedies. No waiver or modification of any of the terms of this Agreement shall be valid unless in writing, signed by both parties. Failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of such rights, and a waiver by either party of a default in one or more instances shall not be construed as a continuing waiver or as a waiver in other instances.

L(4) Invalidity of Separable Provisions. If any term or provision of this Agreement is for any reason held to be invalid, such invalidity shall not affect any other term or provision, and this Agreement shall be interpreted as if such term or provision has never been contained in this Agreement.

L(5) Notices. All notices to be given under this Agreement (which shall be in writing) shall be given at the respective addresses of the parties as set forth on page 1, unless notification of a change of address is given in writing. The date of mailing shall be deemed to be the date the notice is given.

L(6) Headings. the paragraph and section headings of this Agreement are inserted only for convenience and shall not be construed as a part of this Agreement.

L(7) Entire Understanding. This Agreement contains the entire understanding of the parties with respect to its subject matter. Any and all representations or agreements by any agent or representative of either party to the contrary shall be of no effect.

L(8) Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of Connecticut, regardless of the place or places of its physical execution and performance.

EXHIBIT 10.13

LICENSE AGREEMENT

This License Agreement ("Agreement") is made between Licensor and Licensee as of the Contract Date set forth herein. No rights of any kind in or to the Licensed Property shall vest in Licensee and Licensor shall have no obligations to Licensee hereunder, unless and until (i) this Agreement has been executed by an authorized signatory of Licensee and accepted and executed by an officer of Licensor, (ii) the Advance has been paid in full; and (iii) the appropriate insurance coverage as defined herein has been provided to Licensor. This Agreement and any oral negotiations are deemed to be a proposal by Licensee to acquire a license from Licensor which Licensor is not obligated to consider or accept until the above conditions are met. No employee, agent, or representative of Licensor has authority to enter into any oral agreement, revision, or amendment with respect to the subject matter hereof. If accepted by Licensor, this Agreement consists of the Terms and Conditions as set forth herein, and all Exhibits and Schedules attached hereto are made a part of this Agreement.

1. Contract Number: 95179

2. Contract Date: April 23, 1996

3. Licensor(s): SABAN MERCHANDISING, INC.
(SMI)
10960 Wilshire Boulevard
Los Angeles, California 90024

SABAN INTERNATIONAL, N.V.
(SINV)
Plaza JoJo Correa 1-5
Curacao, Netherlands Antilles

4. Licensee: JAXXS, INC.
24955 Pacific Coast Hwy.,
#B202
Malibu, CA 90265

5. Licensed Property: Mighty Morphin Power Rangers(TM)/Power Rangers Zeo(TM), the children's episodic live-action television program, and as further defined in attached Schedule A and Exhibit 1.

6. Total Guarantee: \$25,000.00
Guarantee Due Date(s)

Date	Amount

Upon Signing	\$10,000.00 (Advance)
12/31/96	\$ 7,500.00
03/31/97	\$ 7,500.00
Ninety-five percent (95%) payable to SMI and five percent (5%) payable to SINV.	

7. Royalty Rate(s): 10%

Royalties earned for the United States, its territories and possessions are payable to SMI and Royalties earned for Canada are payable to SINV.

8. Promotional Commitment: not applicable.

9. Licensed Term: The licensed term commences as of August 1, 1996 and terminates on July 31, 1998.

10. Licensed Article(s): See attached Schedule B

11. Licensed Territory: United States, its territories and possessions; Canada.

12. Licensed Channels of Distribution: See attached Schedule D

The following attached Exhibit and Schedules are incorporated and made a part of this Agreement.

- X Exhibit 1 (Style Guide and Product Approval)
- X Schedule A (Copyrights and Trademarks)
- X Schedule B (Licensed Articles)
- ___ Schedule C (Licensed Territory)
- X Schedule D (Licensed Channels of Distribution)
- X Schedule E (Insurance Requirements)
- X Schedule F (Accounting Statement Form)
- X Schedule G (Approval of Manufacturer)

Standard Terms and Conditions

S-1. GRANT OF LIMITED LICENSE

Licensor grants to Licensee and Licensee accepts the nontransferable, nonassignable grant (without the right to grant sublicenses) to utilize the Licensed Property on or in connection solely (i) with Licensed Articles sold, offered for sale or use (ii) in the Licensed Territory (iii) during the Term and (iv) in the Licensed Channels of Distribution, each as set forth herein or attached hereto, and subject to all the terms and conditions set forth herein. Nothing contained in this Agreement shall be deemed to imply any restriction on Licensee (or its customers) as to pricing policy.

S-2. LICENSED TERM

The "Term" begins on the date all conditions precedent set forth herein have been satisfied and ends on the Date set forth above, unless sooner terminated as provided herein. Licensee is prohibited from advertising or promoting in any manner any Licensed Article prior to receiving written approval with respect to all promotional materials as required herein.

S-3. LICENSED TERRITORY

Licensee is prohibited from making or contributing to, any direct or indirect use of the Licensed Property in any location outside the defined Licensed Territory or approved in Schedule G; Licensee represents and warrants that it will not knowingly sell any Licensed Articles to third parties who intend or are likely to resell them outside the Licensed Territory; and Licensee will take all reasonable precautions against such resale.

S-4. ROYALTIES AND PAYMENTS

S-4.1 Computation of Royalties

Licensee will pay Licensor "Royalties" equal to the applicable Royalty Rate set forth above as a percentage of Net Invoiced Billings made to retailers (or to wholesaler or other distributors) for Licensed Articles shipped by Licensee from a location in the Licensed Territory for delivery to a customer located in the Licensed Territory. If the customer in the Licensed Territory bears the costs of obtaining delivery (e.g. shipping, duties, and the like) Licensee shall pay the F.O.B. Royalty Rate. The full applicable Royalty Rate shall be payable on closeout or other deep discount sales, including sales to employees. With Licensor's prior written permission, no Royalty shall be payable on Licensed Articles sold at or below Licensee's acquisition cost or cost of manufacture, excluding overheads.

S-4.2 Payment of Royalties and Point of Sale

Royalties shall be computed, reported, and paid within thirty (30) days after the close of each calendar quarter and quarterly thereafter as long as Licensee continues to have Net Invoiced Billings on account of the Licensed Articles. As part of Licensee's obligation to compute, report, and pay Royalties to Licensor hereunder, Licensee shall furnish to Licensor complete and accurate statements signed by an officer of Licensee in a form and containing information substantially as set forth in Schedule F hereto. Payments received later than the due date shall bear interest at the maximum rate permissible by law. Payments should be sent to Licensor, Attention: Business Affairs, Licensing and Merchandising. Point of Sale shall mean the quantity of Licensed Articles sold at retail or in any particular channel of distribution. Licensee shall furnish to Licensor correct and accurate Point of Sale information on a monthly basis. The information should be sent to the address above.

S-4.3 Definition of Net Invoiced Billings

Net Invoiced Billings shall mean the date of actual invoiced billings or the shipment date, whichever occurs first, defined as sales quantity of Licensed Articles shipped multiplied by Licensee's selling price. Payment may be less any Allowable Deductions or Returns as hereinafter defined.

S-4.4 Allowable Deductions, Actual Returns

Allowable Deductions shall mean any volume discounts and other trade discounts separately identified on Licensee's sales invoice (not to exceed 5%) as being applicable to sales of Licensed Articles licensed hereunder or to the combined sales of such Licensed Articles and other product(s) not licensed by Licensor ("Combined Sales"), and post-invoice credits granted and properly documented as applicable to sales of Licensed Articles hereunder or to Combined Sales. Actual Returns (not to exceed 3% of Net Invoiced Billings) should be reflected on the quarterly statement following the Actual Return, in no event shall any Actual Returns be allowed more than two calendar quarters following the Net Invoiced Billing date for the particular Licensed Articles. In the event that a post-invoice credit is issued for Combined Sales and Licensee cannot document the portion of the credit applicable to Licensed Articles, Licensee may apply only a pro rata portion of the credit to the Licensed Articles. The following are not Allowable Deductions, whether granted on sales invoices or as post-invoice credits: cash discounts granted as terms of payment; early payment discounts; allowances or discounts relating to advertising; mark down allowances; costs incurred in manufacturing, importing, selling or advertising Licensed Articles; freight costs incorporated in the selling price; anticipated returns; and uncollectible accounts.

S-4.5 Application of Royalties Against Advance and Guarantee

Any Advance and Guarantee set forth above is non-refundable and due on the date(s) set forth. The Advance and any Guarantee(s) paid by the appropriate Due Date(s) are applicable against Royalties that may be due. Licensee will have the right to apply the Advance and any Guarantee due against Royalties otherwise payable to Licensor, until such point in time that Licensee has fully paid the Advance and Guarantee.

S-4.6 Sales by Affiliates

The Royalties paid to Licensor on any Net Invoice Billings to Affiliates shall be no less than the Royalties paid to Licensor for Net Invoiced Billings to customers not affiliated with Licensee. If such Affiliate is a resaler of the Licensed Articles, the sale to such customer shall not be counted as a sale for Royalty calculation purposes in such case, the relevant sale for Royalty calculation purposes shall be that of such Affiliate. Affiliate is defined as any entity which directly or indirectly controls, is controlled by, or is under common control with Licensee. Control is defined as the possession, directly or indirectly, of power to direct or cause the direction of management or policies of such entity.

S-5. PROMOTIONAL COMMITMENT [not applicable]

S-6. BOOKS AND RECORDS

Licensee will keep accurate and complete books and records as they relate hereto (specifically including information as to quantities of Licensed Articles manufactured by or for and sold and shipped by Licensee or Manufacturer and remaining inventory on hand at the end of the Term) for two (2) years after termination or expiration of the Term. On reasonable notice, Licensor will have the right to examine said books and records and those of any manufacturer supplying Licensee. If in an audit of Licensee's records it is determined that there is a short fall of 3% or more in Royalties reported for any Royalty Payment Period, Licensee shall reimburse Licensor for the full out-of-pocket costs of the audit including any costs of Licensor's employee(s) calculated at \$60 per hour inclusive of travel time.

S-7. COPYRIGHTS AND TRADEMARKS

S-7.1 Ownership

Licensee recognizes the unique value of the Licensed Property and the good will and secondary meaning associated therewith in the mind of the public. Licensee acknowledges that Licensee's use of the Licensed Property does not confer or imply a grant of rights, title, or interest in the Licensed Property or good will associated therewith and that all ownership of copyrights, trademarks, service marks, design patents, and other rights in the Licensed Property and Licensed Articles and in all photographs, derivations, adaptations, compilations, collective works, artwork, packaging, text, advertising and promotional materials, and trade dress of any kind using the Licensed Property, including all such materials, designs, and names developed by Licensee and the good will pertaining thereto ("Proprietary Materials") will be, and at all times will remain, in the name of Licensor.

S-7.2 Employees for Hire

All Proprietary Materials will be "works made for hire" within the meaning of the U.S. Copyright Act of 1976, as amended, and Licensee agrees that all Proprietary Materials will be prepared by Licensee's employee (or contractor) as a work-for-hire under Licensee's sole supervision, responsibility, and monetary obligation. If third parties who are not employees of Licensee contribute to the creation of any Proprietary Material, Licensee will obtain from such third parties, prior to commencement of work, a full written assignment by which all rights, title, and interest in the Proprietary Materials, throughout the universe in perpetuity, will vest in Licensor. Nothing contained herein will be deemed or construed to convey to Licensor any rights or proprietary interest in or to any of the designated trademarks, trade names, copyrights, or other indicia of Licensee.

S-7.3 Delivery of Proprietary Materials to Licensor

Promptly at the end of the Term, or from time to time as Licensor may elect, Licensee will deliver all originals or duplicates (cost for duplication to be borne by Licensor at Licensor's cost) of all Proprietary Materials, whether supplied by Licensor or created by or on behalf of Licensee, to Licensor.

S-7.4 Copyright and Trademark Notices

Licensee will comply fully with applicable federal and state trademark and copyright notice provisions of the Licensed Territory including but not limited to those set forth in Schedule A, and any other legal notices which Licensor may from time to time require. Licensee, subject to Licensor's reasonable right to approve the content, size, and placement thereof, will have the right to place its own copyright and trademark notices on any materials it owns or creates hereunder which are separate and apart from the Licensed Property and Proprietary Material and to which it retains all ownership rights thereto.

S-7.5 Protection of Copyrights, Trademarks, and Good Will

Licensee agrees to assist Licensor, at Licensor's request and expense, in procuring and maintaining Licensor's rights in the Licensed Property and Proprietary Material (including trademark and copyright therein). In connection therewith, Licensee agrees to execute and deliver to Licensor in such form as Licensor

reasonably may request all instruments necessary to effectuate copyright and trademark protection or to record Licensee as a registered user of any trademarks or to cancel such registration. If Licensee fails to execute any such instruments, Licensee appoints Licensor as its attorney-in-fact to do so on Licensee's behalf, and Licensee acknowledges that such appointment is coupled with an interest. Licensor makes no representation or warranty that copyright or trademark protection will be secured in the Licensed Property. Licensor will control absolutely all infringement litigation brought against third parties involving or affecting the Licensed Property, and Licensor may join Licensee as a party thereto at Licensor's expense.

S-8. LICENSOR'S REPRESENTATIONS AND WARRANTIES

Licensor represents and warrants that (i) Licensor has the right to license the Licensed Property to Licensee in accordance with the terms and conditions of this Agreement, and (ii) the Licensed Property does not and, during the Term, will not infringe any copyright, trademark, or other intellectual property right of any third party.

S-9. INDEMNIFICATIONS

S-9.1 By Licensor

Licensor agrees to indemnify and hold harmless Licensee during and after the term hereof against all claims, (including settlements entered into in good faith with Licensor's consent), liabilities, and expenses (including reasonable attorneys' fees) arising solely out of the use of the Licensed Property as authorized hereunder. Licensee must give Licensor prompt notice of all claims or suits relating to such use of which it is aware. Licensor will have the option to undertake and control the defense and settlement of any such claim or suit. Licensor has the sole right to determine whether or not any action will be taken on account of any such infringements or imitations. Licensee will not be entitled to recover for lost profits. If Licensee is precluded from selling any stock of Licensed Articles or utilizing materials in its possession, Licensor shall be obligated to purchase such Licensed Articles and material from Licensee at cost, excluding overheads, and shall have no other responsibility or liability with respect to such Licensed Articles or materials.

S-9.2 By Licensee

Licensee agrees to indemnify and hold harmless Licensor and its successors, assigns, parent, subsidiaries, affiliates, and co-venturers, and all other parties associated with the Licensed Property, and their respective directors, officers, employees, and agents from and against all claims, (including settlements entered into in good faith with Licensee's consent), liabilities and expenses (including reasonable attorneys' fees) arising out of or in connection with Licensee's activities hereunder, out of any defect (whether obvious or hidden and whether or not present in any sample approved by Licensor) in a Licensed Article whether or not licensed by this Agreement, or arising from personal injury or any infringement of any rights of any person by the manufacturer, sale, possession or use of Licensed Articles; or their failure to comply with applicable laws, regulations and standards.

S-10. PRODUCT LIABILITY AND ADVERTISER'S LIABILITY INSURANCE

Licensee will obtain and maintain at its own expense commercial general liability insurance including broad form coverage for contractual liability, products liability and personal injury liability (including bodily and death), and advertiser's liability insurance as set forth in Schedule E.

S-11. ARTWORK; APPROVALS; PRODUCT SAFETY

S-11.1 Artwork.

Any materials (other than two (2) Style Guides) supplied to Licensee by Licensor will be purchased at Licensor's invoiced cost.

S-11.2 Concept Approval

Licensee agrees to furnish Licensor within thirty (30) days of the contract date, for review and written approval in Licensor's sole discretion, all concepts, preliminary and proposed artwork, storyline, mock-up, format and size, title, layout, packaging, concept design and other materials Licensor may deem necessary to approve the concept of the use of the Licensed Property on the Licensed Article and as noted in Licensor's Product Approval Form included in Exhibit 1. Licensee acknowledges that Licensor may not approve concepts within ninety (90) days of the termination date of this Agreement.

S-11.3 Pre-Production Approval

No later than sixty (60) days following concept approval, Licensee shall furnish to Licensor for written approval which Licensor shall endeavor to respond to within a reasonable time, a mock-up, prototype or pre-production sample including, but not limited to, paper stock, fabric, final artwork and photographs, text, copy, cover notices, dust jacket, slip case, layouts, black line sketches, color proofs, packaging, promotional material, advertising, catalogues, etc., of each Licensed Article in connection with which the Licensed Property is used. Licensee acknowledges that no Article may be produced, manufactured, published and/or distributed without Licensor's prior written approval. Any such Article not approved will be deemed as unlicensed and will cause immediate termination of this Agreement and/or withdrawal of the Article from this Agreement. Any modification of a Licensed Article must be submitted in advance for Licensor's written approval. Approval

of any materials including, but not limited to, design, artwork, copy, or text on a particular Licensed Article does not imply approval of same for use with a different Article.

S-11.4 Approval of Production Samples

Prior to shipment of Licensed Articles to any customer, wholesaler, retailer, etc., Licensee agrees to furnish from the first and any subsequent production run or print run for Licensor's written approval, twelve (12) samples with packaging, if applicable, which should conform to the approved pre-production sample. Approval or disapproval of the production sample or print run shall lie in Licensor's sole discretion. Any Article not so approved shall be deemed unlicensed, shall not be sold and, unless otherwise agreed in writing, certified destroyed by an officer of Licensee. Licensee agrees to furnish Licensor, at no charge, additional samples of each Licensed Article which Licensor may deem reasonably necessary from time to time for purposes of comparison with earlier samples, or to test for compliance with applicable laws, regulations and standards, and to permit upon reasonable request, inspection of Licensee's manufacturing operations and testing records (and those of any approved supplier or third party manufacturer). Licensee agrees to provide Licensor at Licensee's cost plus ten percent (10%) any quantity over this amount. The rights granted herein do not permit sale of "seconds" or "irregulars" and any such Licensed Articles not meeting the standard of approval samples should be destroyed, or as otherwise agreed to in writing by Licensor.

S-11.5 Product Safety & Inspection

Licensor shall rely primarily on Licensee for the consistent quality and safety of the Licensed Article and their compliance with applicable laws and standards. Licensor and Licensee will not unreasonably object to any change in design of a Licensed Article or in materials used in the manufacturing of the Licensed Article or in the process of manufacturing the Licensed Article. Licensee or Licensor shall advise Licensee or Licensor in writing if either intends to make any modification to the Licensed Article to make it safer or more durable. Licensed Articles not complying with applicable laws, regulations or standards shall be deemed unapproved even if previously approved by Licensor and shall not be shipped.

S-12. EXCLUSIVITY; RESTRICTIONS ON AND MANNER OF EXPLOITATION; WITHDRAWAL

S-12.1 Exclusivity

Licensor reserves the right to use and grant third parties the right to use the Licensed Property in any manner whatsoever.

S-12.2 Restrictions on and Manner of Exploitation

The Licensed Property will not be used in conjunction with or commingled with any other name, character, symbol, design, likeness, or literary or artistic material, unless any such use is expressly permitted in writing by Licensor. In no event will the Licensed Articles be packaged for sale or distribution with other articles (other than articles approved in writing by Licensor).

S-12.3 No Warranty of Exploitation by Licensor

Licensor does not warrant or represent to Licensee that the Licensed Property will continue to appear in or as part of any program, motion picture, or other work or that any such work will continue to be exploited. Licensor may from time to time, at any time, delay, discontinue, resume, or change any present or future use of the Licensed Property.

S-12.4 Withdrawal

Licensor will have the right, by giving written notice to Licensee, to withdraw from the license granted herein any element of the Licensed Property if Licensor determines that the use or continued use of such element will violate or infringe the rights of any third party, violate any law or regulation, or subject Licensor to any legal liability. Licensor's obligations to Licensee shall be limited to the purchase at cost of Licensed Article and other material utilizing such withdrawn Licensed Article which cannot be sold or used. In this event, the Advance and Guarantee shall be adjusted to correspond to the time remaining in the Term, or the number of Licensed Articles remaining under the Agreement at the time of withdrawal.

S-13. RIGHTS AND OBLIGATION UPON EXPIRATION OR TERMINATION

S-13.1 Licensor's Rights

Upon expiration or termination of this Agreement, all rights granted herein revert to Licensor and Licensor shall be entitled to retain all Royalties. Licensee agrees Licensed Articles shall be manufactured in quantities consistent with anticipated demand so as not to result in inventory build up prior to expiration. Licensee agrees that from the date of termination or expiration, Licensee shall neither manufacture nor have manufactured any Licensed Articles and shall deliver all Proprietary Materials which may have been used in connection with this Agreement or at Licensor's option, sell to us at Licensee's cost or destroy or efface any molds, plates, or other items used to reproduce Licensed Articles and that as except as hereinafter provided, Licensee will cease any Net Invoiced Billing as defined herein of any Licensed Articles.

S-13.2 Licensee's Rights

If Licensee has any Licensed Articles in inventory on the expiration or termination date, Licensee shall provide Licensor with a full accounting statement of such Licensed Articles. When such statement has been provided to Licensor and Licensee has

otherwise fully complied with the terms of this Agreement, Licensee shall have the right for a limited period of ninety (90) days from such date, to sell off and deliver such Licensed Articles. Licensee shall furnish to Licensor statements covering such shipments and pay Royalties to such sales. Licensee agrees not to "dump" Licensed Articles during any sell off period. Any inventory of Licensed Articles remaining in possession after such sell off period shall be destroyed or all Licensed Property removed or obliterated therefrom.

S-14. EVENTS OF DEFAULT LEADING TO IMMEDIATE TERMINATION

Licensee will have no right to cure any of the following defaults:

S-14.1 Bankruptcy

If Licensee's liabilities exceed its assets, or if Licensee becomes unable to pay its debts as they become due, or if Licensee files or has filed against it a petition in bankruptcy, reorganization, or for the adoption of an arrangement under any present or future bankruptcy, reorganization, or similar law (which petition if filed against Licensee is not dismissed within 30 days after the filing date), or if Licensee makes an assignment for the benefit of its creditors or is adjudicated bankrupt, or if a receiver or trustee of all or substantially all of Licensee's property is appointed, or if Licensee discontinues its business, the license granted herein will automatically terminate forthwith without notice to Licensee.

S-14.2 Transfer or Change of Control

If a substantial portion of the assets or controlling stock or ownership in Licensee's business is sold or transferred, or if there is a substantial change in Licensee's management, or if Licensee's property is expropriated, confiscated, or nationalized by any government or if any government assumes de facto control of Licensee's business, in whole or in part, Licensor may terminate this Agreement upon ten (10) days' notice to Licensee.

S-14.3 Other Defaults

This Agreement will automatically terminate forthwith without notice to Licensee if Licensee: (i) manufactures, offers for sale, sells, or distributes articles which are not approved as defined herein; (ii) sells, or knowingly sells to any third party who intends to sell, any articles incorporating elements of the Licensed Property outside the Licensed Territory or Channels of Distribution; (iii) purchases materials, products, or services from, or acts as a broker, reseller, distributor, or retailer for, any third party whom Licensor has given Licensee notice is an infringer of Licensor's proprietary rights; (iv) registers or attempts to register any claim to copyright, trademark, service mark, or design patent in any element of the Licensed Property; (v) assigns or attempts to assign this Agreement, or sublicenses or attempts to sublicense any of Licensee's rights under this Agreement, to any third party without Licensor's prior written consent; or (vi) fails to obtain or maintain the insurance coverage as required hereunder.

S-15. EVENTS OF DEFAULT FOR WHICH LICENSEE WILL HAVE A RIGHT TO CURE BEFORE TERMINATION

Licensee will have the right to cure each of the following defaults before Licensor may terminate this Agreement.

S-15.1 Failure to Exploit

If Licensee fails to commence exploitation of any Licensed Article(s) by the applicable "Market Date" as set forth in Schedule B hereto, and continues to fail to commence exploitation or distribution of the Licensed Article(s) during the twenty (20) business days immediately following Licensor's notice of such default, Licensor may terminate this Agreement in whole or only with respect to such Licensed Article upon ten (10) days' written notice to Licensee.

S-15.2 Failure to Render Statements or Make Royalty Payments When Due

If Licensee fails to render any statement accompanied by payment of Royalties then due as required pursuant to section S- 4.2, and continues to fail to render such statement and/or make payment of Royalties then due during the five (5) business days immediately following Licensor's notice of such default, Licensor may terminate this Agreement upon five (5) days' written notice to Licensee.

S-15.3 Breach of Other Agreements

If Licensee breaches without curing within the applicable time period, any material term of any other agreement between Licensee and Licensor, Licensor may terminate this Agreement upon five (5) days written notice to Licensee.

S-16. MISCELLANEOUS

S-16.1 Equitable Relief

Licensee acknowledges that its failure to comply with any of the terms herein including, but not limited to, its obligation to cease the manufacture, sale, or distribution of Licensed Articles at the termination or expiration of this Agreement will cause immediate and irreparable damage to Licensor. Licensee acknowledges that, in addition to any and all other remedies, Licensor shall have the right to equitable relief for any breach, including but not limited to, temporary restraining order, preliminary injunction or other alternative relief without the necessity of posting any bond or proving any damages.

S-16.2 Notices

Legal Notices to and from Licensor and Licensee shall be in writing, addressed to the parties at the address set forth herein and served either personally, by depositing postage prepaid in the U.S. mail, or by confirmed facsimile transmission. Notices to Licensor should be sent, attention: Legal Affairs, Licensing.

S-16.3 Relationship

This Agreement does not create an agency, partnership, or joint venture relationship between Licensor and Licensee.

S-16.4 Construction

This Agreement shall be construed pursuant to the laws of the State of California applicable to agreements entered into and fully performed therein. California state or federal courts, as applicable, located in Los Angeles County will have exclusive jurisdiction.

S-16.5 Partial Invalidity

The invalidity of any provision of this Agreement shall not impair or affect the validity of the remaining portions hereof, and this Agreement shall be construed as if such invalid provision had not been included herein.

S-16.6 Confidentiality

Licensee and Licensor are prohibited from making disclosure of the financial terms of this Agreement to any third party without prior written consent, provided, however, that disclosure may be made: (i) to the extent necessary to comply with governmental disclosure requirements; (ii) to any financial or legal representatives, owners, parents, and partners; and (iii) as may be necessary and appropriate in connection with the performance and enforcement of this Agreement. Any party to whom disclosure is made hereunder will likewise be bound by the terms of this paragraph.

All terms and conditions set forth above are agreed to and accepted as of the "Contract Date" set forth on page 1 hereof:

LICENSOR(S): SABAN MERCHANDISING, INC.

/s/
- _____
Print: _____
Title: _____

SABAN INTERNATIONAL, N.V.

/s/
- _____
Print: _____
Title: _____

LICENSEE: JAXXS, INC.

/s/
- _____
Print: _____
Title: _____

EXHIBIT 1
STYLE GUIDE AND PRODUCT APPROVAL FORM

A Style Guide is incorporated into the Agreement by this reference. Licensee acknowledges receipt of a Style Guide upon execution of this Agreement.

Only those characters, and any and all trademarks, tradenames, service marks, devices, symbols, signs, patents, copyrights and other similar items, whether registered or not, owned or controlled and approved by Licensor regarding the property, as applicable, identified in a Style Guide are included as the Licensed Property. The name and/or likeness of any performer connected with the Licensed Property will not be included within the definition of the Licensed Property and the use thereof is not licensed herein unless otherwise specifically provided or approved in writing by Licensor(s).

SCHEDULE A
COPYRIGHTS AND TRADEMARKS

Licensee is required to use at least one of the following marks as appropriate on the Licensed Articles as defined in Schedule B. All copyright and trademark notices must be of a sufficient size to be read clearly. All uses of the Licensed Property logo(s) must include (TM) immediately adjacent to the logo (until such time as Saban's registered trademarks issue, at which time the logos on new materials must shift from (TM) to (R)).

Full Notice

(TM) and (C) (year of publication*) Saban. All Rights Reserved. MIGHTY MORPHIN POWER RANGERS(TM)/POWER RANGERS ZEO(TM) and all logos, characters, names, and distinctive likenesses thereof are the exclusive property of Saban Entertainment, Inc., and Saban International N.V.

Abbreviated Notice

(TM) & (C) (year of publication*) Saban Entertainment, Inc. & Saban International N.V. All Rights Reserved.

Short Notice
(for extremely small items only)

(TM) & (C) (year of publication*) Saban.

*NOTE: YEAR OF PUBLICATION = YEAR ITEM IS FIRST MARKETED/SHOWN TO RETAILERS

SCHEDULE B
LICENSED ARTICLES SPECIFICATIONS

Licensee is licensed to manufacture, distribute, and sell the Licensed Articles as described below. Any manufacture or sale by Licensee of products other than those described below is a material breach of the Agreement as described therein. All Licensed Articles are subject to the approvals as described in the Agreement. Licensee agrees that the Market Date is the date(s) by which the Licensed Article(s) will be available for the purchase by the public at retail outlets.

Licensed Article(s)	Market Date(s)
Micro (less than 3") Power Rangers Zeo bikes and carrying case	9/1/96
Plastic battery-operated motor bike with sound chip (without race track) with permanently attached non-articulated figurine	9/1/96
"Glow Zone" luminous removable vinyl stickers and zone maps (glow stickers are attached to the map creating a world map)	9/1/96

SCHEDULE D
LICENSED CHANNELS OF DISTRIBUTION

Licensee is solely licensed to distribute and sell the Licensed Articles in the Channels of Distribution marked below in the Licensed Territory as described in the Agreement. Any sale of the Licensed Article(s) in channels of distribution other than those marked or described below is a material breach of the Agreement as described therein. Licensor(s) reserves the rights to any Channels of Distribution not specifically included herein.

X	Mass Market - Retail	Souvenir Stores
	Mid-Tier - Retail	Drug Stores
	Department Stores	X Specialty Stores
	Direct Response	Catalog/Mail Order
	Promotion/Premium	Tour/Special Venues
	Gift Market	Restaurants

Supermarkets		Vending Machines
Fan Club	X	Other: (Toy Stores)

SCHEDULE E
INSURANCE REQUIREMENTS

Licensee, at its sole cost, will obtain and maintain throughout the Term, and will provide Licensor(s) written evidence from the insurance carrier of, (i) standard Product Liability Insurance and (ii) standard Advertiser's Liability Insurance, each from a legally-qualified insurance company reasonably acceptable to Licensor(s):

(1) in an amount, with respect to the Product Liability Insurance, not less than \$2,000,000 combined single limit for each single occurrence and with a deductible no greater than \$10,000;

(2) in an amount, with respect to the Advertiser's Liability Insurance, not less than \$500,000/\$1,000,000 with a deductible no greater than \$10,000;

(3) naming Licensor(s) and its subsidiaries as additional named insured; and,

(4) non-cancelable and non-modifiable except on 30 days' prior written notice to Licensor(s) and only if replaced so that there is no lapse in coverage as required herein.

Only an endorsement to the policy for the insurance carrier is acceptable evidence of coverage as required hereunder.

SCHEDULE G
APPROVAL OF MANUFACTURER

Licensee must obtain and submit this executed approval form to Licensor(s) of any third party manufacturer of any of the Licensed Articles as described in Schedule B.

TERRITORY OF MANUFACTURE:

AUTHORIZED ARTICLE(S):

The undersigned ("Manufacturer") understands that Licensor(s) has licensed Licensee to manufacture or have manufactured for Licensee the Authorized Article(s) utilizing certain designs and names related to the Licensed Property. To induce Licensor(s) to consent to the manufacture of the Authorized Article(s) by Manufacturer, Manufacturer agrees, for the benefit of Licensor(s), that it will not manufacture the Authorized Article(s) using the Licensed Property for anyone but Licensee or its wholly-owned subsidiaries; that Manufacturer will not manufacture the Authorized Article(s) in any territory other than the above-named Territory; that Manufacturer will not (unless Licensor(s) consents in writing) manufacture any other merchandise utilizing any of the Licensed Property; and that when Licensee ceases to require Manufacturer to manufacture the Authorized Article(s), Manufacturer will deliver to Licensor(s) or Licensee any molds, plates, engravings or other devices used to reproduce the Licensed Property or will give satisfactory evidence of the destruction thereof. Licensor(s) shall be entitled to invoke any remedy permitted by law for violation of this Manufacturer's Agreement by Manufacturer.

MANUFACTURER:

Address: _____

By: _____

Its: _____

Date: _____

SCHEDULE H
ADDITIONAL TERMS

3.

PAYMENT DUE \$ _____

By: _____

Title: _____

Date: ____/____/____

Entered: ____/____/____

Entered: ____/____/____

AMENDMENT

Reference is made to that certain License Agreement dated April 23, 1996, contract number 95179 (the "Agreement") between Saban Merchandising, Inc. (SMI), Saban International N.V. (collectively "Licensor") and Jakks Pacific, Inc. (as amended "Licensee"), in connection with the Licensed Property entitled

The Agreement is amended as of October 9, 1996 whereby:

1. Licensee is clarified as Jakks Pacific, Inc.
2. Total Guarantee shall be \$125,000.00 with Guarantee due dates as follows:

Date ----	Amount -----
Upon Signing	\$40,000.00 (Advance)
03/31/97	\$42,500.00
06/30/97	\$42,500.00

Licensor acknowledges the partial receipt of the Advance payment in the amount of \$10,000.00.

3. Upon receipt of the remaining Advance (\$30,000), Schedule B, Licensed Articles Specifications, shall be amended in its entirety to read as follows:

Licensed Article(s)	Market Date(s)
minature figures and/or vehicles less than 2" in height and/or length with any or all of the following: optional wrist carrying case; playset carrying case with optional mini track with motorized launcher (Stunt Stadium) or performance speedway and morotized accelerator	2/97
Plastic battery-operated motorized vehicles with sound chip (without race track) with permanently attached non-articulated figurine	2/97
Radio/remote control vehicles (turbo racers)	2/97
"Glow Zone" luminous removable vinyl stickers and zone maps (glow stickers are attached to the map creating a world map)	2/97

Unless otherwise expressly provided in this Amendment, the terms used herein will have the same meaning ascribed to them in the Agreement. The Agreement, as modified herein, is hereby confirmed.

SABAN MERCHANDISING, INC. (SMI)

SABAN INTERNATIONAL N.V. (SINV)

By:
Print:
Its:
Date:

By:
Print:
Its:
Date:

JAKKS PACIFIC, INC.

By:

Print:

Its:

Date:

EXHIBIT 10.14

LICENSE AGREEMENT

This LICENSE AGREEMENT (the "AGREEMENT") dated as of June 1, 1996 by and between WOW WEE INTERNATIONAL, LTD. ("WWI"), a Hong Kong corporation, and JAKKS PACIFIC, INC. ("LICENSEE"), a Delaware corporation.

W I T N E S S E T H :

WHEREAS, WWI is the owner of the tradenames, logos, trademarks and other intellectual properties set forth on Schedule A attached hereto and any applications therefore (the "LICENSED MARKS") and the goodwill associated therewith; and

WHEREAS, WWI has developed, and directly or indirectly manufactures, an accessory charged toy vehicle and toy vehicle line extensions and accessories being marketed under the name of Turbo Touch Racers; and

WHEREAS, Licensee desires to obtain an exclusive license to sell and distribute the Licensed Products (as defined herein) within the Territory (as defined herein) and WWI is willing to grant to Licensee an exclusive License to use the Licensed Marks solely in conjunction with the sale and distribution of the Licensed Products within the Territory on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises, covenants and agreements hereinafter set forth, and of other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) "Advertising Materials" means all advertising and promotional materials and all packaging, wrapping and labelling materials for the Licensed Products which are produced by or for Licensee and which make use of any of the Licensed Marks.

(b) "Licensed Products" means the goods or products set forth on Schedule B, attached hereto and such other products as may be added thereto from time to time using WWI's technology upon such terms and conditions as may be agreed to by the parties.

(c) "Net Sales Price" means the amount invoiced by Licensee to its retail customers or distributors for sales of Licensed Products, less authorized returns actually received and customary trade and volume discounts and allowances. In computing Net Sales Price, no costs incurred in selling, advertising or distributing the Licensed Products shall be deducted. If a sale, transfer or other disposition is made otherwise than at arm's length, including, without limitation, a sale by Licensee to an affiliate of Licensee, the Net Sales Price of such Licensed Products shall be deemed to be the Net Sales Price of like quantities of like products sold at arm's length.

(d) "Patent Rights" means all patentable inventions, including all applications for patents, whether domestic or foreign, disclosing or claiming such inventions, all continuations, continuations-in-part, divisions, renewals and patents of addition thereof, all

patents granted thereon, whether domestic or foreign, all reissued or reexamined patents based thereon which are used in the manufacturer of the Licensed Products.

(e) "Premiums" means any article used for the purpose of increasing the sale, promoting or publicizing any other product, or any service, including, without limitation, incentives for sales forces and for fund raising, give-aways and entries in sweepstakes.

(f) "Term" shall have the meaning set forth in Section 3(a) hereof.

(g) "Territory" means the country or countries set forth on Schedule C, attached hereto.

(h) "WWI Patent Rights" shall mean the Patent Rights owned by WWI.

2. Grant of License.

(a) Grant. Subject to the terms, conditions and limitations set forth in this Agreement, WWI hereby grants to Licensee the exclusive right, license and privilege, during the Term of this Agreement (i) to sell the Licensed Products throughout the Territory and (ii) to use or reproduce the Licensed Marks solely in connection with the sale and distribution of the Licensed Products throughout the Territory (the "LICENSE"). The License shall include the right to use the Licensed Marks to advertise, market and promote the Licensed Products. Licensee hereby covenants and agrees to use its best efforts to distribute, sell, advertise and promote the Licensed Products in the Territory during the Term of this Agreement.

(b) Exclusivity. The License granted herein shall be exclusive within the Territory.

(c) Limitations.

(i) Licensee shall not sell the Licensed Products outside the Territory or sell to those third parties Licensee knows or has reason to know will sell the Licensed Products outside the Territory.

(ii) The License does not include the right to export any Licensed Products from the Territory.

(iii) WWI shall not sell the Licensed Products to those third parties it knows or has reason to know will sell the Licensed Products in the Territory, or will sell the Licensed Products to other parties (other than the Licensee) who will sell the Licensed Products in the Territory.

(iv) The Licensed Products shall not be used as Premiums, in combination sales, as give-aways, as charitable contributions or disposed of under similar methods of merchandising or other transfer without the prior written consent of WWI.

3. Term.

(a) Term. This Agreement shall commence on June 1, 1996 (the "COMMENCEMENT DATE") and shall expire on December 31, 1997, unless sooner terminated in accordance with the terms hereof (the "INITIAL TERM"); provided, however, that in the event that

Licensee is unable to secure orders for 100,000 units of the Licensed Products on or before October 15, 1996, the Initial Term shall extend to June 30, 1998.

(b) Renewal Option. Licensee may renew this Agreement, for an additional twelve (12) months and for each twelve (12) month period thereafter by providing WWI with written notice of its intent to renew ninety (90) days prior to the expiration of the Term and provided that Licensee is not in default hereunder. The terms for such renewal periods shall be as provided in this Agreement, except that the Guaranteed Amount (as defined herein) shall be increased by 10% during any renewal period. The Initial Term and any renewal term are hereinafter referred to as the "Term."

4. Purchase Price.

(a) Licensee shall purchase the Licensed Products from WWI at the prices indicated in Schedule D annexed hereto as such Schedule may be amended from time to time.

5. Payments.

All payments for the purchase of Licensed Products shall be made by a sight transferable irrevocable letter of credit in U.S. dollars (the "LETTER OF CREDIT") FOB Hong Kong.

6. Advance Against Guaranteed Amount. Licensee shall pay an advance against Royalties (as defined herein) in the amount of US\$300,000.00 payable as follows: on the Commencement Date, Licensee shall pay to WWI by wire transfer to an account designated by

WWI the amount of US\$150,000.00 (the "ADVANCE"). The remaining \$150,000 shall be paid by a separate transferable irrevocable letter of credit payable upon the shipment of goods or when it is determined that goods with the functions set forth on Schedule B attached hereto are ready to be shipped. Such payment shall be made by a drawdown by WWI of such letter of credit. If after receiving an order from Licensee, WWI fails to ship any Licensed Products to Licensee by October 15, 1996, Licensee may immediately terminate this Agreement and WWI shall refund the Advance in full.

7. Minimum Purchase Obligation.

During the Term of this Agreement Licensee hereby undertakes to purchase from WWI Licensed Products the aggregate value of which is not less than US\$3,000,000 (Three Million United States Dollars) (the "GUARANTEED AMOUNT"). Within sixty (60) days of the Commencement Date, Licensee shall provide WWI with a projected breakout by quarter of the distribution of purchases for the Term.

8. Accepted Quality.

(a) Defective Product. Licensee shall bear the full cost of all shipments of Licensed Products where less than 3% of the total shipment is defective; provided that, if greater than 3% of any shipment of Licensed Products is defective, WWI shall replace, on a one for one basis, all defective items with items in the manner provided in (b) below.

(b) Returned Product. Any defective Licensed Products that are returned to Licensee shall be replaced by WWI. The determination as to whether a particular Licensed Product is defective shall be made by WWI and Licensee. If any such defective items are no longer being sold by Licensee, WWI shall reimburse Licensee either in the form of cash or credit against amounts owed by Licensee to WWI for such defective items at Licensees cost therefore.

9. Royalties.

(a) Notwithstanding anything else to the contrary contained in this Agreement, in consideration for the License granted to Licensee hereunder, Licensee shall pay to WWI, at the times and in the manner set forth in Section 10(b) hereof the greater of (i) \$300,000.00 with regard to the Initial Term and \$330,000 with regard to the renewal first term; or (ii) royalties equal to 2% of net sales of Licensed Products that are sold with the name Power Ranger ZEO or other Power Ranger name Licensed for use by License, 3% of net sales of Licensed Products sold with other names therein that are licensed by others for use by the Licensee and 5% of net sales on all other Licensed Products ("ROYALTIES"). All Royalties due to WWI shall accrue upon the sale of Licensed Products, regardless of the time of collection by Licensee. For purposes of this Agreement, a Licensed Product shall be considered "sold" as of the date on which such Licensed Product is billed, invoiced, shipped or paid for, whichever event occurs first.

(b) Statements and Payments. Within forty-five (45) days after the close of the calendar quarter in which the initial shipment of Licensed Products is made, and thereafter within forty-five (45) days after the close of each successive calendar quarter, Licensee shall furnish to WWI complete and accurate statements (the "QUARTERLY STATEMENTS") certified by the

President or Chief Financial Officer of Licensee, which shall set forth the number and Net Sales Price of each Licensed Product sold by Licensee during the preceding calendar quarter and of all Licensed Products for which the Licensee has given its customers credits for return and allowances in the amount of each such credit in such proceeding calendar quarter. The Quarterly Statements shall be furnished to WWI whether or not any Licensed Products have been sold and whether or not Royalties are due and payable for the preceding calendar quarter. Payment of the amount shown on the Quarterly Statements due as Royalties shall accompany the Quarterly Statements and shall be made in U.S. dollars.

(c) No Waiver. The receipt or acceptance by WWI of any of the Quarterly Statements or of any Royalties paid hereunder (or the cashing of any checks evidencing such payments) shall not preclude WWI from questioning the correctness thereof at any time, and in the event any inconsistencies, mistakes or errors are discovered in the Quarterly Statements or payments, such mistakes shall be immediately rectified and the appropriate payment made by Licensee or WWI to the other, as the case may be.

(d) Time of Essence; Interest. Time is of the essence with respect to the furnishing of all statements and the making of all payments due hereunder. All amounts payable by Licensee to WWI paid more than fifteen (15) days after the due date thereof shall bear interest equal to the lower of (i) the maximum rate allowed by law or (ii) 1-1/2% per month, computed from the original due date until paid.

10. Advertising.

Licensee shall use its best efforts to advertise and promote the Licensed Products throughout the Territory in a manner which is commensurate with the reputation and prestige of the Licensed Marks. No other trademark or trade name, including Licensee's own trademark or trade name, may be associated with the Licensed Marks without the consent of WWI which shall not be unreasonably withheld or delayed. Licensee shall use its best efforts to ensure that all advertising produced by Licensee or Licensee's designees hereunder shall be of the highest caliber.

11. Books and Records; Audit. Licensee shall keep accurate books of account and records at its principal place of business covering all transactions relating to the License granted hereunder. WWI and WWI's duly authorized representatives shall have the right during regular business hours upon five business day's notice to examine said books of account and records and all other documents and material in the possession or under control of Licensee with respect to the subject matter and terms of this Agreement, and shall have free and full access thereto to make copies and extracts thereof. In order to facilitate inspection by WWI or WWI's representatives, Licensee shall maintain books and records concerning the Licensed Products separately from the books and records of goods which are not licensed hereunder. If any such examination discloses that Licensee owes Royalties to WWI in excess of five percent (5%) of those previously paid, Licensee shall pay, in addition to such deficiency, the cost of such

examination and collection. If such examination discloses that Licensee owes Royalties to WWI in an amount in excess of ten percent (10%) of the Royalties previously paid, then, in addition to any and all other remedies that WWI may have hereunder, WWI shall have the right to terminate this Agreement upon written notice to Licensee. All books of account and records shall be kept available for at least three (3) years after the expiration of the Term or earlier termination of this Agreement.

12. Approval of Advertising

Licensee shall comply with all reasonable procedures which WWI may from time to time adopt regarding its use of Advertising Materials which Licensee proposes to use under this Agreement. Licensee agrees to retain all materials relating to approvals in its files while this Agreement remains in effect and for one (1) year thereafter.

13. Intellectual Property.

(a) General. All uses of the Licensed Marks hereunder shall inure to WWI's benefit. Licensee acknowledges that WWI is the exclusive owner of all the Licensed Marks, any trademark incorporating all or any part of any Licensed Marks, the trademark rights created by such uses, the WWI Patent Rights and any improvements thereon. All ideas, designs and suggestions submitted or approved by WWI in connection with the sale, offer for sale or distribution of the Licensed Products shall be deemed to be and shall remain the sole and exclusive property of WWI, except to the extent, if any, that they are in the public domain, and

Licensee hereby agrees not to use or incorporate for use any such ideas and designs in products manufactured or sold by Licensee, directly or indirectly, other than the Licensed Products, nor to sell to any third party or disclose the same except through the promotion and sale of the Licensed Products hereunder. Without limiting the foregoing, Licensee hereby assigns to WWI any trademark incorporating all or any part of any Licensed Mark other than trademarks registered or otherwise belonging to third parties and the trademark rights created by such uses together with the goodwill attaching to that part of the business in connection with which such Licensed Mark or trademarks are used. Licensee agrees to execute and deliver to WWI such documents as are required to register Licensee as a registered user or permitted user of the Licensed Marks or such trademarks and to follow WWI's instructions for proper use thereof in order that protection and/or registrations for the Licensed Marks and such trademarks may be obtained or maintained.

(b) Prohibitions. Licensee agrees not to use any Licensed Marks or any trademark incorporating all or any part of any Licensed Marks on any business sign, business cards, stationery or forms (except as licensed herein) or to use any Licensed Marks, as the name of Licensee's business or any division thereof, unless otherwise agreed by WWI in writing.

14. Registrations. Except with the written consent of WWI, neither Licensee, its parent or any subsidiary of Licensee shall register or attempt in any country to register copyrights in, or to register as a trademark, service mark, design patent or industrial design or

business designation, any of the Licensed Marks or derivations or adaptations thereof, or any word, symbol or design which is so similar thereto as to suggest association with or sponsorship by WWI or any subsidiary of WWI. In the event of breach of the foregoing, Licensee agrees, at Licensee's expense and WWI's request, immediately to terminate the unauthorized registration activity and promptly to execute and deliver, or cause to be delivered, to WWI such assignments and other documents as WWI may require to transfer to WWI all rights to the registrations, patents or applications involved.

15. Unauthorized Use of Licensed Materials.

(a) No Unauthorized Use. Licensee shall not use the Licensed Marks or any other material the copyright to which is owned by WWI in any way other than as herein authorized (or as is authorized in such other written contract signed by WWI and Licensee as may be in effect between such parties). In addition to any other remedy WWI may have, Licensee agrees that the profits from any use thereof on products other than the Licensed Products (unless authorized by WWI in writing), and all profits from the use of any other copyrighted material of WWI without written authorization, shall be payable to WWI.

(b) Notice of Unauthorized Use. Licensee shall give to WWI prompt written notice of any unauthorized use by third parties of Licensed Marks known to Licensee and Licensee shall not, without written consent, bring or cause to be brought any criminal prosecution, lawsuit or administrative action for infringement, interference with or violation of

any rights to Licensed Marks. Licensee agrees to cooperate with WWI, and, if necessary, to be named by WWI, at WWI's expense as a sole complainant or co-complainant in any action against an infringer of the Licensed Marks and Licensee agrees to pay to WWI all or any part of damages or other monetary relief recovered in such action other than for reasonable expenses incurred at WWI's request.

16. Indemnification.

(a) Licensee shall indemnify WWI during and after the Term of this Agreement against all claims, liabilities (including settlements entered into in good faith with Licensee's consent, such consent not to be unreasonably withheld) and expenses (including reasonable attorneys' fees) arising out of Licensee's activities hereunder. The parties indemnified hereunder shall include WWI, any subsidiary or affiliate of WWI, and their officers, directors, employees and agents. The indemnity shall not apply to any claim or liability relating to any infringement of the intellectual properties of a third party caused by Licensee's utilization of the Licensed Marks in accordance with provisions hereof.

(b) WWI agrees to indemnify and hold Licensee and any person acting in Licensee's behalf harmless from any action, claim, loss, cost, liability, expense or damage (including reasonable attorneys' fees and disbursements incurred in investigating, negotiating or litigating any claim or action) which Licensee may suffer arising out of or related to any sales made, or other actions taken, by Licensee based on the rights granted to it by WWI under this

Agreement. The parties indemnified hereunder shall include Licensee, any affiliate or subsidiary of Licensee, and their officers, directors, employees and agents. WWI further indemnifies Licensee against any loss, cost, liability, expense or damage (including reasonable attorneys' fees and disbursements incurred in investigating, negotiating or litigating any claim or action) which Licensee may suffer arising out of any action or claim based on or relating to that certain License Agreement dated as of January 1, 1995 by and between WWI and Happiness Express, Inc., a Delaware corporation.

(c) Promptly after receipt by an indemnified party (the "INDEMNIFIED PARTY") of notice of any claim or the commencement of any action against it for which it is indemnified under this Agreement, the Indemnified Party shall notify the Indemnifying party (the "Indemnifying Party") of such claim or action in writing. In case any such action is brought against an Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in, and, to the extent that it may wish, to assume the defense thereof with counsel selected by the Indemnifying Party who shall be reasonably satisfactory to the Indemnified Party, and after notice from the Indemnifying Party to the Indemnified Party of its election so to assume the defense thereof, the Indemnifying Party will not be liable to the Indemnified Party under this Section for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation. The indemnified party shall have the right to employ separate

counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the Indemnifying Party's expense if the Indemnifying Party has assumed the defense of the action with counsel reasonably satisfactory to the Indemnified Party.

17. Insurance. Licensee shall maintain in full force and effect at all times while this Agreement is in effect and for five (5) years thereafter, comprehensive general and commercial liability insurance, including broad form contractual and products liability coverage waiving subrogation, with combined single limits of no less than one million dollars (US \$1,000,000.00), with a deductible of no more than \$[] and naming as additional insured those indemnified in Section 17(a) hereof. Licensee shall deliver to WWI a certificate or certificates of insurance evidencing satisfactory coverage and indicating that WWI shall receive written notice of cancellation, non-renewal or of any material change in coverage at least thirty (30) days prior to the effective date hereof. Compliance herewith in no way limits Licensee's indemnity obligations, except to the extent that Licensee's insurance company actually pays WWI amounts which Licensee would otherwise pay WWI. Licensee shall take all necessary steps to ensure that the insurer has no right of subrogation against the WWI.

18. Termination. Without prejudice to any other right or remedy available to WWI:

(a) Default; Breach. If Licensee fails to sell and distribute the Licensed Products or to furnish statements and pay Royalties as herein provided, or if Licensee breaches the terms of this Agreement and if any such failure is not corrected within thirty (30) days after

WWI sends Licensee written notice that a default under or breach of this Agreement has occurred, WWI shall have the right at any time to terminate this Agreement by giving Licensee a written notice of termination.

(b) Immediate Termination. Notwithstanding the cure provisions set forth in subsection (a) above, WWI shall have the right at any time to terminate this Agreement forthwith by giving Licensee written notice thereof if:

(i) Licensee delivers to any customer without WWI's written authorization, merchandise containing representations of Licensed Marks or other material the copyright or other proprietary rights to which are owned by WWI other than the Licensed Products approved in accordance with Section 14 hereof;

(ii) Licensee delivers any of the Licensed Products outside the Territory or knowingly sells any of the Licensed Products to a third party for delivery outside the Territory unless pursuant to a written distribution permission or separate written license agreements with WWI or any subsidiary of WWI;

(iii) a breach occurs which is of the same nature, and which violates the same provision of this Agreement, as a breach of which WWI has previously given Licensee one (1) written notice regardless of any cure of the breach giving rise to such prior written notice;

(iv) Licensee breaches any material term of any other license agreement between WWI and Licensee, and WWI terminates such agreement for cause; or

(v) Licensee makes an assignment for the benefit of creditors, or files a petition in bankruptcy, or is adjudged bankrupt, or becomes insolvent, or is placed in the hands of a receiver, or if the equivalent of any such proceedings or acts occurs, though known by some other name or term.

19. Rights and Obligations Upon Expiration or Termination.

(a) Sell-Off Period. Upon the expiration or termination of this Agreement, all rights herein granted to Licensee shall revert to WWI, and WWI shall be entitled to retain all Royalties and other things of value paid or delivered to WWI. Licensee agrees that following the expiration or termination of this Agreement; (i) Licensee will deliver to WWI any and all artwork which may have been used or created by Licensee in connection with this Agreement; (ii) that Licensee will at WWI's option either sell to WWI at cost or destroy or efface any molds, plates and other items used to reproduce Licensed Marks; and (iii) Licensee will cease selling the Licensed Products. If Licensee has any unsold Licensed Products in inventory on the expiration or termination date, Licensee shall provide WWI with a full statement of the numbers of such unsold Licensed Products and shall thereupon, but only if such statement has been provided to WWI and if Licensee has fully complied with the terms of this Agreement including the payment of all Royalties due, have the right for a limited period of one hundred twenty (120) days from such expiration or earlier termination date, to sell off and deliver such Licensed Products or, at the option of WWI resell such Licensed Products to WWI at cost.

Licensee shall furnish WWI with statements covering such sales and pay WWI Royalties in respect of such sales.

(b) Final Quarter. During the three-month period immediately preceding the expiration of the Term or any renewal period (hereinafter, the "FINAL QUARTER"), Licensee shall not have on hand an inventory of Licensed Products in excess of the inventory of such Licensed Products in its possession during the three-month period immediately preceding the Final Quarter. The intent of this provision is to facilitate the orderly disposition of Licensee's inventory of Licensed Products upon expiration of this Agreement.

20. Competing Products. Licensee covenants and agrees that if during the Term of this Agreement it shall enter into any licensing agreement or renewal or undertaking for the distribution in the Territory of products of the same nature as the Licensed Products, such products shall not be identical with and shall be noticeably distinguishable from the Licensed Products and shall be marketed in such manner as not to be confused with the Licensed Products.

21. Representations, Warranties and Covenants.

(a) By WWI. WWI hereby represents and warrants that it has full right, power and authority to enter into this Agreement and to perform all of its obligations hereunder and that it is the owner of the Licensed Marks and where applicable the trademark registrations therefor. WWI further represents and warrants that no broker or finder brought about this

transaction and WWI hereby indemnifies Licensee against and holds it harmless of and from any and all liabilities (including, without limitation, reasonable attorneys' fees and disbursements paid or incurred in connection with any such liabilities) for any brokerage commissions or finders' fees in connection with this Agreement or the transactions contemplated hereby.

(b) By Licensee. Licensee hereby represents and warrants that it has full right, power and authority to enter into this Agreement and to perform all of its obligations hereunder. Licensee further represents and warrants that no broker or finder brought about this transaction and Licensee hereby indemnifies WWI against and holds it harmless of and from any and all liabilities (including, without limitation, reasonable attorneys' fees and disbursements paid or incurred in connection with any such liabilities) for any brokerage commissions or finders' fees in connection with this Agreement or the transactions contemplated hereby. Licensee hereby covenants and agrees to comply with all laws, rules, regulations, ordinances and treaties relating to the distribution and sale of the Licensed Products and to the performance of Licensee's obligations hereunder.

22. Waivers. A waiver by either party at any time of a breach of any provision of this Agreement shall not apply to any breach of any other provision of this Agreement or imply that a breach of the same provision at any other time has been or will be waived or that this Agreement has been in any way amended, nor shall any failure by either party to object to

conduct of the other be deemed to waive such party's right to claim that a repetition of such conduct is a breach hereof.

23. Non-Assignability. Licensee shall not voluntarily or by operation of law assign, sublicense, transfer, encumber or otherwise dispose of all or any part of its interest in this Agreement without WWI's prior written consent. Any attempted assignment, sub-license, transfer, encumbrance or other disposal without such consent shall be void and shall constitute a material default and breach of this Agreement. "Transfer" within the meaning of this Section 24 shall include any (i) merger or consolidation involving Licensee's company whereafter neither Jack Friedman or Stephen Berman remain executive officers and directors of Licensee following such merger, (ii) any sale or transfer of all or substantially all of Licensee's assets and (iii) any transaction or series of related transactions resulting in the transfer of thirty-three and one-third percent (33-1/3%) or more of the voting stock of Licensee.

24. Relationship. This Agreement does not provide for a joint venture, partnership, agency or employment relationship between the WWI and Licensee.

25. Confidentiality. All information disclosed in writing, whether before or after the date hereof, in connection with the transactions contemplated by, or the discussions and negotiations preceding, this Agreement to any other party (or its representatives) shall be kept confidential by such other party and its representatives and shall not be used by any persons other than as contemplated by this Agreement, except to the extent that (i) such information was

known by the recipient when received, (ii) such information is or hereafter becomes lawfully obtained from other sources, (iii) it is necessary or appropriate to disclose such information to a governmental entity having jurisdiction over the party from whom disclosure is sought, (iv) any law requires otherwise or (v) such duty as to confidentiality is waived in writing by the other party. If this Agreement is terminated, each party shall use all reasonable efforts return upon written request from the other party all documents (and reproductions thereof) received by it or its representatives from such other party (and, in the case of reproductions, all such reproductions made by the receiving party) that include information not within the exceptions contained in the first sentence of this Section 28, unless the recipients provide assurances reasonably satisfactory to the requesting party that such documents have been destroyed.

26. Headings. Headings of paragraphs herein are for convenience of reference only and are without substantive significance.

27. Modifications or Extensions of this Agreement. Except as otherwise provided herein, this Agreement can only be extended or modified by a writing signed by both parties.

28. Notices. All notices and statements required hereunder shall be in writing and shall be sent by hand delivery, prepaid telex, cable or telecopy or by registered or certified mail (postage prepaid and return receipt requested) or by reputable overnight courier or express mail to the addresses set forth below unless notification of a change of address is given in writing. Notice shall be deemed effective when so personally delivered, telexed, cabled or telecopied or

if mailed two business days following the date the notice is mailed (one business day in the case of express mail or overnight courier service).

All notices to WWI to:

Wow Wee International, Ltd.
Tuny Ying Building, Room 702
100 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

with a copy to:

Squadron, Ellenoff, Plesent & Sheinfeld, LLP
551 Fifth Avenue
New York, New York 10176
Attn: Ira S. Greene, Esq.

If to Licensee, to:

Jakks Pacific, Inc.
24955 Pacific Coast Highway
Malibu, California 90265
Attn: Jack Friedman or Stephen Berman

with a copy to:

Feder, Kaszovitz, Isaacson, Weber, Skala & Bass LLP
750 Lexington Avenue
New York, New York 10022-1200
Attn: Gabriel Kaszovitz, Esq.
or Murray L. Skala, Esq.
Fax: (212) 888-7776

29. Entire Agreement. This Agreement contains the entire agreement between the parties concerning the subject matter hereof and supersedes any pre-existing agreement and any oral or written communications between the parties.

30. Choice of Law and Forum. This Agreement shall be deemed to be entered into in New York and shall be governed and interpreted according to the laws of the State of New York. Any legal actions pertaining to this Agreement shall be commenced within the State of New York. The prevailing party shall be entitled to recover reasonable attorney's fees and costs incurred therein.

IN WITNESS WHEREOF, the parties hereunto have signed this Agreement as of the date first written above.

WOW WEE INTERNATIONAL, LTD.

By: _____

Title:_____

JAKKS PACIFIC, INC.

By: _____

Title:_____

SCHEDULE A

Licensed Marks

Turbo Touch Racers
TTR
Boomerangs

SCHEDULE B

Licensed Products

- - Turbo Touch Racers charged toy vehicles and extensions thereof and accessories therefore having all of the following ten features:

Infra Red anti smash sensor
Charging sound of revving engine
one finger contact slot
4 second charge time
60 second running time
Left/right steering
Reverse function
Stop/start function at any time
Approximately 35 ft. range from point of individual using the product
Screeching sound when stop or anti smash is activated
Works indoors and outdoors
Glove fits and functions on age group 4-10 years of age

SCHEDULE C

Territory

With regard to TTR charged toy vehicles, extensions and accessories - United States

With regard to Power Ranger ZEO TTR - United States, Canada and Mexico.

SCHEDULE D

Purchase Price

10 functions TTR Charged Toy Vehicle for not more than \$10.00 per unit.

THIS DISTRIBUTION AGREEMENT is made on the _____ day of July 1996, between QUANTUM TOY CONCEPTS PTY, LTD., Level 14, 600 St. Kilda Road, Melbourne, 3004 Australia ("Quantum") and JAKKS PACIFIC INC., 24955 Pacific Coast Highway, Malibu, California USA ("Jakks").

WHEREAS, Quantum owns or controls all rights in respect of a radio controlled vehicle known as the "The Reactor" ("the Property") and has appointed Jakks as its exclusive distributor within the United States of America its territories and possessions and Canada ("The Territory");

WHEREAS, Jakks desires to act as exclusive distributor to Quantum or its nominated manufacturing company for the Property in the Territory.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. GRANT OF RIGHTS

On the terms and conditions hereof Quantum hereby grants to Jakks, and Jakks hereby accepts the exclusive right to distribute, advertise and sell in the Territory the Products based upon or adapted from the Property, being the Large "Reactor", and any other size radio controlled "Reactor" vehicles which may be developed by quantum ("the Products").

2. TERM

This Agreement shall commence as of the 1st day of July 1996 and shall continue for a period of two years and six months or unless sooner terminated in accordance with the provisions hereof.

3. SUPPLY OF THE PRODUCT

- 3.1 Jakks shall from time to time during the Term place orders with Quantum for such Products as Jakks may require for sale in the Territory, and Quantum agrees to supply Jakks with sufficient Products to enable Jakks to promote the sale of the Products in the Territory.

3.2 Jakks agrees to send all orders for the Products to Quantum's office in Australia as above or such other address as may be subsequently notified by Quantum in writing, for acceptance or rejection by Quantum.

3.3 Upon receipt of orders, Quantum shall use all reasonable endeavors to meet the delivery date.

3.4 Jakks shall, in respect of each order for the Products to be supplied hereunder, be responsible for:

3.4.1 ensuring the accuracy of the order;

3.4.2 providing Quantum with any information which is necessary in order to enable Quantum to fulfill the order and comply with all labeling, marketing and other applicable legal requirements in the Territory;

3.4.3 obtaining any necessary import licenses or other requisite documents, and paying all applicable customs, duties and taxes in respect of the importation of the Products into the Territory.

4. PAYMENT, ORDERS AND GUARANTEE

4.1 The prices for all Products to be supplied by Quantum hereunder shall be at Quantum's standard Pricing Structure as or as advised by Quantum from time to time. The standard price per unit of the large Reactor Product shall be US\$22.00 for the initial 18 months commencing July 1, 1996 ("the First Term"). Jakks shall have the right to resell the Products in the Territory at whatever price or on whatever terms Jakks determines in its discretion.

4.2 Payment for orders of Products shall be made by irrevocable letter of credit, to be paid on shipment (F.O.B.) from China (or Hong Kong if so elected by Quantum) for the full value of merchandise order, opened by Jakks to Quantum or its Agent or such other entity as Quantum may later designate.

4.3 Subject to the provisions of Clause 4.4, Jakks shall place minimum orders for the Products in the Territory for the First Term follows:

100,000 units of the Large Reactor in respect of U.S.A. 5,000 units of the Large Reactor in respect of Canada ("the Minimum Order")

- 4.4 In the event that Jakks fails to place the Minimum Order and effect payment of same by irrevocable letter of credit in accordance with Clause 4.2 then Jakks shall pay an agreed compensation to Quantum ("the Guaranteed Minimum Compensatory Payment") in accordance with this clause:

Jakks acknowledge that this compensation is referable to the minimum acceptable amortization by Quantum of its establishment costs and in particular trading and design costs.

Jakks agrees that during the First Term Quantum will receive a Guaranteed Minimum Compensatory Payment of Two Hundred Ninety Four Thousand (US\$294,000) Dollars, it being agreed that the price per Product payable by Jakks shall be \$22.00 of which \$2.80 is the per Product Guaranteed minimum Compensatory Payment.

The Guaranteed Minimum Compensatory Payment shall be subject to adjustment as set forth below and shall be paid within 30 days of the end of the First Term, and shall be calculated according to the following formula

Guaranteed Minimum Compensatory Payment is equal to (M.O. minus A.O.) times \$2.80

Where M.O. equals the Minimum Order defined in Clause 4.3, and A.O. equals the actual orders placed by Jakks and delivered by Quantum during the First Term less any Products ordered by Jakks and not delivered by Quantum or which Jakks has the right to return as defective or otherwise not conforming to the product specifications and which have not been replaced by replacement Products. The Obligations of the parties under this clause shall survive termination of this Agreement.

- 4.5 Jakks shall pay to Quantum a non-refundable Advance of US\$73,500 being 25% of the Guaranteed Minimum Compensatory Payment which shall be credited against payment of the Guaranteed Minimum Compensatory Payment.

The sum of US\$73,500 shall be paid immediately upon the signing of the Agreement and remitted by bank draft to the account nominated by Quantum. If at the end of the First Term, after deducting the Advance, the calculation results in a negative figure, such amount shall be refunded forthwith by Quantum to Jakks.

4.6 Jakks shall:

4.6.1 maintain an accurate account and record of all sales of Products in the Territory in each month up to the close of business on the last working day of each month, and shall prepare in a form approved by Quantum a quarterly monthly financial statement thereof and shall remit the same to the Company on or before each Quarter.

4.6.2 keep sale accounts and records of sales of the Product in the Territory and ensure that such accounts and records and all supporting vouchers, invoices, delivery notes and the like shall be open to inspection on at least two weeks notice to an authorized representative of the Quantum who may make copies (at Quantum's expense) of such accounts and records as it requires.

4.6.3 keep such accounts and records not less than three years.

4.7 Any claim by Jakks against Quantum in respect of defects or actual faults in the Product shall be allowed only when it is submitted in writing to Quantum within 30 days after discovery of the such defect. Defective Products shall be clearly identified and made available to Quantum for inspection, and subsequent acceptance or rejection of the claim. Quantum may, at its option, require such defective product to be returned by shipment.

In respect of a defective product return allowance, Jakks will bear responsibility for 7% of the value of the orders for Products. Thereafter Quantum will bear the responsibility. Quantum's liability in respect to defective product shall be limited to the replacement of the Products or at Quantum's option, a credit or cash payment equivalent to the cost price of the defective product returned. After April 30, 1998, Jakks shall not be bound to accept replacement product in respect of defective product for which Quantum is liable.

5. MARKETING

- 5.1 Jakks shall use its best endeavors to promote the sale of the Products throughout the Territory and to satisfy market demand thereof. Quantum shall support Jakks efforts to promote the sale and distribution of the Products in the Territory.
- 5.2 Jakks agrees to promote the Products in the USA and Canada by a significant national television campaign at its cost.
- 5.3 Jakks shall maintain such stocks of the Products as may be reasonably necessary to meet its customer request.
- 5.4 Quantum shall from time to time provide Jakks with samples, catalogues, brochures and up to date information concerning the Products in order to assist Jakks with the sale of the Product in the Territory, and shall endeavor to answer as soon as practicable any technical inquiries concerning the Products which are made by Jakks or its customers.

6. SAMPLES

- 6.1 Quantum has supplied Jakks with a sample of the Product on July 3, 1996, ("the First Sample").
- 6.2 Quantum shall supply further Prototype samples of Products to Jakks in October 1996 and thereafter Products to be available for shipment in March 1997.
- 6.3 Quantum has supplied an additional sample on or about July 16, 1996 containing a new feature of sequential L.E.D. lights. The parties agree that the initial standard price of \$22.00 per unit applies to the First Sample only and any further modification, variations or new features shall remain the subject of further negotiation and agreement.

7. PRODUCT LIABILITY INSURANCE

- 7.1 Jakks shall maintain with a reputable insurer product liability insurance including Quantum as an additional named insured in the amounts customary in the Territory. Jakks shall hold Quantum harmless from any and all liability arising from the sale marketing and distribution of any Products in the Territory.
- 7.2 Quantum hereby agrees to indemnify, defend and hold Jakks harmless from any loss or claim, currently existing or arising in the future, arising from any act, omission, event, conduct or transaction, to the extent such claim relates to or arises out of the fact that the sale of Products in the Territory in accordance with the terms and conditions of this Agreement infringes upon the trademark, trade name or other rights of any third party, other than Jakks.
- 7.3 Except for the first 7% of the defective product return allowance, Quantum agrees to indemnify defend and hold harmless Jakks from any loss or claim arising out of defects in any Product existing at the time such Product is sold by Quantum to Jakks provided that Jakks gives Quantum reasonable notice of any such loss or claim and cooperates with Quantum in the handling thereof.

8. TERMINATION

This Agreement may be terminated at the option of Jakks or Quantum forthwith upon written notice to the applicable other party in any of the following events:

- 8.1 If either party becomes insolvent or makes a general assignment for the benefit of creditors or if a petition in bankruptcy is filed against either party or if either party is adjudged bankrupt or insolvent;
- 8.2 If a receiver or other custodian (permanent or temporary) is appointed for either party by instrument or by a court of competent jurisdiction or if any proceeding for a compromise of creditors to be instituted by or against either party is not satisfied, lifted, vacated or dismissed within fifteen (15) days or if the assets of either party are sold or levied by a sheriff or any other authority duly authorized on his behalf;

- 8.3 If either party (the "defaulting party") is in default under any obligation on its part contained herein and the defaulting party fails to cure such default to the satisfaction of the other party within thirty (30) days of receiving written notice from the other party to cure such default.

9. INTELLECTUAL PROPERTY

- 9.1 Quantum hereby authorizes Jakks to use the trademarks and the copyrights in the Territory on or in relation to the Products for the purposes of exercising its rights and performing its obligations under the Agreement.
- 9.2 Jakks may utilize and attach its logos, trademarks or trade names to the packaging of the Products in connection with Jakks' marketing, distribution and sale of the Products.
- 9.3 Jakks hereby agrees to indemnify, defend and hold Quantum harmless from any loss or claim currently existing or arising in the future arising from any act, omission, event, conduct or transaction to the extent such claim relates to or arises out of the fact that the sale of Products in the Territory infringes upon the Jakks trademark, or trade name.

10. REPRESENTATIONS AND WARRANTIES

- 10.1 Quantum and Jakks have the right and power to enter into and perform this Agreement and have taken all steps necessary and appropriate to authorize the execution and performance hereof. This Agreement is a valid and legally binding obligation of Quantum and Jakks and is fully enforceable against the other party in accordance with its terms.
- 10.2 Quantum owns or controls all rights necessary to grant Jakks the rights granted to it hereunder.
- 10.3 The execution, delivery and performance of this Agreement by quantum does not and shall not conflict with the terms of any agreement or other instrument to which Quantum is a party or by which quantum, or any of its properties, is

bound.

11. GENERAL PROVISIONS

- 11.1 In this Agreement, words importing the singular include the plural and vice versa and words importing gender include all genders.
- 11.2 The insertion of headings and the division of this Agreement into articles and sections are for convenience of reference only and shall not affect the interpretation hereof.
- 11.3 This Agreement and any documents incorporated by reference herein constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions with respect to the subject matter hereof whether oral or written. No supplements, modification or waiver of this Agreement shall be binding unless executed in writing by officers of Jakks and Quantum.
- 11.4 The invalidity of any provision of this Agreement or any covenant herein contained shall not affect the validity or enforceability of any other provision or covenant hereof or herein contained and any such invalid provision or covenant shall be deemed to be severable.
- 11.5 This Agreement shall be binding upon and endure to the benefit of the parties hereto and their permitted assigns and successors.
- 11.6 Notice - All notices, consents and approvals (herein referred to as "Notice") permitted or required to be given or made hereunder shall be in writing and shall be deemed to be sufficiently and duly given or made if delivered personally or if sent by prepaid registered mail or if transmitted by telex or facsimile transmission, to the address hereinbefore referred to. Any party from time to time by Notice may change its address for the purpose of this Agreement. In the event of actual or threatened disruption of postal service, a notice shall be delivered or sent by telex or other form of recorded communication tested prior to transmission.

11.7 Time of Essence - The parties agree that time is of the essence in this Agreement.

11.8 Further Assurance - The parties agree to do or cause to be done all acts or things necessary to implement and carry into effect this Agreement to its full extent.

11.9 Proper Law - This Agreement shall be construed in accordance with the Laws of Australia.

IN WITNESS WHEREOF, the parties have executed this Agreement as an agreement in two counterparts on the date hereinbefore set out:

SIGNED BY:
QUANTUM DEVELOPMENTS:

DATE:

SIGNED BY:
JAKKS PACIFIC INC.

DATE: