

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-3

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

JAKKS Pacific, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

95-4527222
*(I.R.S. Employer
Identification No.)*

22619 Pacific Coast Highway

**Malibu, California 90265
(310) 456-7799**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jack Friedman

**Chairman
JAKKS Pacific, Inc.
22619 Pacific Coast Highway
Malibu, California 90265
(310) 456-7799**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Saul Kaszovitz, Esq.

**Feder, Kaszovitz, Isaacson, Weber,
Skala, Bass & Rhine LLP
750 Lexington Avenue
New York, New York 10022-1200
(212) 888-8200
Fax: (212) 888-7776**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Offering Price per Unit(1)	Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value \$.001 per share	774,754 Shares	\$19.56(2)	\$15,154,189	\$1,920.04(3)

- (1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c).
- (2) Pursuant to Rule 457(c), represents the average of the high and low sales prices of our common stock for September 1, 2004 as reported on the Nasdaq National Market System.
- (3) Previously paid upon the initial filing of this Registration Statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING ANY OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED December 13, 2004

PROSPECTUS

774,754 Shares

JAKKS Pacific, Inc.

Common Stock

This prospectus relates to 774,754 shares of our common stock, par value \$0.001 per share, that may be sold from time to time by the selling security holders listed under the caption "Selling Security Holders" on page 14. We will not receive any of the proceeds from the sale of the common stock. See "Use of Proceeds."

The selling security holders may determine the prices at which they will sell the common stock, which prices may be at market prices prevailing at the time of such sale or some other price.

Our common stock is traded on the Nasdaq National Market System under the symbol "JAKK." On December 7, 2004, the last reported sale price of our common stock on the Nasdaq National Market System was \$19.02 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" ON PAGE 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2004

TABLE OF CONTENTS

TABLE OF CONTENTS

	Page
Summary	1
Risk Factors	8
Forward Looking Statements	15
Use of Proceeds	15
Selling Security Holders	15
Plan of Distribution	16
Legal Matters	18
Independent Auditors	18
Incorporation of Documents by Reference	19
Where You Can Find More Information	19
Disclosure of Commission Position on Indemnification For Securities Act	
Liabilities	20
Exhibit 5.1	E-5.1-1
EX-23.1	E-23.1-1
EX-23.2	E-23.2-1
EX-23.3	E-23.3-1
EX-24.1	E-24.1-1

ABOUT THIS PROSPECTUS

This prospectus constitutes part of a registration statement on Form S-3 that we filed with the SEC through what is known as the shelf registration process. Under this process, any selling security holder may sell the securities described in the prospectus in one or more offerings. This prospectus provides you with a general description of the securities the selling security holders may offer. A prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information.”

In connection with this offering, no person is authorized to give any information or to make any representations not contained or incorporated by reference in this prospectus. If information is given or representations are made, you may not rely on that information or representations as having been authorized by us. This prospectus is neither an offer to sell nor a solicitation of an offer to buy any securities other than those registered by this prospectus, nor is it an offer to sell or a solicitation of an offer to buy securities where an offer or solicitation would be unlawful. You may not imply from the delivery of this prospectus, nor from any sale made under this prospectus, that our affairs are unchanged since the date of this prospectus or that the information contained in this prospectus is correct as of any time after the date of this prospectus. The information contained and incorporated by reference in this prospectus and any accompanying prospectus supplement is accurate only as of the date of this prospectus or the prospectus supplement or the date of the document incorporated by reference, as the case may be, regardless of the time of delivery of the prospectus.

You should not consider any information in this prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in our securities.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should carefully read the entire prospectus, including "Risk Factors" beginning on page 7, before investing in the common stock. When we use the terms "JAKKS," "we," "us," or "our," we are referring to JAKKS Pacific, Inc. and its subsidiaries, unless the context requires otherwise or we expressly state otherwise in this prospectus.

JAKKS Pacific, Inc.

Our Business

We are a leading multi-line, multi-brand toy company that designs, develops, produces and markets toys and related consumer products. We focus our business on acquiring or licensing well-recognized trademarks and brand names with long product histories (evergreen brands). We seek to acquire these evergreen brands because we believe they are less subject to market fads or trends. Our products are typically lower-priced toys and accessories and include:

- Electronic products, including *Laser Challenge*TM and TV games;
- Action figures and accessories including licensed characters, principally based on the World Wrestling EntertainmentTM ("WWE") and the Dragon Ball[®] franchises, and toy vehicles, including Road Champs[®] die-cast collectibles, MXS extreme sports, remote control vehicles and RemcoTM toy vehicles and role-play toys and accessories;
- Craft, activity and stationery products, including Flying Colors[®] activity sets, compounds, playsets and lunch boxes and Colorworkshop[®] craft products such as Blopens[®] and Vivid Velvet[®], and Pentech[®] writing instruments, stationery and activity products;
- *Child Guidance*[®] infant and pre-school electronic toys, toy foam puzzle mats and blocks, activity sets, outdoor products, plush toys and slumber bags;
- Seasonal toys and leisure products, including kites, *Funnoodle*[®] pool toys, and *Storm*TM water guns;
- Toy candy through our creation of *Tongue Tape*TM;
- Junior sports, including *Disney*[®] products, *Gaksplat*TM and *Storm*TM; and
- Fashion and mini dolls and related accessories, including *Disney Princesses* sold in The Disney Store.

We continually review the marketplace to identify and evaluate evergreen brands that we believe have the potential for significant growth. We generate growth within these brands by:

- creating innovative products under established brand names;
- focusing our marketing efforts to enhance consumer recognition and retailer interest;
- linking them with our portfolio of evergreen brands;
- adding new items to the branded product lines that we expect will enjoy greater popularity; and
- adding new features and improving the functionality of products in the line.

In addition to developing our proprietary brands and marks, we license marks such as *WWE*TM, *Nickelodeon*[®], *Rugrats*[®], *SpongeBob SquarePants*[®], *Dora the Explorer*[®], *Blue's Clues*[®], *Mickey Mouse*[®], *Winnie the Pooh*[®], *Hello Kitty*[®] and *NASCAR*[®]. Licensing enables us to use these high-profile marks at a lower cost than we would incur if we purchased these marks or developed comparable marks on our own. By licensing marks, we have access to a far greater range of marks than would be available for purchase. We also license technology produced by unaffiliated inventors and product developers to improve the design and functionality of our products.

We have obtained an exclusive worldwide license for our joint venture with THQ Inc. ("THQ"), which develops, produces, manufactures and markets video games based on WWE characters and themes. Since the

joint venture's first title release in 1999, it has released 23 new titles. We have recognized approximately \$42.8 million in profit from the joint venture through September 30, 2004. On October 19, 2004, we were named as defendants in a lawsuit commenced by WWE, pursuant to which WWE is seeking treble, punitive and other damages (including disgorgement of profits) in an undisclosed amount and a declaration that the video game license with the joint venture and an amendment to our toy licenses with WWE are void and unenforceable (see "— Legal Proceedings").

Through the Toymax International, Inc. acquisition we also added toy brand names such as *Laser Challenge* and *Creepy Crawlers*® to our brand portfolio. In addition, pool-related products branded under the name *Funnoodle* and kites branded under the name *Go Fly a Kite*® further diversified our portfolio with products popular in the spring and summer seasons.

Through the assets we acquired from Trendmasters®, Inc. ("Trendmasters") we added to our portfolio *The Storm* brand of water guns, gliders and junior sports toys, seasonal products for Halloween, Christmas and Easter, and vehicles, action figures, dolls and playsets under multiple brands.

In May 2003 we acquired from P&M Products USA, Inc. and an affiliated United Kingdom company, P&M Products Limited (collectively, "P&M") the *Blopen Blitzer*™, *Vivid Velvet* and *SmArty Paints*® line of products which we incorporated into our *Flying Colors*® and *Pentech* lines.

In June 2004, we acquired substantially all of the assets of the Play Along group of companies which manufactured traditional toys, including plush, dolls, action figures, and preschool and construction toys and held a number of licenses including *Cabbage Patch Kids*® for dolls, *Care Bears*® for plush and preschool learning, *Teletubbies*® for preschool and playsets and DC Comic's® *Batman*® and *Justice League of America*® for construction toys.

Most of our current products are relatively inexpensive. In 2003, approximately 70.0% of our revenue came from products priced at ten dollars or less at retail. We believe that these products have enduring appeal and are less subject to general economic conditions, toy product fads and trends, and changes in retail distribution channels. As of September 30, 2004, we had over 3,400 products in approximately 21 product categories. In addition, the simplicity of these products enables us to choose among a wider range of manufacturers and affords us greater flexibility in product design, pricing and marketing. Our product development process typically takes from three to nine months from concept to production and shipment to our customers. We believe that many licensors and retailers recognize and reward our ability to bring product to market faster and more efficiently than many of our competitors.

We sell our products through our in-house sales staff and independent sales representatives to toy and mass-market retail chain stores, department stores, office supply stores, drug and grocery store chains, club stores, toy specialty stores and wholesalers. The *Road Champs*, *Flying Colors* and *Pentech* products also are sold to smaller hobby shops, specialty retailers and corporate accounts, among others. Our five largest customers are Wal-Mart, Kmart, Toys 'R' Us, Target, and Kay Bee Toys, which collectively accounted for approximately 57.7% of our net sales in 2003. We have over 2,000 other customers, none of which accounted for more than 2.0% of our net sales in 2003. Kay Bee Toys filed for Chapter 11 bankruptcy protection in January 2004. As a result, we have reserved \$2.1 million for potential bad debt, which represents 84% of Kay Bee Toys' \$2.5 million pre-petition accounts receivable balance with us. If Kay Bee Toys is unable to extricate itself from bankruptcy and we are unable to replace the revenues previously earned by us from Kay Bee Toys with other retailers, our business, financial condition and results of operations could be materially adversely affected (see "Risk Factors").

Our Growth Strategy

The execution of our growth strategy has resulted in increased revenues and earnings. In 2003, we generated net sales of \$315.8 million, net income of \$20.6 million and EBITDA of \$35.0 million.

Approximately 12.7% of our increase in net sales we believe was attributable to our acquisitions. Key elements of our growth strategy include:

Expand Core Products. We manage our existing and new brands through strong product development initiatives, including introducing new products, modifying existing products and extending existing product lines. Our product designers strive to develop new products or product lines to offer added technological, aesthetic and functional improvements to our existing product lines. We expanded the use of real-scan technology in our action toys and we incorporated articulated joints and a flexible rubberized coating to enhance the life-like look and feel of these action toys. These innovations produce higher quality and better likenesses of the representative characters.

Enter New Product Categories. We will continue to use our extensive experience in the toy and related industries to evaluate products and licenses in new product categories and to develop additional product lines. We have entered the toy candy category through our creation of *Tongue Tape*, commenced marketing of licensed classic video games for simple plug-in use with television sets and expanded into slumber bags through the licensing of this category from our current licensors, such as Nickelodeon.

Pursue Strategic Acquisitions. We intend to supplement our internal growth rate with selected strategic acquisitions. Since our inception in 1995, we have successfully completed and integrated twelve acquisitions of companies and trademarks. These include our acquisitions of Justin Products, Road Champs, Remco, Child Guidance, Berk, Flying Colors, Pentech, Kidz Biz, Toymax®, Trendmasters®, P&M and Play Along. We will continue focusing our acquisition strategy on businesses or brands that have compatible product lines and offer valuable retail shelf space, trademarks or brands. In December 2002, we signed a three-year master toy license for *Dragon Ball*®, *Dragon Ball Z*® and *Dragon Ball GT*®. In 2003, we began to develop, manufacture and distribute action figures and action figure accessories based on these top-rated animated series, and continue to innovate and enhance the product offerings under this license.

Acquire Additional Character and Product Licenses. We have acquired the rights to use many familiar corporate, trade and brand names and logos from third parties that we use with our primary trademarks and brands. Currently, we have license agreements with the WWE, Nickelodeon, Disney, and Warner Bros.®, as well as with the licensors of the many popular licensed children's characters previously mentioned, among others. We intend to continue to pursue new licenses from these entertainment and media companies and other licensors. We also intend to continue to purchase additional inventions and product concepts through our existing network of product developers.

Expand International Sales. We believe that foreign markets, especially Europe, Australia, Canada, Latin America and Asia, offer us significant growth opportunities. In 2003, our sales generated outside the United States were approximately \$44.7 million, or 14.2% of total net sales. We intend to continue to expand our international sales by capitalizing on our experience and our relationships with foreign distributors and retailers. We expect these initiatives to continue to contribute to our international growth in 2004.

Capitalize On Our Operating Efficiencies. We believe that our current infrastructure and low-overhead operating model can accommodate significant growth without a proportionate increase in our operating and administrative expenses, thereby increasing our operating margins.

The execution of our growth strategy, however, is subject to several risks and uncertainties and we cannot assure you that we will continue to experience growth in, or maintain our present level of, net sales (see "Risk Factors," beginning on page 7). For example, our growth strategy will place additional demands on our management, operational capacity and financial resources and systems. The increased demand on management may necessitate our recruitment and retention of qualified management personnel. We cannot assure you that we will be able to recruit and retain qualified personnel or expand and manage our operations effectively and profitably. To effectively manage future growth, we must continue to expand our operational, financial and management information systems and to train, motivate and manage our work force. There can be no assurance that our operational, financial and management information systems will be adequate to support our

future operations. Failure to expand our operational, financial and management information systems or to train, motivate or manage employees could have a material adverse effect on our business, financial condition and results of operations.

Moreover, implementation of our growth strategy is subject to risks beyond our control, including competition, market acceptance of new products, changes in economic conditions, our ability to obtain or renew licenses on commercially reasonable terms and our ability to finance increased levels of accounts receivable and inventory necessary to support our sales growth, if any.

Furthermore, we cannot assure you that we can identify attractive acquisition candidates or negotiate acceptable acquisition terms, and our failure to do so may adversely affect our results of operations and our ability to sustain growth.

Finally, our acquisition strategy involves a number of risks, each of which could adversely affect our operating results, including difficulties in integrating acquired businesses or product lines, assimilating new facilities and personnel and harmonizing diverse business strategies and methods of operation; diversion of management attention from operation of our existing business; loss of key personnel from acquired companies; and failure of an acquired business to achieve targeted financial results.

Non-GAAP Financial Measure

We have included above a non-GAAP financial measure, EBITDA, which is Earnings before Interest, Taxes, Depreciation, and Amortization. Many analysts view EBITDA as a useful measure in determining a company's return on invested capital and the company's ability to pay interest charges.

Our EBITDA, as referred to above, is reconciled to our Net Income as follows (in thousands):

	12/31/2003
Net Income	\$20,604
Add (Deduct):	
Provision for Income Tax	4,205
Interest, net	1,405
Profit from Joint Venture	(7,351)
Unrealized Gain	(609)
Other (income) expense	232
Amortization	988
Depreciation	7,191
Restricted Stock Expense	8,363
Option Compensation Expense	6
EBITDA	\$35,034

Legal Proceedings

On October 19, 2004, we were named as defendants in a lawsuit commenced by WWE in the U.S. District Court for the Southern District of New York concerning our toy licenses with WWE and the video game license between WWE and the joint venture company operated by THQ and us, encaptioned World Wide Wrestling Entertainment, Inc. v. JAKKS Pacific, Inc., et al., 1:04-CV-08223-KMK (the "WWE Action"). The complaint also names as defendants THQ, the joint venture, certain of our foreign subsidiaries, Jack Friedman (our Chairman and Chief Executive Officer), Stephen Berman (our Chief Operating Officer, President and Secretary and a member of our Board of Directors), Joel Bennett (our Chief Financial Officer), Stanley Shenker and Associates, Inc., Bell Licensing, LLC, Stanley Shenker and James Bell.

WWE is seeking treble, punitive and other damages (including disgorgement of profits) in an undisclosed amount and a declaration that the video game license with the joint venture, which is scheduled to expire in 2009 (subject to joint venture's right to extend that license for an additional five years), and an amendment to our toy licenses with WWE, which are scheduled to expire in 2009, are void and unenforceable. The WWE

Action alleges violations by the defendants of the Racketeer Influenced and Corrupt Organization Act (“RICO”) and the anti-bribery provisions of the Robinson-Patman Act, and various claims under state law.

In November 2004, several purported class action lawsuits were filed in the United States District Court for the Southern District of New York: (1) Garcia v. Jakks Pacific, Inc. et al, Civil Action No. 04-8807 (filed on 11/5/2004), (2) Jonco Investors, LLC v. Jakks Pacific, Inc. et al, Civil Action No. 04-9021 (filed on 11/16/2004), (3) Kahn v. Jakks Pacific, Inc. et al, Civil Action No. 04-8910 (filed on 11/10/2004), (4) Quantum Equities L.L.C. v. Jakks Pacific, Inc. et al, Civil Action No. 04-8877 (filed on 11/9/2004), and Irvine v. Jakks Pacific, Inc. et al, Civil Action No. 04-9078 (filed on 11/16/2004) (the “Class Actions”). The complaint in the Class Actions allege that defendants issued positive statements concerning increasing sales of our WWE licensed products which were false and misleading because the WWE licenses had allegedly been obtained through a pattern of commercial bribery, our relationship with the WWE was being negatively impacted by the WWE’s contentions and there was an increased risk that the WWE would either seek modification or nullification of the licensing agreements with us. Plaintiffs also allege that we misleadingly failed to disclose the alleged fact that the WWE licenses were obtained through an unlawful bribery scheme. The plaintiffs in the Class Actions are described as purchasers of our common stock, who purchased from as early as October 26, 1999 to as late as October 19, 2004. The Class Actions seek compensatory and other damages in an undisclosed amount, alleging violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder by each of the defendants (namely the Company and Messrs. Friedman, Berman and Bennett), and violations of Section 20(a) of the Exchange Act by Messrs. Friedman, Berman and Bennett.

We believe that the claims in the WWE Action and the Class Actions are without merit and we intend to defend vigorously against them. However, because these Actions are in their preliminary stages, we cannot assure you as to the outcome of the Actions, nor can we estimate the range of potential losses to this Company.

On December 2, 2004, a shareholder derivative action was filed in the Southern District of New York by Freeport Partners, LLC against our Company, nominally, and against Messrs. Friedman, Berman and Bennett, Freeport Partners v. Friedman, et al, Civil Action No. 04-9441 (the “Derivative Action”). The Derivative Action seeks to hold the individual defendants liable for damages allegedly caused to us by their actions and in particular to hold them liable on a contribution theory with respect to any liability of our Company in connection with the Class Actions.

The Offering

This prospectus relates to 774,754 shares of our common stock that may be sold from time to time by the selling security holders, Messrs. Charles Emby, Jay Foreman, Lawrence Geller, David Lipman and John Nimmo.

In June 2004, we purchased assets of Play Along, Inc., Play Along (Hong Kong) Limited and PA Distribution, Inc. for approximately \$85.7 million, consisting of approximately \$70.8 million in cash and 749,005 shares of our common stock. Prior to the acquisition, Messrs. Emby, Foreman and Geller were shareholders, directors and executive officers of those companies and they are currently management level employees of ours, although not executive officers.

In December 2001, we purchased the shares of Kidz Biz Limited and Kidz Biz Far East Limited for approximately \$12.4 million consisting of approximately \$6.4 million in cash and 308,992 shares of our common stock. Prior to the acquisition, Messrs. Lipman and Nimmo were shareholders, directors and executive officers of those companies. Currently, Mr. Lipman is a non-executive level employee of ours and Messrs. Lipman and Nimmo own the building leased by Kidz Biz Limited in Surrey, England.

Certain of the foregoing selling security holders have agreed to limit the amount of shares they will offer, as disclosed under the caption “Plan of Distribution” on page 15.

We will not receive any of the proceeds from the sale of the common stock offered hereby (see “Use of Proceeds”), and the selling security holders listed herein may determine the prices at which they will sell the common stock, which prices may be at market prices prevailing at the time of such sale or some other price.

Our Corporate Information

We were formed as a Delaware corporation in 1995. Our principal executive offices are located at 22619 Pacific Coast Highway, Malibu, California 90265. Our telephone number is (310) 456-7799. Our Internet website address is www.jakkspacific.com. The contents of our website are not part of this prospectus.

The Offering

Issuer	JAKKS Pacific, Inc.
Seller	One or more of the selling security holders. For information about the selling security holders, see “Selling Security Holders.” We are not selling the securities.
Securities Offered	774,754 shares of our common stock, par value \$.001.
Common Stock to be Outstanding After the Offering ⁽¹⁾	26,233,706 shares.
Registration Rights	We have agreed to use our best efforts keep the shelf registration statement, of which this prospectus forms a part, effective until the earlier to occur of (i) the date on which the registered shares are disposed of in accordance with this prospectus or (ii) for Messrs. Emby, Foreman and Geller, the first anniversary of the effective date of the registration statement of which this prospectus forms a part, and for Messrs. Lipman and Nimmo, the date when their registered shares can be immediately sold to the public without registration or restriction.
Trading	Our common stock trades on the Nasdaq National Market System under the symbol “JAKK.”
Use of Proceeds	We will not receive any of the proceeds from the sale by the selling security holders of the shares of common stock.

(1) Does not include (1) 4,900,000 shares underlying our convertible notes; (2) 100,000 shares underlying our outstanding warrants; and (3) 2,115,946 shares underlying our outstanding options.

RISK FACTORS

An investment in the shares of common stock involves significant risks. In addition to reviewing other information in this prospectus, you should carefully consider the following factors before deciding to purchase the shares of common stock. If any of the following risks actually occur, our business, results of operations and financial condition could be materially adversely affected and you might lose all or part of your investment.

The outcome of litigation in which we have been named as a defendant is unpredictable and a materially adverse decision in any such matter could have a material adverse affect on our financial position and results of operations.

We are defendants in litigation matters, as described under “Legal Proceedings” in our periodic reports filed pursuant to the Securities Exchange Act of 1934, including the lawsuit commenced by WWE and the purported securities class action and derivative action claims stemming from the WWE lawsuit (see “— Legal Proceedings”). These claims may divert financial and management resources that would otherwise be used to benefit our operations. Although we believe that we have meritorious defenses to the claims made in each and all of the litigation matters to which we have been named a party, and intend to contest each lawsuit vigorously, no assurances can be given that the results of these matters will be favorable to us. A materially adverse resolution of any of these lawsuits could have a material adverse affect on our financial position and results of operations.

Our inability to redesign, restyle and extend our existing core products and product lines as consumer preferences evolve, and to develop, introduce and gain customer acceptance of new products and product lines, may materially and adversely impact our business, financial condition and results of operations.

Our business and operating results depend largely upon the appeal of our products. Our continued success in the toy industry will depend on our ability to redesign, restyle and extend our existing core products and product lines as consumer preferences evolve, and to develop, introduce and gain customer acceptance of new products and product lines. Several trends in recent years have presented challenges for the toy industry, including:

- *The phenomenon of children outgrowing toys at younger ages, particularly in favor of interactive and high technology products;*
- *Increasing use of technology;*
- *Shorter life cycles for individual products; and*
- *Higher consumer expectations for product quality, functionality and value.*

We cannot assure you that:

- *our current products will continue to be popular with consumers;*
- *the product lines or products that we introduce will achieve any significant degree of market acceptance; or*
- *the life cycles of our products will be sufficient to permit us to recover licensing, design, manufacturing, marketing and other costs associated with those products.*

Our failure to achieve any or all of the foregoing benchmarks may cause the infrastructure of our operations to fail, thereby adversely affecting our business, financial condition and results of operations.

The failure of our character-related and theme-related products to become and/or remain popular with children may materially and adversely impact our business, financial condition and results of operations.

The success of many of our character-related and theme-related products depends on the popularity of characters in movies, television programs, live wrestling exhibitions, auto racing events and other media. We cannot assure you that:

- *media associated with our character-related and theme-related product lines will be released at the times we expect or will be successful;*
- *the success of media associated with our existing character-related and theme-related product lines will result in substantial promotional value to our products;*
- *we will be successful in renewing licenses upon expiration on terms that are favorable to us; or*
- *we will be successful in obtaining licenses to produce new character-related and theme-related products in the future.*

Our failure to achieve any or all of the foregoing benchmarks may cause the infrastructure of our operations to fail, thereby adversely affecting our business, financial condition and results of operations.

There are risks associated with our license agreements.

- *Our current licenses require us to pay minimum royalties*

Sales of products under trademarks or trade or brand names licensed from others account for substantially all of our net sales. Product licenses allow us to capitalize on characters, designs, concepts and inventions owned by others or developed by toy inventors and designers. Our license agreements generally require us to make specified minimum royalty payments, even if we fail to sell a sufficient number of units to cover these amounts. In addition, under certain of our license agreements, if we fail to achieve certain prescribed sales targets, we may be unable to retain or renew these licenses.

- *Some of our licenses are restricted as to use*

Under some of our license agreements, including WWE, Nickelodeon and NASCAR, the licensors have the right to review and approve our use of their licensed products, designs or materials before we may make any sales. If a licensor refuses to permit our use of any licensed property in the way we propose, or if their review process is delayed, our development or sale of new products could be impeded.

- *New licenses are difficult and expensive to obtain*

Our continued success will depend substantially on our ability to obtain additional licenses. Intensive competition exists for desirable licenses in our industry. We cannot assure you that we will be able to secure or renew significant licenses on terms acceptable to us. In addition, as we add licenses, the need to fund additional royalty advances and guaranteed minimum royalty payments may strain our cash resources.

- *A limited number of licensors account for a large portion of our net sales*

We derive a significant portion of our net sales from a limited number of licensors. If one or more of these licensors were to terminate or fail to renew our license or not grant us new licenses, our business, financial condition and results of operations could be adversely affected.

The toy industry is highly competitive and our inability to compete effectively may materially and adversely impact our business, financial condition results of operations.

The toy industry is highly competitive. Globally, certain of our competitors have financial and strategic advantages over us, including:

- *greater financial resources;*
- *larger sales, marketing and product development departments;*

- *stronger name recognition;*
- *longer operating histories; and*
- *greater economies of scale.*

In addition, the toy industry has no significant barriers to entry. Competition is based primarily on the ability to design and develop new toys, to procure licenses for popular characters and trademarks and to successfully market products. Many of our competitors offer similar products or alternatives to our products. Our competitors have obtained and are likely to continue to obtain licenses that overlap our licenses with respect to products, geographic areas and markets. We cannot assure you that we will be able to obtain adequate shelf space in retail stores to support our existing products or to expand our products and product lines or that we will be able to continue to compete effectively against current and future competitors.

A decline in the popularity of World Wrestling Entertainment could adversely affect our video game joint venture with THQ.

The joint venture with THQ depends entirely on a single license, which gives the venture exclusive worldwide rights to produce and market video games based on World Wrestling Entertainment characters and themes. The popularity of professional wrestling, in general, and World Wrestling Entertainment, in particular, is subject to changing consumer tastes and demands. The relative popularity of professional wrestling has fluctuated significantly in recent years. A decline in the popularity of World Wrestling Entertainment could adversely affect the joint venture's and our business, financial condition and results of operations.

The termination of THQ's manufacturing licenses and the inability of the joint venture to otherwise obtain these licenses from other manufacturers would materially adversely affect the joint venture's and our business, financial condition and results of operations.

The joint venture relies on hardware manufacturers and THQ's non-exclusive licenses with them for the right to publish titles for their platforms and for the manufacture of the joint venture's titles. If THQ's manufacturing licenses were to terminate and the joint venture could not otherwise obtain these licenses from other manufacturers, the joint venture would be unable to publish additional titles for these manufacturers' platforms, which would materially adversely affect the joint venture's and our business, financial condition and results of operations.

The failure of the joint venture or THQ to perform as anticipated could have a material adverse effect on our financial position and results of operations.

The joint venture's failure to timely develop titles for new platforms that achieve significant market acceptance, to maintain net sales that are commensurate with product development costs or to maintain compatibility between its personal computer CD-ROM titles and the related hardware and operating systems would adversely affect the joint venture's and our business, financial condition and results of operations.

Furthermore, THQ controls the day-to-day operations of the joint venture and all of its product development and production operations. Accordingly, the joint venture relies exclusively on THQ to manage these operations effectively. THQ's failure to effectively manage the joint venture would have a material adverse effect on the joint venture's and our business and results of operations. We are also dependent upon THQ's ability to manage cash flows of the joint venture. If THQ is required to retain cash for operations, or because of statutory or contractual restrictions, we may not receive cash payments for our share of profits, on a timely basis, or at all.

We may not be able to sustain or manage our rapid growth, which may prevent us from continuing to increase our net revenues.

We have experienced rapid growth in our product lines resulting in higher net sales over the last six years, which was achieved through acquisitions of businesses, products and licenses. For example, revenues associated with our acquired companies in 2003 and 2002 were \$40.1 million and \$84.7 million, respectively,

representing 12.7% and 27.3% of our total revenues for those periods. As a result, comparing our period-to-period operating results may not be meaningful and results of operations from prior periods may not be indicative of future results. We cannot assure you that we will continue to experience growth in, or maintain our present level of, net sales.

Our growth strategy calls for us to continuously develop and diversify our toy business by acquiring other companies, entering into additional license agreements, refining our product lines and expanding into international markets, which will place additional demands on our management, operational capacity and financial resources and systems. The increased demand on management may necessitate our recruitment and retention of qualified management personnel. We cannot assure you that we will be able to recruit and retain qualified personnel or expand and manage our operations effectively and profitably. To effectively manage future growth, we must continue to expand our operational, financial and management information systems and to train, motivate and manage our work force. There can be no assurance that our operational, financial and management information systems will be adequate to support our future operations. Failure to expand our operational, financial and management information systems or to train, motivate or manage employees could have a material adverse effect on our business, financial condition and results of operations.

In addition, implementation of our growth strategy is subject to risks beyond our control, including competition, market acceptance of new products, changes in economic conditions, our ability to obtain or renew licenses on commercially reasonable terms and our ability to finance increased levels of accounts receivable and inventory necessary to support our sales growth, if any. Accordingly, we cannot assure you that our growth strategy will continue to be implemented successfully.

If we are unable to acquire and integrate companies and new product lines successfully we will be unable to implement our growth strategy.

Our growth strategy depends in part upon our ability to acquire companies and new product lines. Revenues associated with our acquisitions represented 12.7% and 27.3% of our total revenues in 2003 and 2002, respectively. Future acquisitions will succeed only if we can effectively assess characteristics of potential target companies and product lines, such as:

- *attractiveness of products;*
- *suitability of distribution channels;*
- *management ability;*
- *financial condition and results of operations; and*
- *the degree to which acquired operations can be integrated with our operations.*

We cannot assure you that we can identify attractive acquisition candidates or negotiate acceptable acquisition terms, and our failure to do so may adversely affect our results of operations and our ability to sustain growth. Our acquisition strategy involves a number of risks, each of which could adversely affect our operating results, including:

- *difficulties in integrating acquired businesses or product lines, assimilating new facilities and personnel and harmonizing diverse business strategies and methods of operation;*
- *diversion of management attention from operation of our existing business;*
- *loss of key personnel from acquired companies; and*
- *failure of an acquired business to achieve targeted financial results.*

A limited number of customers account for a large portion of our net sales, so that if one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could have a material adverse effect on our business, financial condition and results of operations.

Our five largest customers accounted for 57.7% of our net sales in 2003. Except for outstanding purchase orders for specific products, we do not have written contracts with or commitments from any of our customers. A substantial reduction in or termination of orders from any of our largest customers could adversely affect our business, financial condition and results of operations. In addition, pressure by large customers seeking price reductions, financial incentives, changes in other terms of sale or for us to bear the risks and the cost of carrying inventory also could adversely affect our business, financial condition and results of operations. If one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us or return substantial amounts of our products, it could have a material adverse effect on our business, financial condition and results of operations. In addition, the bankruptcy or other lack of success of one or more of our significant retailers could negatively impact our revenues and bad debt expense. For example, one of our five largest customers in 2003, Kay Bee Toys, filed for Chapter 11 bankruptcy protection in January 2004. As a result, we have reserved \$2.1 million for potential bad debt, which represents 84% of Kay Bee Toys' \$2.5 million pre-petition accounts receivable balance with us. If Kay Bee Toys is unable to extricate itself from bankruptcy and we are unable to replace the revenues previously earned by us from Kay Bee Toys, our business, financial condition and results of operations could be materially adversely affected.

We depend on our key personnel and any loss or interruption of either of their services could adversely affect our business, financial condition and results of operations.

Our success is largely dependent upon the experience and continued services of Jack Friedman, our Chairman and Chief Executive Officer and Stephen G. Berman, our President and Chief Operating Officer. We cannot assure you that we would be able to find an appropriate replacement for Mr. Friedman or Mr. Berman if the need should arise, and any loss or interruption of Mr. Friedman's or Mr. Berman's services could adversely affect our business, financial condition and results of operations.

We depend on third-party manufacturers, and if our relationship with any of them is harmed or if they independently encounter difficulties in their manufacturing processes, we could experience product defects, production delays, cost overruns or the inability to fulfill orders on a timely basis, any of which could adversely affect our business, financial condition and results of operations.

We depend on approximately twenty third-party manufacturers who develop, provide and use the tools, dies and molds that we own to manufacture our products. However, we have limited control over the manufacturing processes themselves. As a result, any difficulties encountered by the third-party manufacturers that result in product defects, production delays, cost overruns or the inability to fulfill orders on a timely basis could adversely affect our business, financial condition and results of operations.

We do not have long-term contracts with our third-party manufacturers. Although we believe we could secure other third-party manufacturers to produce our products, our operations would be adversely affected if we lost our relationship with any of our current suppliers or if our current suppliers' operations or sea or air transportation with our overseas manufacturers were disrupted or terminated even for a relatively short period of time. Our tools, dies and molds are located at the facilities of our third-party manufacturers.

Although we do not purchase the raw materials used to manufacture our products, we are potentially subject to variations in the prices we pay our third-party manufacturers for products, depending on what they pay for their raw materials.

We have substantial sales and manufacturing operations outside of the United States subjecting us to risks associated with the outbreak of SARS, as well as risks common to international operations.

We sell products and operate facilities in numerous countries outside the United States. For the fiscal year ended December 31, 2003, sales to our international customers comprised approximately 14.2% of our net sales. We expect our sales to international customers to account for a greater portion of our revenues in future fiscal periods. Additionally, we utilize third-party manufacturers located principally in The People's Republic of China, or the PRC, which has been significantly impacted by the outbreak of Severe Acute Respiratory Syndrome, or SARS. The inability of the PRC to effectively control the spread of SARS within its borders or the failure of the medical community to develop a cure for this illness may deplete the workforce of the PRC available to manufacture our products, create barriers to entry into commercial markets for our products manufactured in the PRC and prevent us from sending the requisite monitors and inspectors to the PRC to ensure that our products are being manufactured in accordance with our requirements and specifications. Any of the foregoing may cause the infrastructure of our PRC operations to fail, thereby adversely affecting our business, financial condition and results of operations.

Furthermore, our PRC sales and manufacturing operations are subject to the risks normally associated with international operations, including:

- *currency conversion risks and currency fluctuations;*
- *limitations, including taxes, on the repatriation of earnings;*
- *political instability, civil unrest and economic instability;*
- *greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;*
- *complications in complying with laws in varying jurisdictions and changes in governmental policies;*
- *greater difficulty and expenses associated with recovering from natural disasters;*
- *transportation delays and interruptions; and*
- *the potential imposition of tariffs.*

Our reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply, should such changes be necessary. However, if we were prevented from obtaining products or components for a material portion of our product line due to medical, political, labor or other factors beyond our control, our operations would be disrupted while alternative sources of products were secured. Also, the imposition of trade sanctions by the United States against a class of products imported by us from, or the loss of "normal trade relations" status by China, could significantly increase our cost of products imported from that nation. Because of the importance of our international sales and international sourcing of manufacturing to our business, our financial condition and results of operations could be significantly and adversely affected if any of the risks described above were to occur.

Our business is subject to extensive government regulation and any violation by us of such regulations could result in product liability claims, loss of sales, diversion of resources, damage to our reputation, increased warranty costs or removal of our products from the market, and we cannot assure you that our product liability insurance for the foregoing will be sufficient.

Our business is subject to various laws, including the Federal Hazardous Substances Act, the Consumer Product Safety Act, the Flammable Fabrics Act and the rules and regulations promulgated under these acts. These statutes are administered by the Consumer Product Safety Commission (CPSC), which has the authority to remove from the market products that are found to be defective and present a substantial hazard or risk of serious injury or death. The CPSC can require a manufacturer to recall, repair or replace these

products under certain circumstances. We cannot assure you that defects in our products will not be alleged or found. Any such allegations or findings could result in:

- *product liability claims;*
- *loss of sales;*
- *diversion of resources;*
- *damage to our reputation;*
- *increased warranty costs; and*
- *removal of our products from the market.*

Any of these results may adversely affect our business, financial condition and results of operations. There can be no assurance that our product liability insurance will be sufficient to avoid or limit our loss in the event of an adverse outcome of any product liability claim.

We depend on our proprietary rights and our inability to safeguard and maintain the same, or claims of third parties that we have violated their intellectual property rights, could have a material adverse effect on our business, financial condition and results of operations.

We rely on trademark, copyright and trade secret protection, nondisclosure agreements and licensing arrangements to establish, protect and enforce our proprietary rights in our products. The laws of certain foreign countries may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States. We cannot assure you that we or our licensors will be able to successfully safeguard and maintain our proprietary rights. Further, certain parties have commenced legal proceedings or made claims against us based on our alleged patent infringement, misappropriation of trade secrets or other violations of their intellectual property rights. We cannot assure you that other parties will not assert intellectual property claims against us in the future. These claims could divert our attention from operating our business or result in unanticipated legal and other costs, which could adversely affect our business, financial condition and results of operations.

Market conditions and other third-party conduct could negatively impact our margins and implementation of other business initiatives.

Economic conditions, such as rising fuel prices and decreased consumer confidence, may adversely impact our margins. In addition, general economic conditions were significantly and negatively affected by the September 11th terrorist attacks and could be similarly affected by any future attacks. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could adversely affect our sales and profitability. Other conditions, such as the unavailability of electronics components, may impede our ability to manufacture, source and ship new and continuing products on a timely basis. Significant and sustained increases in the price of oil could adversely impact the cost of the raw materials used in the manufacture of our products, such as plastic.

We may not have the funds necessary to purchase our outstanding convertible notes upon a fundamental change or other purchase date, as required by the indenture governing the notes.

On June 15, 2010, June 15, 2013 and June 15, 2018, holders of our convertible notes may require us to purchase their notes, which repurchase may be made for cash. In addition, holders may also require us to purchase their notes for cash upon the occurrence of certain fundamental changes in our board composition or ownership structure, if we liquidate or dissolve under certain circumstances or if our common stock ceases being quoted on an established over-the-counter trading market in the United States. If we do not have, or have access to, sufficient funds to repurchase the notes, then we could be forced into bankruptcy. In fact, we expect that we would require third-party financing, but we cannot assure you that we would be able to obtain that financing on favorable terms or at all.

Our reported earnings per share may be more volatile because of the contingent conversion provision of our outstanding convertible notes.

Holders of our convertible notes are entitled to convert the notes into our common stock, among other circumstances, if the closing sale price of our common stock for at least 20 trading days in the 30 trading day period ending on the last day of the preceding calendar quarter exceeds 120% of the accreted conversion price per share of common stock (the accreted principal amount of a convertible note divided by the number of shares issuable upon conversion of a convertible note on that day) on the last trading day of such preceding calendar quarter. Until this contingency or another conversion contingency is met, the shares underlying the notes are not included in the calculation of our basic or fully diluted earnings per share. Should this contingency be met, fully diluted earnings per share would be expected to decrease as a result of the inclusion of the underlying shares in the fully diluted earnings per share calculation. Volatility in our stock price could cause this condition to be met in one quarter and not in a subsequent quarter, increasing the volatility of our fully diluted earnings per share. The convertible notes were convertible at a rate of 50.0 shares of common stock per \$1,000 principal amount at issuance of the convertible notes (equivalent to an initial conversion price of \$20.00 per share).

FORWARD LOOKING STATEMENTS

This prospectus includes or incorporates by reference “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. For example, statements included in this prospectus regarding our financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. When we use words like “intend,” “anticipate,” “believe,” “estimate,” “plan,” “will” or “expect,” we are making forward-looking statements. We believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, based on information available to us on the date hereof, but we cannot assure you that these assumptions and expectations will prove to have been correct or that we will take any action that we may presently be planning. We have disclosed certain important factors that could cause our actual results to differ materially from our current expectations under “Risk Factors” above and elsewhere in this prospectus. You should understand that forward-looking statements made in this prospectus are necessarily qualified by these factors. We are not undertaking to publicly update or revise any forward-looking statement if we obtain information or upon the occurrence of future events or otherwise.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock by the selling security holders in this offering.

SELLING SECURITY HOLDERS

This prospectus relates to 774,754 shares of our common stock that may be sold from time to time by the selling security holders, Messrs. Charles Emby, Jay Foreman, Lawrence Geller, David Lipman and John Nimmo.

The shares of common stock being offered by Messrs. Lipman and Nimmo were originally issued by us on August 17, 2004 and the shares of common stock being offered by Messrs. Emby, Foreman and Geller were originally issued by us on June 10, 2004, in non-public transactions, which issuances were exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. As used herein, selling security holders includes their transferees, pledgees or donees or their successors, selling shares received from a named selling security holder after the date of this prospectus. Selling security holders may from time to time offer and sell pursuant to this prospectus any or all of the shares of common stock listed by their name below.

In June 2004, we purchased assets of Play Along, Inc., Play Along (Hong Kong) Limited and PA Distribution, Inc. for approximately \$85.7 million, consisting of approximately \$70.8 million in cash and

749,005 shares of our common stock. Prior to the acquisition, Messrs. Emby, Foreman and Geller were shareholders, directors and executive officers of those companies and they are currently management level employees of ours, although not executive officers.

In December 2001, we purchased the shares of Kidz Biz Limited and Kidz Biz Far East Limited for approximately \$12.4 million consisting of approximately \$6.4 million in cash and 308,992 shares of our common stock. Prior to the acquisition, Messrs. Lipman and Nimmo were shareholders, directors and executive officers of those companies. Currently, Mr. Lipman is a non-executive level employee of ours and Messrs. Lipman and Nimmo own the building leased by Kidz Biz Limited in Surrey, England.

The following table sets forth information with respect to the selling security holders and the number of shares beneficially owned by each selling security holder that may be offered pursuant to this prospectus. The information is based on information provided by or on behalf of the selling security holders on or prior to December 7, 2004. The selling security holders may offer all, some or none of the shares of common stock listed below.

Selling Security Holders	Number of Shares Beneficially Owned Prior to the Offering(2)	Number of Shares Offered Hereby(1)	Number of Shares Beneficially Owned After Offering(2)(3)
Charles Emby	299,602	299,602	0
Jay Foreman	299,602	299,602	0
Lawrence Geller	149,801	149,801	0
David Lipman	44,826(4)	19,826	25,000(4)
John Nimmo	5,923	5,923	0

- (1) Information regarding the selling security holders may change from time to time. Any such change will be set forth in supplements to this prospectus if and when necessary.
- (2) The number of shares of common stock beneficially owned by a person or entity is determined under rules promulgated by the United States Securities and Exchange Commission. Under such rules, beneficial ownership includes any shares as to which a person or entity has sole or shared voting power or investment power. Included among the shares owned by such person or entity are any shares which such person or entity has the right to acquire within 60 days after December 7, 2004. The inclusion herein of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of such shares. Except for information in our records and reports filed by a selling shareholder with us, if any, we have no knowledge of whether such selling shareholder owns any other shares of our common stock or options or warrants to purchase shares of our common stock. We believe that none of the selling security holders listed above will own 1% or more of our outstanding shares if it sells all of the shares registered for sale hereby.
- (3) Assumes the sale of all shares offered hereby on behalf of such selling security holder.
- (4) Includes 25,000 shares that Mr. Lipman may purchase upon the exercise of certain stock options.

PLAN OF DISTRIBUTION

The selling security holders and their successors, including their transferees, pledgees or donees or their successors, may sell the common stock directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions from the selling security holders or the purchasers of the common stock. These discounts, concessions or commissions as to any particular underwriter, broker-dealer or agent may be in excess of those customary in the types of transactions involved.

The common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market prices, at varying prices determined at the time of

sale, or at negotiated prices. These sales may be affected in transactions, which may involve crosses or block transactions:

- on any national securities exchange or U.S. inter-dealer system of a registered national securities association on which the common stock may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing of options, whether the options are listed on an options exchange or otherwise; or
- through the settlement of short sales.

In connection with the sale of the common stock, selling security holders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock positions they assume. The selling security holders may also sell the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities.

The aggregate proceeds to the selling security holders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts and commissions, if any. Each of the selling security holders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

The selling security holders and any underwriters, broker-dealers or agents that participate in the sale of the common stock may be “underwriters” within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be deemed to be underwriting discounts and commissions under the Securities Act.

Selling security holders who are “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act and may be subject to statutory liabilities, including, but not limited to, liability under Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Securities Exchange Act of 1934. The selling security holders have acknowledged that they understand their obligations to comply with the provisions of the Exchange Act and the rules thereunder relating to stock manipulation, particularly Regulation M.

To our knowledge, there are currently no plans, arrangements or understandings between any of the selling security holders and any underwriter, broker-dealer or agent regarding the sale of the common stock. A selling security holder may not sell any common stock described in this prospectus and may not transfer, devise or gift these securities by other means not described in this prospectus. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus.

We entered into registration rights agreements for the benefit of holders of the common stock to register their common stock under applicable federal and state securities laws under specific circumstances and at specific times. The registration rights agreements provide for cross-indemnification of the selling security holders and us (and our directors, officers and controlling persons) against specific liabilities in connection with the offer and sale of the common stock, including liabilities under the Securities Act. We will pay substantially all of the expenses incurred by the selling security holders incident to the offering and sale of the common stock.

Under the registration rights agreements, we are obligated to use our reasonable best efforts to keep the registration statement of which this prospectus is a part effective until the earlier to occur of (i) the date when all of the securities registered hereby are disposed of in accordance with the terms of the shelf registration statement or (ii) for Messrs. Emby, Foreman and Geller, the first anniversary of the effective date of the registration statement of which this prospectus forms a part, and for Messrs. Lipman and Nimmo, the date when their registered shares can be immediately sold to the public without registration or restriction.

Except for Messrs. Lipman and Nimmo, each of the selling security holders has agreed not sell more than 75% of his registered shares until after March 7, 2005. Commencing on March 8, 2005 there will be no limitation on the number of shares a selling security holder may sell.

The above notwithstanding, none of these limitations shall apply in the event the closing sales price of our common stock, as reported on the Nasdaq National Market, exceeds \$25.00 for five consecutive trading days.

Our obligation to keep the registration statement to which this prospectus relates effective is subject to specified, permitted exceptions set forth in the registration rights agreements. In these cases, we may prohibit offers and sales of the shares of common stock pursuant to the registration statement to which this prospectus relates.

When we are notified by any selling security holder that any material arrangement has been entered into with a broker-dealer for the sale of the common stock covered by this prospectus through a block trade, special offering, exchange distribution or secondary distribution or purchase by a broker or dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, or, if appropriate, a post-effective amendment to the registration statement of which this prospectus forms a part, disclosing (a) the name of each such selling security holder and of the participating broker-dealer or dealers, (b) the number of shares of common stock involved, (c) the price at which the common stock was sold, (d) the commissions paid or discounts or concessions allowed to such broker-dealer or dealers, if applicable, and (e) other facts material to the transaction. In addition, when we are notified by any selling security holder that a donee or pledgee intends to sell more than 500 shares, a supplement to this prospectus will be filed.

We may suspend the use of this prospectus if we learn of any event that causes this prospectus to include an untrue statement of a material fact required to be stated in the prospectus or necessary to make the statements in the prospectus not misleading in light of the circumstances then existing. If this type of event occurs, a prospectus supplement or post-effective amendment, if required, will be distributed to each selling security holder. Each selling security holder has agreed not to trade securities from the time the selling security holder receives notice from us of this type of event until the selling security holder receives a prospectus supplement or amendment.

LEGAL MATTERS

The legality of the common stock being offered hereby will be passed upon for us by Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP, New York, New York. Murray L. Skala, a partner of that firm, is one of our directors, an owner of 1,000 shares of our common stock, a holder of options to purchase 82,771 shares of our common stock, and a trustee under a trust that owns 3,186 shares of our common stock.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 incorporated by reference in this prospectus have been audited by PKF, Certified Public Accountants, A Professional Corporation, Los Angeles, California, independent auditors, as stated in their report incorporated by reference herein.

The financial statements of PA Distribution, Inc. and Play Along, Inc. for the twelve-month periods ended March 31, 2003 and 2002 and the nine-month period ended December 31, 2003, incorporated by

reference into this prospectus have been audited by Daszkal Bolton LLP, Certified Public Accountants, Boca Raton, Florida, independent auditors, as stated in their report incorporated by reference herein.

The financial statements of Play Along (Hong Kong) Limited for the twelve-month period ended March 31, 2003 and the nine-month period ended December 31, 2003, incorporated by reference into this prospectus have been audited by Grant Thornton, Certified Public Accountants, Hong Kong, independent auditors, as stated in their reports incorporated by reference herein.

INCORPORATION OF DOCUMENTS BY REFERENCE

This prospectus “incorporates by reference” certain of the reports and other information that we have filed with the SEC under the Exchange Act. This means that we are disclosing important information to you by referring you to those documents. Information filed with the SEC after the date of this prospectus will update and supersede this information. The following documents filed with the SEC are incorporated by reference:

(1) Our Annual Report on Form 10-K for the year ended December 31, 2003;

(2) Our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2004;

(3) Our Current Reports on Form 8-K filed with the SEC on February 17, March 12, April 21, June 16, July 20, August 6, September 7, October 15, October 19, and November 16, 2004;

(4) The description of our common stock contained in our Registration Statement on Form 8-A (File No. 0-28104), filed March 29, 1996, and as incorporated therein by reference to our Registration Statement on Form SB-2 (Reg. No. 333-2048-LA).

Any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (File No. 0-28104) after the date hereof are incorporated by reference until all of the securities offered by this prospectus are sold. Any statement contained in this prospectus or in a document incorporated by reference shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in those documents modifies or supersedes that statement. Any statements so modified or superseded will not be deemed to constitute a part of this prospectus except as so modified or superseded. In addition, any supplement prepared in relation to this prospectus shall be deemed to supersede for all purposes any earlier supplement prepared in relation to this prospectus.

We will provide each person to whom a copy of this prospectus has been delivered, without charge, a copy of any of the documents referred to above as being incorporated by reference. You may request a copy by writing or telephoning Joel M. Bennett, c/o JAKKS Pacific, Inc., 22619 Pacific Coast Highway, Malibu, California, 90265 (telephone: 310-456-7799).

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934. In accordance with the Exchange Act, we file reports, proxy statement and other information with the SEC. Such reports, proxy statements and other information can be inspected and copied at prescribed rates at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our common stock is listed on the Nasdaq National Market and reports and information concerning us can also be inspected through such exchange. We intend to furnish our stockholders with annual reports containing audited financial statements and such other periodic reports as we deem appropriate or as may be required by law.

**DISCLOSURE OF COMMISSION POSITION ON
INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

Our certificate of incorporation provides that the personal liability of our directors shall be limited to the fullest extent permitted by the provisions of Section 102(b)(7) of the General Corporation Law of the State of Delaware (“DGCL”). Section 102(b)(7) of the DGCL generally provides that no director shall be liable personally to a company or its security holders for monetary damages for breach of fiduciary duty as a director, provided that the certificate of incorporation does not eliminate the liability of a director for (1) any breach of the director’s duty of loyalty to it or its security holders; (2) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (3) acts or omissions in respect of certain unlawful dividend payments or stock redemptions or repurchases; or (4) any transaction from which such director derives an improper personal benefit. The effect of this provision is to eliminate the rights of a company and its security holders to recover monetary damages against a director for breach of her or his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (1) through (4) above. The limitations summarized above, however, do not affect the ability of a company or its security holders to seek nonmonetary remedies, such as an injunction or rescission, against a director for breach of her or his fiduciary duty.

In addition, our certificate of incorporation provides that we shall, to the fullest extent permitted by Section 145 of the DGCL, indemnify all persons whom it may indemnify pursuant to Section 145 of the DGCL. In general, Section 145 of the DGCL permits us to indemnify our directors, officers, employees or agents or, when so serving at our request, another company who was or is a party or is threatened to be made a party to any proceeding because of his or her position, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to our best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

We maintain a directors’ and officers’ liability insurance policy covering certain liabilities that may be incurred by any director or officer in connection with the performance of his or her duties and certain liabilities that we may incur, including the indemnification payable to any director or officer. This policy provides for \$30 million in maximum aggregate coverage, including defense costs. We pay the entire premium for such insurance.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers, or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PART II — INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. *Other Expenses of Issuance and Distribution*

The following table sets forth the various expenses payable by the Registrant in connection with the sale and distribution of the securities being registered hereby. The Registrant is paying all of the selling security holders' expenses related to this offering, except that the selling security holders will pay any applicable broker's commissions and expenses. All amounts are estimated except the Securities and Exchange Commission registration fee.

SEC Registration fee	\$ 1,920
Printing and Edgarization	4,000
Accountants' fees and expenses	20,000
Attorneys' fees and expenses	45,000
Miscellaneous	4,080
Total	\$75,000

Item 15. *Indemnification of Directors and Officers*

The Registrant's Certificate of Incorporation provides that the personal liability of the directors of the Registrant shall be limited to the fullest extent permitted by the provisions of Section 102(b)(7) of the General Corporation Law of the State of Delaware ("DGCL"). Section 102(b)(7) of the DGCL generally provides that no director shall be liable personally to the Registrant or its security holders for monetary damages for breach of fiduciary duty as a director, provided that the Certificate of Incorporation does not eliminate the liability of a director for (1) any breach of the director's duty of loyalty to the Registrant or its security holders; (2) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (3) acts or omissions in respect of certain unlawful dividend payments or stock redemptions or repurchases; or (4) any transaction from which such director derives an improper personal benefit. The effect of this provision is to eliminate the rights of the Registrant and its security holders to recover monetary damages against a director for breach of her or his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (1) through (4) above. The limitations summarized above, however, do not affect the ability of the Registrant or its security holders to seek nonmonetary remedies, such as an injunction or rescission, against a director for breach of her or his fiduciary duty.

In addition, the Certificate of Incorporation provides that the Registrant shall, to the fullest extent permitted by Section 145 of the DGCL, indemnify all persons whom it may indemnify pursuant to Section 145 of the DGCL. In general, Section 145 of the DGCL permits the Registrant to indemnify a director, officer, employee or agent of the Registrant or, when so serving at the Registrant's request, another company who was or is a party or is threatened to be made a party to any proceeding because of his or her position, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The Registrant maintains a directors' and officers' liability insurance policy covering certain liabilities that may be incurred by any director or officer in connection with the performance of his or her duties and certain liabilities that may be incurred by the Registrant, including the indemnification payable to any director or officer. This policy provides for \$30 million in maximum aggregate coverage, including defense costs. The entire premium for such insurance is paid by the Registrant.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 16. Exhibits

Exhibit Number	Description
2.1	Form of certificate evidencing shares of common stock(1)
2.2	Asset Purchase and Sale Agreement, dated as of June 10, 2004, by and among the Registrant (and certain subsidiaries) and Messrs. Emby, Foreman and Geller (and certain affiliated companies)(2)
2.3	Stock Purchase Agreement, dated as of December 27, 2001, by and among the Registrant, Kidz Biz Limited, Kidz Biz Far East Limited, Messrs. Lipman and Nimmo and Marilyn*
2.4	Settlement Agreement, dates as of August 2004, by and between the Registrant and David Lipman*
2.5	Compromise Agreement, dated August 2004, by and between JAKKS Pacific/Kidz Biz Limited and David Lipman*
4.1	Registration Rights Agreement, dated as of June 10, 2004, by and among the Registrant and Messrs. Emby, Foreman and Geller(3)
4.2	Registration Rights Agreement, dated as of December 27, 2001, by and among the Registrant and Messrs. Lipman and Nimmo and Marilyn Lipman*
5.1	Opinion of Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP(3)
23.1	Consent of PKF, Certified Public Accountants, A Professional Corporation*
23.2	Consent of Daszkal Bolton LLP*
23.3	Consent of Grant Thornton, Certified Public Accountants, Hong Kong*
23.4	Consent of Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP (included in Exhibit 5.1)
24.1	Power of Attorney*

* Filed herewith.

- (1) Filed on May 1, 1996 as an exhibit to the Company's Registration Statement on Form SB-2 (Reg. No. 333-2048-LA), and incorporated herein by reference.
- (2) Filed on June 16, 2004 as an exhibit to the Company's Current Report on Form 8-K.
- (3) Filed on September 8, 2004 as an exhibit to the initial filing of this Registration Statement.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933,

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement, and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs 1(i) and 1(ii) above do not apply if the registration statement on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs, is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities as that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Malibu, State of California, on December 13, 2004.

JAKKS PACIFIC, INC.

By: /s/ JACK FRIEDMAN

Jack Friedman
Chairman

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <p>/s/ JACK FRIEDMAN</p> <hr/> <p>Jack Friedman</p>	Chairman and Chief Executive Officer (Principal Executive Officer)	December 13, 2004
<hr/> <p>/s/ JOEL M. BENNETT</p> <hr/> <p>Joel M. Bennett</p>	Chief Financial Officer (Principal Financial and Accounting Officer)	December 13, 2004
<hr/> <p>/s/ DAN ALMAGOR</p> <hr/> <p>Dan Almagor</p>	Director	December 13, 2004
<hr/> <p>/s/ STEPHEN G. BERMAN</p> <hr/> <p>Stephen G. Berman</p>	Director	December 13, 2004
<hr/> <p>/s/ DAVID C. BLATTE</p> <hr/> <p>David C. Blatte</p>	Director	December 13, 2004
<hr/> <p>/s/ ROBERT E. GLICK</p> <hr/> <p>Robert E. Glick</p>	Director	December 13, 2004
<hr/> <p>/s/ MICHAEL G. MILLER</p> <hr/> <p>Michael G. Miller</p>	Director	December 13, 2004
<hr/> <p>/s/ MURRAY L. SKALA</p> <hr/> <p>Murray L. Skala</p>	Director	December 13, 2004

EXHIBIT INDEX

Exhibit Number	Description
2.1	Form of certificate evidencing shares of common stock(1)
2.2	Asset Purchase and Sale Agreement, dated as of June 10, 2004, by and among the Registrant (and certain subsidiaries) and Messrs. Emby, Foreman and Geller (and certain affiliated companies)(2)
2.3	Stock Purchase Agreement, dated as of December 27, 2001, by and among the Registrant, Kidz Biz Limited, Kidz Biz Far East Limited, Messrs. Lipman and Nimmo and Marilyn*
2.4	Settlement Agreement, dated as of August 2004, by and between the Registrant and David Lipman*
2.5	Compromise Agreement, dated August 2004, by and between JAKKS Pacific/Kidz Biz Limited and David Lipman*
4.1	Registration Rights Agreement, dated as of June 10, 2004, by and among the Registrant and Messrs. Emby, Foreman and Geller(3)
4.2	Registration Rights Agreement, dated as of December 27, 2001, by and among the Registrant and Messrs. Lipman and Nimmo and Marilyn Lipman*
5.1	Opinion of Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP(3)
23.1	Consent of PKF, Certified Public Accountants, A Professional Corporation*
23.2	Consent of Daszkal Bolton LLP*
23.3	Consent of Grant Thornton, Certified Public Accountants, Hong Kong*
23.4	Consent of Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP (included in Exhibit 5.1)
24.1	Power of Attorney*

* Filed herewith.

- (1) Filed on May 1, 1996 as an exhibit to the Company's Registration Statement on Form SB-2 (Reg. No. 333-2048-LA), and incorporated herein by reference.
- (2) Filed on June 16, 2004 as an exhibit to the Company's Current Report on Form 8-K.
- (3) Filed on September 8, 2004 as an exhibit to the initial filing of this Registration Statement.

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT is entered into by and among JAKKS Pacific, Inc., a corporation organized under the law of the state of Delaware, U.S. ("JAKKS Pacific"), and the shareholders of KIDZ BIZ LIMITED, a private limited company organized under the laws of England ("Kidz Biz UK"), KIDZ BIZ FAR EAST LIMITED, a Hong Kong private limited company ("Far East"), listed on Schedule I (the "Shareholders"). Kidz Biz UK and Far East are sometimes collectively referred to as the "Kidz Biz Companies". JAKKS Pacific and the Shareholders are sometimes collectively referred to as the "Parties."

W I T N E S S E T H :

WHEREAS, JAKKS Pacific desires to purchase all of the outstanding capital stock of the Kidz Biz Companies, all of which is owned by some or all of the Shareholders, and the Shareholders desire to sell all such capital stock to JAKKS Pacific on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the Parties hereto hereby agree as follows:

1. Certain Definitions.

1.1 "L" means English pounds.

1.2 "Acquisition" means the purchase of the Shares and the related transactions contemplated by this Agreement and the other Acquisition Documents.

1.3 "Acquisition Documents" means this Agreement, the Agent Agreement, and each agreement to be executed and delivered at the Closing pursuant to this Agreement, including the Employment Agreement.

1.4 "Affiliate" of a Person means another Person directly or indirectly controlling, controlled by, or under common control with, such Person; for this purpose, "control" of a Person means the power (whether or not exercised) to direct the policies, operations or activities of such Person by virtue of the

ownership of, or right to vote or direct the manner of voting of, securities of such Person, or pursuant to agreement or Law or otherwise.

1.5 "Agent" means David Lipman, as agent of the Shareholders pursuant to the Agent Agreement.

1.6 "Agent Agreement" means the Shareholders' Agent Agreement of even date herewith among the Shareholders and the Agent.

1.7 "Agreement" means this Stock Purchase Agreement, as amended or supplemented.

1.8 "Assets" means the assets of each of the Kidz Biz Companies, as the context may require.

1.9 "Awareness" or "Knowledge" when used in this Agreement in reference to any Shareholder refers to the actual awareness or knowledge of such Shareholder as of the date of this Agreement, without further investigation and without giving effect to imputed knowledge.

1.10 "Blue Sky Laws" means the laws of any state of the U.S., the District of Columbia, or any territory or other jurisdiction in the U.S. governing the purchase and/or sale of securities in such jurisdiction.

1.11 "Business" means the business operated by Kidz Biz UK or Far East or both, as the context so requires, as of the date hereof and all products designed, developed, marketed and otherwise dealt with and traded in by Kidz Biz UK or Far East on and prior to the Closing Date and all business activities incidental thereto.

1.12 "Claim" means any claims, demands, suits, damages, or causes of action.

1.13 "Claim for Tax" means any letter, document, assessment or receipt of any Tax Governmental Authority from which it appears that a Kidz Biz Company may be placed under liability to any Tax.

1.14 "Clockhouse Lease" refers to a lease by Kidz Biz UK of offices located at The Clockhouse, 4 Dorking Road, Epsom, Surrey, England, in the form of the draft provided to JAKKS Pacific by the Shareholders.

1.15 "Closing" means the closing of the Acquisition as provided in Article 6.

1.16 "Closing Date" means the date of the Closing, which is also the date of this Agreement.

1.17 "Closing Purchase Price" means the portion of the Purchase Price payable or deliverable at the Closing consisting of US\$6,400,000.00 in cash and the JAKKS Pacific Shares, allocated between the Kidz Biz Companies as set forth in Section 6.3.

1.18 "Commission" means the U.S. Securities and Exchange Commission.

1.19 "Common Stock" means the shares of common stock, par value \$.001 per share, of JAKKS Pacific.

1.20 "Consent" means any material approval, authorization, consent or ratification by or on behalf of any Person that is not a Party to this Agreement, or any waiver of, or exemption or variance from, any Contract, License Agreement or Order, the failure to obtain which would have a Material Adverse Effect or would prohibit the Acquisition.

1.21 "Contract" means any material contract (including without limitation any purchase, sale, supply or service order or agreement, equipment lease, License Agreement or Lease) that relates to the Business or the Assets. For the purposes hereof, a Contract is "material" if (a) it relates to a transaction or series of transactions involving the expenditure or receipt by either of the Kidz Biz Companies of an amount in excess of (pound)25,000 (or the transfer of property with a fair market value in excess of (pound)25,000), (b) a breach or default thereunder would have a Material Adverse Effect, or (c) it relates to any Trade Right or any transaction not in the ordinary course of business.

1.22 "David Lipman" means David Lipman, one of the Shareholders.

1.23 "Disclosure Schedules" means the disclosure schedules attached to this Agreement.

1.24 "Dividends" means any dividends, dividend equivalents, bonuses or other distributions paid or payable by either of the Kidz Biz Companies to the Shareholders on or after October 1, 2001 through and up to (and including) the Closing Date (other than base salaries paid in the ordinary course consistent with past practice).

1.25 "Dragon Ball Z Claims" refers to any Claim by AB Toys, SNC, a company incorporated in France, against Kidz Biz UK under a Distribution Agreement dated December 5, 2000 between AB Toys, SNC, as licensor and Kidz Biz UK, as licensee.

1.26 "Earn-Out" means that portion of the Purchase Price payable under certain conditions pursuant to Section 2.3.

1.27 "Earn-Out Payment" means the payment, if any, to be satisfied by the issue of the Earn-Out Shares to the Shareholders and to be determined pursuant to Section 2.3 in respect of any Earn-Out Year.

1.28 "Earn-Out Payment Date" means a date on which any portion of the Earn-Out is to be satisfied by the issue of the Earn-Out Shares pursuant to Section 2.3.

1.29 "Earn-Out Shares" means the new Common Stock to be issued to satisfy any Earn-Out Payment.

1.30 "Earn-Out Year" means each of calendar year 2002, 2003, 2004 and 2005.

1.31 "Employment Agreement" means the employment agreement entered into at the Closing between Kidz Biz UK and David Lipman.

1.32 "Escrowee" means Feder, Kaszovitz, Isaacson, Weber, Skala, Bass & Rhine LLP, counsel to JAKKS Pacific or any substitute escrow agent appointed pursuant to Section 2.4.

1.33 "Far East Shares" means the shares of HK\$1.00 each of Far East.

1.34 "Financial Claim" refers to any Claim by JAKKS Pacific against any or all of the Shareholders for breach of the representations and warranties contained in Sections 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.12 of this Agreement.

1.35 "Financial Statements" means the UK Financial Statements, the HK Financial Statements and the Management Accounts.

1.36 "Governmental Authority" means any U.S., English, Hong Kong or other U.S. federal, U.S. state or U.S. or other local government or governmental authority, agency or instrumentality, or any court or arbitration panel of competent jurisdiction, or any recognized professional or industry association or organization which establishes policies or standards or otherwise regulates or supervises services and activities related to the Business or the Assets.

1.37 "Hazardous Material" means any contaminant, pollutant or toxic or hazardous waste, effluent or other substance or material, including without limitation any radioactive, explosive, flammable, corrosive or infectious substance or material, or any substance or material containing asbestos, polychlorinated biphenyls or urea formaldehyde or which is otherwise subject to any Law, License or Order relating to the protection of the environment or human health or safety.

1.38 "HK Financial Statements" has the meaning given in Section 4.6.

1.39 "Holdback" means the aggregate sum of US\$1,000,000.00 for the Dragon Ball Z Claims, and any Financial Claims.

1.40 "Holdback Claim" refers to any Dragon Ball Z Claim and any Financial Claim.

1.41 "Holdback Period" means the period expiring on the date (i) ten (10) business days following the resolution of the Dragon Ball Z Claims, and (ii) ten (10) business days following the resolution of any Financial Claim by the dispute resolution procedures set forth in Section 7.5 or, in respect of any portion of the Holdback for Financial Claims against which no Financial Claim is made, the second anniversary of Closing, provided, however that the Holdback Period with respect to the Dragon Ball Z Claims and the Financial Claims shall terminate on the later of the date that is two (2) years and six (6) months following the date hereof and the date when any dispute among the Parties regarding indemnification for any such Claim is resolved.

1.42 "Hong Kong Lease" means a Lease for a term commencing July 10, 2000 between Hornbrook Investment, Ltd. as landlord and Far East as Tenant, a true and correct copy of which has been delivered by the Shareholders of Far East to JAKKS Pacific.

1.43 "JAKKS Pacific Shares" means 308,992 shares of new Common Stock issued as the Common Stock portion of the Closing Purchase Price.

1.44 "JAKKS Pacific Securities Claims" has the meaning given in the Registration Rights Agreement.

1.45 "John Nimmo" means John Nimmo, one of the Shareholders.

1.46 "Kidz Biz Accountants" means, when referring to Kidz Biz UK, Morgan Brown & Spofforth, Chartered Accountants and Registered Auditors, Surrey, England, and, when referring to Far East, David Ho & Company, Hong Kong.

1.47 "Kidz Biz Sales" means:

(a) in any period ending prior to the Closing Date, the sales of the Kidz Biz Companies in such period, and

(b) in any period ending on or after the Closing Date, the sales of the Kidz Biz Companies including, without limitation, for this purpose sales of any products produced or sold by

JAKKS Pacific (or any Affiliate thereof) using properties, including without limitation, Trade Rights, acquired by JAKKS Pacific (or such Affiliate) in the Acquisition in such period, determined on a "stand alone" basis in accordance with the accounting principles and practices consistently applied in the determination of the Kidz Biz Companies' sales by the relevant Kidz Biz Company and the relevant Kidz Biz Accountants prior to the Closing, as reflected in the relevant Kidz Biz Company's regularly prepared statements of operations, including those included in the relevant Kidz Biz Company's audited 1999 and 2000 Financial Statements.

1.48 "Kidz Biz Shares" means the Ordinary Shares and the Far East Shares.

1.49 "Law" means any statute, rule, regulation or ordinance of any Governmental Authority.

1.50 "Lease" means a lease pursuant to which either of the Kidz Biz Companies is a lessee of any Real Property.

1.51 "License Agreement" means a license, royalty or other Contract pursuant to which either of the Kidz Biz Companies has the right to use or exploit any Trade Right of another Person.

1.52 "Lien" means any security interest, conditional sale or other title retention agreement, mortgage, pledge, lien, charge, encumbrance or other adverse claim or interest other than, in any case, as may arise in the ordinary course of business.

1.53 "Limitations" means the limitations set out in Section 8.4.

1.54 "Management Accounts" means the Management Accounts of each of the Kidz Biz Companies for the period from December 31, 2000 to September 30, 2001 (copies of which are annexed to the Disclosure Schedules).

1.55 "Marilyn Lipman" means Marilyn Lipman, one of the Shareholders.

1.56 "Material Adverse Effect" means a material adverse effect on the Business or the Assets.

1.57 "Notice" means giving any notice to, or making any declaration or filing, or registration or recordation, with any Person.

1.58 "Order" means any judgment, order, writ, decree, award, directive, ruling or decision of any Governmental Authority.

1.59 "Ordinary Shares" means the ordinary shares of (pound)1 each of Kidz Biz UK.

1.60 "Payment Factor" means the percentage amounts set forth in Schedule I for allocation of the Purchase Price among the Shareholders.

1.61 "Percentage Y/O/Y Increase" has the meaning given in Section 2.3.

1.62 "Permit" means any permit, license, certification, qualification, franchise or privilege issued or granted by any Governmental Authority.

1.63 "Person" includes without limitation a natural person, corporation, joint stock company, limited liability company, partnership, joint venture, association, trust, Governmental Authority, or any group of the foregoing acting in concert.

1.64 "Proceeding" means any action, suit, arbitration, audit, investigation or other proceeding, at law or in equity, before or by any Governmental Authority (other than any routine audit of any Tax Authority).

1.65 "Purchase Price" means the aggregate of the Closing Purchase Price, increased by the Earn-Out.

1.66 "Real Property" means any real property subject to a Lease.

1.67 "Registration Rights Agreement" means an agreement among JAKKS Pacific and the Shareholders providing for Registration of the JAKKS Pacific Shares delivered at the Closing and the Earn-Out Shares.

1.68 "Securities Act" means the U.S. Securities Act of 1933, as amended.

1.69 "Share Certificates" means the certificates representing the JAKKS Pacific Shares, which shall bear the following legend:

Any transfer or other disposition of the shares represented by this certificate is subject to the provisions of a Stock Purchase Agreement among JAKKS Pacific, Inc. (the "Corporation") and the individual shareholders of Kidz Biz Limited and Kidz Biz Far East Limited. The shares of stock represented by this Certificate have not been registered under the United States Securities Act of 1933, as amended (the "Act"), and may be transferred only if (i) registered under the Act and the requirements of any state having jurisdiction are complied with or (ii) the transfer is exempt from such registration and state requirements and counsel reasonably acceptable to the Corporation has delivered to the Corporation a written opinion reasonably acceptable to the Corporation setting forth the basis for such exemption.

1.70 "Shareholder" means each Person listed on Schedule I, constituting all of the shareholders of record of the Kidz Biz Companies.

1.71 "Shareholder Securities Claims" has the meaning given in the Registration Rights Agreement.

1.72 "Storage Facility Agreement" means the agreement between Kidz Biz UK and Euro Pressing Services Ltd (EUROP) of Leicester, for use by Kidz Biz UK of a warehouse facility at 16-20 Euston Street, Freemans Common, Ayleston Road, Leicester LE2 7SS, England.

1.73 "Tax" means any income, excise, import, sales, property, withholding, social security or franchise tax or duty, and any interest, penalty or fine due thereon or with respect thereto of the U.S. (federal, state or local), United Kingdom or Hong Kong, or any other jurisdiction, as the context may require.

1.74 "Tax Authority" means any U.S., English or Hong Kong governmental authority, whether local, state or federal, or any agency of such authority which is competent to charge, impose or collect any Tax.

1.75 "Tax Claim" refers to any claim by any Tax Authority against Kidz Biz UK for Tax in respect of income, profits, or gains made by Kidz Biz UK before the Closing.

1.76 "Trade Right" means a patent, claim of copyright, trademark, trade name, brand name, service mark, logo, symbol, trade dress or design, or representation or expression of any thereof, or registration or application for registration thereof, or any other invention, trade secret, technical information, know-how, proprietary right or intellectual property.

1.77 "UK Financial Statements" has the meaning given in Section 4.6.4.6.

1.78 "U.S." means the United States of America.

1.79 "US\$" means U.S. dollars.

2. Purchase of the Kidz Biz Shares.

2.1 Transfer of Shares. Each Shareholder agrees to sell with full title guarantee and JAKKS Pacific agrees to buy at the Closing the Ordinary Shares owned by such Shareholder and each right attached to the Ordinary Shares at or after the date of this Agreement, free of any encumbrances, and each Shareholder agrees to sell, assign, transfer and deliver to JAKKS Pacific agrees to buy at the Closing the Far East Shares owned by such Shareholder free and clear of any liens, claims or encumbrances.

2.2 Delivery of Closing Purchase Price. At the Closing, JAKKS Pacific is delivering the Closing Purchase Price to the Shareholders in proportion to their respective Payment Factors in accordance with payment instructions given by the Shareholders to JAKKS Pacific.

2.3 Earn-Out. In addition to the Closing Purchase Price, JAKKS Pacific shall pay the Earn-Out to the Agent in the form of Common Stock for the benefit and account of the several Shareholders in the amount and payable in the manner and upon the terms and conditions set forth below:

(a) The Earn-Out for each Earn-Out Year shall be determined by the increase, if any, in Kidz Biz Sales for such Earn-Out Year over the prior year's Kidz Biz Sales, expressed as a percentage

of the prior year's Kidz Biz Sales (the "Percentage Y/O/Y Increase"), and shall be earned and payable as follows:

(i) if the Percentage Y/O/Y Increase is less than or equal to five (5%) percent, there will be no Earn-out Payment for the Earn-Out Year;

(ii) if the Percentage Y/O/Y Increase is greater than five (5%) percent but less than or equal to ten (10%) percent, the Earn-out Payment for such Earn-Out Year will equal the number of shares of Common Stock equal to the product of (i) a fraction the numerator of which is five (5%) percent and the denominator of which is the excess of the Percentage Y/O/Y Increase over five (5%) percent and (ii) 25,749 shares of Common Stock; and

(iii) if the Percentage Y/O/Y Increase is greater than ten (10%) percent, the Earn-out Payment for such Earn-Out Year will be 25,749 shares of Common Stock.

(b) The Earn-Out Shares, if any, for each Earn-Out Year shall be delivered as soon as practicable, but in any event not later than sixty (60) days, after the end of such Earn-Out Year.

(c) On each Earn-Out Payment Date, JAKKS Pacific shall pay the Earn-Out, if any, for the applicable Earn-Out Year to the Agent (for the benefit and account of the several Shareholders) in the manner provided in a Notice given to JAKKS Pacific pursuant to Section 3.2 or, if no such Notice is given, by delivering share certificates for the Earn-Out Shares in the names of each Shareholder to the Agent, each certificate to be for the same proportion of the Earn-Out Shares for that Earn-Out Year as the proportion of Earn-Out Shares received by such Shareholder in payment of the last preceding Earn-Out Payment, or if no preceding Earn-Out Payment has then been made, for the same proportion of the Earn-Out Shares as the proportion of the JAKKS Pacific Shares received by such Shareholder on Closing.

(d) In the event that JAKKS Pacific ceases to control Kidz Biz UK or Far East and David Lipman's employment is terminated without "cause" by Kidz Biz UK or by David Lipman for "good reason" (as such terms are used in the Employment Agreement) prior to the end of the term of the Employment Agreement, JAKKS Pacific shall within ten (10) business days thereafter deliver to the Agent for the benefit and account of the Shareholders 25,749 shares of Common Stock in respect of the

then current Earn-Out Year in which such events occur in full satisfaction of the Earn-Out obligation for such Earn-Out Year, and 25,749 shares of Common Stock in respect of each Earn-Out Year thereafter, such delivery to occur within thirty (30) days after the end of the relevant subsequent Earn-Out Year, if any, provided, however, that if such termination occurs after the third anniversary of the Closing under this Agreement, the number of shares of Common Stock thereafter deliverable on account of the Earn-Out shall equal the average number of shares of Common Stock delivered in satisfaction of the Earn-Out obligation, if any, during the Earn-Out Years ending prior to such termination.

2.4 Holdback .

(a) At the Closing, cash in an aggregate amount equal to the Holdback shall be held in escrow by the Escrowee in accordance with this Section 2.4. In the event that any Holdback Claim arises during the relevant Holdback Period following Closing, JAKKS Pacific shall promptly give the Agent notice after its receipt of written notice of the Holdback Claim, and JAKKS Pacific may, subject to the following requirements of this Section 2.4, instruct the Escrowee to release an amount equal to the amount asserted in the Holdback Claim (not to exceed US\$500,000.00 with respect to the Dragon Ball Z Claim and not to exceed \$500,000 with respect to the Financial Claims, subject to the other limitations contained in Section 8.4 of this Agreement), and if no specific amount is asserted, then an amount reasonably estimated by JAKKS Pacific not to exceed the foregoing limitations, and the Escrowee shall comply with such instructions. JAKKS Pacific shall use good faith efforts to consult with the Agent with respect to the resolution of a Holdback Claim. Prior to giving notice to the Escrowee to effect a release of any amount from escrow, JAKKS Pacific shall give a written notice (the "Release Notice") to the Agent that it is proposing to notify the Escrowee to effect a release of funds, specifying in reasonable detail (i) the amount of the Holdback Claim which JAKKS Pacific claims to be entitled to pursuant to this Section 2.4 (or, if not readily calculable, a reasonable estimate of the amount of such Holdback Claim), (ii) the basis of the Holdback Claim and (iii) the date on which such release shall be effected (which date shall not be less than ten (10) days after the date that such written notice is given to the Agent (such ten (10) day period is referred to herein as the "Release Notice Period")).

(b) In the case of a Financial Claim if, prior to the expiration of the Release Notice Period, the Agent shall notify JAKKS Pacific in writing of an intention to dispute the Financial Claim, the parties hereto shall, for a period of ten (10) business days, attempt to resolve such dispute and JAKKS

Pacific shall be prohibited from giving notice to the Escrowee to effect such release during such period. If the Agent and JAKKS Pacific, each acting reasonably, are unable to resolve such dispute within such period, no funds shall be released by Escrowee until receipt by Escrowee of joint written instructions signed by Agent and JAKKS Pacific or the issuance of a final, non-appealable order of instruction by a court of competent jurisdiction. If (x) the Agent does not so notify JAKKS Pacific of an intention to dispute the Financial Claim prior to the expiration of the Release Notice Period, (y) joint instructions are so received regarding the Release Notice, or (z) a court of competent jurisdiction shall issue such an order providing that JAKKS Pacific is entitled to the Financial Claim, then JAKKS Pacific shall be entitled to give notice to the Escrowee to effect a release of funds in accordance with this Section 2.4.

(c) The Parties agree that the Agent shall use good faith efforts to resolve the Dragon Ball Z Claim in a manner reasonably acceptable to the Agent and JAKKS Pacific within six (6) months after the date hereof. If the Dragon Ball Z Claim is not resolved within such six (6) month period, then JAKKS Pacific shall be entitled to resolve the Dragon Ball Z Claim on such terms as it deems acceptable (using reasonable business judgment), and shall be entitled to withdraw the amount by which it resolves such Claim (by settlement or litigation) from the funds held in escrow by the Escrowee by giving the Release Notice and following the procedure described in paragraph (a) of this Section 2.4. In attempting to resolve the Dragon Ball Z Claim, the Agent and JAKKS Pacific shall consult with one another.

(d) The Holdback shall be deposited in an interest bearing account and the interest paid thereon shall be paid to Agent semi-annually.

(e) At the end of any Holdback Period, the balance of the Holdback remaining in escrow with respect to the category of Holdback Claims as to which the Holdback Period has expired shall be released to the Agent with all interest paid thereon for distribution among the Shareholders.

(f) Following the Closing, upon request of any of the Parties, the Shareholders and JAKKS Pacific shall cooperate with one another in good faith to promptly select an independent third party institution acceptable to the Parties, such as a bank, to act as the escrow agent under this paragraph, and the fees of such substitute escrow agent shall be paid by JAKKS Pacific.

2.5 Escrowee Obligations. The Escrowee shall perform only the duties expressly set forth herein and in Section 2.5, and shall refer to this Agreement in performing its duties hereunder. The Escrowee may rely upon, and shall be protected in acting, or refraining from acting upon, any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrowee shall not be liable for any action taken by it hereunder except for the Escrowee's gross negligence or willful misconduct. The Parties shall indemnify the Escrowee and hold it harmless against any loss, liability or expense incurred without bad faith or gross negligence on its part, arising out of or in connection with this Agreement, including the costs and expenses incurred in defending any such claim of liability. The Escrowee may consult with its own counsel, and shall have full and complete authorization and protection for any action taken or suffered in good faith and in accordance with the opinion of such counsel. The Escrowee may resign at any time by giving thirty (30) days' prior written notice of such resignation to the Parties. Thereafter, the Escrowee shall have no further obligation hereunder except to hold the funds delivered to it as depository. In such event, the Escrowee shall not take any action until the Parties have designated a successor Escrowee. The Parties together may terminate the appointment of the Escrowee hereunder upon notice specifying, the date upon which such termination shall take effect. In the event of such termination, the Parties shall, within thirty (30) days after notice from the Escrowee, jointly appoint a successor Escrowee. Upon appointment of a successor Escrowee, the Escrowee shall turn over the funds held by it to such successor Escrowee and shall thereafter have no further obligations hereunder. JAKKS Pacific shall pay the compensation of the Escrowee for the Escrowee's services hereunder and all expenses, disbursements and advances (including reasonable attorneys' fees) incurred in carrying out the Escrowee's duties hereunder. The Shareholders acknowledge that the Escrowee has acted as counsel to JAKKS Pacific in the preparation, negotiation and conclusion of this Agreement and the transactions related to the Acquisition, and hereby consent to the Escrowee representing its and their Affiliates in any proceeding arising out of any dispute under this Agreement, any of the transactions or agreements contemplated by this Agreement.

2.6 Effective Date. The Parties acknowledge that JAKKS Pacific will for its Tax and financial statement purposes treat the Acquisition of the Shares to have taken effect on October 1, 2001.

3. The Agent.

3.1 Notices to Agent. Any Party hereto may rely upon any Notice given by the Agent on behalf of any Shareholder with respect to any election, determination or other action to be made or taken by him hereunder as the act and deed of such Shareholder. It shall be sufficient to deliver to the Agent at his address set forth in Section 12.4 below any payment, Notice or other document to be delivered hereunder to any Shareholder and it shall be the sole responsibility of the Agent to disburse any funds or deliver any Notice or other document so delivered to him in such manner as he and the Shareholders, or any of them, may agree.

3.2 Directions from Agent. The Agent may specify the manner of payment of the Purchase Price, and the account or Person to which such payment is to be made, by giving to JAKKS Pacific at least two business days prior to an Earn-Out Payment Date, a written Notice setting forth instructions for the manner in which payment of the Earn-Out is to be made.

3.3 Authority of Agent. Each election, determination or other action of the Agent in connection with this Agreement shall be binding upon all of the Shareholders, and no Shareholder shall have any right to object, dissent from, or protest or otherwise contest the same or take any separate action relating to the same.

3.4 Payments to Agent. Any delivery or payment to be made hereunder to or for the account of any Shareholder that is made to the Agent as herein provided shall constitute, as between JAKKS Pacific and the Shareholders, payment and delivery in full of the amount thereof. It shall be the sole responsibility of the Agent to hold for the account of the Shareholders and to disburse to them the JAKKS Pacific Shares and any funds JAKKS Pacific may pay or deliver to it pursuant hereto.

4. Representations and Warranties of Kidz Biz and the Shareholders.

The Shareholders, severally but not jointly, except as to David Lipman and Marilyn Lipman, whose obligations shall be joint and several, hereby represent and warrant to JAKKS Pacific as follows, subject to and except for the matters disclosed on the Disclosure Schedules (each Shareholder makes such representation and warranty as to the corporation of which he or she is a Shareholder):

4.1 Kidz Biz UK Existence; Shareholders. Kidz Biz UK is a private limited company duly organized and validly existing under the Laws of England and Wales and has been in continuous existence since its incorporation and has full power and authority to own its Assets and carry on its Business as and in the places where such Assets are now owned or such Business is now being conducted. Complete and correct copies of Kidz Biz UK's Articles of Association, including all amendments thereto, and Kidz Biz UK's Memorandum of Association, including all amendments thereto, have been delivered to JAKKS Pacific. The only share capital that Kidz Biz UK is authorized to issue consists of 25,000 Ordinary Shares. Except as set forth on Schedule I, such Shareholder owns beneficially and of record all of the Ordinary Shares set forth opposite such Shareholder's name on Schedule I, free and clear of all Liens or any restriction with respect to the voting or disposition thereof (other than restrictions of general applicability imposed by applicable securities Laws), and such Ordinary Shares constitute in the aggregate all of the Ordinary Shares. All of the Ordinary Shares are duly authorized, validly issued and fully paid. None of the share capital of Kidz Biz UK is reserved for issuance and there are no agreements, commitments or arrangements providing for the issuance or sale of any thereof, or any issued or outstanding options, warrants or other rights to purchase, or securities or instruments convertible into or exchangeable for, any share capital of Kidz Biz UK.

4.2 Far East Existence; Shareholders. Far East is a private limited liability company duly organized, validly existing and under the Laws of Hong Kong and has full power and authority to own its Assets and carry on its Business as and in the places where such Assets are now owned or such Business is now being conducted. Complete and correct copies of Far East's Articles of Association, including all amendments thereto, and Far East's Memorandum of Association, including all amendments thereto, have been delivered to JAKKS Pacific. The authorized capital stock of Far East is HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, 1,000 of which shares have been issued and are fully paid up. Except as set forth on Schedule I, such Shareholder owns beneficially and of record all of the Far East Shares set forth opposite such Shareholder's name on Schedule I, free and clear of all Liens or any restriction with respect to the voting or disposition thereof (other than restrictions of general applicability imposed by applicable securities Laws), and such Far East Shares constitute in the aggregate all of the issued share capital of Far East. All of such Far East Shares are duly authorized and validly issued. No shares of capital stock of Far East are reserved for issuance and there are no agreements, commitments or arrangements providing for the issuance or sale of any thereof, or any issued or outstanding options, warrants or other rights to purchase, or securities or instruments convertible into or exchangeable for, any capital stock of Far East.

4.3 Power and Authority. Each Shareholder (as to himself or herself) has the legal capacity, power and authority, to execute and deliver this Agreement and each Acquisition Document to which he or she is a party and to assume and perform his or her respective obligations hereunder and thereunder. This Agreement has been, and each other Acquisition Document to which he or she is a party will be, duly executed and delivered by such Shareholder. No Consent of, or Notice to, any Person is required as to any Shareholder in connection with its execution and delivery of this Agreement or any other Acquisition Document to which he or she is a party, or the performance of his or her obligations hereunder or thereunder.

4.4 Proceedings.

(a) Except as set forth on the Disclosure Schedules, so far as such Shareholder of Kidz Biz UK is aware, no Proceeding is pending or, to the best of his/her knowledge, threatened against or affecting the Business, the Assets or the operations of Kidz Biz UK in which an unfavorable Order would have a Material Adverse Effect, or prohibit, invalidate, or make unlawful, in whole or in part, the Acquisition, this Agreement or any other Acquisition Document, or the carrying out of the provisions hereof or thereof. Except as set forth on Schedule 4.4, so far as such Shareholder is aware, Kidz Biz UK is not in default in respect of any Order, nor is there any Order enjoining either of Kidz Biz UK or any Shareholder of Kidz Biz UK in respect of, or the effect of which is to prohibit or curtail the Kidz Biz UK's or any such Shareholder's performance of, its obligations hereunder or thereunder.

(b) Except as set forth on the Disclosure Schedules, so far as such Shareholder of Far East is aware, no Proceeding is pending or, to the best of their knowledge, threatened against or affecting the Business, the Assets or the operations of Far East in which an unfavorable Order would have a Material Adverse Effect, or prohibit, invalidate, or make unlawful, in whole or in part, the Acquisition, this Agreement or any other Acquisition Document, or the carrying out of the provisions hereof or thereof. Except as set forth on Schedule 4.4, so far as such Shareholder of Far East is aware, Far East is not in default in respect of any Order, nor is there any Order enjoining either of Far East or any Shareholder of Far East in respect of, or the effect of which is to prohibit or curtail Far East's or any such Shareholder's performance of, its obligations hereunder or thereunder.

4.5 Financial Statements.

Except as set forth on the Disclosure Schedules:

(a) UK Financial Statements.

(i) Kidz Biz UK's audited financial statements comprising the balance sheet, profit and loss account and cash flow statement of Kidz Biz UK together with the notes thereon (collectively, the "UK Financial Statements"), for the financial year ended on December 31, 2000:

(1) show a true and fair view of the:

(A) state of affairs of Kidz Biz UK as at December 31, 2000, and

(B) the results of Kidz Biz UK for the financial year ended on December 31, 2000.

(2) have been prepared and audited in accordance with the standards, principles and practices specified in of the UK Financial Statements applied on a consistent basis and subject thereto in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom consistently applied; and

(3) have been prepared on a basis consistent with the basis upon which all audited Financial Statements of Kidz Biz UK have been prepared in respect of the three years ended December 31, 2000.

(ii) Kidz Biz UK owns all of its material Assets free and clear of all Liens, except as disclosed in the UK Financial Statements, its Management Accounts or any Disclosure Schedule .

(iii) The Management Accounts of Kidz Biz UK have been prepared on a basis consistent with the UK Financial Statements and are reasonably accurate in all material respects, and (in light of the purpose for which they were prepared) give a fair view of the state of affairs of Kidz Biz UK for the period from January 1, 2001 through September 30, 2001.

(b) HK Financial Statements.

(i) Far East's audited financial statements comprising the balance sheet, profit and loss account and cash flow statement of Far East together with the notes thereon, (collectively, the "HK Financial Statements")for the financial Year ended on December 31, 2000:

(1) show a true and fair view of the

(A) state of affairs of Far East as at December 31, 2000, and

(B) the results of Far East for the financial year ended on December 31, 2000;

(2) have been prepared and audited in accordance with the standards, principles and practices specified in the HK Financial Statements applied on a consistent basis and subject thereto in accordance with the law and applicable standards, principles and practices generally accepted in the HKSAR consistently applied; and

(3) have been prepared on a basis consistent with the basis upon which all audited Financial Statements of Far East have been prepared in respect of the three years ended December 31, 2000.

(ii) Far East owns all of its material Assets free and clear of all Liens, except as disclosed in the HK Financial Statements, its Management Accounts or any Disclosure Schedule.

(iii) The Management Accounts of Far East have been prepared on a basis consistent with the HK Financial Statements and are reasonably accurate in all material respects, and (in light of the purpose for which they were prepared) give a fair view of the state of affairs of Far East for the period from January 1, 2001 through September 30, 2001.

4.6 Material Adverse Changes.

(a) Except as set forth on the Disclosure Schedules or specifically disclosed elsewhere herein, so far as such Shareholder of Kidz Biz UK is aware, since September 30, 2001 there has not been any material adverse change in the Business or the Assets of Kidz Biz UK or Kidz Biz UK's financial condition.

(b) Except as set forth on the Disclosure Schedules or specifically disclosed elsewhere herein, so far as each Shareholder of Far East is aware, since September 30, 2001 there has not been any material adverse change in the Business or the Assets of Far East or Far East's financial condition.

4.7 Trade Rights.

(a) Except as set forth on the Disclosure Schedules, so far as such Shareholder of Kidz Biz UK is aware, no Trade Right of Kidz Biz UK conflicts with or infringes on, and, so far as such Shareholder of Kidz Biz UK is aware, there has been no misappropriation or unauthorized use by Kidz Biz UK of, any Trade Right of any other Person.

(b) Except as set forth on the Disclosure Schedules, so far as such Shareholder of Far East is aware, no Trade Right of Far East conflicts with or infringes on, and, so far as such Shareholder of Far East is aware, there has been no misappropriation or unauthorized use by Far East of, any Trade Right of any other Person.

4.8 Real Property.

Except as disclosed on the Disclosure Schedules:

(a) Kidz Biz UK does not own, lease, use or occupy any real property except the lease of the Real Property subject to the Clockhouse Lease and use of the Storage Facility Agreement. Kidz Biz UK does not sublease any Real Property.

(b) Far East does not own, lease, use or occupy any real property except the lease of the Real Property subject to the Hong Kong Lease. Far East does not sublease any Real Property.

4.9 Hazardous Material.

(a) So far as such Shareholder of Kidz Biz UK is aware, no Hazardous Material has been generated, used, stored, released or disposed of at, or transported to or from, the Real Property leased by Kidz Biz UK or in connection with the Business of Kidz Biz UK, and no Law, Permit, Order or Proceeding applicable to Kidz Biz UK or its Assets requires any clean-up or remediation or participation in or contribution to any such clean-up or remediation.

(b) So far as such Shareholder of Far East is are aware, no Hazardous Material has been generated, used, stored, released or disposed of at, or transported to or from, the Real Property leased by Far East or in connection with the Business of Far East, and no Law, Permit, Order or

Proceeding applicable to Far East or its Assets requires any clean-up or remediation or participation in or contribution to any such clean-up or remediation.

4.10 Tax Returns. Except as disclosed on the Disclosure Schedules, each of the Kidz Biz Companies has duly filed all Tax and information returns and reports required to have been filed by it, each of which is complete and correct in all material respects. Except as disclosed on the Disclosure Statements, each of the Kidz Biz Companies has paid all Taxes due to any Governmental Authority required to have been paid by it and has created sufficient reserves or made provision for all Taxes accrued but not yet due and payable by it. Except as disclosed in the Disclosure Schedules, each of the Kidz Biz Companies has paid to the proper Governmental Authorities all customs, duties and similar or related charges required to be paid by it with respect to the importation of goods into the United Kingdom. Except as disclosed on the Disclosure Schedules, no Governmental Authority is now asserting or, to the best of their knowledge, threatening to assert any deficiency or assessment for additional Tax Claims, nor, to the best of their knowledge, is there any basis for any such deficiency or assessment. Except as disclosed on the Disclosure Schedules, so far as each Shareholder is aware, neither of the Kidz Biz Companies has been audited by any Governmental Authority with respect to any fiscal year ending at any time in the three-year period prior to Closing and, so far as each Shareholder is aware, no other such audit has been threatened or proposed. Neither of the Kidz Biz Companies has waived or consented to any tolling of any limitation period with respect to any Tax liability. The Kidz Biz Companies have delivered to JAKKS Pacific complete and correct copies of the Tax returns of the Kidz Biz Companies for each of their respective ended fiscal years ended December 31, 1998, 1999 and 2000.

4.11 Employees.

(a) The Disclosure Schedules include a complete and correct list of the names and current annual salary, bonus and commission for each current employee of Kidz Biz UK. Except as set forth on Schedule 4.11-A, so far as such Shareholder of Far East is aware, no employee listed thereon intends to terminate his or her employment relationship with Kidz Biz UK.

(b) The Disclosure Schedules include a complete and correct list of the names and current annual salary, bonus and commission for each current employee of Far East. Except as set forth on Schedule 4.11-B, so far as each Shareholder of Kid Biz HK is aware, no employee listed thereon intends to terminate his or her employment relationship with Far East.

4.12 Excess Dividends . The Kidz Biz Companies have not paid Dividends in excess of (pound)112,000 in the aggregate since September 30, 2001.

4.13 Affiliates.

(a) Except as set forth in the UK Financial Statements or the Disclosure Schedules, no Shareholder and no Affiliate of the Kidz Biz UK or any Shareholder of either of the Kidz Biz Companies or any relative, associate or agent of any of them has any interest in any property of Kidz Biz UK, including without limitation any Contract for the furnishing of services by, or rental of real or personal property from or to, or requiring payments to, any such Shareholder or such Affiliate. Except as set forth in the UK Financial Statements or the Disclosure Schedules, no Shareholder or Affiliate of any Shareholder of any of the Kidz Biz Companies holds any indebtedness of or has any Claim against Kid Biz UK.

(b) Except as set forth in the HK Financial Statements or the Disclosure Schedules, no Shareholder and no Affiliate of Far East or any Shareholder of either of Far East or any relative, associate or agent of any of them has any interest in any property of Far East, including without limitation any Contract for the furnishing of services by, or rental of real or personal property from or to, or requiring payments to, any such Shareholder or such Affiliate. Except as set forth in the HK Financial Statements or the Disclosure Schedules, no Shareholder or Affiliate of any Shareholder of any of the Kidz Biz Companies holds any indebtedness of or has any Claim against Far East.

4.14 Brokers.

(a) Neither Kidz Biz UK nor such Shareholder of Kidz Biz UK has employed or engaged any Person to act as a broker, finder or other intermediary in connection with the Acquisition, and (b) no Person is entitled to any fee, commission or other compensation relating to any such employment or engagement by Kidz Biz UK or such Shareholder of Kidz Biz UK.

(b) Neither Far East nor such Shareholder of Far East has employed or engaged any Person to act as a broker, finder or other intermediary in connection with the Acquisition, and (b) no

Person is entitled to any fee, commission or other compensation relating to any such employment or engagement by Far East or such Shareholder of Far East.

4.15 Investment Representation. Each Shareholder represents and warrants that he or she will be acquiring the JAKKS Pacific Shares for investment purposes only and not with a view to distribution thereof, and recognizes that any sale, pledge or other disposition of such shares is limited by the provisions of the Securities Act, and the regulations issued thereunder, and other applicable securities laws and Blue Sky Laws.

4.16 Agent's Appointment. Such Shareholder has duly appointed the Agent to act as such Shareholder's agent and attorney-in-fact with respect to the Acquisition in accordance with the Agent Agreement, a correct and complete copy of which has been heretofore delivered to JAKKS Pacific, and has duly authorized the Agent to take any action necessary in connection with (i) the implementation of this Agreement on behalf of such Shareholder, (ii) the waiver of any condition to the obligations of such Shareholder to close the Acquisition, or (iii) the compromise or settlement of any dispute hereunder, all as more fully set forth therein.

4.17 Limitation of Warranties. JAKKS Pacific acknowledges that in making its determination as to the propriety of the transactions contemplated by this Agreement, it has relied solely on the representations and warranties of the Shareholders expressly contained in Section 4 of this Agreement. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 4, THE SHAREHOLDERS MAKE NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER, INCLUDING ANY REPRESENTATION AS TO PHYSICAL CONDITION OR VALUE OF ANY OF THE ASSETS OF THE KIDZ BIZ COMPANIES OR THE FUTURE PROFITABILITY OR FUTURE EARNINGS PERFORMANCE OF THE KIDZ BIZ COMPANIES. ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY EXCLUDED.

5. Representations and Warranties of JAKKS Pacific.

JAKKS Pacific hereby represents and warrants and the Shareholders as follows:

5.1 JAKKS Pacific Good Standing. JAKKS Pacific is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and has full power and authority to own its assets and carry on its business as and in the places where such assets are now owned or such business is

now being conducted. Complete and correct copies of JAKKS Pacific's Certificate of Incorporation, including all amendments thereto, and Bylaws, including all amendments thereto, have been delivered to the Shareholders.

5.2 Power and Authority. Each of JAKKS Pacific has full corporate power and authority to execute and deliver this Agreement and each other Acquisition Document to which it is a party and to assume and perform its obligations hereunder and thereunder. The execution and delivery by JAKKS Pacific of this Agreement and each other Acquisition Document to which it is a party and the performance of its obligations hereunder and thereunder have been duly authorized by all requisite corporate action on its part. This Agreement has been, and each other Acquisition Document to which it is a party will be, duly executed and delivered by JAKKS Pacific, and this Agreement is, and each other Acquisition Document to which it is a party, when so executed and delivered, will be, a legally valid and binding obligation of JAKKS Pacific, enforceable against it in accordance with its terms, subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally, and (b) equitable principles limiting the availability of specific performance, injunctive relief and other equitable remedies. The execution and delivery of this Agreement does not, and the execution and delivery of each other Acquisition Document and the performance by JAKKS Pacific of its obligations hereunder and thereunder will not, violate any provision of its Certificate of Incorporation or Bylaws. No Consent of, or Notice to, any Person is required as to JAKKS Pacific in connection with its execution and delivery of this Agreement or any other Acquisition Document to which it is a party, or the performance of its obligations hereunder or thereunder. The approval of the shareholders of JAKKS Pacific for JAKKS Pacific to execute this Agreement or consummate the transactions contemplated hereby is not required.

5.3 JAKKS Pacific Shares. The JAKKS Pacific Shares have been duly authorized and validly issued, and are fully paid and non-assessable, and free and clear of any liabilities, liens, security interests, pledges or encumbrances of any nature whatsoever, and the Earn-Out Shares shall be duly authorized and validly issued, and are fully paid and non-assessable, and free and clear of any liabilities, liens, security interests, pledges or encumbrances of any nature whatsoever, except in any such case as may be created by the Shareholders and except as the sale, pledge or other disposition thereof is limited by the provisions of the Securities Act and other applicable US or English securities laws and Blue Sky

Laws. JAKKS Pacific shall keep available at all times sufficient authorized but unissued Common Stock as may be necessary for issuance of the Earn-Out Shares.

5.4 Brokers. Neither JAKKS Pacific nor JAKKS Pacific has employed or engaged any Person to act as a broker, finder or other intermediary in connection with the Acquisition, and no Person is entitled to any fee, commission or other compensation relating to any such employment or engagement by JAKKS Pacific.

5.5 Proceedings. No Proceeding is pending, or, to the best of JAKKS Pacific's or JAKKS Pacific's knowledge, threatened against or affecting its business, assets, operations or financial or other condition in which an unfavorable Order would have a material adverse effect on JAKKS Pacific's business or assets or prohibit, invalidate, or make unlawful, in whole or in part, the Acquisition, this Agreement or any other Acquisition Document, or the carrying out of the provisions hereof or thereof. Neither JAKKS Pacific nor JAKKS Pacific is in default in respect of any Order nor is there any Order enjoining it in respect of, or the effect of which is to prohibit or curtail its performance of, its obligations hereunder or thereunder.

5.6 No Material Adverse Change. So far as JAKKS Pacific is aware, since September 30, 2001 there has not been any material adverse change in JAKKS Pacific's financial condition.

5.7 Eligibility for Form S-3. JAKKS Pacific meets, and shall use its best efforts to continue to meet, the requirements for the use of Form S-3 for registration or re-sale by the Shareholders of the JAKKS Pacific Shares and the Earn-Out Shares for their own account and not as an "underwriter" as such term is defined in the Securities Act, and JAKKS Pacific shall use its best efforts to file all reports required to be filed by JAKKS Pacific with the Commission in a timely fashion so as to maintain such eligibility for the use of Form S-3.

5.8 Limitation of JAKKS Pacific's and JAKKS Pacific's Warranties. Each of the Shareholders acknowledges that in making their determination as to the propriety of the transactions contemplated by this Agreement, they have relied solely on the representations and warranties of JAKKS Pacific expressly contained in Section 5 of this Agreement and on the documents (including financial statements, proxy statements, and annual reports) filed by JAKKS Pacific with the Commission.

EXCEPT AS EXPRESSLY SET FORTH IN SECTION 5, JAKKS Pacific MAKE NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER, INCLUDING ANY REPRESENTATION AS TO THE FUTURE PROFITABILITY OR FUTURE EARNINGS PERFORMANCE OF JAKKS PACIFIC OR ANY OF THEIR AFFILIATES. ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY EXCLUDED.

6. Closing.

6.1 Concurrent Closing. The Closing is being held concurrently with the execution of this Agreement. The execution and/or delivery of each document to be executed and/or delivered at the Closing and each other action to be taken at the Closing shall be deemed to be executed and/or delivered or taken, as the case may be, simultaneously.

6.2 Deliveries by Shareholders. At the Closing, the Shareholders shall deliver to JAKKS Pacific:

(a) transfers in common form relating to all the Ordinary Shares duly executed in favor of JAKKS Pacific (or as it may direct);

(b) instruments of transfer and bought and sold notes relating to all the Far East Shares duly executed by the Shareholders in favor of JAKKS Pacific and or in the name(s) of any other person(s) or nominee(s) that JAKKS Pacific may direct;

(c) share certificates relating to the Ordinary Shares or lost share certificate indemnities therefor in the agreed terms;

(d) share certificates relating to the Far East Shares or lost share certificate indemnities therefor in the agreed terms;

(e) the resignations, effective at the Closing, of all of Kidz Biz Companies' directors immediately prior to the Closing; and

(f) Evidence satisfactory to JAKKS Pacific and its counsel that at or prior to the Closing (and prior to the taking effect of the resignations of the directors referred to in clause 6.2(d) above) the Shareholders of Kidz Biz UK shall have procured the passing of board resolutions of Kidz Biz UK:

(i) sanctioning for registration (subject to due stamping which shall be paid by JAKKS Pacific) the transfers in respect of the Ordinary Shares;

(ii) appointing such persons as JAKKS Pacific may specify to be the directors and secretary of Kidz Biz UK;

(iii) revoking all mandates to bankers and giving authority in favor of such persons as JAKKS Pacific may nominate to operate the bank accounts thereof;

(iv) resolving that Kidz Biz UK enters into the Employment Agreement with David S. Lipman;

(g) Evidence satisfactory to JAKKS Pacific and its counsel that at or prior to the Closing (and prior to the taking effect of the resignations of the directors referred to in clause 6.2(e) above) the Shareholders of Far East shall have procured the passing of board resolutions of Kidz Biz HK:

(i) sanctioning for registration (subject where necessary to due stamping) the transfers in respect of the Far East Shares;

(ii) appointing such persons as JAKKS Pacific may specify to be the directors and secretary of Far East;

(iii) revoking all mandates to bankers and giving authority in favor of such persons as JAKKS Pacific may nominate to operate the bank accounts thereof.

6.3 Deliveries by JAKKS Pacific. At the Closing:

(a) JAKKS Pacific shall deliver to the Shareholders of Kidz Biz UK, in the original principal amount of US\$1,408,000.00 cash, less US\$220,000.00 as part of the Holdback, which portion of the Holdback shall be delivered to the Escrowee, and 67,979 JAKKS Pacific Shares; and

(b) JAKKS Pacific shall deliver to the Shareholders of Far East, US\$4,992,000.00 cash less US\$780,000.00 as part of the Holdback, which portion of the Holdback shall be delivered to the Escrowee, and 241,013 JAKKS Pacific Shares.

(c) JAKKS Pacific shall deliver to the Shareholders evidence satisfactory to the Shareholders and their counsel of the approval by the board of JAKKS Pacific of entry into this Agreement and the other Acquisition Documents.

6.4 At the Closing Kidz Biz UK and David Lipman shall each execute and deliver to the other the Employment Agreement and Kidz Biz UK.

7. Additional Covenants.

7.1 Restrictive Covenants. From and after the Closing Date and until December 31, 2004, no Shareholder of either of the Kidz Biz Companies shall, directly or indirectly through any Affiliate or other intermediary (a) engage in the Business conducted by the Kidz Biz Companies, or serve as a partner, member, manager, director, an officer or employee of, or consultant or advisor to, or in any manner own, control, manage, operate or otherwise participate or invest in, or be connected with (in each case, other than (i) except as does not directly relate to the Business and (ii) David Lipman under the Employment Agreement or Marilyn Lipman or John Nimmo as employees of either of the Kid Biz Companies as provided in Section 7.7 below), any Person that engages in the Business conducted by the Kidz Biz Companies, or authorize the use of its name in connection therewith within the geographic area in which Kidz Biz Companies conducted their respective businesses at the date hereof, or (b) for itself or on behalf of any other Person, other than in response to a general solicitation or advertisement, employ, engage or retain any Person who at any time during the preceding twelve (12) month period shall have been an employee of either of the Kidz Biz Companies, or contact any supplier, customer or employee of either of the Kidz Biz Companies for the purpose of soliciting or diverting any such supplier, customer or employee from Kidz Biz UK or Far East. The foregoing provisions notwithstanding, any Shareholder may invest his funds in securities of an issuer if the securities of such issuer are listed for trading on a registered securities exchange or actively traded in the over-the-counter market and the Shareholders' aggregate holdings therein represent less than 5% of the total number of shares or principal amount of the securities of such issuer then outstanding. The Shareholders acknowledge that the provisions of this

Section, and the period of time, geographic area and scope and type of restrictions on their activities set forth herein, are reasonable and necessary for the protection of JAKKS Pacific and are an essential inducement to JAKKS Pacific entering into this Agreement.

7.2 Confidentiality. Except as otherwise provided in this Section 7.2, from and after the Closing Date, the Shareholders shall keep absolutely confidential all confidential or proprietary information on the Closing Date relating to the Kidz Biz Companies, including without limitation all of Kidz Biz Companies' Trade Rights, product information, customer and supplier lists, marketing and sales data, personnel and financing and Tax matters. The Shareholders acknowledge that the confidentiality of all such information is absolutely essential to the operation of the Business. No Shareholder shall, at any time after the date hereof, use or disclose to any Person any such information, without JAKKS Pacific's prior written consent, except as may be required by Law or an Order (in which case, where reasonably feasible, such Shareholder shall promptly give notice to JAKKS Pacific of any demand, subpoena, Order or legal process requiring disclosure so that JAKKS Pacific may oppose such disclosure or seek a protective Order or other confidential treatment of such information), unless such Shareholder can demonstrate that such information (i) has become, at any time after the Closing Date, generally available in the public domain or (ii) was already known to a Person to whom he discloses such information other than, in either case, through the disclosure of such information in violation of any confidentiality obligation to or for the benefit of JAKKS Pacific or either of the Kidz Biz Companies.

7.3 Non-Disparagement. No Party hereto shall, at any time after the date hereof, directly or indirectly disparage or demean, or make, encourage, support or concur in any statement (written or oral) which disparages or demeans in any manner, whether for a commercial purpose or otherwise, any other Party hereto or any Affiliate thereof, or any stockholder, director, officer, employee or agent of any of them; provided that no provision of this Section 7.3 shall be construed to prohibit or restrict any statement by any Person made in furtherance or defense of any Material Adverse Effect or in the course of any Proceeding or the resolution of any dispute pursuant to Section 7.5.

7.4 Operation of Kidz Biz Business.

(a) JAKKS Pacific shall cause the Kidz Biz Companies to, and the Kidz Biz Companies shall, operate the Business throughout the balance of 2001 and the Earn-Out Years in a

manner consistent with JAKKS Pacific's customary business practices and policies, and JAKKS Pacific shall procure that neither of the Kidz Biz Companies shall take any action for the purpose of reducing the Earn-Out or limiting or adversely affecting the ability of the Shareholders to achieve the financial conditions for the Earn-Out under Section 2.3. JAKKS Pacific shall not, during the Earn-Out Years, unreasonably require that the Business be operated substantially differently from how the Business was operated prior to the Closing Date.

(b) JAKKS Pacific and Kidz Biz shall maintain complete and correct records relating to the determination of the Earn-Out, and shall permit the Shareholders and their authorized representatives, from time to time during normal business hours and upon reasonable prior written Notice, to examine and to audit such records (including ledgers, work papers and other relevant documents and information) in order to confirm JAKKS Pacific's and Kidz Biz's compliance with the provisions of this Section 7.4 and to verify the Earn-Out for any Earn-Out Year. JAKKS Pacific and Kidz Biz shall cooperate with such examination and make available appropriate financial and accounting personnel to respond to inquiries relating thereto. Any information so disclosed to any Shareholder or his authorized representative shall be subject to the confidentiality restrictions of Section 7.2; provided that no provision of Section 7.2 shall be constructed to prohibit or restrict any statement by any Person made in furtherance or defense of any Material Adverse Effect or in the course of any Proceeding or the resolution of any dispute pursuant to Section 7.5.

(c) Promptly following the Closing, Kidz Biz UK shall enter into the Clockhouse Lease, subject to approval by JAKKS Pacific, which will not be unreasonably withheld provided that JAKKS Pacific is reasonably satisfied that the rental rate is commercially fair on an arms-length basis to Kidz Biz UK, and JAKKS Pacific shall enter into a guarantee of Kidz Biz UK's obligations under the Clockhouse Lease, such guarantee to be in the agreed terms.

7.5 Resolution of Financial Disputes. If JAKKS Pacific, the Agent and the Shareholders, or any of them, at any time, disagree with the determination of any amount made or certified by another Party hereto, including the Earn-Out for any Earn-Out Year, such Party shall, within forty-five (45) days of delivery of such determination or certificate, give written Notice (the "Dispute Notice") to the other

Parties to such effect, setting forth therein any change proposed by it and, in reasonable detail, its objections to such determination and the reasons for such change. In such event, unless the Parties involved promptly, and, in any event, within thirty (30) days of the giving of the Dispute Notice, resolve all such objections and agree upon the determination of the amount in dispute, the determination thereof shall be promptly referred to its regular independent certified public accountants, who shall confer and attempt to resolve the objections as to such determination set forth in or arising as a consequence of the Dispute Notice. If, within thirty (30) days of such referral, such accountants resolve such dispute and determine the amount, they shall give Notices to the Parties involved to such effect, setting forth therein the amount as so determined and the basis therefor, and such determination shall be final and binding on the Parties involved. If such accountants do not make such determination within such thirty (30) day period, the Parties involved shall refer such dispute to a mutually agreeable internationally-recognized accounting firm that is "independent" with respect to the Parties hereto (the "Neutral Accountants"). Unless the Neutral Accountants expressly determine otherwise, each of the Parties involved shall submit to the Neutral Accountants (a) within ten (10) days of the engagement thereof, and in such form and manner as they may prescribe, a statement setting forth such Party's position with respect to each of the objections or other issues set forth in or arising as a consequence of the Dispute Notice, together with any exhibits or other supporting documents relating thereto, and send a copy thereof to each other Party involved, and (b) within ten (10) days thereafter, and in such form and manner as the Neutral Accountants may prescribe, a rebuttal statement responding to the initial statement of each other Party, together with any exhibits or other supporting documents relating thereto, and send a copy thereof to each other Party involved. The Neutral Accountants shall conduct a hearing, if all the Parties involved so request in its statements, and may conduct a hearing, whether or not any (but fewer than all) the Parties involved so request, if the Neutral Accountants reasonably deem it necessary for the performance of their engagement; provided that any such hearing shall be held only upon reasonable prior written Notice to all Parties involved and only if all such Parties have an opportunity to appear and present evidence at such hearing. The Neutral Accountants may require any Party hereto (whether or not a party to the dispute) to submit or produce additional statements, documents or information, to appear and testify at any hearing or other proceeding, or otherwise to produce tangible or oral evidence to the extent such Neutral Accountants reasonably deem necessary or appropriate for them to determine the amount in dispute. Based on such submissions and the evidence presented at any hearing, the Neutral Accountants shall resolve all obligations and other issues set forth in or arising as a consequence of the Dispute Notice and determine the amount in dispute, and give Notice to the Parties involved, setting forth therein such

amount and the basis of determination thereof, such determination to be final and binding on the Parties involved. Upon the determination of the amount, any payment or adjustment based thereon shall be promptly made in the manner provided herein. The fees and expenses of a Party's independent certified public accountants incurred in the determination of such amount as provided herein shall be separately borne by such Party. The fees and expenses of the Neutral Accountants incurred, if required pursuant to this Section 7.5, shall be borne and promptly paid equally by JAKKS Pacific, on the one hand, and the Shareholders, on the other.

7.6 Tax & Financial Matters; Books and Records. After the Closing, JAKKS Pacific shall procure that the Kidz Biz Companies shall:

(a) prepare and file all English or Hong Kong Tax returns or reports of the Kidz Biz Companies for any period ending on or before the Closing Date which shall not have been filed prior to the Closing Date; provided, however, that at least ten (10) days prior to the proposed date of filing thereof, JAKKS Pacific shall deliver a copy thereof to the Shareholders, who may review the same and, if he or she so desires, have a reasonable opportunity to make inquiries or discuss the same with appropriate personnel designated by JAKKS Pacific, and JAKKS Pacific shall procure that the Kid Biz Companies make any revision thereto requested by the Agent which may affect the interests of any Shareholder and is reasonably acceptable to JAKKS Pacific; it being further agreed that for such Tax and financial statement purposes the Acquisition of the Shares shall be deemed to have taken effect on October 1, 2001;

(b) not make any amendment to any Tax return or report of the Kidz Biz Companies filed prior to the Closing Date without the prior written consent of the Agent, if such amendment would result in a material liability to any Shareholder, unless at least thirty (30) days prior to the filing thereof, JAKKS Pacific gives to the Agent written Notice of such amendment, including a copy thereof, and either such Notice is accompanied by a certificate of JAKKS Pacific's Chief Financial Officer to the effect that such amendment is required to be filed by applicable Law or the Agent fails to deliver to JAKKS Pacific within fifteen (15) days of his receipt of the Notice of such amendment a written Notice objecting to such amendment, setting forth therein in reasonable detail the basis for such objection, the changes, if any, he asserts are required to be made therein and appropriate indemnification of JAKKS Pacific with respect to any Tax it may incur by reason of such change, in which latter case, JAKKS Pacific and the Agent shall

promptly confer and attempt to resolve such objections or, if they fail to promptly do so, submit such dispute for resolution in accordance with Section 7.5;

(c) not agree to any extension or tolling of any statute of limitations under any applicable Tax Law with respect to any matter for which any Shareholder may have any liability, without the prior written consent of such Shareholder; and

(d) maintain, until the seventh anniversary of the Closing Date, all accounting ledgers, books and records of the Kidz Biz Companies with respect to the periods ending on or before the Closing Date and permit any Shareholder reasonable access thereto in connection with the preparation of financial reports, Tax returns, Tax audits or the defense or prosecution of any Proceeding.

Any information so delivered to the Agent or any Shareholder pursuant to this Section 7.6 shall be subject to the confidentiality restrictions of Section 7.2.

7.7 Employment of Marilyn Lipman and John Nimmo. For a period of six (6) months following the Closing, each of Marilyn Lipman and John Nimmo shall continue to be employed by Kidz Biz UK to perform such duties as were respectively performed by each of them prior to the Closing (or such other duties as may be reasonably assigned to them by Kidz Biz UK which are not inconsistent with the duties and responsibilities performed by them prior to Closing), at salaries of (pound)10,000 per annum; provided that the maximum period of time that each of them shall be required to make available and spend to carry out such duties will be limited to 16 hours per week.

7.8 Shareholders' Guarantees of Kidz Biz Companies Obligations. JAKKS Pacific shall procure that as soon as reasonably practicable after Closing that the Shareholders shall be released from all guarantees and indemnities given by them or any of them or their Affiliates (other than under this Agreement) in respect of the obligations and liabilities of the Kidz Biz Companies and, pending such release, JAKKS Pacific shall with effect from the date hereof indemnify the Shareholders and keep each of them fully and effectively indemnified from and against all liabilities in connection therewith.

8. Indemnification.

8.1 Shareholders' Indemnity. Each Shareholder, severally but not jointly (except for David Lipman and Marilyn Lipman, whose liability shall be joint and several), shall indemnify and defend JAKKS Pacific and, after the Closing, each director and officer of JAKKS Pacific, and hold each of them harmless from, any loss, liability, obligation, damage or expense (including reasonable attorneys' fees and disbursements) which any of them may suffer or incur incidental to any Material Adverse Effect or any Proceeding against any of them arising out of, based upon or resulting from:

(a) the failure of any representation or warranty made by that Shareholder herein or in any Acquisition Document delivered to JAKKS Pacific in connection herewith to be true in all material respects on the date hereof; provided, however, that in the case of a failure of any of the representations and warranties contained in Section 4, only the Shareholder whose representation and warranty was inaccurate or breached shall have an obligation of indemnification under this Article 8; and further provided, however, that notwithstanding the foregoing, the obligations of David Lipman and Marilyn Lipman shall be joint and several;

(b) that Shareholder's failure, in all material respects, to perform or to comply with any covenant or condition required hereunder to be performed or complied with by that Shareholder.

8.2 JAKKS Pacific's Indemnity.

(a) JAKKS Pacific shall indemnify and defend each Shareholder against, and hold each of them harmless from, any loss, liability, obligation, damage or expense (including reasonable attorneys' fees and disbursements) which any of them may suffer or incur incidental to any Material Adverse Effect or any Proceeding against any of them arising out of, based upon or resulting from:

(i) the failure of any representation or warranty made by JAKKS Pacific herein or in any Acquisition Document delivered to that Shareholder in connection herewith to be true in all material respects on the date hereof and on the Closing Date;

(ii) JAKKS Pacific's failure, in all material respects, to perform or to comply with any covenant or condition required hereunder to be performed or complied with by JAKKS Pacific.

(b) In addition to the foregoing provisions of Section 8.2(a), JAKKS Pacific and the Successor Company (if any, as such term is defined below) shall jointly and severally indemnify and hold each Shareholder harmless, on a net of Tax basis, for any additional United Kingdom capital gains tax liability incurred by the Shareholder as a consequence of any loss of taper relief suffered by the Shareholder as a consequence of any of the following enumerated acts events or omissions carried out by JAKKS Pacific or the Successor Company or any of their Affiliates or their subsidiaries or holding companies or subsidiaries of such holding companies voluntarily after Closing consisting of:

(i) anything which causes the employment and/or directorship of any Shareholder with Kidz Biz UK to cease in circumstances or as a consequence of circumstances which amount to a breach of contract by Kidz Biz UK;

(ii) anything which causes either or both of the Kidz Biz Companies to cease to be a subsidiary or subsidiaries of JAKKS Pacific or the Successor Company;

(iii) anything which causes JAKKS Pacific or the Successor Company to cease to be a trading company or the holding company of a trading group;

(iv) anything which causes JAKKS Pacific or the Successor Company to become owned or controlled either directly or indirectly by five or fewer persons (and their Affiliates) or by its directors; and

(v) a re-organization or re-construction of the share capital of JAKKS Pacific or the Successor Company on a previous application of section 8.2.(v) (2) (if any) except in circumstances where the shares ("new shares") replacing the Common Stock of JAKKS Pacific or the shares of such other company are either:

(1) new shares in JAKKS Pacific or the other company; or

(2) new shares in a company (the "Successor Company") which is or immediately becomes a holding company of JAKKS Pacific or the other company

As an example of the operation of the foregoing provisions, a transfer by JAKKS Pacific of the shares of one or both of the Kidz Biz Companies to a wholly owned subsidiary of JAKKS Pacific would not be an event described above that could result in the loss of taper relief by a Shareholder.

The indemnification obligations set out in this Section 8.2(b) shall terminate with respect to any loss of taper relief suffered by a Shareholder (i) on December 31, 2002 as to the JAKKS Pacific Shares, and (ii) on December 31, 2003 as to the any Earn-Out Shares, and the maximum amount of JAKKS Pacific's liability for all Claims under this Section 8.2(b) shall not exceed US\$600,000.00.

8.3 Claims Procedure. Promptly after Notice to an indemnified party of any Material Adverse Effect or the commencement of any Proceeding by a third party involving any loss, liability, obligation, damage or expense referred to in Section 8.1 or 8.2, such indemnified party shall, if a Material Adverse Effect for indemnification in respect thereof is to be made against an indemnifying party, give written Notice to the latter of the commencement of such Material Adverse Effect or Proceeding, setting forth in reasonable detail the nature thereof and the basis upon which such party seeks indemnification hereunder; provided that the failure of any indemnified party to give such Notice shall not relieve the indemnifying party of its obligations under such Section, except to the extent that the indemnifying party is actually prejudiced by the failure to give such Notice. In case any such Proceeding is brought against an indemnified party, and provided that proper Notice is duly given, the indemnifying party shall assume and control the defense thereof insofar as such Proceeding involves any loss, liability, obligation, damage or expense in respect of which indemnification may be sought hereunder, with counsel selected by the indemnifying party (and reasonably satisfactory to such indemnified party), and, after Notice from the indemnifying party to such indemnified party of its assumption of the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof (but the indemnified party shall have the right, but not the obligation, to participate at its own cost and expense in such defense by counsel of its own choice) or for any amounts paid or foregone by the indemnified party as a result of the settlement or compromise thereof (without the written consent of the indemnifying party), except that, if both the indemnifying party and the indemnified party are named as parties or subject to such Proceeding and either such party reasonably determines with advice of counsel that a material conflict of interest between such parties may exist in respect of such Proceeding, the indemnifying party may decline to assume the defense on behalf of the indemnified party or the indemnified party may retain the defense on its own behalf, and, in either such case, after Notice to such effect is duly given hereunder to the other party, the indemnifying party shall be relieved of its obligation to assume the defense on behalf of the indemnified party, but shall be required to pay any legal or other expenses, including without limitation reasonable attorneys' fees and disbursements incurred by the indemnified party in such defense; provided, however, that the indemnifying party shall not be liable for such expenses on account of more than one separate firm of attorneys (and, if necessary, local counsel) at any time representing such indemnified party in connection with any Proceeding or separate Proceedings in the same jurisdiction arising out of or based upon substantially the same allegations or circumstances. If the indemnifying party shall assume the

defense of any such Proceeding, the indemnified party shall cooperate fully with the indemnifying party and shall appear and give testimony, produce documents and other tangible evidence, allow the indemnifying party access to the books and records of the indemnified party and otherwise assist the indemnifying party in conducting such defense. No indemnifying party shall, without the consent of the indemnified party, which consent shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement or compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such Material Adverse Effect or Proceeding. Provided that proper Notice is duly given, if the indemnifying party shall fail promptly and diligently to assume the defense thereof, if and in the manner required hereunder, the indemnified party may respond to, contest and defend against such Proceeding (but the indemnifying party shall have the right to participate at its own cost and expense in such defense by counsel of its own choice) and may make in good faith any compromise or settlement with respect thereto, and recover the entire cost and expense thereof, including, without limitation, reasonable attorneys' fees and disbursements and all amounts paid or foregone as a result of such Proceeding, or the settlement or compromise thereof, from the indemnifying party. Any indemnification required to be made hereunder shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills or invoices are received or loss, liability, obligation, damage or expense is actually suffered or incurred. This Section 8.3 is subject to the provisions of Section 8.5 in respect of any Claim for Tax.

8.4 Limitations. Any other provision hereof notwithstanding:

(i) no indemnifying party shall be required to indemnify any Person unless and until the aggregate amount of loss, liability, obligation, damage or expense as to which indemnification would be required from all the Shareholders, collectively, under Section 8.1(a), or JAKKS Pacific, under Section 8.2(a), as the case may be, but for the provisions of this Section 8.4, exceeds US\$50,000, and thereafter the indemnifying party shall be required, in the manner and to the extent otherwise provided in this Article, to indemnify any Person and to pay all amounts otherwise required to be paid by the indemnifying party to the extent of the entire loss, liability, obligation, damage or expense suffered or incurred by such Person; the foregoing notwithstanding, JAKKS Pacific's Securities Claims, Shareholder Securities Claims, any Material Adverse Effect for indemnification based upon a breach of the representations and warranties made in the last four sentences of Sections 4.1 and 4.2 (including, without limitation, the shareholders of the Kidz Biz Companies as set forth on Schedule I), all

of Section 4.3 and any Dragon Ball Z Claim shall not be subject to, or included in calculating, the limitations contained in this clause 8.4(i);

(ii) the aggregate amount required to be paid under Section 8.1(a) pursuant to this Article 8 for any Claims for indemnification under this Agreement (including, but not limited to Claims based upon a breach of the representations and warranties made in the last four sentences of Sections 4.1 and 4.2, all of Section 4.3, the Dragon Ball Z Claims, Financial Claims, and any of the other provisions of Section 4) by David Lipman and Marilyn Lipman in the aggregate shall not exceed US\$6,000,000.00 with respect to all Claims for indemnification, and (ii) by John Nimmo in the aggregate shall not exceed US\$6,000,000.00 with respect to all Claims for indemnification.

(iii) the aggregate amount required to be paid under Section 8.2 pursuant to this Article 8 by JAKKS Pacific shall not exceed US\$12,000,000.00 with respect to all Claims for indemnification;

(iv) the amount to be paid by David Lipman and Marilyn Lipman on the one hand and John Nimmo on the other hand shall not exceed (i) US\$250,000.00 in aggregate with respect to the Dragon Ball Z Claims, and (ii) US\$250,000.00 in aggregate with respect to the Financial Claims;

(v) the indemnification obligations provided herein shall terminate with respect to any Material Adverse Effect for indemnification arising under Section 8.1(a) or Section 8.2(a) that is not made prior to the second anniversary of the Closing Date, except that any Claim under the last four sentences of Section 4.1 and Section 4.2, or arising under Section 8.1(b) or Section 8.2(b), or for Securities Claims under the Registration Rights Agreement shall not be so limited under this Section and shall terminate in accordance with the statute of limitations of applicable Law, and the obligation to indemnify for the Holdback Claims shall terminate with respect to any Holdback Claim that is not made during the Holdback Period;

(vi) if JAKKS Pacific is entitled to receive indemnification from any of the Shareholders pursuant to Section 8.1 or pursuant to the Registration Rights Agreement, JAKKS Pacific may, upon thirty (30) days prior written Notice to the Agent, offset and retain the amount thereof from any payment of the Earn-Out otherwise payable hereunder to that Shareholder;

(vii) no indemnified party shall be entitled to any indemnification under this Article 8 (i) to the extent that it actually receives or is entitled to receive any amount in respect of any loss, liability, obligation, damage or expense from other sources, including without limitation insurance or third-party indemnity or (ii) to the extent the matter in question, taken together with all similar matters, does not exceed the amount of any reserves with respect to such matters which are reflected in the Financial Statements;

(viii) A Party shall not be entitled to recover under this

Article 8:

(1) with respect to consequential damages, including damages for lost profits, or with respect to punitive, exemplary or special damages;

(2) with respect to any failure of warranty or covenant by the other Party which is contained herein if at or before the time of Closing, the Party seeking recovery had actual knowledge of the failure of warranty or covenant;

(ix) the amount of any recovery pursuant to this Article 8 shall be net of any foreign (non-U.S.), U.S. federal, U.S. state and/or local Tax benefits inuring to the indemnified party as a result of the state of facts which entitled the indemnified party to recover from the indemnifying party pursuant to Article 8;

(x) no Shareholder shall be liable for indemnification to JAKKS Pacific with respect to any Material Adverse Effect of JAKKS Pacific which is indemnifiable hereunder in an amount which exceeds such Shareholder's pro-rata portion of the aggregate amount of such Claim (such pro rata portion being computed on the basis of the ratio of the total number of Shares owned by such Shareholder immediately prior to the Closing to the total number of Shares outstanding (except that all such computations with respect to David Lipman and/or Marilyn Lipman shall be made as to the number of Shares owned by them in the aggregate).

8.5 Provisions Regarding Tax Claims.

(a) Limitations on Tax Claims. No Claim shall be made against the Shareholders under Section 2.4 or Section 8 or for breach of any of the representations or warranties to the extent that it relates to any Tax Claim, Claim for Tax or Tax liability or Tax affairs of any Kidz Biz Company and

(i) the matter to which it relates was disclosed in the Disclosure Schedules; or

(ii) the Tax liability to which it relates was discharged before Closing; or

(iii) the Tax liability to which it relates is a liability which is the subject of a reserve or provision in the Financial Statements; or

(iv) the Tax liability to which it relates arises in respect of any income profits or gains earned accrued or received by any Kidz Biz Company or in the ordinary course of any such company's business at time on or after September 30, 2001; or

(v) the Tax liability to which the Claim would relate (but for this clause 8.5(a)(v) arises as a result of a change after Closing in any accounting bases or policy used for the purposes of drawing up the accounts of any Kidz Biz Company or in the application of such bases or policies; or

(vi) the Tax liability to which the Claim would relate (but for this clause 8.5(a)(vi)) arises or is increased as a result of the loss or unavailability of any Relief which would (were it not for the said loss) have been available to any Kidz Biz Company and which is an asset in the Financial Statements or has been taken into account in computing (and so reducing) any provision for tax in the Financial Statements and the Relief is lost or is unavailable as a result of a failure by any Kidz Biz Company to make after Closing any of the claims or elections in respect of the Relief within the time limits or as a result of the making of a disclaimer after Closing of a Relief; or

(vii) the fact, matter or circumstances giving rise to the Claim has also given rise to a Claim under any other provision of this Agreement and the sum payable in respect of such equivalent Claim has been recovered; or

(viii) the Tax liability to which the Claim relates comprises of interest, penalty, surcharge or fines and which has arisen or is increased as a result of a failure on the part of any Kidz Biz Company or JAKKS Pacific to pay a Tax liability (the "Underlying Tax Liability") in connection with which any interest, penalty, surcharge or fine has been made within ten (10) Business Days of the date on which JAKKS Pacific receives any amount payable by the Shareholders pursuant to any Claim by JAKKS Pacific against the Shareholders in respect of the Underlying Tax Liability or where no Claim arises or may be made against the Shareholders in respect of the Underlying Tax liability, or

(ix) the Claim would (but for this clause 8.5(a)(ix)) relate to:

(1) a primary Tax liability of any Kidz Biz Company or any Affiliate of JAKKS Pacific which would not have arisen or would not have been

capable of practical enforcement but for JAKKS Pacific or any Affiliate of JAKKS Pacific having or obtaining a presence for Tax purposes in any jurisdiction other than the United Kingdom or Hong Kong or which would not have arisen but for the Kidz Biz Company joining the same group as JAKKS Pacific or any Affiliate of JAKKS Pacific as a consequence of or after Closing; or

(2) a secondary Tax liability of any Kidz Biz Company which is also a primary Tax liability of JAKKS Pacific or any Affiliate of JAKKS Pacific; or

(x) it relates to any Tax liability which arises as a result of any event act or omission by JAKKS Pacific or any Affiliate of JAKKS Pacific (including any Kidz Biz Company) after Closing, unless such act event or omission is carried out by JAKKS Pacific or such Affiliate pursuant to an obligation imposed by statute; or

(xi) it relates to any stamp duty or stamp reserve tax payable on or in respect of this Agreement or the transfer of the Kidz Biz Shares pursuant to the Agreement; or

(xii) it relates to any Tax liability which would not have arisen but for the coming into force of any legislation or the withdrawal or alteration of any published extra-statutory concession of any Tax Authority after Closing.

(b) Conduct of Claims for Tax.

(i) JAKKS Pacific shall give notice to the Shareholders of any Claim for Tax in respect of a Tax liability for which the Shareholders are or may be liable under this Agreement within ten (10) business days of JAKKS Pacific or any Kidz Biz Company receiving the Claim for Tax;

(ii) If other Claims for indemnification of JAKKS Pacific under this Section 8, do not, when taken together with the Claim for Tax, exceed the limitations set forth in Section 8.4 of this Agreement upon the amount of the indemnification obligations of the Shareholders to which the Claim for Tax relates, the relevant Shareholders jointly shall be entitled (and JAKKS Pacific shall procure that they are so entitled) to resist any such Claim for Tax in the name of JAKKS Pacific or the relevant Kidz Biz Company as the case may be and to have made available information and documents of the Kidz Biz Company reasonably necessary for the purpose of such resistance provided that:

(1) within twenty (20) business days of the service of notice of the Claim of Tax pursuant to clause 8.5(b)(i) above, JAKKS Pacific and the relevant Kidz Biz Company is

indemnified to its reasonable satisfaction by the relevant Shareholders against all losses (including additional Tax liability), costs, damages and expenses which may be incurred in resisting the Claim for Tax provided that where the Claim for Tax would, in the absence of an appeal being made within applicable time limits, become final, the relevant Kidz Biz Company shall at the cost and request of the relevant Shareholders file the appeal whether or not such indemnity has been provided by the Shareholders; and

(2) the Shareholders have been advised by an independent tax adviser, acceptable to JAKKS Pacific in its reasonable discretion, after disclosure of all relevant information and documents, that it is reasonable to resist the Claim for Tax in the manner proposed by the Shareholders.

(iii) The relevant Kidz Biz Company shall be kept fully informed of all material matters pertaining to the Claim for Tax and all steps proposed to be taken by the Shareholders.

(iv) Nothing in this clause shall prevent any Kidz Biz Company or JAKKS Pacific or any Affiliate of JAKKS Pacific from paying or discharging the Tax Liability (or any part of it) which is the subject of the Claim for Tax provided it does so (and JAKKS Pacific shall procure that if any such person makes or discharges any such liability it does, does so) without admitting liability for it.

(v) Subject to clauses 8.5(b)(vi) and 8.5(b)(vii), if as a consequence of any action taken under clause 8.5(b)(1), JAKKS Pacific, any Affiliate of JAKKS Pacific or any Kidz Biz Company receives any benefit, an amount equal to the value of the benefit will be payable by JAKKS Pacific to the Shareholders to the extent it exceeds any other amount due from the Shareholders to JAKKS Pacific under this Section 8 at the time such benefit is received by JAKKS Pacific, an Affiliate of JAKKS Pacific or any Kidz Biz Company, and otherwise the other amounts due from the Shareholders to JAKKS Pacific shall be reduced by the amount of such benefit.

(vi) For the purposes of clause 8.5(b)(v) the value of the benefit received will be:

(1) where the benefit is a payment from a Tax authority, the amount of the payment (including any payment received in respect of costs and interest supplement);

(2) where the benefit is the reinstatement of a Relief, an amount equal to the amount paid by the Shareholders in respect of the loss or set-off of such Relief;

(3) where the benefit is the reinstatement of any shares or assets (the enforcement or exercise of any mortgage or charge or power of sale over which gave rise to the

Shareholders' liability under this Agreement), an amount equal to the amount paid by the Shareholders to JAKKS Pacific as a consequence of such enforcement or exercise;

(4) where the benefit is the grant of a Relief to any Kidz Biz Company or JAKKS Pacific or any Affiliate of JAKKS Pacific, an amount equal to the amount of the Relief, unless the Relief on utilization would operate as a deduction from gross income, profits or gains, in which case an amount equal to such amount of Tax as the utilization of the Relief saves for the JAKKS Pacific, an Affiliate of JAKKS Pacific or any Kidz Biz Company.

(vii) The amount payable by JAKKS Pacific to the Shareholders pursuant to clause 8.5(b)(vi), shall be paid within thirty (30) days of the date on which the benefit is received. For these purposes the benefit will be deemed to be received on:

(1) where the benefit is a payment from a Tax authority, the date of receipt of the payment;

(2) where the benefit is the reinstatement of a Relief, the date of receipt of written confirmation from the relevant Tax authority of such reinstatement;

(3) where the benefit is the reinstatement of any shares or assets (the enforcement or exercise of any mortgage or charge or power of sale over which gave rise to the Shareholders' liability under this Agreement), the date of such reinstatement;

(4) where the benefit is the grant of a Relief, the date on which an actual payment of Tax by the JAKKS Pacific or any Kidz Biz Company or any Affiliate of JAKKS Pacific is mitigated by the use of such Relief.

8.6 Indemnification Exclusive Remedy . Indemnification pursuant to the provisions of this Article 8 shall be the exclusive remedy of the Parties for failure of any warranty or covenant contained herein or in any Acquisition Document, other than the covenants contained in Sections 7.1 and 7.2. The only legal action which may be asserted by any Party with respect to any matter which is the subject of this Article 8 shall be a contract action to enforce, or to recover damages for breach, of this Article 8. Without limiting the generality of the preceding sentence, no legal action sounding in tort or strict liability may be maintained by any Party.

9. Miscellaneous.

9.1 Survival of Representations and Warranties. Subject to Section 8.4(viii) the representations and warranties of each Party hereto contained in this Agreement shall survive the Closing, notwithstanding any investigation or inquiry made by any other Party hereto.

9.2 Limitation of Authority. Except as expressly provided herein, no provision hereof shall be deemed to create any partnership, joint venture or joint enterprise or association among the Parties hereto, or to authorize or to empower any Party hereto to act on behalf of, obligate or bind any other Party hereto.

9.3 Fees and Expenses. Each Party hereto shall bear such fees and expenses as may be incurred by it in connection with this Agreement and the Acquisition. All the stamp duty to be incurred in connection with this Agreement and the Acquisition shall be borne by the Purchaser.

9.4 Notices. Any Notice or demand required or permitted to be given or made hereunder to or upon any Party hereto shall be deemed to have been duly given or made for all purposes if in writing and (i) if sent by messenger or Federal Express or internationally recognized courier service, or by priority overnight delivery between any two points within the U.S. or any two points within the U.K., on the business day next following the date such Notice or demand was delivered, or (ii) if sent by priority overnight delivery between any point within the U.S. and any point outside of the U.S., or between any point within the U.K. and any point outside of the U.K., or between any two points outside of the U.S. or the U.K., three (3) business days next following the date such Notice or demand was delivered; or (iii) if sent by mail, three (3) business days after deposit in the mails, if mailed by certified or registered mail (return receipt requested) between any two points within the U.S. or any two points within the U.K., and seven (7) business days if mailed by certified or registered mail (return receipt requested) between any point within the U.S. and any point outside of the U.S., or between any point within the U.K. and any point outside of the U.K., or between any two points outside of the U.S. or the U.K., or (iv) if sent by telegram, telecopy (confirmed to the sender), telex or similar electronic means, the business day next following the date such notice or demand was so transmitted, provided that a written copy thereof is sent on the same day by postage-paid first-class mail, to such Party at the following address:

if to JAKKS Pacific: JAKKS Pacific, Inc.
22619 Pacific Coast Highway
Malibu, California 90265
Attn: President
Fax: (310) 317-8527

and to: Feder, Kaszovitz, Isaacson,
Weber, Skala, Bass & Rhine LLP
750 Lexington Avenue
New York, New York 10022-1200 U.S.
Attn: Geoffrey A. Bass, Esq.
Fax: (212) 888-7776

to David Lipman or
Marilyn Lipman at: David S. Lipman
Castilian House
The Ridge
Epsom, Surrey KT18 1BS
United Kingdom
Fax:

to John Nimmo: John Nimmo
Morwell
5 Grays Lane
Ashtead, Surrey KT21 1BS
United Kingdom
Fax:

with a copy to: Altheimer & Gray
10 South Wacker Drive
Chicago, Illinois 60606-7482 U.S.
Attn: Jonathan Baird, Esq
Fax: 312-715-4800

and to: Altheimer & Gray
7 Bishopsgate
London EC2N 3AR United Kingdom
Fax: 020-7786-0000
Attn: Dean Harper, Esq.

or such other address as any Party hereto may at any time, or from time to time,
direct by Notice given to the other Parties in accordance with this Section.
Except as otherwise expressly provided herein, the date of giving or making of
any such Notice or demand shall be, in the case of clause (a) (i), the date of
the

receipt; in the case of clause (a) (ii), three business days after such Notice or demand is sent; and, in the case of clause (b), the business day next following the date such Notice or demand is sent.

9.5 Amendment. Except as otherwise expressly provided herein, no amendment of this Agreement shall be valid or effective, unless in writing and signed by or on behalf of the Parties hereto.

9.6 Waiver. No course of dealing or omission or delay on the part of any Party hereto in asserting or exercising any right hereunder shall constitute or operate as a waiver of any such right. No waiver of any provision hereof shall be effective, unless in writing and signed by or on behalf of the Party to be charged therewith. No waiver shall be deemed a continuing waiver or waiver in respect of any other or subsequent breach or default, unless expressly so stated in writing.

9.7 Exchange Rate. Whenever any calculation in this Agreement requires conversion of a currency into or from US\$, the average exchange rate published in the Wall Street Journal, New York, New York, USA as of the five (5) business days immediately preceding the date that the relevant payment is due, if the calculation involves a payment, or the date when any other calculation is due to be made under this Agreement, shall be the exchange rate used in converting such amount into or from US\$.

9.8 Governing Law. This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the State of New York without regard to principles of choice of law or conflict of laws. For the purpose of enforcing the provisions of Section 9.9 of this Agreement and any other remedy available to a Party under this Agreement, each Party to this Agreement submits to the jurisdiction of the courts of the State of New York, located in New York County, New York, U.S., and to the jurisdiction of the U.S. District Court for the Southern District of New York, New York, New York, U.S. with respect to any matter arising out of this Agreement, waives any objection to venue in the Counties of New York, State of New York, or such District, and agrees that service of any summons, complaint, Notice or other process relating to such Proceeding may be effected in the manner provided by Section 9.4. If service of process is required to be made within the U.S., the Shareholders appoint as their agent for service of any process Corporation Service Company, 1177 Avenue of the Americas, 17th Floor, New York, New York 10036, or such other agent for service of process, located in the U.S. of which the Agent (or any Shareholder as to that Shareholder) gives Notice to JAKKS Pacific.

9.9 Arbitration. Any dispute or controversy between or among any of the Parties hereto shall be submitted to arbitration in New York, New York in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association before a panel of three arbitrators. JAKKS Pacific, on the one hand, and the Shareholders shall each pay one-half of any filing fees or other administrative costs to be paid in advance of or during such Proceeding. The arbitrators shall render a reasoned decision with respect to such Proceeding which shall include, in addition to the imposition of monetary damages or any other remedy or relief available hereunder, an allocation of the costs thereof. The decision of the arbitrators shall be final and binding upon the parties to such Proceeding, and judgment thereon may be entered in any court of competent jurisdiction. The arbitrators shall have no power to change any of the provisions of this Agreement in any respect, nor shall they have any power to make an award of reformation, and the jurisdiction of the arbitrators is expressly limited accordingly. No Party hereto shall be liable for punitive damages, unless such Party is found to have committed fraud or willful malfeasance against another Party hereto. At least one of the arbitrators shall be an attorney admitted to the practice of law for at least fifteen (15) years with substantial experience in business and commercial transactions.

9.10 Remedies. Notwithstanding the provisions of Section 9.9, or any other provision of this Agreement, in the event of any actual or prospective breach or default by any Party hereto, any other Party hereto shall be entitled to equitable relief, including remedies in the nature of rescission, injunction and specific performance. Subject to the provisions of Sections 7.5, and 9.9 and Article 8, all remedies hereunder are cumulative and not exclusive, and nothing herein shall be deemed to prohibit or limit any Party from pursuing any other remedy or relief available at law or in equity for such actual or prospective breach or default, including the recovery of damages; provided, however, that the indemnification provisions of Article 8 shall be the sole and exclusive remedy, as among the Parties hereto, with respect to any Material Adverse Effect for monetary damages under this Agreement.

9.11 Severability. The provisions hereof are severable and in the event that any provision of this Agreement shall be determined to be invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions hereof shall not be affected, but shall, subject to the discretion of such court, remain in full force and effect, and any invalid or unenforceable provision shall be deemed, without further action on the part of the Parties hereto, amended and limited to the extent necessary to render the same valid and enforceable.

9.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and which together shall constitute one and the same agreement.

9.13 Further Assurances. Each Party hereto agrees to cooperate fully with the other Parties in connection with preparing and filing any Notices or documents in connection with the Acquisition. Each Party hereto shall promptly execute, deliver, file or record such agreements, instruments, certificates and other documents and perform such other and further acts as any other Party hereto may reasonably request or as may otherwise be reasonably necessary or proper, to consummate and perfect the Acquisition.

9.14 Binding Effect. Subject to Section 9.15, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and its successors and permitted assigns. This Agreement is not intended, and shall not be deemed, to create or confer any right or interest for the benefit of any Person not a Party hereto.

9.15 Assignment. This Agreement, and each right, interest and obligation hereunder, may not be assigned by any Party hereto without the prior written consent of the other Parties hereto, and any purported assignment without such consent shall be void and without effect; provided that any Shareholder may assign its right to receive all or any portion of the Purchase Price without the consent of any other Party hereto.

9.16 Titles and Captions. The titles and captions of the Articles and Sections of this Agreement are for convenience of reference only and do not in any way define or interpret the intent of the Parties or modify or otherwise affect any of the provisions hereof.

9.17 Grammatical Conventions. Whenever the context so requires, each pronoun or verb used herein shall be construed in the singular or the plural sense and each capitalized term defined herein and each pronoun used herein shall be construed in the masculine, feminine or neuter sense.

9.18 References. The terms "herein," "hereto," "hereof," "hereby" and "hereunder," and other terms of similar import, refer to this Agreement as a whole, and not to any Article, Section or other part hereof.

9.19 No Presumptions. Each Party hereto acknowledges that it has participated, with the advice of counsel, in the preparation of this Agreement. No Party hereto is entitled to any presumption with respect to the interpretation of any provision hereof or the resolution of any alleged ambiguity herein based on any claim that any other Party hereto drafted or controlled the drafting of this Agreement.

9.20 Exhibits and Schedules. The Exhibits, Schedules and Disclosure Schedules hereto are an integral part of this Agreement and are incorporated in their entirety herein by this reference

9.21 Entire Agreement. This Agreement embodies the entire agreement of the Parties hereto with respect to the subject matter hereof and supersedes all prior agreements, commitments or arrangements relating thereto. The Parties make no representations or warranties to each other, except as contained in this Agreement, and any and all prior representations and warranties made by any Party or its representatives, whether orally or in writing, shall be deemed merged into this Agreement, it being intended that no such prior representations or warranties shall survive the execution of delivery of this Agreement.

IN WITNESS WHEREOF, JAKKS Pacific by its duly authorized officer, and the Shareholders, have executed this Agreement on the dates set forth below.

JAKKS PACIFIC, INC.

By: _____

Name:

Title:

Executed on: December ____ , 2001

David S. Lipman

Executed on: December ____ , 2001

John Nimmo

Executed on: December ____ , 2001

Marilyn Lipman

Executed on: December ____ , 2001

EXECUTION COPY

JAKKS Pacific, Inc.
and
David Lipman and Others
SETTLEMENT AGREEMENT

This Agreement is made on August 2004 between:

- (1) JAKKS Pacific, Inc., a corporation organised under the laws of the State of Delaware, U.S. (JAKKS Pacific); and
- (2) DAVID LIPMAN, of Castillan House, The Ridge, Epsom, Surrey KT21 1BS, United Kingdom and others, details of which are set out in Schedule 1 (the "SHAREHOLDERS").

Whereas:

- (A) JAKKS Pacific and the Shareholders entered into a Stock Purchase Agreement on 27 December 2001 (the "SPA") whereby JAKKS Pacific acquired the entire issued share capital of Kidz Biz Limited and Kidz Biz Far East Limited in consideration for payment of an initial closing purchase price and additional earn out consideration, details of which are set out in the SPA.
- (B) The parties have agreed to accelerate the payment by JAKKS Pacific of a portion of its remaining Earn-Out Payment obligations under the SPA and to address that portion of the Holdback relating to Dragon Bell Z Claims, amongst other matters, in accordance with this Agreement.

It is agreed as follows:

1 INTERPRETATION

- 1.1 In this Agreement, capitalized terms used, but not otherwise defined, herein shall have the respective meanings assigned to them in the SPA, and, unless the context otherwise requires:

"BUSINESS DAY" means a day excluding a Saturday or Sunday on which banks in London are open for business;

"COMPROMISE AGREEMENT" means the compromise agreement to be made between JAKKS Pacific/Kidz Biz Limited, an affiliate of JAKKS Pacific and David Lipman relating to the termination of his employment by such company;

"COMPLETION" means completion of this Agreement in accordance with Clause 3;

"REGISTRABLE SECURITIES" has the meaning assigned to such term in the Registration Rights Agreement;

"REGISTRATION RIGHTS AGREEMENT" means that certain Registration Rights Agreement, dated 27 December 2001, by and among the Shareholders and JAKKS Pacific; and

"SHARES" means shares of the common stock, par value \$.001 per share, of JAKKS Pacific.

- 1.2 References to this Agreement include its Schedules and references to Clauses and Schedules are to Clauses of, and Schedules to, this Agreement.

- 1.3 Headings shall be ignored in construing this Agreement.

2 NO WAIVER OF RIGHTS UNDER THE SPA

Each of the parties agrees with the others that save as specifically and expressly provided in this Agreement, with effect from and conditional upon Completion, the provisions of the

SPA shall remain in full force and effect in accordance with its terms and in particular it is agreed that the covenants, warranties, indemnities and obligations of the Shareholders (or any of them) contained in the SPA in favour of JAKKS Pacific shall remain fully effective and enforceable as against the Shareholders or any of them, except as provided in this Agreement and in the Compromise Agreement.

3 SETTLEMENT OBLIGATIONS AND COMPLETION

3.1 Completion shall take place within five (5) business days following the execution of this Agreement.

3.2 On Completion, JAKKS Pacific shall issue to the Agent (for the benefit and account of the Shareholders) an aggregate of 25,749 Shares, which Shares represent the maximum Earn-Out Payment payable for the 2005 Earn-Out Year. These Shares shall be allocated among the Shareholders as follows:

3.2.1 19,826 to Mr. David Lipman, and by her signature below Mrs. Marilyn Lipman acknowledges having directed JAKKS Pacific to issue that portion of such Shares to which she would otherwise have been entitled to David Lipman

3.2.2 5,923 to Mr. John Nimmo

It being acknowledged by the Shareholders that these amounts may not represent their respective Payment Factors and proportionate entitlements to Earn-Out Payments under the SPA.

For the avoidance of doubt, these Shares shall be deemed Registrable Securities and subject to the terms and conditions of the Registration Rights Agreement and the parties shall comply with their respective obligations under the Registration Rights Agreement in relation to the Shares referred to in Clause 3.2.

3.3 In consideration of the issue of the Shares to be made pursuant to Clause 3.1 above, each of the Shareholders hereby irrevocably (i) accepts the issue of the Shares set out in Clause 3.2 in full and final settlement of any claim, right or entitlement which they may have to the Earn-Out and the Earn-Out Payments in respect of the 2005 Earn-Out Year only, and not with respect to the 2004 Earn-Out Year. The entitlement to the Earn-Out Payment for the 2004 Earn-Out Year shall continue to be determined and be payable in accordance with the provisions of Clause 2.3 of the SPA, but allocated in the manner provided for in Clause 3.2 (and disputes regarding its calculation resolved in accordance with Clause 7.5 of the SPA), except that each of the Shareholders hereby waives any and all rights or claims which they have or might have (whether in their capacity as Agent or a Shareholder) to acceleration of the Earn-Out Payment for the 2004 Earn-Out Year under clause 2.3(d) of the SPA as a result of the modification of David Lipman's employment under the Compromise Agreement. JAKKS Pacific shall cause the Company to operate its business through December 31, 2004 in a manner consistent with JAKKS Pacific's normal business practices and policies used in the operation of its other subsidiaries and divisions and acting in good faith, and JAKKS Pacific shall procure that the Company shall not take any action that would have the reasonably foreseeable consequence of reducing the Earn-Out Payment for Earn-Out Year 2004 under the SPA or limiting or adversely affecting the ability of the Company to achieve the financial conditions for payment of the Earn-Out Payment.

- 3.4 The Parties acknowledge that they have not resolved issues regarding the distribution of the Holdback with respect to the Dragon Ball Z Claims and Golden Express Trading and that the Holdback Period with respect thereto shall continue until resolution of such issues.
- 3.5 Concurrently with the signing of this Agreement, Mr. Lipman shall enter into the Compromise Agreement with JAKKS Pacific/Kidz Biz Limited concerning his present and future obligations to JAKKS Pacific/Kidz Biz Limited.

4 CONFIDENTIALITY

- 4.1 Subject to Clause 4.2, the parties shall treat as confidential and not disclose or use any confidential information received or obtained as a result of entering into this Agreement (or any agreement entered into pursuant to this Agreement) which relates to:
- (i) the provisions of this Agreement and any agreement entered into pursuant to this Agreement;
 - (ii) the negotiations relating to this Agreement (and such other agreements); or
 - (iii) any other party's business, financial or other affairs (including the business, financial or other affairs of any group company and including, in each case, future plans and targets).
- 4.2 Clause 4.1 (i) to (iii) (inclusive) shall not prohibit disclosure of any such information received by a party (the "receiving party") from another party (the "disclosing party") if and to the extent:
- 4.2.1 the disclosure or use is required by law, any regulatory body or the rules and regulations of any recognised stock exchange;
 - 4.2.2 the disclosure or use is required for the purpose of any Judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is reasonably required to be made to a taxation authority in connection with the taxation affairs of the disclosing party;
 - 4.2.3 the disclosure is made to professional advisers on terms that such professional advisers undertake to comply with the provisions of Clause 4.1 in respect of such information as if they were a party to this Agreement;
 - 4.2.4 the information to or becomes publicly available (other than by breach of this Agreement by the receiving party);
 - 4.2.5 the disclosing party has given prior written approval to the disclosure or use;
 - 4.2.6 the information is independently developed after the date hereof by the receiving party,
- 4.3 provided that prior to disclosure or use by a receiving party of any confidential information of a disclosing party pursuant to Clause 4.2.1 or 4.2.2, the receiving party concerned shall promptly notify the relevant disclosing party of such requirement and the disclosing party may seek a protective order from the relevant authority to prevent or limit disclosure (at the sole cost, expense and liability of such disclosing party) or waive compliance with the terms of this Agreement, except that JAKKS Pacific shall not be required to give such

notice if it determines on the advice of counsel that disclosure is required under the securities laws of the United States or the regulations of any recognized stock exchange.

5 RELEASE AND WAIVER

5.1 Any liability to a party under this Agreement may in whole or in part be released, compounded or compromised or time or indulgence given by the relevant party in its absolute discretion under such liability without in any way prejudicing or affecting its rights against any other party under the same or a like liability, whether joint and several or otherwise.

5.2 No failure of a party to exercise, and no delay by it in exercising, any right, power or remedy in connection with this Agreement (each a "RIGHT") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right.

6 WHOLE AGREEMENT, VARIATION, ASSIGNMENT

6.1 This Agreement shall together with the Compromise Agreement entered into between JAKKS Pacific/Kidz Biz Limited and Mr. Lipman, when signed, supersede any previous written or oral agreement between the parties in relation to the matters dealt with in this Agreement and contains the whole agreement between the parties relating to the subject matter of this Agreement at the date hereof to the exclusion of any terms implied by law which may be excluded by contract. Each party acknowledges that it has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it. So far as permitted by law and except in the case of fraud, each party agrees and acknowledges that its only rights and remedies in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement, to the exclusion of all other rights and remedies (including those in tort or arising under statute). In this sub-Clause "this Agreement" includes all documents entered into pursuant to this Agreement. The provisions of the SPA shall continue to survive, however, except to the extent specifically modified by this Agreement.

6.2 No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.

6.3 This Agreement shall be binding on and enure to the benefit of the parties and their successors and permitted assigns, but the parties may not assign or transfer all or any part of their rights or obligations under this Agreement without the prior written consent of the other parties.

7 FURTHER ASSURANCE

At any time after the date of this Agreement, each party shall, and shall use all reasonable endeavours to procure that any necessary third party shall, execute such documents and do such acts and things as the other party may reasonably require for the purpose of giving to such party the full benefit of all the provisions of this Agreement.

8 INVALIDITY

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under the law of any jurisdiction, the legality, validity or enforceability of such provision or part under the law of any other jurisdiction and the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

9 COUNTERPARTS

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by signing any such counterpart.

10 NOTICES

Any notice required or permitted to be given under this Agreement shall be given in accordance with the provisions of Section 9.4 of the SPA, except with the deletion of Altheimer & Gray.

11 COSTS

Each party shall bear its own costs, fees and expenses incurred in connection with the preparation, negotiation and entry into this Agreement and the documents to be entered into pursuant to it.

12 GOVERNING LAW AND SUBMISSION TO JURISDICTION

12.1 This Agreement shall be governed by and construed in accordance with the law of the state of New York, United States of America and the enforcement of rights under this Agreement and choice of forum to enforce such rights shall be governed by the provisions of Section 9.8 of the SPA.

SCHEDULE 1

The Shareholders

David Lipman

Castillan House, The Ridge, Epsom, Surrey KT21 1BS, United Kingdom

Marilyn Lipman

Castillan House, The Ridge, Epsom, Surrey KT21 1BS, United Kingdom

John Nimmo

Morwell, 5 Grays Lane, Ashted, Surrey, KT21 1BS, United Kingdom

In witness whereof this Agreement has been entered into on the date stated at the beginning.

SIGNED by on behalf of
JAKKS Pacific, Inc. in the presence of:

SIGNED by David Lipman [Illegible]
in the presence of:

[Illegible]

SIGNED by Marilyn Lipman [Illegible]
in the presence of:

[Illegible]

SIGNED by John Nimmo [Illegible]
in the presence of:

[Illegible]

EXECUTION COPY

DATED: AUGUST __, 2004

JAKKS PACIFIC/KIDZ BIZ LIMITED

and

DAVID S. LIPMAN

COMPROMISE AGREEMENT

THIS AGREEMENT is made on this day of August, 2004

BETWEEN:

(1) JAKKS Pacific/Kidz Biz Limited of Clockhouse, Epsom, Surrey, KT18 7LX,
United Kingdom ("the Company")

and

(2) David S. Lipman of Castilian House, The Ridge, Epsom, Surrey, KT21 1BS,
United Kingdom ("the Employee")

(who shall together be called "the Parties")

IT IS AGREED AS FOLLOWS:

1. TERMINATION OF EMPLOYMENT

1.1 As provided in the Employment Agreement between the Parties dated 27 December 2001 (the "Employment Agreement"), the Parties confirm that the Employee's employment with the Company shall terminate on 31 December 2005 ("the Termination Date"). The Employee will continue to be employed by the Company until the Termination Date but will be on 'garden leave'. While the Employee is on garden leave the Company, at its absolute discretion, may require the Employee:

1.1.1 Not to attend any of his places of work or any other premises of the Company or any Group Company (other than as landlord of the office premises occupied by the Company); and

1.1.2 Not to carry out some or all of his duties under the Employment Agreement or to substitute his current duties and carry out other duties instead (not inconsistent with the description of his duties set forth in the Employment Agreement).

The Company shall have no right to terminate the Employee's employment while on garden leave other than if the Employee after the date of this Agreement breaches the covenants set forth in Section 11(a)(ii) of the Employment Agreement or in Clause 9.3 of this Agreement, and then, only if such breach has a material adverse financial impact on the Company and its affiliates (including JAKKS Pacific, Inc.) taken as a whole.

1.2 The Employee shall be paid an advance payment in respect of all salary and an advance payment for car allowance for the period up to the Termination Date, totalling (pound)486,250, which shall be paid by the Company within 14 days of the date of this Agreement. These payments will be subject to normal deductions in respect of income tax and employee national insurance contributions. Subject to the terms of this Agreement, the Employee's entitlement to any further salary or payments on

account of car allowance from the Company will terminate upon receipt of such payments. The Employee shall continue to receive the other benefits provided to him in connection with his employment under Section 1(c) of the Employment Agreement up to the Termination Date, and, subject to the terms of this Agreement, the Employee's entitlement to any benefits from the Company will terminate on the Termination Date. In particular, the Company shall continue through the Termination Date medical insurance for Employee and his family and pension contributions for Employee on terms no less favourable than those in effect as of the date of this Agreement.

1.3 In addition to the payments set forth in Clause 1.2, for calendar 2004, the Employee shall be eligible to receive a cash performance bonus (the "Performance Bonus") of up to US \$325,000 based on the net sales achieved by the Company during calendar 2004, which net sales shall be calculated on a basis consistent with the Company's most recent financial statements. Subject to final audit following the close of the Company's fiscal year, the Company and Employee agree that according to the books and records of the Company net sales of the Company as at June 30, 2004 were approximately US\$8,437,100. The determination of the Company's 2004 net sales shall be made by the Chief Financial Officer of JAKKS Pacific, Inc., a corporation organized under the law of Delaware, United States of America ("JAKKS Pacific"), which determination, absent manifest error, shall be conclusive and binding upon the Company and Employee. If earned, the Company shall pay the Performance Bonus to the Employee, subject to normal deductions in respect of income tax and national insurance contributions, no later than ninety (90) days after the later of (i) the end of such calendar year or (ii) completion of an audit by the Company's then current auditors. The amount of any Performance Bonus payable to the Employee shall be determined as set forth in the following table:

COMPANY NET SALES FOR 2004

PERFORMANCE BONUS

or = US \$27,000.000

US \$325,000

For the avoidance of doubt, any payment of the Performance Bonus to Employee shall be made in US Dollars.

- 1.4 Section 4 (Expense Allowance) of the Employment Agreement shall continue to apply to the Employee.
- 1.5 The options to acquire shares of common stock of JAKKS Pacific previously issued to Employee shall continue to vest in accordance with the provisions of JAKKS Pacific's stock option plan under which they were issued.
- 1.6 JAKKS Pacific shall cause the Company to operate its business through December 31, 2004 in a manner consistent with JAKKS Pacific's normal business practices and policies used in the operation of its other subsidiaries and divisions and acting in good faith, and JAKKS Pacific shall procure that the Company shall not take any action that would have the reasonably foreseeable consequence of reducing the Performance Bonus or the Earn-Out Payment for Earn-Out Year 2004 under the Stock Purchase Agreement dated 27 December 2001 among JAKKS Pacific, Employee, Marilyn Lipman and John Nimmo (the "SPA") or limiting or adversely affecting the ability of the Company to achieve the financial conditions for payment of the Performance Bonus or said Earn-Out Payment.
- 1.7 The Company shall maintain complete and correct records relating to the determination of the Performance Bonus, and shall permit the Employee and his authorized representative, from time to time during normal business hours and upon reasonable prior written Notice, to examine and to audit such records (including ledgers, work papers and other relevant documents and information) in order to confirm JAKKS Pacific's and the Company's compliance with the provisions of this Section 1.7 and to verify the Performance Bonus. JAKKS Pacific and the Company shall cooperate with such examination and make available appropriate financial and accounting personnel to respond to inquiries relating thereto. Any information so disclosed to Employee or his authorized representative shall be subject held in confidence, provided that such restriction shall not be constructed to prohibit or restrict any statement by any person made in the course of any legal proceeding to enforce rights or obligations under this Agreement, the Employment Agreement or the Settlement Agreement entered into concurrently herewith regarding the SPA, or the resolution of any dispute pursuant to Section 1.8 below.
- 1.8 If Employee disagrees with the determination of the Performance Bonus, he shall, within forty-five (45) days after the later of delivery of such determination or certificate and compliance by JAKKS Pacific with the provisions of clause 1.7 above, give written Notice (the "Dispute Notice") to JAKKS Pacific to such effect, setting forth therein any change proposed by it and, in reasonable detail, its objections to such determination and the reasons for such change. In such event, unless the Parties involved promptly, and, in any event, within thirty (30) days of the giving of the Dispute Notice, resolve all such objections and agree upon the determination of the amount in dispute, the determination thereof shall be promptly referred to its regular independent certified public accountants,

who shall confer and attempt to resolve the objections as to such determination set forth in or arising as a consequence of the Dispute Notice. If, within thirty (30) days of such referral, such accountants resolve such dispute and determine the amount, they shall give Notices to JAKKS Pacific and Employee to such effect, setting forth therein the amount as so determined and the basis therefor, and such determination shall be final and binding on JAKKS Pacific and Employee. If such accountants do not make such determination within such thirty (30) day period, JAKKS Pacific and Employee involved shall refer such dispute to a mutually agreeable internationally-recognized accounting firm that is "independent" with respect to the Parties hereto (the "Neutral Accountants"). Unless the Neutral Accountants expressly determine otherwise, JAKKS Pacific and Employee shall submit to the Neutral Accountants (a) within ten (10) days of the engagement thereof, and in such form and manner as they may prescribe, a statement setting forth such Party's position with respect to each of the objections or other issues set forth in or arising as a consequence of the Dispute Notice, together with any exhibits or other supporting documents relating thereto, and send a copy thereof to each other Party involved, and (b) within ten (10) days thereafter, and in such form and manner as the Neutral Accountants may prescribe, a rebuttal statement responding to the initial statement of each other Party, together with any exhibits or other supporting documents relating thereto, and send a copy thereof to each other Party involved. The Neutral Accountants shall conduct a hearing, if both JAKKS Pacific and Employee so request in their statements, and may conduct a hearing, whether or not either or both of JAKKS Pacific and Employee so request, if the Neutral Accountants reasonably deem it necessary for the performance of their engagement; provided that any such hearing shall be held only upon reasonable prior written Notice to JAKKS Pacific and Employee only if both have an opportunity to appear and present evidence at such hearing. The Neutral Accountants may require JAKKS Pacific or Employee (whether or not a party to the dispute) to submit or produce additional statements, documents or information, to appear and testify at any hearing or other proceeding, or otherwise to produce tangible or oral evidence to the extent such Neutral Accountants reasonably deem necessary or appropriate for them to determine the amount in dispute. Based on such submissions and the evidence presented at any hearing, the Neutral Accountants shall resolve all obligations and other issues set forth in or arising as a consequence of the Dispute Notice and determine the amount in dispute, and give Notice to JAKKS Pacific and Employee, setting forth therein such amount and the basis of determination thereof, such determination to be final and binding on the Parties involved. Upon the determination of the amount, any payment or adjustment based thereon shall be promptly made in the manner provided herein. The fees and expenses of a Party's Independent certified public accountants incurred in the determination of such amount as provided herein shall be separately borne by such Party. The fees and expenses of the Neutral Accountants incurred, if required pursuant to this Section 1.8, shall be borne and promptly paid equally by JAKKS Pacific, on the one hand, and the Employee, on the other.

2. CONDITIONS PRECEDENT

2.1 Full operation of this Agreement is dependent upon receipt by the Company of all of the following within seven (7) days of the date of this Agreement:

2.1.1 this Agreement duly executed by the Employee;

2.1.2 an Independent Adviser Certificate in the form annexed at Schedule 1; and

2.1.3 the Resignation Letter duly executed.

3. TERMINATION PAYMENT AND TAX

3.1 Subject to Clause 2 above and the remaining terms of this Agreement the Company without any admission of liability, will pay to the Employee within 14 days after the Termination Date the sum of (pound)12,000 as compensation for the termination of the Employee's employment. Payment of the said sum shall be conditioned upon receipt by the Company within 7 days after the Termination Date of an Independent Adviser's Certificate in the form annexed at Schedule 1-A.

3.2 The sum referred to in Clause 3.1 will be paid free of tax and national insurance contributions as it is the Parties' understanding that the first (pound)30,000 of such type of payment may be made without deduction for tax under section 403 of the Income Tax (Earnings and Pensions) Act 2003, and tax would be deducted from the excess, if any, over (pound)30,000. In the event that it is finally determined that notwithstanding the Parties' understanding of the treatment of such amount expressed in the foregoing sentence, that such amount is subject to tax and national insurance contributions, the Company shall be responsible for the payment of any additional tax or national insurance contributions and all costs, claims, expenses or proceedings, penalties and interest incurred by the Employee which arise out of or in connection with any liability to pay (or deduct) tax or national insurance contributions in respect of the payment under Clause 3.1 above. As a condition to the Company's liability for such amounts, the Employee shall give prompt written notice to the Company promptly after Employee receives any notice from the governmental authorities that tax and national insurance contributions may be due with respect to the sum referred to in Clause 3.1.

3.3 The Employee accepts the payment to be given to him under Clauses 1.1 and 3.1 of this Agreement in full and final settlement of:

3.3.1 the Potential Claims; and

3.3.2 all other claims and rights of action (whether under statute, common law or otherwise) in any jurisdiction in the world, howsoever arising (including but not limited to contractual claims, breach of contract, tort and the Employees prospective entitlement to bring any other Statutory Claim) which the Employee (or anyone on his behalf) has or may have against the Company,

any Group Company, or its or their directors, officers, employees or shareholders, arising from or connected with the Employee's employment by the Company or any Group Company, its termination and any other matter concerning the Company or any Group Company;

with the exception that this Clause 3.3 shall not apply to the Employee's entitlement to a Performance Bonus as set out at Clause 1.3 of this Agreement and/or to any pension rights or pension benefits which shall have accrued to the Employee up to the Termination Date, or any claims relating to options to acquire shares of common stock of JAKKS Pacific, Inc. issued to Employee as of the date of this Agreement, or any claim for personal injury or claims by third parties relating to Employee's performance of his responsibilities as an employee of the Company for which Employee would be entitled to indemnification from the Company.

3.4 It is a fundamental term of this Agreement that:

3.4.1 the payments to be given to the Employee under Clauses 1.2, 1.3 and 3.1 of this Agreement shall at all times be conditional on the Employee refraining from issuing or pursuing any type of employment related proceedings in respect of the Potential Claims, any other Statutory Claim or any claim referred to in Clause 3.3.2 (with the exception of the reserved claims referred to at the end of Clause 3.3 of this Agreement,) for accrued pension rights or pension benefits or for personal injury against the Company, any Group Company, or its or their directors, officers, employees or shareholders (and whether in an Employment Tribunal, the High Court, a Country Court or otherwise); and

3.4.2 if the Employee subsequently issues or pursues such employment related proceedings in breach of this Agreement then the payment paid to the Employee under this Agreement shall be repayable (less any tax actually paid by Employee on such amount as of such date) to the Company forthwith on demand; and

3.4.3 the total sum shall be recoverable as a debt, together with all costs (including legal costs) reasonably incurred by the Company (or by any Group Company, or any of its or their directors, officers, employees or shareholders, as applicable) in recovering the sum and/or in relation to any proceedings so brought by the Employee.

The repayment provisions of this Clause 3.4 shall be without prejudice to the Company's right to seek further damages from the Employee in respect of the breach referred to in this Clause and any other breach of this Agreement.

4. RETURN OF COMPANY PROPERTY

4.1 On or before the Termination Date and subject to the remaining terms of this Agreement, the Employee shall:

4.1.1 return to the Company all property (including but not limited to documents materials, disks, credit cards, computer hardware (other than the Employee's lap-top computer), computer software or data, tax machine, equipment, key, and passes) belonging or relating to the Company, any Group Company, or any officer, employee, customer, supplier, banker, agent or professional adviser of the Company or any Group Company, which are in his possession or control, and the Employee undertakes that no copies, drafts, reproductions, notes, extracts or summaries of any such property have been made or kept in any form. The Company will permit the Employee to retain his mobile telephone number as his personal mobile telephone number and Employee shall arrange for transfer of such service to his personal account. The Employee shall, if requested by the Company, confirm in writing the compliance with his obligations under this Clause 4.1.1, and

4.1.2 inform Joel Bennett of JAKKS Pacific, Inc. of all passwords and other codes used by the Employee immediately prior to the termination of his employment to access any part of the Company's computer system (or that of any Group Company); and

4.1.3 delete from any hard disc used by the Employee on a computer at his home, or at any location other than the Company's premises (or those of any Group Company), any data that relates in any way to the Company, any Group Company (or to any officer, employee, customer, supplier or shareholder of the Company or any Group Company).

5. SETTLEMENT OR CLAIMS

5.1 The Employee represents and warrants that;

5.1.1 he has instructed the Adviser who is referred to in Clause 5.1.3 to advise whether he has or may have any Statutory Claims (as defined in Clause 109). Potential Claims (as defined in Clause 108) or other claims (as referred to in Clause 3.3.2) against the Company, any Group Company, or any of its or then directors, officers, or employees, arising out of or in connection with his employment by the Company and its termination, and immediately prior to the Termination Date, he will again instruct the Adviser who is referred to in Clause 5.1.3 to advise whether he has or may have any Statutory Claims (as defined in Clause 10.9), Potential Claims (as defined in Clause 10.8) or other claims (as referred to in Clause 3.3.2) against the Company, any Group Company, or any of its or their directors, officers, employees or shareholders

arising out of or in connection with his employment by the Company and its termination; and

5.1.2 he has provided, and will provide the Adviser with whatever information is in his possession to enable the Adviser to advise whether he has or may have any such Statutory Claims as of this date and as of the Termination Date; and

5.1.3 he has received independent legal advice from Julian Roskill of Mayer, Brown, Rowe, & Maw LLP as to the terms and effect of this Agreement, in particular regarding the Employee's ability to institute or pursue any claims (including the Potential Claims) in an Employment Tribunal following signature of this Agreement; and

5.1.4 he, having had legal advice from the Adviser, has no Statutory Claims other than those referred to in this Clause 5.1 against the Company, any Group Company, or its or their directors, officers, employees or shareholders, arising out of or in connection with his employment with the Company and its termination; and

5.1.5 the Adviser is a qualified independent lawyer. As provided in Section 2.1, full operation of this Agreement is dependent upon receipt by the Company within seven (7) days of the date of this Agreement of the Adviser's certificate addressed to the Company in the form attached at Schedule 1 to this Agreement. Payment of the Termination Payment and the Company's performance of obligations to be performed by it following the Termination Date is dependent upon receipt by the Company within seven (7) days of the Termination Date of the Adviser's certificate addressed to the Company in the form attached at Schedule 1-A to this Agreement and a certificate from Employee in the form attached at Schedule 1-B to this Agreement.

5.2 In consideration of the Company's undertakings set out in Clause 6 below, the Employee agrees:

5.2.1 to keep the existence and terms of this Agreement, and the circumstances giving rise to this Agreement, confidential and not to disclose the same to any person other than the Adviser, ACAS, the Employee's spouse (subject to the Adviser, ACAS, and the Employee's spouse maintaining confidentiality), the Inland Revenue or otherwise as required by operation of law or by any regulatory body; and

5.2.2 except for the trade announcement set forth in Schedule 2, not to make, or cause to be made (directly or indirectly), any statement or comment to the press or other media relating to his employment with the Company, his departure from the Company, or his resignation from any offices with the Company or any Group Company, without the prior written consent of the Company; and

- 5.2.3 on signature of this Agreement to resign all offices held at the Company and of any Group Company, such resignation taking immediate effect, and forthwith to provide the Board of Directors of the Company with a letter of resignation in the form attached as Schedule 3; and
- 5.2.4 having resigned from such offices as were held within the Company or any Group Company, not to conduct himself in any way inconsistent with having surrendered his authority either in matters of internal company administration or externally, and following the termination of employment not to represent himself as being a director of, or employed by, or connected in any way with the Company or any Group Company; and
- 5.2.5 that he will, at the request of the Company, assist it in any threatened or actual litigation concerning the Company where he has in his possession or knowledge any facts or other matters which the Company reasonably considers is relevant to such legal proceedings (including, but not limited to, giving statements/affidavits, meeting with the Company's legal and other professional advisers, attending any legal hearing and giving evidence, provided Employee is reimbursed for his expenses incurred in providing such assistance), and provided that such assistance is requested on a reasonable basis and consideration is given to other time commitments of Employee.
- 5.3 The Employee acknowledges that Sections 9, 10, 11 and 24 (as it pertains to Sections 9, 10 and 11 only) of the Employment Agreement shall remain in full force and effect, provided, however, that Section 11 shall not prohibit Employee after the date of this Agreement from providing consulting services of a non-executive and advisory nature to third parties engaged in the toy business. The Company hereby waives its right to enforce Section 11 of the Employment Agreement so far as it applies after the Termination Date.
- 5.4 The Potential Claims are hereby unconditionally and irrevocably waived by the Employee and will not be repeated, referred to or pursued either by the Employee or by anyone else on his behalf.
6. COMPANY'S OBLIGATIONS
- In consideration of the Employee entering into this Agreement the Company hereby agrees:
- 6.1 to keep the terms of this Agreement, and the circumstances giving rise to this Agreement, confidential, and not to disclose or reveal its terms to any person other than the Group Companies, its or their professional advisers, ACAS (on terms that they agree to keep the same confidential), the Inland Revenue or otherwise as required by operation of law or by any regulatory body, provided that this Clause shall not prevent the Company from providing information in relation to or supplying a copy of this Agreement to its directors, officers, shareholders senior employees and

any of its other employees where reasonably necessary for the administration of this Agreement or the termination of the Employee's employment or, in respect of any person, firm or organisation who offers employment, engagement or other business opportunities to the Employee, from providing a copy of the restraints set out in paragraph 11 of the Employment Agreement as modified by Section 5.3 of this Agreement; and

- 6.2 except for the trade announcement set forth in Schedule 2, not to make, or cause to be made (whether directly or indirectly) any statement or comment to the press or other media relating to the Employee's employment with the Company, or his departure from the Company, or the loss of any offices which the Employee held with the Company, without the prior written consent of the Employee, provided that this Clause shall not prevent the Company from publishing those facts of such termination or resignation(s) of office as may be required for the Company's annual report and accounts or other statutory or regulatory requirements; and
- 6.3 provide to any prospective employer of the Employee a reference in the form attached at Schedule 4 and undertakes not to contradict that reference, provided that the Employee directs all reference requests to Joel Bennett at JAKKS Pacific, Inc., and without prejudice to the Company's right to provide the information contained in the reference in a form acceptable to the prospective employer (for example by way of a completed response form); and
- 6.4 An announcement concerning the Employee's departure will be made internally within the Company and its Group Companies and externally to the press and to third parties who deal regularly with the Company in the form set out in Schedule 2.

7. STATUTORY CONDITIONS SATISFIED

The Parties agree that this is a compromise agreement as provided in section 203(3) Employment Rights Act 1996, section 77(4A) of the Sex Discrimination Act 1975, section 72(4A) of the Race Relations Act 1976, section 9(3) of the Disability Discrimination Act 1995, section 288 of the Trade Union and Labour Relations (Consolidation) Act 1992, Regulation 35 of the Working Time Regulations 1998 and section 49(4) of the National Minimum Wage Act 1998, section 35 of the Employment Equality (Sexual Orientation) Regulations 2003 and section 35 of the Employment Equality (Religion or Belief) Regulations 2003 and the conditions contained in those Act(s) and Regulations relating to compromise agreements have been satisfied.

8. LEGAL EXPENSES

Each of the Company and Employee shall be responsible for their respective legal expenses incurred in connection with obtaining legal advice on the terms of this Agreement, except that the Company agrees to pay (pound)13,250 inclusive of Value Added

Tax on account of Employee's legal expenses incurred in connection with this Agreement.

9. GENERAL

- 9.1 Although marked "Without Prejudice" and "Subject to Contract", once signed by the Parties this Agreement shall have full force and effect and may be disclosed as evidence of a binding Agreement before a court or Employment Tribunal.
- 9.2 Any Group Company may enforce the terms of this Agreement, subject to and in accordance with the Contracts (Rights of Third Parties) Act 1999 ("the 1999 Act"), but the Parties may rescind, vary, waive, assign or release any or all of their respective rights and obligations under this Agreement without the consent of any Group Company. Other than as provided in this Clause, the Parties do not intend that any term of this Agreement shall be enforceable solely by virtue of the 1999 Act by any person who is not a party to this Agreement.
- 9.3 Employee agrees not to make, or cause to be made, (directly or indirectly) any statements or announcements (whether orally or in writing) about the Company or any Group Company or their officers or employees which are disparaging, detrimental, or likely to bring the Company into disrepute or which are in any way untruthful or intended to or have the effect of damaging or lowering the reputation of the Company. The Company agrees not to make, or cause to be made, (directly or indirectly) any statements or announcements (whether orally or in writing) about the Employee which are disparaging, detrimental, or likely to bring the Employee into disrepute or which are in any way untruthful or intended to or have the effect of damaging or lowering the reputation of the Employee
- 9.4 The terms of this Agreement, and a Settlement Agreement between JAKKS Pacific, Inc., Employee and others entered into concurrently with this Agreement regarding the SPA, constitute the entire agreement and understanding between the parties and it supersedes and replaces all prior or contemporaneous negotiations, agreements, arrangements or understandings (whether implied or expressed, orally or in writing) concerning the subject matter hereof, all of which are hereby treated as terminated by mutual consent.
- 9.5 The various provisions, sub-provisions, schedules and annexes of this Agreement are severable and if any provision of this Agreement is held by any court of competent jurisdiction to be invalid, illegal, or otherwise unenforceable in any jurisdiction that will not affect or impair the validity, legality or enforceability of the remaining provisions, schedules or annexes or identifiable parts thereof in this Agreement.
- 9.6 This Agreement is governed by and shall be construed in accordance with the laws of England and Wales, and the Parties agree to submit to the exclusive jurisdiction of the English Courts;

- 9.7 This Agreement may be executed in any number of counterparts each of which when signed is an original, but all counterparts together constitute the same document.
10. INTERPRETATION IN THIS AGREEMENT:
- 10.1 "Adviser" has the meaning ascribed to it in Clause 5.1.3;
- 10.2 "Board" means the Board of Directors of the Company;
- 10.3 "Employment Agreement" has the meaning ascribed to it in Clause 1.1;
- 10.4 "Group Company" means any company which for the time being is a holding company of the Company or a subsidiary of the Company (both as defined by section 736 of the Companies Act 1985), or a subsidiary of a holding company (as defined);
- 10.5 "Independent Adviser Certificate" means the certificates referred to in Clause 5.1.5 and attached at Schedule 1 and Schedule 1-A to this Agreement;
- 10.6 "JAKKS Pacific" has the meaning ascribed to it in Clause 1.3;
- 10.7 "Performance Bonus" has the meaning ascribed to it in Clause 1.3;
- 10.8 "Potential Claim" means any claim relating to wrongful dismissal, breach of contract, unauthorized deduction of wages, unfair dismissal, constructive dismissal, remuneration and holiday pay;
- 10.9 "Statutory Claim" means any claim under the Employment Rights Act 1996, the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Act 1976, the Disability Discrimination Act 1995, the Transfer of Undertakings (Protection of Employment) Regulations 1981, the Working Time Regulations 1998, the Trade Union and Labour Relations (Consolidation) Act 1992, the Public Interest Disclosure Act 1998, the National Minimum Wage Act 1998, the Data Protection Act 1998, the Employment Relations Act 1999, the Employment Equality (Sexual Orientation) Regulations 2003, the Employment Equality (Religion or Belief) Regulations 2003, Article 141 of the EC Treaty, Equal Pay, Directive No 75/117 and any other Treaty, Directive, Regulation or Recommendation of the European Union;
- 10.10 "Termination Date" has the meaning ascribed to it in Clause 1.1;
- 10.11 any reference to a "Clause" or "Schedule" is to the relevant Clause or Schedule of or to this Agreement;
- 10.12 headings are inserted for convenience only and shall not affect the construction of this Agreement;
- 10.13 any reference to a statute, statutory provision or subordinate legislation ("Legislation") shall be construed as referring to such legislation as amended and in

force from time to time and to any legislation which re-enacts or consolidates (with or without modification) any such legislation;

10.14 any reference to the "Company" shall (where the context permits) include a reference to any Group Company and to all directors, officers, employees, agents, contractors or shareholders of the Company or any group company;

10.15 any reference to the Company or any Group Company shall include any successor in title or assign of the company or any Group Company;

10.16 the Schedules and Annexes form part of this Agreement and shall have effect as if set out in full in the body of this Agreement and any reference to this Agreement includes the Schedules;

10.17 use of the singular includes the plural and vice versa; and

10.18 use of any gender includes the other gender.

SCHEDULE 1

ADVISER'S CERTIFICATE PURSUANT TO CLAUSE 5

August ____, 2004

To David S. Lipman

CC JAKKS Pacific/Kidz Biz Limited

Dear David

I, Julian Roskill, of Mayer, Brown, Rowe & Maw [address of firm] confirm that I have given independent legal advice to you as to the terms and effect of the Compromise Agreement between you and JAKKS Pacific/Kidz Biz Limited of August ____, 2004.

I also warrant and confirm that I am a solicitor of the Supreme Court who holds a valid practicing certificate and whose firm is covered by a policy of insurance, or an indemnity provided for members of a profession or professional body, which covers the risk of claims by you in respect of any loss arising in consequence of such advice that I have given to you in connection with the terms and effect of the Agreement.

Yours sincerely

Julian Roskill

SCHEDULE 1-A

ADVISER'S CERTIFICATE PURSUANT TO CLAUSE 5

January ____, 2006

To David S. Lipman

CC JAKKS Pacific/Kidz Biz Limited

Dear David

I, Julian Roskill, of Mayer, Brown, Rowe & Maw [address of firm] confirm that I have again given independent legal advice to you as to the terms and effect of the Compromise Agreement between you and JAKKS Pacific/Kidz Biz Limited of August ____, 2004, including matters that may have arisen between the date of the Agreement and this date.

I also warrant and confirm that I am a solicitor of the Supreme Court who holds a valid practicing certificate and whose firm is covered by a policy of insurance, or an indemnity provided for members of a profession or professional body, which covers the risk of claims by you in respect of any loss arising in consequence of such advice that I have given to you in connection with the terms and effect of the Agreement.

Yours sincerely

Julian Roskill

SCHEDULE 1-B

EMPLOYEE'S CERTIFICATE PURSUANT TO CLAUSE 5

January ____, 2006

To JAKKS Pacific/Kidz Biz Limited

Gentlemen:

I, David Lipman confirm that I have again received independent legal advice from Julian Roskill of Mayer, Brown, Rowe & Maw [address of firm] as to the terms and effect of the Compromise Agreement between me and JAKKS Pacific/Kidz Biz Limited of August____, 2004 with respect to matters that may have, arisen between the date of the Agreement and this date, in particular regarding my ability to institute or pursue any claims (including the Potential Claims as such term is defined in the said Agreement) in an Employment Tribunal following the Termination Date; and

having had legal advice from the Adviser, I represent and warrant that I have no Statutory Claims other than those referred to in Clause 5.1 of the said Agreement against the Company, any Group Company, or its or their directors, officers, employees or shareholders, arising out of or in connection with my employment with the Company and its termination.

Yours sincerely

David Lipman

SCHEDULE 2

TRADE ANNOUNCEMENT AND ANNOUNCEMENT TO STAFF

It is with regret that I announce the resignation of David Lipman from his position as Chairman of JAKKS Pacific/Kidz Biz Limited.

The acquisition of Kidz Biz by the JAKKS Group in 2001 has led to many changes within the organisation and David has played a significant role ensuring that the integration has been as smooth and seamless as possible.

In addition to his efforts integrating Kidz Biz into the JAKKS Group David has worked tirelessly to maintain and build on the successful business relationships that exist with the major UK customers.

I would like to take this opportunity to personally thank David for his years of dedicated service and contribution in developing the awareness of JAKKS Pacific internationally.

I am sure you all join me in my heartfelt thanks to David for his invaluable input over the past three years. I wish for him all the best in the future.

In the coming years, David will remain one of the Company's greatest supporters and allies, as well as a true friend.

SCHEDULE 3

RESIGNATION AS AN OFFICER

To: The Board of Directors

JAKKS Pacific/Kidz Biz Limited of Clockhouse, Epsom, Surrey KT18 7LX ("the Company")

August __, 2004

Dear Sirs,

RESIGNATION AS AN OFFICER

I am writing to resign as President of the Company with immediate effect. I confirm that I do not hold any other offices or directorships in relation to the Company or any of its Group Companies.

The expression "Group Company" means any company that for the time being is a holding company of the Company or a subsidiary of the Company (both as defined by section 736 of the Companies Act 1985), or a subsidiary of a holding company (as defined).

EXECUTED AS A DEED

by David S. Lipman _____

in the presence of

Witness Signature _____

Witness Name: _____

Witness Address: _____

Witness Occupation: _____

SIGNED this day of August, 2004 by

/s/ David S. Lipman

David S. Lipman

For and on behalf of the Company

[name]

Employee

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT dated as of December ____, 2001 is entered into by and among JAKKS Pacific, Inc., a Delaware corporation ("JAKKS"), and David S. Lipman, Marilyn Lipman and John Nimmo (together the "Shareholders" and each a "Shareholder").

W I T N E S S E T H :

WHEREAS, JAKKS has this date acquired from the Shareholders all of the outstanding capital stock of Kidz Biz Limited, a private limited company incorporated under the law of England and Wales and Kidz Biz Far East Limited, a Hong Kong corporation (collectively, the "Kidz Biz Companies" and the acquisition of the shares of the Kidz Biz Companies is referred to as the "Acquisition"), pursuant to a Stock Purchase Agreement of even date herewith (the "Stock Purchase Agreement"); and

WHEREAS, a portion of the purchase price for the Acquisition consists of shares of JAKKS' common stock, and in order to induce the Shareholders to enter into the Stock Purchase Agreement and close the Acquisition, JAKKS has agreed to enter into this Agreement regarding registration of such shares of JAKKS' common stock.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Certain Definitions.

1.1 "Agent" means David S. Lipman, one of the Shareholders.

1.2 "Agreement" means this Registration Rights Agreement, as amended or supplemented.

1.3 "Blue Sky Laws" means the laws of any state, the District of Columbia, or any territory or other jurisdiction in the United States governing the purchase and/or sale of securities in such jurisdiction.

1.4 "Commission" means the U.S. Securities and Exchange Commission.

1.5 "Common Stock" means shares of JAKKS' common stock, par value \$.001 per share.

1.6 "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

1.7 "Inspectors" has the meaning provided for in Section 3.1 below.

1.8 "JAKKS Securities Claims" has the meaning provided for in Section 7.2 below.

1.9 "JAKKS Shares" means the shares of Common Stock delivered as part of the Closing Purchase Price or which may be delivered in payment of the Earn-Out under the Stock Purchase Agreement.

1.10 "Notice" means giving any notice to, or making any declaration or filing, or registration or recordation, with any Person.

1.11 "Person" includes without limitation a natural person, corporation, joint stock company, limited liability company, partnership, joint venture, association, trust, Governmental Authority, or any group of the foregoing acting in concert.

1.12 "Proceeding" means any action, suit, arbitration, audit, investigation or other proceeding, at law or in equity, before or by any Governmental Authority.

1.13 "Order" means any judgment, order, writ, decree, award, directive, ruling or decision of any Governmental Authority.

1.14 "Records" has the meaning provided for in Section 3.1 below.

1.15 The terms "register," "registered," "registration" and "registration statement" shall refer to a registration of securities to be offered and sold under a registration statement filed with the Commission, that becomes effective pursuant to the Securities Act or the Exchange Act and the applicable rules and regulations under either such Act.

1.16 "Registrable Securities" has the meaning provided for in Section 2.1 below.

1.17 "Securities Act" means the U.S. Securities Act of 1933, as amended.

1.18 "Shareholders Securities Claims" has the meaning provided for in Section 7.1 below.

2. Registration Rights.

2.1 Registration Statement. JAKKS shall prepare a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of registration statement as is then available to effect a registration of all of the Registrable Securities, subject to the consent of the Shareholders (as determined pursuant to Section 5 hereof)), and file the same with the Commission, in the case of Registrable Securities included in the Closing Purchase Price, on or prior to March 1, 2002, and, in the case of Registrable Securities included in the Earn-Out, if any, within two (2) months after the date of issuance thereof, covering the JAKKS Shares (the "Registrable Securities"), and shall use its best efforts to cause each such registration statement to become effective as soon as practicable, but in no event later than within three (3) months, after the Closing Date, in the case of Registrable Securities included in the Closing Purchase Price, or the date of issuance, in the case of Registrable Securities included in the Earn-Out, if any, to permit, when such registration statement becomes effective, the sale of the Registrable Securities in the public securities markets.

2.2 Incidental Registrations. If at any time prior to the date on which the Registration statement becomes effective, JAKKS shall file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with an acquisition of any entity or business or equity securities issuable in connection with

stock option or other employee benefit plans), then JAKKS shall send to each Shareholder written notice of such determination and, if within fifteen (15) days after the date of such notice, any Shareholder shall so request in writing, JAKKS shall include in such Registration Statement all or any part of the Registrable Securities such Shareholder requests to be registered, except that if, in connection with any underwritten public offering, the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then JAKKS shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which such Shareholder has requested inclusion hereunder as the underwriter shall permit. Any exclusion of Registrable Securities shall be made pro rata among the Shareholders seeking to include Registrable Securities, in proportion to the number of Registrable Securities sought to be included by such Shareholders; provided, however, that JAKKS shall not exclude any Registrable Securities unless JAKKS has first excluded all outstanding securities, the holders of which are not entitled to inclusion of such securities in such Registration Statement or are not entitled to pro rata inclusion with the Registrable Securities; and provided, further, however, that, after giving effect to the immediately preceding proviso, any exclusion of Registrable Securities shall be made pro rata with holders of other securities having the right to include such securities in the Registration Statement. No right to registration of Registrable Securities under this Section 2.2 shall be construed to limit any registration required under Section 2.1 hereof. If an offering in connection with which a Shareholder is entitled to registration under this Section 2.2 is an underwritten offering, then each Shareholder whose Registrable Securities are included in such Registration Statement shall, unless otherwise agreed by JAKKS, offer and sell such Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms and conditions as other shares of Common Stock included in such underwritten offering.

2.3 Limitation on Sales of JAKKS Shares. Each of David S. Lipman and Marilyn Lipman shall not sell, assign, pledge or otherwise transfer, or engage in short-selling or hedging transactions with respect to, any Registrable Securities held by him or her, notwithstanding that such securities may have been registered for sale under the Securities Act, in any calendar quarter of 2002, in excess of the number set forth below:

Quarter	Number of Shares
1	25% of JAKKS Shares initially issued to both such Shareholders
2	50% of JAKKS Shares initially issued to both such Shareholders, less the number of such Shares sold hereunder by both such Shareholders in the prior quarter
3	75% of JAKKS Shares initially issued to both such Shareholders, less the number of such Shares sold hereunder by both such Shareholders in the prior two quarters
4	100% of JAKKS Shares initially issued to both such Shareholders, less the number of such Shares sold hereunder by both such Shareholders in the prior three quarters

2.4 Preparation and Filing of Registration Statement. With respect to any Registration Statement to be prepared by JAKKS under this Agreement, JAKKS shall, at its sole expense, as expeditiously as practicable:

(i) prepare and file with the Commission a registration statement necessary to permit the sale of the Registrable Securities in the public securities markets when such registration statement becomes effective and use its best efforts to keep the Registration Statement effective pursuant to Rule 415 at all times until such date as is the earlier of (i) the date on which all of the Registrable Securities have been sold and (ii) the date on which all of the Registrable Securities (in the reasonable opinion of counsel to Shareholders) may be immediately sold to the public without registration and without restriction as to the number of Registrable Securities to be sold, whether pursuant to Rule 144 or otherwise (the "Registration Period").

(ii) prepare and file with the Commission such amendments and supplements to such Registration Statement and the prospectus included therein as may be necessary, to keep the Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of JAKKS covered by the Registration Statement until the termination of the Registration Period. JAKKS shall use its best efforts to cause such amendments to become effective as soon as practicable following the filing thereof.

(iii) furnish to the Agent (a) promptly after the same is prepared and publicly distributed, filed with the Commission, or received by JAKKS, one copy of the Registration Statement and any amendment thereto, each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of a Registration Statement referred to in Section 2.1, each written correspondence by or on behalf of JAKKS to the Commission or the staff of the Commission, and each item of correspondence from the Commission or the staff of the Commission, in each case relating to such Registration Statement (other than any portion, if any, thereof which contains information for which JAKKS has sought confidential treatment), and (b) such number of conformed copies of such registration statement and of each amendment or supplement thereto (in each case including all exhibits and documents incorporated therein by reference), such number of copies of any prospectus included in such registration statement and such other documents, in each case, as the Agent may reasonably request in order to facilitate the sale of the Registrable Securities in the public securities markets;

(iv) use its best efforts to register or to qualify the Registrable Securities under the Blue Sky Laws of each state governing further purchase or sale of securities as the Agent may reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect and take any other action that may be reasonably necessary or advisable to enable the Shareholders to consummate the disposition in such states of the Registrable Securities; provided that JAKKS shall not be required to keep such registration or qualification in effect at any time after the disposition of the Registrable Securities in accordance with the manner of disposition set forth in the registration statement relating thereto; and provided, further, that JAKKS will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph or (B) subject itself to taxation in any such jurisdiction;

(v) notify the Agent as expeditiously as practicable, and confirm such advice in writing:

(1) when the registration statement or any amendment thereto has been filed and when it has become effective;

(2) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose; and

(3) of the registration or qualification of the Registrable Securities for sale under the Blue Sky Laws of any jurisdiction affecting such registration or qualification;

(4) of the happening of any event as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and use its best efforts to as soon as possible (but in any event it shall within five (5) days) prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and deliver such number of copies of such supplement or amendment to each Shareholder as such Shareholder may reasonably request.

(vi) make its best efforts to prevent the issuance of any Order suspending the effectiveness of the registration statement and, if such an Order is issued, to obtain the withdrawal of such Order at the earliest possible time;

(vii) cause all of the Registrable Securities covered by the registration statement to be listed on each securities exchange, or designated for inclusion in each automated interdealer quotation system, on which the Common Stock is listed or included.

(viii) JAKKS shall comply with all applicable laws related to a Registration Statement and offering and sale of securities and all applicable rules and regulations of governmental authorities in connection therewith (including, without limitation, the Securities Act and the Exchange Act, and the rules and regulations promulgated by the Commission); and

(ix) JAKKS shall take all such other actions as any Shareholder or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

2.5 Limitations on Registrations. JAKKS may delay the filing, or the making of a request for the acceleration of effectiveness, of a registration statement pursuant to this Section 2 or withdraw or suspend the effectiveness of a registration statement covering the Registrable Securities that has become effective if in the good faith and reasonable judgment of JAKKS' board of directors, JAKKS would be required to include in such registration statement or the prospectus included therein (or in an amendment or supplement thereto) material information that at that time could not be publicly disclosed without materially interfering with any financing, acquisition, corporate reorganization or other material development or transaction then pending or as to which JAKKS has taken substantive steps to structure or negotiate; provided that the duration of any such delay, suspension or withdrawal shall not exceed 90 days from the date that JAKKS' board of directors commences or becomes aware of such transaction or development and that JAKKS shall not exercise its right to cause such delay, suspension or withdrawal on one or more occasions if, as a result thereof, the aggregate duration of all such delays, suspensions or withdrawals would exceed 90 days within any rolling 12-month period during the term of this Agreement; and, in case of any such delay, suspension or withdrawal, JAKKS shall make such filing or amendment as is reasonably necessary to complete, restore or reinstate such registration statement no later than the

earlier of (i) the earliest date on which the conditions leading to such delay, suspension or withdrawal no longer apply and (ii) the end of such 90 day period.

2.6 Shareholders' Obligations. It is a condition precedent to JAKKS' obligation to register any Registrable Securities pursuant hereto that (a) the Shareholders cooperate with JAKKS in the preparation of the Registration Statement (or any amendment thereto), including providing any information with respect to the Shareholders required to be included therein, and (b) in the case of an incidental registration of Common Stock or other equity securities of JAKKS for sale in an underwritten public offering, each Shareholder who participates in such registration agrees to sell his or her Registrable Securities to the underwriters at the same price and on substantially the same terms and conditions as apply to the other securities included in such registration and that they execute the underwriting agreement, custody agreement and related documents that apply to all the securities to be offered under such registration.

3. Preparation; Reasonable Investigation.

3.1 In connection with the preparation and filing of the registration statement and any amendments thereto and any Blue Sky Filing, JAKKS will give the Agent and its counsel and accountant the opportunity to review, in each case, a reasonable time prior to their filing, the registration statement, each prospectus included therein or filed with the Commission, each document incorporated by reference therein and each amendment thereof or supplement thereto and any Blue Sky Filing in order to verify the accuracy of any factual information concerning the Kidz Biz Companies or the Shareholders. JAKKS will make available for inspection by the Agent, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by the Agent or any such underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of JAKKS (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause JAKKS's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement and permit the Inspectors to participate in the preparation of such registration statement and any prospectus contained therein and any amendment thereof or supplement thereto. Records which JAKKS determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement, (ii) the release of such Records is ordered pursuant to a subpoena or other Order from a court of competent jurisdiction, or (iii) the information in such Records has been made generally available to the public. The seller of Registrable Securities agrees by acquisition of such Registrable Securities that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to JAKKS and allow JAKKS, at JAKKS's expense, to undertake appropriate action to prevent or limit disclosure of the Records deemed confidential. JAKKS shall pay for all registration and filing fees, printing expenses and fees and disbursements of JAKKS's counsel and one counsel for the Shareholders and the Agent and JAKKS's Accountants in connection with the preparation, review and filing of the registration statement or any Blue Sky Filing pursuant to this Agreement; provided, however, that the Agent on behalf of the Shareholders shall pay underwriting discounts and commissions applicable to the sale of the Registrable Securities.

4. Application to Subsequent Holders.

4.1 The provisions of this Agreement shall inure to the benefit of and be binding upon any holder of Registrable Securities; provided that all such holders shall be deemed to be represented by and act through the Agent (or, if he shall die, resign or otherwise cease so to act, a successor designated by the Agent in a written notice given to JAKKS, or if the Agent shall not so designate a successor, a successor designated by the holders of a majority of the Registrable Securities then outstanding in a written notice given to JAKKS, the designation of such successor to be effective upon actual receipt of such notice by JAKKS) and any notice or other documents required or permitted to be given or delivered pursuant to the provisions of this Agreement to or by the Shareholders shall be deemed to be duly so given or delivered if given to or by the Agent (or such successor) in accordance with Section 8.2, and any right of the holders of Registrable Securities, including in connection with the preparation of any documents or any investigation pursuant to Agreement relating to any registration, shall be exercised or effected by or through the Agent (or such successor).

5. The Agent.

5.1 Any Party hereto may rely upon any Notice given by the Agent on behalf of any Shareholder with respect to any election, determination or other action to be made or taken by him hereunder as the act and deed of such Shareholder. It shall be sufficient to deliver to the Agent at his address set forth in Section 8.2 below any Notice or other document to be delivered hereunder to any Shareholder and it shall be the sole responsibility of the Agent to deliver any Notice or other document so delivered to him in such manner as he and the Shareholders, or any of them, may agree.

5.2 Each election, determination or other action of the Agent in connection with this Agreement shall be binding upon all of the Shareholders, and no Shareholder shall have any right to object, dissent from, or protest or otherwise contest the same or take any separate action relating to the same.

5.3 Any delivery to be made hereunder to or for any Shareholder that is made to the Agent as herein provided shall constitute, as between JAKKS and the Shareholders, delivery in full of the item to be delivered. It shall be the sole responsibility of the Agent to hold for and disburse to the Shareholders and any items delivered to the Agent pursuant hereto.

6. Reports under the Exchange Act. With a view to making available to the Shareholders the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the Commission that may at any time permit the Shareholders to sell securities of JAKKS to the public without registration ("Rule 144"), JAKKS agrees to, so long as such Shareholder holds or beneficially owns Registrable Securities:

(i) File with the Commission in a timely manner and make and keep available all reports and other documents required of JAKKS under the Securities Act and the Exchange Act so long as JAKKS remains subject to such requirements and the filing and availability of such reports and other documents is required for the applicable provisions of Rule 144; and

(ii) Furnish to each Shareholder promptly upon request, (i) a written statement by JAKKS that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of JAKKS and such other reports and documents so filed by JAKKS, and (iii) such other information as may be reasonably

requested to permit the Shareholders to sell such securities pursuant to Rule 144 without registration.

7. Indemnification.

7.1 Shareholders' Indemnity. Each Shareholder, severally but not jointly, shall indemnify and defend JAKKS against, and hold it harmless from, any loss, liability, obligation, damage or expense (including reasonable attorneys' fees and disbursements) which it may suffer or incur incidental to any claim or any Proceeding against it arising out of, based upon or resulting from an untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, the registration statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or any document incidental to the registration or qualification of the JAKKS Shares that is required to be stated therein or necessary to make the statements therein not misleading or, with respect to any prospectus, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading which statement or omission is made in reliance upon and in conformity with written information furnished to JAKKS by that Shareholder solely for use in the preparation thereof ("Shareholders' Securities Claims"). provided, however, that no Shareholder shall be liable in any such case to the extent that such Securities Claims arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, the registration statement, such preliminary prospectus or such prospectus or such amendment or supplement or any document incident to the registration or qualification of the Registrable Securities in reliance upon and in conformity with written information furnished to it by JAKKS solely for use in the preparation thereof.

7.2 JAKKS' Indemnity. JAKKS shall indemnify and defend each Shareholder and each person who participates as a placement or sales agent or as an underwriter (within the meaning of the Securities Act) in any offering of the Registrable Securities against, and hold each of them harmless from, any loss, liability, obligation, damage or expense (including reasonable attorneys' fees and disbursements) which any of them may suffer or incur incidental to any claim or any Proceeding against any of them arising out of, based upon or resulting from an untrue statement or alleged untrue statement of a material fact contained in the registration statement, any preliminary prospectus or final prospectus contained therein, any document incorporated by reference therein or any amendment or supplement thereto, or any document prepared and/or furnished by JAKKS or its Affiliates incident to the registration or qualification of the Registrable Securities, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or, with respect to any prospectus, necessary to make the statements therein in light of the circumstances under which they were made, not misleading, or any violation by JAKKS or its Affiliates of the Securities Act or Blue Sky Laws applicable to them and relating to action or inaction required of JAKKS or its Affiliates in connection with such registration or qualification under such Blue Sky Laws ("JAKKS' Securities Claims"); provided, however, that JAKKS shall not be liable in any such case to the extent that such Securities Claims arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, the registration statement, such preliminary prospectus or such prospectus or such amendment or supplement or any document incident to the registration or qualification of the Registrable Securities in reliance upon and in conformity with written information furnished to it by that Shareholder solely for use in the preparation thereof.

7.3 Claims Procedure. Promptly after Notice to an indemnified party of any claim or the commencement of any Proceeding by a third party involving any loss, liability, obligation, damage or expense referred to in Section 7.1 or 7.2, such indemnified party shall, if a claim for indemnification in respect thereof is to be made against an indemnifying party, give written Notice to the latter of the commencement of such claim or Proceeding, setting forth in reasonable detail the nature thereof and the basis upon which such party seeks indemnification hereunder; provided that the failure of any indemnified party to give such Notice shall not relieve the indemnifying party of its obligations under such Section, except to the extent that the indemnifying party is actually prejudiced by the failure to give such Notice. In case any such Proceeding is brought against an indemnified party, and provided that proper Notice is duly given, the indemnifying party shall assume and control the defense thereof insofar as such Proceeding involves any loss, liability, obligation, damage or expense in respect of which indemnification may be sought hereunder, with counsel selected by the indemnifying party (and reasonably satisfactory to such indemnified party), and, after Notice from the indemnifying party to such indemnified party of its assumption of the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof (but the indemnified party shall have the right, but not the obligation, to participate at its own cost and expense in such defense by counsel of its own choice) or for any amounts paid or foregone by the indemnified party as a result of the settlement or compromise thereof (without the written consent of the indemnifying party), except that, if both the indemnifying party and the indemnified party are named as parties or subject to such Proceeding and either such party reasonably determines with advice of counsel that a material conflict of interest between such parties may exist in respect of such Proceeding, the indemnifying party may decline to assume the defense on behalf of the indemnified party or the indemnified party may retain the defense on its own behalf, and, in either such case, after Notice to such effect is duly given hereunder to the other party, the indemnifying party shall be relieved of its obligation to assume the defense on behalf of the indemnified party, but shall be required to pay any legal or other expenses, including without limitation reasonable attorneys' fees and disbursements incurred by the indemnified party in such defense; provided, however, that the indemnifying party shall not be liable for such expenses on account of more than one separate firm of attorneys (and, if necessary, local counsel) at any time representing such indemnified party in connection with any Proceeding or separate Proceedings in the same jurisdiction arising out of or based upon substantially the same allegations or circumstances. If the indemnifying party shall assume the defense of any such Proceeding, the indemnified party shall cooperate fully with the indemnifying party and shall appear and give testimony, produce documents and other tangible evidence, allow the indemnifying party access to the books and records of the indemnified party and otherwise assist the indemnifying party in conducting such defense. No indemnifying party shall, without the consent of the indemnified party, which consent shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement or compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or Proceeding. Provided that proper Notice is duly given, if the indemnifying party shall fail promptly and diligently to assume the defense thereof, if and in the manner required hereunder, the indemnified party may respond to, contest and defend against such Proceeding (but the indemnifying party shall have the right to participate at its own cost and expense in such defense by counsel of its own choice) and may make in good faith any compromise or settlement with respect thereto, and recover the entire cost and expense thereof, including, without limitation, reasonable attorneys' fees and disbursements and all amounts paid or foregone as a result of such Proceeding, or the settlement or compromise thereof, from the indemnifying party. Any indemnification required to be made hereunder shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills or invoices are received or loss, liability, obligation, damage or expense is actually suffered or incurred.

7.4 Limitations.

(i) Any other provision hereof notwithstanding:

(1) If JAKKS is entitled to receive indemnification from the Shareholders pursuant to Section 7.1, JAKKS may, upon thirty (30) days prior written Notice to the Shareholders, cause the amount thereof to be offset and retained by JAKKS HK from any payment of the Earn-Out (as such term is defined in the Stock Purchase Agreement) otherwise payable to the Shareholders thereunder;

(2) no indemnified party shall be entitled to any indemnification under this Agreement to the extent that it actually receives or is entitled to receive any amount in respect of any loss, liability, obligation, damage or expense from other sources, including without limitation insurance or third-party indemnity; provided that such indemnified party shall not be required to commence any Proceeding to collect any such amount.

(b) The indemnification obligations under this Agreement are independent of any other indemnification obligations that any of the parties hereto may have to one another under any other agreement between or among them, and, in particular, none of the limitations upon the indemnification obligations of the parties to the Stock Purchase Agreement shall apply to the indemnification obligations of the parties under this Agreement.

7.5 Contribution. Each Shareholder and JAKKS agree that if, for any reason, the indemnification provisions contemplated by Sections 7.1 or 7.2 hereof are unavailable to or are insufficient to hold harmless an indemnified party in respect of any losses (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative fault of, and benefits derived by, the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material fact or omission alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 7.5 were determined (i) by pro rate allocation (even if the Shareholder or any agents for, or underwriters of, the Registrable Securities, or all of them, were treated as one entity for such purpose); or (ii) by any other method of allocation which does not take account of the equitable considerations referred to in this Section 7.5. The amount paid or payable by an indemnified party as a result of losses (or actions or proceedings in respect thereof) referred to above shall be deemed to include (subject to the limitations set forth in Section 7.3 hereof) any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

7.6 Extent of Indemnification. The obligations of the Company under this Section 7 shall be in addition to any liability that it may otherwise have and shall extend, upon the same terms and conditions,

to each agent and underwriter of the Registrable Securities and each person, if any, who controls such agent or underwriter with the meaning of the Securities Act.

8. Miscellaneous.

8.1 Fees and Expenses. Except as otherwise specified in this Agreement, each party hereto shall bear such fees and expenses as may be incurred by it in connection with this Agreement.

8.2 Notices. Any Notice or demand required or permitted to be given or made hereunder to or upon any Party hereto shall be deemed to have been duly given or made for all purposes if in writing and (i) if sent by messenger or Federal Express or internationally recognized courier service, or by priority overnight delivery between any two points within the U.S. or any two points within the U.K., on the business day next following the date such Notice or demand was delivered, or (ii) if sent by priority overnight delivery between any point within the U.S. and any point outside of the U.S., or between any point within the U.K. and any point outside of the U.K., or between any two points outside of the U.S. or the U.K., three (3) business days next following the date such Notice or demand was delivered; or (iii) if sent by mail, three (3) business days after deposit in the mails, if mailed by certified or registered mail (return receipt requested) between any two points within the U.S. or any two points within the U.K., and seven (7) business days if mailed by certified or registered mail (return receipt requested) between any point within the U.S. and any point outside of the U.S., or between any point within the U.K. and any point outside of the U.K., or between any two points outside of the U.S. or the U.K., or (iv) if sent by telegram, telecopy (confirmed to the sender), telex or similar electronic means, the business day next following the date such notice or demand was so transmitted, provided that a written copy thereof is sent on the same day by postage-paid first-class mail, to such Party at the following address:

if to JAKKS Pacific:

JAKKS Pacific, Inc.

22619 Pacific Coast Highway

Malibu, California 90265

Attn: President

Fax: (310) 317-8527

and to: Feder, Kaszovitz, Isaacson,
Weber, Skala, Bass & Rhine LLP
750 Lexington Avenue
New York, New York 10022-1200 U.S.
Attn: Geoffrey A. Bass, Esq.
Fax: (212) 888-7776

to David Lipman or

Marilyn Lipman at:
David S. Lipman
Castilian House
The Ridge
Epsom, Surrey KT18 1BS
United Kingdom
Fax:
to John Nimmo:
John Nimmo
Morwell
5 Grays Lane
Ashtead, Surrey KT21 1BS
United Kingdom
Fax:

with a copy to: Altheimer & Gray
10 South Wacker Drive
Chicago, Illinois 60606-7482 U.S.
Attn: Jonathan Baird, Esq
Fax: 312-715-4800

and to: Altheimer & Gray
7 Bishopsgate
London EC2N 3AR United Kingdom
Fax: 020-7786-0000
Attn: Dean Harper, Esq.

or such other address as any Party hereto may at any time, or from time to time, direct by Notice given to the other Parties in accordance with this Section. Except as otherwise expressly provided herein, the date of giving or making of any such Notice or demand shall be, in the case of clause (a) (i), the date of the receipt; in the case of clause (a) (ii), three business days after such Notice or demand is sent; and, in the case of clause (b), the business day next following the date such Notice or demand is sent.

8.3 Amendment. Except as otherwise expressly provided herein, no amendment of this Agreement shall be valid or effective, unless in writing and signed by or on behalf of the parties hereto.

8.4 Waiver. No course of dealing or omission or delay on the part of any party hereto in asserting or exercising any right hereunder shall constitute or operate as a waiver of any such right. No waiver of any provision hereof shall be effective, unless in writing and signed by or on behalf of the party to be charged therewith. No waiver shall be deemed a continuing waiver or waiver in respect of any other or subsequent breach or default, unless expressly so stated in writing.

8.5 Governing Law. This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the State of New York without regard to principles of choice of law or conflict of laws. For the purpose of enforcing the provisions of Section 8.6 of this Agreement and any other remedy available to a Party under this Agreement which is outside of the jurisdiction of the arbitrators referred to in Section 8.6, each Party to this Agreement submits to the jurisdiction of the courts of the State of New York, located in New York County, New York, United States of America, and to the jurisdiction of the United States District Court for the Southern District of New York, New York, New York, United States of America with respect to any matter arising out of this Agreement, waives any objection to venue in the Counties of New York, State of New York, or such District, and agrees that

service of any summons, complaint, Notice or other process relating to such Proceeding may be effected in the manner provided by Section 8.2.

8.6 Arbitration. Any claim, dispute or controversy between or among any of the Parties hereto shall be submitted to arbitration in New York, New York in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association before a panel of three arbitrators. JAKKS, on the one hand, and the Shareholders shall each pay one-half of any filing fees or other administrative costs to be paid in advance of or during such Proceeding. The arbitrators shall render a reasoned decision with respect to such Proceeding which shall include, in addition to the imposition of monetary damages or any other remedy or relief available hereunder, an allocation of the costs thereof. The decision of the arbitrators shall be final and binding upon the parties to such Proceeding, and judgment thereon may be entered in any court of competent jurisdiction. The arbitrators shall have no power to change any of the provisions of this Agreement in any respect, nor shall they have any power to make an award of reformation, and the jurisdiction of the arbitrators is expressly limited accordingly. No Party hereto shall be liable for punitive damages, unless such Party is found to have committed fraud or willful malfeasance against another Party hereto. At least one of the arbitrators shall be an attorney admitted to the practice of law for at least fifteen (15) years with substantial experience in business and commercial transactions.

8.7 Severability. The provisions hereof are severable and in the event that any provision of this Agreement shall be determined to be invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions hereof shall not be affected, but shall, subject to the discretion of such court, remain in full force and effect, and any invalid or unenforceable provision shall be deemed, without further action on the part of the parties hereto, amended and limited to the extent necessary to render the same valid and enforceable.

8.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and which together shall constitute one and the same agreement.

8.9 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement is not intended, and shall not be deemed, to create or confer any right or interest for the benefit of any Person not a party hereto.

8.10 Titles and Captions. The titles and captions of the Articles and Sections of this Agreement are for convenience of reference only and do not in any way define or interpret the intent of the parties or modify or otherwise affect any of the provisions hereof.

8.11 Grammatical Conventions. Whenever the context so requires, each pronoun or verb used herein shall be construed in the singular or the plural sense and each capitalized term defined herein and each pronoun used herein shall be construed in the masculine, feminine or neuter sense.

8.12 References. The terms "herein," "hereto," "hereof," "hereby" and "hereunder," and other terms of similar import, refer to this Agreement as a whole, and not to any Article, Section or other part hereof. Each party hereto acknowledges that it has participated, with the advice of counsel, in the preparation of this Agreement. No party hereto is entitled to any presumption with respect to the interpretation of any provision hereof or the resolution of any alleged ambiguity herein based on any claim that any other party hereto drafted or controlled the drafting of this Agreement.

8.13 Entire Agreement. This Agreement embodies the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, commitments or arrangements relating thereto.

IN WITNESS WHEREOF, JAKKS PACIFIC, INC., by its duly authorized officer, and the other parties hereto have duly executed this Agreement as of the date set forth in the Preamble hereto.

JAKKS PACIFIC, INC.

By: _____
Name:
Title:

David S. Lipman

John Nimmo

Marilyn Lipman

CONSENT OF REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 of JAKKS Pacific, Inc. of our report dated February 16, 2004, on our audits of the consolidated financial statements of JAKKS Pacific, Inc. as of December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003 and to the incorporation by reference of our report in any registration statement relating to the offering to which this Registration Statement relates filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended. We also hereby consent to the reference to our firm as "Experts" in the Registration Statement.

/s/ PKF

PKF
Certified Public Accountants
A Professional Corporation

Los Angeles, California

December 13, 2004

CONSENT OF REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 of JAKKS Pacific, Inc. of our reports dated February 13, 2004, on our audits of the financial statements of each of Play Along, Inc. and PA Distribution, Inc. as of the twelve-month periods ended March 31, 2003 and 2002 and for the nine-month period ended December 31, 2003, and to the incorporation by reference of our reports in any registration statement relating to the offering to which this Registration Statement relates filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended. We also hereby consent to the reference to our firm as "Experts" in the Registration Statement.

/s/ DASZKAL BOLTON LLP

Daszkal Bolton LLP
Certified Public Accountants

Boca Raton, Florida

December 10, 2004

CONSENT OF REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated June 6, 2003 and February 19, 2004, accompanying the financial statements of Play Along (Hong Kong) Limited for the year ended March 31, 2003 and nine months ended December 31, 2003, respectively, included in the Company's 8-K/ A dated September 7, 2004. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Jakks Pacific, Inc. and Subsidiaries on Form S-3/ A. We also hereby consent to the reference to our firm as "Experts" in the Registration Statement.

/s/ GRANT THORNTON

Grant Thornton
Certified Public Accountants

Hong Kong

December 10, 2004

POWER OF ATTORNEY

Each of the undersigned hereby constitutes and appoints Jack Friedman, Stephen G. Berman and Joel M. Bennett, and each of them, as his attorneys-in-fact, with full power of substitution and resubstitution, to execute in his name, place and stead, individually and in each capacity stated below, one or more amendments (including without limitation post-effective amendments) to this registration statement, any related Rule 462(b) registration statement and any other documents related thereto, to file the same (and any exhibit thereto) with the Commission and to take any other action to effect the registration under the Securities Act of 1933 of common stock of the registrant subject thereto, as the attorney-in-fact acting in the premises deems appropriate as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, acting severally, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
<hr/> /s/ JACK FRIEDMAN <hr/> Jack Friedman	Chairman and Chief Executive Officer (Principal Executive Officer)	December 13, 2004
<hr/> /s/ JOEL M. BENNETT <hr/> Joel M. Bennett	Chief Financial Officer (Principal Financial and Accounting Officer)	December 13, 2004
<hr/> /s/ DAN ALMAGOR <hr/> Dan Almagor	Director	December 13, 2004
<hr/> /s/ STEPHEN G. BERMAN <hr/> Stephen G. Berman	Director	December 13, 2004
<hr/> /s/ DAVID C. BLATTE <hr/> David C. Blatte	Director	December 13, 2004
<hr/> /s/ ROBERT E. GLICK <hr/> Robert E. Glick	Director	December 13, 2004
<hr/> /s/ MICHAEL G. MILLER <hr/> Michael G. Miller	Director	December 13, 2004
<hr/> /s/ MURRAY L. SKALA <hr/> Murray L. Skala	Director	December 13, 2004