

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 OR 15(d) of**  
**The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 23, 2011**

**JAKKS PACIFIC, INC.**  
(Exact name of registrant as specified in its charter)

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

**0-28104**  
(Commission  
File Number)

**95-4527222**  
(IRS Employer  
Identification No.)

**22619 Pacific Coast Highway, Malibu, California**  
(Address of principal executive offices)

**90265**  
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers.**

On August 23 we entered into an amended employment agreement with John (Jack) McGrath whereby he became our Chief Operating Officer. The amended employment agreement, which runs through 2013, provides for an annual salary of \$600,000; an annual increase over the prior year's base salary of at least \$15,000; an annual award of \$75,000 of restricted stock, subject to vesting in equal installments over three years, provided, however, that the initial vesting of the first installment of each year's award is conditioned on "Adjusted" EPS (as defined in the amended agreement) for the fiscal year in which the shares are issued being equal to minimum "Adjusted" EPS as follows: 2011 vesting condition: greater of \$1.41 or 3% higher than 2010 "Adjusted" EPS; 2012 vesting: greater of \$1.45 or 3% higher than 2011 "Adjusted" EPS; and 2013 vesting condition: greater of \$1.49 or 3% higher than "Adjusted" 2012 EPS. The amended agreement also provides for an annual bonus opportunity of up to 125% of salary payable 50% in cash and 50% in restricted stock (with a four year vesting) based upon "Adjusted" EPS growth. Bonus targets for 2011 range from \$1.37 -\$1.78. The bonus targets for 2012 -2013 will be set by the Compensation Committee.

The foregoing is only a summary of certain of the terms of the amended employment agreement. For a complete description, copies of the original agreement and the amendment are annexed herein in their entirety as exhibits.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
10.1	Employment Agreement between the Company and John a/k/a Jack McGrath, dated March 4, 2010
10.2	First Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated August 23, 2011

## SIGNATURES

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

JAKKS PACIFIC, INC.

Dated: August 23, 2011

By: /s/ JOEL M. BENNETT  
Joel M. Bennett, CFO

## EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
10.1	Employment Agreement between the Company and John a/k/a Jack McGrath, dated March 4, 2010
10.2	First Amendment to Employment Agreement between the Company and John a/k/a Jack McGrath, dated August 23, 2011

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**") is executed on March 4, 2010 and effective as of January 1, 2010 ("**Effective Date**"), by and between JAKKS Pacific, Inc., a Delaware corporation ("**JAKKS**" or "**Company**") and John a/k/a Jack McGrath, an individual ("**Employee**") with Employee's address at 22619 Pacific Coast Highway, Malibu, CA 90265.

### WITNESSETH:

A. Employee has been employed by JAKKS prior to executing this Agreement, and Employee and JAKKS desire to enter into an Employment Agreement to provide for Employee's continued employment on the terms and subject to the conditions set forth herein, and therefore, in consideration of the mutual promises contained herein and for other good and valuable consideration received, JAKKS and Employee agree as follows:

#### 1. SERVICES.

(a) JAKKS hereby employs Employee during the Term (as defined below) to serve as Company's Executive Vice President-Operations with responsibilities for assisting the President and Chief Executive Officer of Company in the supervision of general day to day operations of Company and its Affiliates, including administrative and supervisory services related to such position and as needed management of other personnel engaged in such work, and to perform such duties in connection therewith on behalf of JAKKS as its Board of Directors and Executive Officers may from time to time direct that are reasonably related to Employee's responsibilities. Employee hereby accepts such employment and agrees throughout the Term to faithfully, diligently and to the best of Employee's ability, in furtherance of JAKKS' business, perform the duties so assigned or incidental to the position assumed by Employee pursuant hereto. Employee shall (i) devote full time and attention to JAKKS' business and affairs and (ii) at all times be subject to the direction and control of JAKKS' Board of Directors and Executive Officers and observe and comply with such rules, regulations, policies and practices as they may from time to time establish.

(b) As used in this Agreement, the term (i) "**Affiliate**" of a Person means another Person directly or indirectly controlling, controlled by, or under common control with, such Person, and 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, and (ii) "**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. The term "Executive Officers" means any of Company's Chairman, Chief Executive Officer, President and Chief Financial Officer, and Chief Operating Officer.

2. **TERM.** The employment of Employee hereunder shall commence as of the date hereof and continue until December 31, 2012, subject to earlier termination upon the terms and conditions provided elsewhere herein (the "**Term**"). As used herein, "**Termination Date**" means the last day of the Term.

#### 3. COMPENSATION.

(a) **Base Salary.** As compensation for Employee's services hereunder, Company shall pay to Employee a base salary at the rate of \$475,000.00 per annum (the "**Base Salary**") in substantially equal installments no less often than monthly, in accordance with Company's normal payroll practices, and subject to any required tax withholding.



(b) **Bonus.** In the discretion of Company, Employee may, from time to time, be awarded an annual bonus or other additional compensation, in cash or in property, in such amount as Company may determine in its sole discretion. Nothing contained in this Agreement and no action taken in respect of any bonus or additional compensation shall create or be construed to create a trust of any kind. Any bonus or other additional compensation shall be paid from general funds of Company, and no special or separate fund shall be established, and no segregation of assets shall be made, to assure payment of any bonus or additional compensation hereunder.

(c) In addition to the Base Salary and other compensation provided herein, Employee may participate in any stock, stock option or other equity participation plan and any profit-sharing, pension, retirement, insurance, medical service or other employee benefit plan generally available to employees of Company, to the extent Employee is eligible under the terms and conditions of any such plan, and to receive any other benefits or perquisites generally available to employees of Company pursuant to any employment policy or practice, which may be in effect from time to time during the Term. Except as otherwise expressly provided herein, Company shall be under no obligation hereunder to institute or to continue any such employee benefit plan or employment policy or practice.

#### 4. EXPENSES.

(a) Company shall pay directly, or advance funds to Employee or reimburse Employee for, all expenses reasonably incurred by Employee in connection with the performance of Employee's duties hereunder and Company's business, upon the submission to Company of itemized expense reports, receipts or vouchers in accordance with its then customary policies and practices. Company shall provide Employee with suitable office space, furnishings, equipment, and support as reasonably necessary to perform services hereunder.

(b) Company shall pay to Employee a monthly automobile allowance in the gross amount of \$1,000.00.

5. **LOCATION.** Employee shall perform the services required hereunder in Company's offices in the metropolitan Los Angeles, California area, including Malibu, California, except for travel and temporary accommodation required to perform Employee's responsibilities hereunder.

6. **OFFICE.** Company shall provide Employee with suitable office space, furnishings and equipment, secretarial and clerical services and such other facilities and office support as are reasonably necessary for the performance of Employee's services hereunder.

7. **VACATION.** Employee shall be entitled to 20 days paid vacation during each full year of Employee's employment hereunder. Vacation shall be taken at such time or times as shall be agreed upon by Employee and Company and shall not be cumulative from year to year, other than as may be otherwise provided in Company's then current Employee Handbook.

8. **INTELLECTUAL PROPERTY.** Subject to the provisions of Sections 2870 and 2871 of the California Labor Code:

(a) Any 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 improvement, development or discovery, invention, trade secret, process, system, technical information, know-how, proprietary right or intellectual property developed, conceived of, invented or otherwise produced by Employee, alone or with others in connection with the design, manufacture and marketing of the products of Company and its Affiliates, or conceived, developed, created or made by Employee, alone or with others, during the Term and applicable to the business of



Company or its Affiliates, whether or not patentable or Registrable (collectively referred to as "Trade Rights") shall become the sole and exclusive property of Company.

(b) Employee shall disclose all Trade Rights promptly and completely to Company and shall, during the Term or thereafter, (i) execute all documents requested by Company for vesting in Company the entire right, title and interest in and to the same, (ii) execute all documents requested by Company for filing and procuring such applications for patents, trademarks, service marks or copyrights as Company, in its sole discretion, may desire to prosecute, and (iii) give Company all assistance it may reasonably require, including the giving of testimony in any Proceeding (as hereinafter defined), in order to obtain, maintain and protect Company's right therein and thereto; provided that Company shall bear the entire cost and expense of such assistance, including without limitation paying Employee reasonable compensation for any time or effort expended by Employee in connection with such assistance after the Termination Date. In furtherance of the foregoing, Employee acknowledges and agrees that for all purposes of U.S. and foreign Copyright Laws, the Trade Rights and any inventions, discoveries, enhancements or improvements to any tangible or intangible property, resulting from the services performed by Employee for Company or its Affiliates (for the purposes of this paragraph all of the foregoing is collectively referred to as the "Work"), and any and all elements thereof, shall be deemed to constitute "works for hire" belonging to Company within the meaning of Title 17, United States Code, Section 101, and any comparable provisions of the law of any other jurisdiction, such that all right, title and interest therein, including, without limitation, copyrights and exclusive rights under copyright, vest in Company. Employee hereby transfers and conveys to Company the exclusive, world-wide, royalty-free, paid-up right to exploit, use, develop, license, and sell products and services relating to or derived from the Work; and the exclusive right, title and interest in and to all inventions, improvements, patent applications and letters patent, "know-how", and all intellectual property and other rights, tangible or intangible, which relate to or are based upon or derived from the Work; and to all information, documents, and specifications that relate to the Work. If the Work or any of the elements thereof is deemed not to be "works for hire" within the meaning of Title 17, United States Code, Section 101, then Employee hereby assigns and transfers to Company all right, title and interest in and to the Work, including rights throughout the world for good and valuable consideration, receipt of which Employee hereby acknowledges. For the sole and exclusive purpose of perfecting and documenting such limited assignment and transfer, Employee hereby grants to Company an irrevocable power of attorney.

(c) Exception to Assignments. Under California Labor Code § 2870, I am not required to assign to JAKKS any of my rights in any Inventions that I develop entirely on my own time without using JAKKS' equipment, supplies, facilities, or trade secret information, except for Inventions that either: (i) relate, at the time the Invention is conceived or reduced to practice, to JAKKS' business or JAKKS' actual or demonstrably anticipated research or development; or (ii) result from any of my work performed for JAKKS. I shall advise JAKKS' General Counsel, promptly in writing and via facsimile to (310) 455-6302, of any inventions that I believe meet such provisions and are not otherwise disclosed on Schedule A.

## 9. CONFIDENTIAL INFORMATION.

(a) Employee shall hold in a fiduciary capacity for the benefit of Company all confidential or proprietary information relating to or concerned with Company and its Affiliates (as defined herein) or their products, prospective products, operations, business and affairs ("Information"). Information shall be identified by Company's procedures and efforts to prevent the disclosure of the information to third parties and/or Company's employees generally. Employee shall not, at any time hereafter, use or disclose any Information to any person other than to Company or its designees or except as may otherwise be required in connection with the business and affairs of Company, and in furtherance of the foregoing Employee agrees that Employee will (i) receive, maintain and hold Information in strict confidence and will use the same level of care in safeguarding it as Employee uses with Employee's own



confidential material of a similar nature, (ii) take all such steps as may be reasonably necessary to prevent the disclosure of Information, and (iii) not use Information without first obtaining Company's consent to such use.

(b) The non-disclosure obligations in paragraph (a) of this Section shall not extend to any portion of Information that i) is now or becomes hereafter generally available to the public (other than as a result of disclosure by Employee in violation of the restrictions in this Agreement), (ii) was known to Employee prior to disclosure, (iii) was not acquired, directly or indirectly and/or in any manner, from Company or any of its Affiliates and which Employee lawfully had in Employee's possession prior to the date of this Agreement.

(c) At any time upon written request by Company, all Information and all documents, drawings, specifications, computer software, and any other material whatsoever in the possession of Employee that relates to Information, including all copies and/or any other form of reproduction and/or description thereof, shall, at Company's option, be returned to Company or destroyed.

(d) If Employee becomes legally compelled (by deposition, interrogatory, request of documents, subpoena, civil investigative demand or similar process) to disclose any of Information, Employee shall provide Company with prompt prior written notice of such requirement so that it may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Agreement. If that such protective order or other remedy is not obtained, or Company waives compliance with the provisions hereof, Employee agrees to furnish only such portion of the Information that is legally required to be furnished.

(e) Employee shall not, at any time during the Term, use or disclose any Information to Company while performing services for Company that Employee obtained from any prior employer and that Employee is under a legal, contractual, or ethical obligation not to disclose.

#### **10. RESTRICTIVE COVENANTS.**

(a) During the Term, and for a further period of one (1) year thereafter, Employee shall not, directly or indirectly, for himself or herself or on behalf of any other Person, attempt in any manner directly or indirectly to (i) entice away from the employ of or relationship with Company or its Affiliates or otherwise interfere with the relationship of Company or its Affiliates with any employee, independent contractor or consultant then working for Company or its Affiliates, or any vendor, supplier, licensor, strategic marketing partner, joint venturer or other party engaged in a business relationship with Company or its Affiliates, or (ii) persuade any vendor, supplier, licensor, strategic marketing partner, joint venturer or other party engaged in a business relationship with Company or its Affiliates to cease doing business or to reduce the amount of business with Company or its Affiliates which any such vendor, supplier, licensor, strategic marketing partner, joint venturer or other party engaged in a business relationship with Company or its Affiliates has customarily done or then contemplates doing with Company or such Affiliates.

(b) Employee acknowledges that the type and periods of restriction imposed in Section 10 are fair and reasonable and are reasonably required for the protection of Company and the goodwill, business and assets of Company and its Affiliates. If any of the provisions of this Section 10 relating to time, geographical area, or scope are deemed by a court of competent jurisdiction to be overly broad or for any other reason unenforceable, the parties agree that such restrictions herein as to time, geographical area, or scope shall be reduced to such time, geographical area, or scope as such court shall hold to be reasonable and legally enforceable. In addition, if any court determines that any of the restrictive covenants contained in this Section 10, or any part thereof, is invalid or unenforceable, the remainder of the





restrictive covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions.

(c) Employee acknowledges that a breach of the provisions of this Section 10 or Section 9 would irreparably damage Company, and that once such a breach has occurred there may be no accurate way of determining the amount of damage or loss suffered by Company. Employee therefore agrees that Company may seek enforcement of the terms of this Section 10 or Section 9 through preliminary or final injunctive relief or other equitable remedy without the require to post a bond or other security.

**11. TERMINATION UPON DEATH OR DISABILITY.** Employee's employment hereunder shall terminate immediately upon Employee's death. In the event that Employee is unable to perform Employee's duties hereunder by reason of any disability or incapacity (due to any physical or mental injury, illness or defect) for an aggregate of 90 days in any consecutive 12-month period, Company shall have the right to terminate Employee's employment hereunder within 60 days after the 90th day of Employee's disability or incapacity by giving Employee notice to such effect at least 30 days prior to the date of termination set forth in such notice, and on such date such employment shall terminate.

**12. TERMINATION BY COMPANY.**

(a) In addition to any other rights or remedies provided by law or in this Agreement, Company may terminate Employee's employment under this Agreement for the reasons set forth in this Section 12(a) (any of which reasons shall constitute "cause"), if:

- i. Employee is convicted of, or enters a plea of guilty or nolo contendere (which plea is not withdrawn prior to its approval by the court) to a felony offense or other crime, or a criminal offense involving the acts identified in paragraph (ii) below in this Section 12 (a); or
- ii. Company's Board of Directors determines, after due inquiry, that Employee has:
  - A. committed fraud against, or embezzled or misappropriated funds or other assets of, Company or any of its subsidiaries or Affiliates;
  - B. violated, or caused Company or any of its subsidiaries or Affiliates, or any officer, employee or other agent thereof, or any other Person to violate, any material law, regulation or ordinance, which violation has or would reasonably be expected to have a significant detrimental effect on Company or its subsidiaries or Affiliates, or any material rule, regulation, policy or practice established by the Board of Directors of Company or any of its subsidiaries or Affiliates;
  - C. on a persistent or recurring basis, (1) failed properly to perform Employee's duties hereunder or (2) acted in a manner detrimental to, or adverse to the interests of, Company or its subsidiaries or Affiliates; or
  - D. violated, or failed to perform or satisfy any material covenant, condition or obligation required to be performed or satisfied by Employee hereunder.

(b) Company may effect such termination for cause by giving Employee notice to such effect, setting forth therein the Termination Date (which may be the date such notice is given, in case such termination is based on paragraph (i) or clause A of paragraph (ii) of Section 12(a), but which shall otherwise be at least twenty-one (21) days after the date such notice is given) and, in reasonable detail, the factual basis for such termination, and, in such event, such termination shall be effective on the Termination Date set forth in such notice, unless Employee avoids such termination by curing to the reasonable satisfaction of



Company's Board of Directors the factual basis for termination set forth therein or otherwise providing the Board of Directors with information reasonably sufficient for the Board to determine that the termination should not be effected. Nothing contained herein shall prevent Company's Board of Directors from making its determination that a cause has occurred subsequent to the termination of Employee's employment hereunder.

(c) In addition to any other termination rights provided in this Agreement, Company may terminate Employee's employment under this Agreement without cause and for no reason or any reason upon six (6) months prior written notice given at any time after the first anniversary of the date of this Agreement.

**13. COMPENSATION UPON TERMINATION.** Notwithstanding anything contained herein to the contrary:

(a) Upon termination of Employee's employment hereunder, he shall be entitled to receive, in any case, any compensation or other amounts due to him pursuant to Section 3 or Section 4 in respect of Employee's employment prior to the Termination Date, and from and after the Termination Date, except as otherwise provided in Section 13(b), Company shall have no further obligation to Employee hereunder. Any amount payable to Employee pursuant to this Section 13(a) upon termination of employment hereunder shall be paid promptly, and in any event within ten (10) days, after the Termination Date.

(b) If Employee shall die prior to Employee's receipt of all payments required under this Agreement, Company shall pay Employee's designated beneficiary or, if there is no designated beneficiary, Employee's estate all such amounts that would have otherwise been payable to Employee under this Agreement as of the date of Employee's death.

**14. OTHER CONSEQUENCES OF TERMINATION.** Upon the termination of employment (for whatever reason and howsoever arising) Employee shall (i) at the request of Company's Board of Directors immediately resign without claim for compensation from any office held by Employee in Company or any Affiliate (but without prejudice to any claim for damages for breach of this Agreement or for any compensation which otherwise may be payable pursuant to this Agreement or otherwise) and in the event of failure to do so, Company is hereby irrevocably authorized to appoint some person in Employee's name and on Employee's behalf to sign and deliver such resignations to Company's Board of Directors; (ii) and immediately repay all outstanding advances, debts or loans due to Company or any Affiliate, and Company is hereby authorized to deduct from any payments due to Employee a sum in repayment of all or any part of any such advances, debts or loans.

**15. NOTICES.** Any notice or demand required or permitted to be given or made hereunder to or upon either party hereto shall be deemed to have been duly given or made for all purposes if (a) in writing and sent by (i) messenger or an overnight courier service against receipt, or (ii) certified or registered mail, postage paid, return receipt requested, or (b) sent by telecopy, e-mail or similar electronic means, 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:

to Company at:

22619 Pacific Coast Highway  
Malibu, California 90265  
Attn: President  
Fax: (310) 456-7099

With a copy to Company's General Counsel at the above address via telefax to 310-455-6302



to Employee at: 22619 Pacific Coast Highway, Malibu, CA 90265

or such other address as either party hereto may at any time, or from time to time, direct by notice given to the other party in accordance with this Section. 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), five 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.

**16. GOVERNING LAW; DISPUTE RESOLUTION.** This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the State of California without regard to principles of choice of law or conflict of laws. Employee and Company agree to resolve all disputes arising hereunder (except those which involve allegations or disputes with respect to any obligations regarding use or disclosure of Information, or any other restrictive covenants, or with respect to Trade Rights) by binding arbitration in Los Angeles, California before a single arbitrator of the American Arbitration Association using its National Rules for the Resolution of Employment Disputes then in effect. All claims involving allegations or disputes with respect to any obligations regarding use or disclosure of Information, or any other restrictive covenants under this Agreement, or with respect to Trade Rights, shall be subject to the exclusive jurisdiction of the courts of the State of California, located in Los Angeles County, and to the jurisdiction of the United States District Court seated in Los Angeles, California. IN EACH OF THE INSTANCES REFERRED TO IN THE PREVIOUS SENTENCE, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY CONSENTS AND SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF CALIFORNIA AND THE UNITED STATES DISTRICT COURT IN LOS ANGELES COUNTY, CALIFORNIA IN CONNECTION WITH ANY PROCEEDING REFERRED TO IN THE PRECEDING SENTENCE, WAIVES THEIR RIGHTS TO A TRIAL BY JURY AND ANY OBJECTION TO VENUE IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, OR SUCH DISTRICT. SERVICE OF ANY SUMMONS, COMPLAINT, NOTICE OR OTHER PROCESS IN ANY ARBITRATION OR COURT PROCEEDING MAY BE MADE IN THE SAME MANNER AS IS PROVIDED FOR THE DELIVERY OF NOTICES UNDER THIS AGREEMENT.

**17. REMEDIES.** All remedies hereunder are cumulative and not exclusive, and nothing herein shall be deemed to prohibit or limit either 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.

**18. NO PRESUMPTIONS.** Each party hereto acknowledges that it has had an opportunity to consult with counsel and has participated 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 the other party hereto drafted or controlled the drafting of this Agreement.

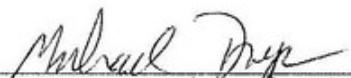
**19. ASSIGNMENT.** This Agreement, and each right, interest and obligation hereunder, may not be assigned by either party hereto without the prior written consent of the other party hereto, and any purported assignment without such consent shall be void and without effect, except that this Agreement shall be assigned to, and assumed by, any Person with or into which Company merges or consolidates, or which acquires all or substantially all of its assets, or which otherwise succeeds to and continues Company's business substantially as an entirety. Except as otherwise expressly provided herein or required by law, Employee shall not have any power of anticipation, assignment or alienation of any payments required to be made to him hereunder, and no other Person may acquire any right or interest in any thereof by reason of any purported sale, assignment or other disposition thereof, whether voluntary or involuntary, any claim in a bankruptcy or other insolvency Proceeding against Employee, or any other ruling, judgment, order, writ or decree.



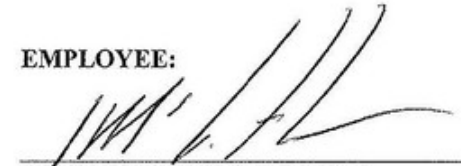
**20. MISCELLANEOUS PROVISIONS.** No amendment of this Agreement shall be valid or effective, unless in writing and signed by or on behalf of the parties hereto. No course of dealing or omission or delay on the part of either party hereto in asserting or exercising any right hereunder shall constitute 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. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. 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. The provisions of this Agreement 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. 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. This Agreement embodies the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior agreement, commitment or arrangement relating hereto. 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.

**IN WITNESS WHEREOF**, the undersigned have duly executed this Agreement as of the day and year first above written.

**JAKKS PACIFIC, INC.**

By:   
Name: Michael Dwyer  
Title: SVP- Legal

**EMPLOYEE:**

  
John McGrath a/k/a Jack McGrath



**SCHEDULE A**

California Labor Code Section 2871 provides that the assignment provided for in Section 9 of the within Agreement does not apply to an invention that qualifies fully under the provisions of Section 2870 of the California Labor Code. Section 2870 of the California Labor Code states:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of Employee's rights in an invention to Employee's employer shall not apply to an invention that Employee developed entirely on Employee's own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) Result from any work performed by Employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

**LIST OF INTELLECTUAL PROPERTY, INCLUDING PRIOR INVENTIONS AND OTHER WORKS OF AUTHORSHIP EXCLUDED FROM THE ASSIGNMENT PROVISIONS OF SECTION 8(c) OF THE FOREGOING AGREEMENT**

Title of Invention	Date of Conception of Invention	Brief Description of Invention
<i>NONE</i>		

Number (if any) of Additional Sheets Attached : \_\_\_\_\_

Signature of Employee: *[Handwritten Signature]*

Printed Name of Employee: JACK MCGRATH

*-1999*

*[Handwritten Initials]*

**FIRST AMENDMENT TO EMPLOYMENT AGREEMENT**

**THIS FIRST AMENDMENT** (the "Agreement"), dated \_\_\_\_\_, 2011 by and between John a/k/a Jack McGrath, an individual ("Executive") and JAKKS Pacific, Inc., a Delaware corporation ("JAKKS" or the "Company") pursuant to Section 20 of the Employment Agreement, defined below and as amended hereby.

**WITNESSETH:**

**WHEREAS**, Executive and the Company entered into an Employment Agreement on March 4, 2010 which was effective January 1, 2010 (the "Employment Agreement"); and

**WHEREAS**, Executive and the Company desire to amend the terms of the Employment Agreement in certain respects without modifying, changing or otherwise amending any other provisions of the Employment Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises, representations and warranties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Capitalized terms used and not defined herein have the respective meanings ascribed to them in the Employment Agreement.

2. Section 1(a) of the Employment Agreement is amended in its entirety, and the following shall be substituted therefor:

"(a) JAKKS hereby employs Employee during the Term (as defined below) to serve as Company's Chief Operating Officer with responsibilities for supervision of the day to day operations of Company and its Affiliates, including administrative and supervisory services related to such position and as needed management of other personnel engaged in such work, and to perform such duties in connection therewith on behalf of JAKKS as its Board of Directors and Chief Executive Officer and President, or Chairman, if a person assumes that office, may from time to time direct that are reasonably related to Employee's responsibilities. Employee hereby accepts such employment and agrees throughout the Term to faithfully, diligently and to the best of Employee's ability, in furtherance of JAKKS' business, perform the duties so assigned or incidental to the position assumed by Employee pursuant hereto. Employee shall (i) devote full time and attention to JAKKS' business and affairs and (ii) at all times be subject to the direction and control of JAKKS' Board of Directors and Chief Executive Officer and President, or Chairman, if any, and observe and comply with such rules, regulations, policies and practices as they may from time to time establish."

3. The last sentence of Section 1(b) of the Employment Agreement is amended in its entirety, and the following shall be substituted therefor: "The term "Executive Officers" means any of Company's Chairman, if any, and Chief Executive Officer and President."

4. The text of Section 2 of the Employment Agreement shall be deleted in its entirety, and the following shall be substituted therefor:

"Term. The employment of Executive hereunder shall commence on the Effective Date and continue until December 31, 2013, subject to earlier termination on the terms and conditions provided elsewhere in this Agreement (the "Term"). As used herein, "Termination Date" means the last day of the Term."

5. The Base Salary is amended to be \$600,000.00, subject to increase in each subsequent calendar year during the Term at an increased annual rate to be determined by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") in its sole and absolute discretion, but, commencing with the calendar year 2012 that is at least \$15,000 more than the annual rate in the immediately preceding calendar year (the "Base Salary").
6. The following new paragraphs 3(d) through 3(j) are added to the Employment Agreement:

"3(d) **Annual Restricted Stock Awards.**

- i) Subject to the terms (including, without limitation, the availability of shares reserved for issuance thereunder) of the Company's 2002 Stock Award and Incentive Plan (as in effect on the date hereof and as subsequently may be amended, from time to time, or any successor plan, the "Plan") and the applicable restricted stock agreement, which shall be substantially in the form annexed hereto as **Exhibit A** (the "Restricted Stock Agreement"), and as additional consideration for Executive agreeing to this amendment to his Employment Agreement, on October 1, 2011, January 1, 2012, and January 1, 2013 (each, an "Annual Issuance Date") the Company shall issue to Executive a number of shares of restricted common stock of the Company, par value \$.001 per share (the "Restricted Stock"), with a value equal to \$75,000 (hereafter, the Restricted Stock issued under this Section 3(d) shall be referred to as the "Section 3(d) Restricted Stock"). The number of shares of Section 3(d) Restricted Stock to be issued to Executive on each Annual Issuance Date shall be determined by dividing \$75,000 by the closing price of a share of the Company's common stock, par value \$.001 per share (the "Common Stock"), on the first trading date immediately preceding the Annual Issuance Date.
- ii) The first vesting date for each \$75,000 award of Section 3(d) Restricted Stock shall occur effective as of the date in the calendar year immediately following the calendar year (the "EPS Reference Year") in which the Annual Issuance Date occurs with respect to such award that it is determined that the Company's "Earnings Per Share" (defined below) for the EPS Reference Year is at least equal to the "Minimum Earnings Per Share" (defined below; such Minimum Earnings Per Share, the "3% Vesting Condition"). Subject to the satisfaction of the 3% Vesting Condition, subsequent vesting of each tranche of the Section 3(d) Restricted Stock awarded for an EPS Reference Year shall occur in accordance with the vesting schedule annexed as **Exhibit B**.
- iii) For purposes of this Agreement,
  - (1) the term "Earnings Per Share" shall mean the net income per share of the Company's common stock, calculated on a fully-diluted basis as determined by the Company's then current auditors in accordance with GAAP, and such determination by the Auditors, absent manifest error, will be conclusive and binding upon the Company and Executive;
  - (2) the term "GAAP" means generally accepted accounting principles, applied on a basis consistent with past periods;
  - (3) the term "Minimum Earnings Per Share" shall mean (X) with respect to Fiscal year 2011, the greater of \$1.41 or an amount that is 3% higher than the actual Earnings Per Share for fiscal year 2011, (Y) with respect to Fiscal year 2012, the greater of \$1.45 or an amount that is 3% higher than the actual Earnings Per Share for fiscal year 2012, and (Z) with respect to Fiscal year 2013, the greater of \$1.49 or an amount that is 3% higher than the actual Earnings Per Share for fiscal year 2013; and

- (4) the term “Adjusted Earnings Per Share” means the Earnings Per Share, as adjusted in the sole discretion of the Compensation Committee to take account of extraordinary or special items, or as otherwise may be permitted by the Company’s 2002 Stock Award and Incentive Plan, and such determination by the Auditors, absent manifest error, as adjusted by the Compensation Committee, will be conclusive and binding upon the Company and Executive.

“3(e) **Annual Performance Bonus.**

- 1) **Bonus Criteria.** In addition to the Base Salary and Section 3(d) Restricted Stock compensation, Executive shall be eligible to receive as compensation for performance during fiscal years 2011, 2012, and 2013, a performance-based bonus award equal to up to 125% of Executive’s Base Salary for the applicable fiscal year (hereafter, such bonus for 2011, 2012 and 2013 is referred to as an “Annual Performance Bonus,” which, together with the Section 3(d) Restricted Stock is referred to herein collectively as the “Bonus”), as further provided below in this Section 3(d).

The award of the Annual Performance Bonus for fiscal years 2011, 2012 and 2013 shall be determined by criteria (the “Bonus Criteria”) established as provided in this Agreement. The 2011 Bonus Criteria are set forth on Exhibit D; the 2011 Annual Performance Bonus shall be in the amount of (i) the percentage set forth on the table annexed at Exhibit C that corresponds to the Company’s 2011 Adjusted EPS multiplied by (ii) Executive’s Base Salary for calendar year 2011. The Bonus Criteria for fiscal years after 2011 shall be measured by the level of the Company’s Adjusted Earnings Per Share growth over the preceding fiscal year and the levels of increase in Adjusted Earnings Per Share for the fiscal year for which the Bonus Criteria are established and the corresponding percentage of Base Salary figures (which shall in any event provide for an Annual Performance Bonus of up to 125% of Executive’s Base Salary), which shall be established by the Compensation Committee in the exercise of its discretion, to determine the amount of the Annual Performance Bonus for such fiscal year. The Compensation Committee may, but shall have no obligation to, continue using the same percentage increases in Adjusted Earnings Per Share and corresponding percentage of salary figures as set forth on Exhibit C in determining the criteria for Executive’s Annual Performance Bonus for 2012 and 2013. The Base Salary used to determine the amount of the Annual Performance Bonus shall be the Base Salary in effect during the fiscal year for which the Base Annual Performance Bonus is being determined. The Bonus Criteria for any fiscal year after 2011 shall be established by the Compensation Committee before the end of the Company’s first fiscal quarter in such fiscal year.



- 2) Payment of Annual Performance Bonus. One-half of the Annual Performance Bonus shall be paid in Restricted Stock, and the balance shall be paid in cash. The number of shares of Restricted Stock shall be determined by dividing the Restricted Stock portion of the Base Annual Performance Bonus by the closing price of a share of the Common Stock on the first trading date immediately preceding the date on which the Base Annual Performance Bonus is determined to have been earned. The Company shall pay the cash portion and issue the Restricted Stock portion of the Annual Performance Bonus to Executive, subject to any required tax withholding, not later than twenty-one (21) business days following the date on which the Auditors' final report on the Company's financial statements for the fiscal year for which the Annual Performance Bonus is awarded is issued and delivered to the Company and in any event not later than April 30 in the calendar year following such fiscal year (the "Annual Performance Bonus Award Date"). Such Restricted Stock shall be issued subject to the Plan (including, without limitation, the availability of shares reserved for issuance thereunder) and the applicable Restricted Stock Agreement, and shall vest in equal annual installments, the first installment of which shall vest on the Annual Performance Bonus Award Date and thereafter on January 1 in each subsequent year until the final vesting date on January 1, 2014, notwithstanding that this Agreement shall have earlier expired or terminated, but subject to Section 3(j) below.
- 3) Right to Voting and Dividends. Executive shall not have the right to vote or receive dividends (whether in cash, stock or any other form) on shares of Restricted Stock issued under this Agreement until the date of vesting of such shares. The number of shares of Restricted Stock issued to Executive under this Agreement shall be adjusted to take account of any stock split, change in capitalization or other similar capital event in which the Company's stockholders participate generally in respect of all shares of common stock of the Company, \$.001 per share, from and after the date of issuance of the Restricted Stock issued under this Agreement, the number and class of shares of Restricted Stock or other securities that Executive shall be entitled to, and shall hold, pursuant to this Agreement shall be appropriately adjusted or changed to reflect such capital event or change in capitalization.
- 4) Obligation to Keep Sufficient Shares. The Company shall use its reasonable best efforts to ensure a sufficient number of shares of Common Stock remain available for issuance under the Plan at all times to satisfy its obligations to issue Restricted Stock to Executive pursuant to this Agreement. In the event that there are insufficient shares available under the Plan to permit a specific issuance of Restricted Stock to Executive, then the Company shall take all necessary action to amend the Plan or adopt an additional or successor plan (including, without limitation, seeking stockholder approval with respect thereto) as promptly as practicable. Immediately following the adoption of such amendment or additional or successor plan, the Company shall issue to Executive the number of shares of Restricted Stock to which Executive is entitled and was not previously issued, and shall pay to Executive, in cash, any amounts which Executive would have received in respect of such shares of Restricted Stock had such shares been issued to Executive on the date or dates prescribed herein.
- 5) No Trust Fund. Nothing contained herein and no action taken in respect of any Bonus (or otherwise in respect of Sections 3(d) or 3(e)) shall create or be construed to create a trust of any kind. All Bonuses under Section 3(e) and all other compensation to Executive shall be paid from general funds of the Company, and no special or separate fund shall be established, and no segregation of assets shall be made, to assure payment of any Bonus hereunder.

**“3(f) Minimum Stock Ownership Requirements.** As further consideration for the Company's agreement to award the Section 3(d) Restricted Stock and provide Executive the opportunity to earn the Annual Performance Bonus, Executive agrees that he shall during the Term not sell or otherwise transfer shares of Common Stock issued to him pursuant to this Agreement or previously issued to him by the Company as bonus or other compensation (the "Employment Agreement Stock") if the Value (determined in the manner set forth below in this subparagraph) of all of the shares of Common Stock owned by Executive and any other trust or other entity over which Executive exercises control (including, but not limited to, the Employment Agreement Stock) is less than two (2) times his Base Salary. The "Value" of the Common Stock at any time shall be calculated as (x) the number of all shares of Common Stock held by Executive at such time, multiplied by (y) a price per share of Common Stock, determined on the most recent date that Executive's Base Salary increased, calculated as the weighted average of the closing price (giving effect to changes in the number of shares of Common Stock outstanding on such dates) of the Common Stock on the last trading day of each financial quarter in the immediately prior fiscal year of the Company, which Value shall remain the reference Value until the next increase in Executive's Base Salary. In calculating the Value of the Employment Agreement Stock, unvested Restricted Stock and unexercised options shall not be included in the Value.

**“3(g) Payment of Withholding Tax.** Executive may request that he be permitted to sell or otherwise dispose of shares of Restricted Stock or other shares of Common Stock granted as part of any performance based award (collectively, the “Award Shares”) to the Company (including but not limited to by reducing the amount of shares of Restricted Stock that vest) for the purpose of satisfying any withholding or other tax incurred by Executive as a result of the issuance of Award Shares (“Withholding Tax”), and the Compensation Committee shall determine in its discretion whether the Company will purchase or accept such shares. If and to the extent that the Company declines such request, and requires that the Withholding Tax be paid in cash, then Executive may sell, free of the restrictions in Section 3(h) above, that number of Award Shares equal to the Withholding Tax not satisfied through the sale or disposition of Award Shares pursuant to the first sentence of this paragraph, determined as of the date that Executive’s right to such Award Shares is included in Executive’s income for income tax purposes.

**“3(h) Adjustments for Subsequent Financial Statement Changes.** To the extent permitted under applicable law without the imposition of excise taxes, if following the issuance of any Restricted Stock on account of an Annual Performance Bonus or payment of any cash or other bonus, an adjustment is subsequently made to the financial statement or statements of the Company that would have changed the satisfaction of any condition for the determination of a bonus payment made to Executive or the issuance or vesting of any such shares of Restricted Stock or payment of the cash portion of any bonus, the Compensation Committee shall determine in its reasonable discretion whether any modification or adjustment is required to said bonus payment previously made, or in the vesting of the Restricted Stock so affected, and the Company shall promptly give written notice to Executive of any change proposed to be made, setting forth in reasonable detail therein the amount of and basis for such change, and if such Restricted Stock has been sold, whether Executive should be required to pay to the Company the net proceeds received by Executive from the sale of such Restricted Stock. If such change approved by the Compensation Committee involves an increase to a bonus payment, the Company shall pay such increase to Executive concurrently with the delivery of such notice; and if such change approved by the Compensation Committee involves a decrease to any such bonus payment, Executive shall repay the amount of such decrease to the Company promptly, and in any event within sixty (60) days after receipt of such notice. In addition, and notwithstanding any provision in this Agreement to the contrary, payment and issuance of the cash, stock and any other bonuses received by Executive under this Agreement, and any other payments and benefits which Executive receives pursuant to a Company plan or other arrangement, subject to compliance with all applicable laws, shall be subject to refund and return to the extent necessary to comply with the requirements of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act or any rule or regulation of the United States Securities and Exchange Commission. The provisions of this paragraph shall survive termination of this Agreement.

“3(i) **Additional Compensation.** The Compensation Committee may, from time to time, award such additional compensation to Executive, in cash, shares of stock, options to acquire shares of stock or other equity-based awards, or in property and in addition to the Restricted Stock and Bonus compensation set forth in Section 3(b), Section 3(c) and Section 3(d) of this Agreement, as the Compensation Committee may determine in its sole discretion to be appropriate based on business criteria established or determined by the Compensation Committee, including economic and business conditions affecting the Company and Executive’s personal performance. Such additional compensation may be awarded in accordance with the Plan or as otherwise determined by the Compensation Committee.

“3(j) **Acceleration of Vesting.** If his employment is terminated by the Company other than as the result of the occurrence of “cause” as defined in Section 12(a), all shares of Restricted Stock issued to Executive that have not yet fully vested prior to the Termination Date shall immediately vest.”

7. Paragraph 12(c) of the Employment Agreement and any reference to Paragraph 12(c) in the Employment Agreement is hereby replaced in its entirety by the following:

“c. **Termination by Company Without Cause.** If Executive’s employment is terminated by the Company other than as a result of the occurrence of “cause” as defined in Section 12(a), Executive shall be entitled to receive (i) any Base Salary amounts accrued and unpaid to and including the Termination Date, (ii) any Bonus amounts earned by Executive in respect of any completed fiscal year that remain unpaid, (iii) any expense reimbursement due to him pursuant to Section 4 in respect of his employment prior to the Termination Date, (iv) an amount, in cash, equal to the amount of Base Salary payable for the balance of the calendar year from and after the Termination Date that remains unpaid, (v) continued payment of his Base Salary in effect on the Termination Date through December 31, 2013, and (vi) continued major medical, hospitalization, and dental insurance providing coverage at least as favorable to Executive as that in effect on the Termination Date through December 31, 2013. The payments required under clauses (i) through (iv) of this Section 12(c) shall be payable as provided in Section 13(a) of this Employment Agreement.”

8. The following new Section 21 is added to the Employment Agreement:

“21. **Indemnification.**

- (a) During the Term and throughout the 10-year period following the Termination Date, the Company shall indemnify Executive, and hold him harmless from, any loss, damages, liability, obligation or expense that he may suffer or incur in connection with any claim made or Proceeding commenced during such period relating to his service as a director, officer, employee or agent of the Company (or any subsidiary thereof) to the same extent and in same manner as the Company shall be obligated so to indemnify Executive immediately prior to the Termination Date; provided that, if during such 10-year period the Company adopts or assumes any indemnification policy or practice with respect to its directors, officers, employees or agents that is more favorable than that in effect on the Termination Date, Executive shall be entitled to such more favorable indemnification.
- (b) During the Term and throughout the 10-year period following the Termination Date, the Company shall maintain for the benefit of Executive directors’ and officers’ liability insurance (on a “claims made” basis) providing coverage at least as favorable to Executive (including with respect to limits of liability, exclusions, and deductible and retention amounts) as that in effect on the Termination Date.

9. Compliance with Code Section 409A.

- (a) Unless otherwise expressly provided in this Employment Agreement, as amended hereby, any payment of compensation by the Company to Executive, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2½ months) after the end of the later of the calendar year or the Company's fiscal year in which Executive's right to such payment vests (i.e., is not subject to a substantial risk of forfeiture for purposes of Code Section 409A ("Code Section 409A")). Such amounts shall not be subject to the requirements of subsection (b) below applicable to "nonqualified deferred compensation."
- (b) All payments of "nonqualified deferred compensation" (within the meaning of Code Section 409A) are intended to comply with the requirements of Code Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Code Section 409A. No amount shall be paid prior to the earliest date on which it is permitted to be paid under Code Section 409A and Executive shall have no discretion with respect to the timing of payments except as permitted under Code Section 409A. In the event that Executive is determined to be a "Specified Employee" (as defined in and determined in accordance with Code Section 409A) of the Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable by reason of "Separation from Service" (as defined in Code Section 409A) shall be paid no earlier than (i) the first day of the seventh (7th) calendar month commencing after such termination of employment, or (ii) Executive's death, consistent with and to the extent necessary to meet the requirements of Code Section 409A without the imposition of excise taxes. Any payment delayed by reason of the prior sentence shall be paid in a single lump sum on the earliest date permitted under Code Section 409A in order to catch up to the original payment schedule, with interest on such delayed amount equal to the short-term federal rate applicable under Section 7872(f)(2)(A) of the Code for the month in which occurs Executive's Separation from Service. Thereafter, Executive shall receive any remaining benefits as if there had not been an earlier delay.
- (c) For purposes of this Agreement, termination of employment shall be deemed to occur only upon "Separation from Service" as such term is defined in Code Section 409A. Each payment and each installment of any bonus or severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Code Section 409A. Subsection (b) above shall not apply to that portion of any amounts payable upon termination of employment which shall qualify as "involuntary severance" under Code Section 409A because such amount (i) does not exceed the lesser of (1) two hundred percent (200%) of Executive's annualized compensation from the Company for the calendar year immediately preceding the calendar year during which the termination of employment occurs, or (2) two hundred percent (200%) of the annual limitation amount under Section 401(a)(17) of the Code (the maximum amount of compensation that may be taken into account for purposes of a tax-qualified retirement plan) for the calendar year during which termination of employment occurs, and (ii) is paid no later than the end of the second (2nd) calendar year commencing after termination of employment.
- (d) All benefit plans, programs and policies sponsored by the Company are intended to comply with all requirements of Code Section 409A or to be structured so as to be exempt from the application of Code Section 409A. All expense reimbursement or in-kind benefits subject to Code Section 409A which are provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which Executive incurs such expenses, and Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

10. Except as expressly set forth herein, all other terms and provisions of the Employment Agreement as amended shall remain in full force and effect and unmodified hereby, and Executive shall be entitled to continue to receive all other benefits provided thereunder.

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement as of the day and year first written above, intending to be legally bound hereby.

JAKKS PACIFIC, INC.

By: /s/ \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
John a/k/a Jack McGrath

**EXHIBIT A**  
**To**  
**Employment Agreement between**  
**John a/k/a Jack McGrath and JAKKS Pacific, Inc.**  
  
**Form of Restricted Stock Award Agreement**  
**Under the**  
**JAKKS Pacific, Inc.**

**2002 Stock Award and Incentive Plan**

This RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into on \_\_\_\_\_, 201\_\_\_ by and between John a/k/a Jack McGrath (the "Executive") and JAKKS Pacific, Inc., a Delaware corporation (the "Company").

WITNESSETH:

WHEREAS, the Company and the Executive are parties to that certain Employment Agreement, effective January 1, 2010 and amended by a First Amendment dated \_\_\_\_\_, 2011 (collectively, the "Employment Agreement"); and

WHEREAS, the terms and conditions of the Employment Agreement call for the Company to grant the Executive certain shares of Restricted Stock (as defined below) in consideration for the Executive agreeing to enter into the First Amendment; and

WHEREAS, pursuant to the Company's 2002 Stock Award and Incentive Plan (the "Plan"), the Company's Board or its Compensation Committee (the "Compensation Committee") has approved, in accordance with the terms of the Employment Agreement, the grant to the Executive of Restricted Stock set forth herein, subject to the terms and conditions of this Agreement.

**AWARD OF RESTRICTED STOCK**

The Company hereby grants to the Executive an award of \_\_\_\_\_ shares of restricted common stock of the Company, par value \$.001 per share (the "Restricted Stock"), subject to, and in accordance with, the restrictions, terms, and conditions set forth in this Agreement. The grant date of this award of Restricted Stock is \_\_\_\_\_, 201\_\_\_ (the "Grant Date").

This Agreement shall be construed in accordance with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan and the Employment Agreement.

**RESTRICTIONS**

Subject to Sections 2.2 and 3.2 below, and provided in all instances that the Executive's employment with the Company has not been terminated for cause by the Company in accordance with the provisions of the Employment Agreement prior to January 1, \_\_\_\_\_ (the "Final Vesting Date", that number of shares of Restricted Stock set forth below shall vest on each of the dates set forth below (the "Vesting Date") such that on each Vesting Date such number of shares of Restricted Stock shall be fully vested<sup>1</sup>:

Vesting Date

Number of Shares that Vest

\_\_\_\_\_

<sup>1</sup> Vesting Schedule to be in accordance with relevant provisions of Section 3 of First Amendment to the Employment Agreement

None of the Restricted Stock may be sold, assigned, transferred, pledged, or otherwise encumbered prior to each Vesting Date, and thereafter the Restricted Stock shall not be sold, assigned transferred, pledged, or otherwise encumbered except in accordance with the minimum stock holding requirements provided for in Section 3(h) of the Employment Agreement.

*[Insert for Shares issued under Section 3(d) of the First Amendment to Employment Agreement:]* Notwithstanding the Vesting Dates set forth in Section 2.1 above, and in order for the Company to preserve the deductibility under Section 162(m) of the Code of the grant of Restricted Stock provided hereby, as a condition precedent to the effectiveness of the above-described vesting schedule, the 3% Vesting Condition (defined in Section 3(b) of the Employment Agreement) must be satisfied. In the event the 3% Vesting Condition is not satisfied, (i) the grant of Restricted Stock pursuant to this Agreement shall be null and void, (ii) the Executive shall forfeit any right to receive any Restricted Stock, (iii) any entries on the stock books and ledgers of the Company with respect to the shares of Restricted Stock shall be cancelled, and (iv) the Restricted Stock shall become authorized but unissued shares of the Company's common stock, par value \$.001 per share (the "Common Stock").

The Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date, if ever, that the Restricted Stock becomes vested in accordance with the terms of this Agreement.

## **STOCK; DIVIDENDS; VOTING**

The stock certificate(s) evidencing the Restricted Stock shall be registered on the Company's books in the name of the Executive as of the Grant Date. The Company may issue stock certificates or otherwise evidence the Executive's interest by using a book entry account. The Company may, in its sole discretion, maintain physical possession or custody of such stock certificates until such time as the shares of Restricted Stock are free of the restrictions contained in Article 2. The Company reserves the right to place a legend on the stock certificate(s) restricting the transferability of such certificates and referring to the terms and conditions (including forfeiture) of this Agreement and the Plan.

During the period the Restricted Stock is not vested, Executive shall not have the right to vote or receive dividends (whether in cash, stock or any other form) on shares of Restricted Stock issued under this Agreement until the date of vesting of such shares.

In the event of a stock split, change in capitalization or other similar capital event in which the Company's stockholders participate generally in respect of all shares of common stock of the Company, par value \$.001 per share, from and after the date of issuance of the Restricted Stock, the number and class of shares of Restricted Stock or other securities that the Executive shall be entitled to, and shall hold, pursuant to this Agreement shall be appropriately adjusted or changed to reflect such change in capitalization, provided that any such additional shares of Restricted Stock or different shares or securities shall remain subject to the restrictions contained in this Agreement.

The Executive represents and warrants that he is acquiring the Restricted Stock for investment purposes only, and not with a view to distribution thereof. The Executive is aware that the Restricted Stock may not be registered under the federal or any state securities laws and that, in addition to the other restrictions on the shares of Restricted Stock, the Restricted Stock will not be able to be transferred unless an exemption from registration is available or the Restricted Stock becomes registered. By making this award of Restricted Stock, the Company is not undertaking any obligation to register the Restricted Stock under any federal or state securities laws.

## **NO RIGHT TO CONTINUED SERVICE AS AN EXECUTIVE**

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Executive any right with respect to continuance as an employee of the Company or any subsidiary of the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company or a subsidiary of the Company or their respective stockholders to terminate the Executive's service as a director at any time.

**TAXES AND WITHHOLDING**

The Executive shall be responsible for all federal, state, and local income taxes payable with respect to this award of Restricted Stock. The Executive shall have the right to make such elections under the Code as are available in connection with this award of Restricted Stock. The Company and the Executive agree to report the value of the Restricted Stock in a consistent manner for federal income tax purposes. The Company shall have the right to retain and withhold from any payment of Restricted Stock the amount of taxes (if any) required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require the Executive to reimburse the Company for any such taxes required to be withheld and may withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due to the Executive an amount equal to such taxes required to be withheld or withheld and cancel (in whole or in part) a number of shares of Restricted Stock having a market value not less than the amount of such taxes.

**EXECUTIVE BOUND BY THE PLAN**

The Executive hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

**MODIFICATION OF AGREEMENT**

This Agreement may be modified, amended, suspended, or terminated, or any of the terms or conditions hereof waived, only by a written instrument executed by the parties hereto.

**SEVERABILITY**

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

**GOVERNING LAW**

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof.

**SUCCESSORS IN INTEREST**

This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, whether by merger, consolidation, reorganization, sale of assets, or otherwise. This Agreement shall inure to the benefit of the Executive’s legal representatives. All obligations imposed upon the Executive and all rights granted to the Company under this Agreement shall be final, binding, and conclusive upon the Executive’s heirs, executors, administrators, and successors.

**RESOLUTION OF DISPUTES**

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to the interpretation, construction, or application of this Agreement shall be determined by the Board. Any determination made hereunder shall be final, binding, and conclusive on the Executive and the Company for all purposes.

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

JAKKS PACIFIC, INC

EXECUTIVE

By:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
John a/k/a Jack McGrath



**EXHIBIT B**  
**VESTING SCHEDULE FOR SHARES OF RESTRICTED STOCK ISSUED**  
**UNDER SECTION 3(d)**

Dollar Value of Shares Issued	Issuance Date	First Vesting Date	% of Shares Vesting on First Vesting Date	Second Vesting Date <sup>2</sup>	% of Shares Vesting on Second Vesting Date	Third Vesting Date	% of Shares Vesting on Third Vesting Date	Fourth Vesting Date	% of Shares Vesting on Fourth Vesting Date
\$75,000.00	____ 1, 2011	Date in 2012 as of which the 3% Vesting Condition is determined to have been satisfied	25%	Jan 1, 2013	25%	Jan 1, 2014	25%	Jan 1, 2015	25%
\$75,000.00	Jan 1, 2012	Date in 2013 as of which the 3% Vesting Condition is determined to have been satisfied	33 $\frac{1}{3}$ %	Jan 1, 2014	33 $\frac{1}{3}$ %	Jan 1, 2015	33 $\frac{1}{3}$ %	N/A	N/A
\$75,000.00	Jan 1, 2013	Date in 2014 as of which the 3% Vesting Condition is determined to have been satisfied	50%	Jan 1, 2015	50%	N/A	N/A	N/A	N/A

<sup>2</sup> This schedule assumes that for each issuance of Section 3(d) Restricted Stock, the 3% Vesting Condition is satisfied as of the first possible vesting date.

**EXHIBIT D**

**BASE BONUS CRITERIA FOR 2011**

Executive's 2011 Base Annual Performance Bonus shall be calculated as Executive's Base Salary for 2011 multiplied by the percentage of Base Salary set forth in the table below that corresponds to the Company's actual 2011 Adjusted EPS (defined below):

<b>2011 Adjusted EPS (\$)</b>	<b>Bonus (% of Base Salary)</b>
Less than 1.37	0%
1.40	20%
1.44	25%
1.48	35%
1.52	45%
1.56	55%
1.60	70%
1.64	85%
1.70	100%
1.78	125%
1.74	120%

The foregoing targets shall be adjusted so that the initial target under which Executive can earn a bonus equal to 20% of Base Salary (the "Initial EPS Target") is the greater of \$1.41 and the amount that is 3% higher than Adjusted Earnings Per Share for the 2010 fiscal year of the Company, and each subsequent tranche shall be adjusted accordingly so that the maximum bonus, equal to 125% of Executive's 2011 Base Salary, is earned if 2011 Adjusted EPS is 30% higher than the Initial EPS Target.