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12 UNITED STATES DISTRICT COURT  
13 CENTRAL DISTRICT OF CALIFORNIA

14 ADVANCED ADVISORS, G.P., *et al.*,

15 Plaintiffs,

16 v.

17 STEPHEN BERMAN, an individual;  
18 MICHAEL G. MILLER, an individual;  
19 MURRAY L. SKALA, an individual;  
20 ROBERT E. GLICK, an individual;  
21 MARVIN ELLIN, an individual; and  
22 DAN ALMAGOR, an individual,

23 Defendants.

24 JAKKS PACIFIC, INC.,

25 Nominal Defendant.  
26  
27  
28

CASE NO.: 2:14-cv-01420-JAK-  
(SSx)

STIPULATION OF SETTLEMENT

Hon. John A. Kronstadt  
Complaint Filed: Feb. 25, 2014

Trial Date: March 16, 2016

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STIPULATION OF SETTLEMENT

1 This Stipulation of Settlement ("Stipulation") is entered into as of March 23,  
 2 2015, pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, subject to the  
 3 approval of the Court, by and between the following Settling Parties (as defined  
 4 below in ¶ 1.20)<sup>1</sup>: (i) Plaintiffs Advanced Advisors, G.P. ("Advanced Advisors"),  
 5 Louisiana Municipal Police Employees' Retirement System ("LMPERS") and The  
 6 Vladimir Gusinsky Living Trust ("Gusinsky Trust," and collectively the "Plaintiffs"),  
 7 each of whom have commenced actions derivatively on behalf of JAKKS Pacific,  
 8 Inc. ("JAKKS" or the "Company"); (ii) nominal defendant JAKKS; (iii) and the  
 9 Individual Defendants (as defined below in ¶ 1.11, and collectively with JAKKS,  
 10 "Defendants"). Plaintiffs Advanced Advisors and LMPERS are the Plaintiffs in  
 11 *Advanced Advisors, G.P. et al. v. Stephen Berman et al.*, 14-cv-01420-JAK (SSx)  
 12 (C.D. Cal.) (the "Federal Derivative Action"). Gusinsky Trust is the plaintiff in *The*  
 13 *Vladimir Gusinsky Living Trust v. Stephen Berman, et al.*, 2:15-cv-02027-TJH-AS  
 14 (C.D. Cal.), filed on March 19, 2015, alleging claims similar to those in the Federal  
 15 Derivative Action, and designated as a "related case" to the Federal Derivative  
 16 Action (the "Gusinsky Trust Action"). In order to facilitate the Settlement, a motion  
 17 to consolidate it with the Federal Derivative Action will be made upon reassignment  
 18 to Judge Kronstadt and with the consent of all the Parties. Accordingly, references  
 19 herein to the Federal Derivative Action shall include the Gusinsky Trust Action.  
 20 Pending the anticipated consolidation of the Gusinsky Trust Action, plaintiffs  
 21 Advanced Advisors and LMPERS will be referred to herein as the "Consolidated  
 22 Plaintiffs." The Stipulation is intended by the Settling Parties to fully, finally, and  
 23 forever resolve, discharge, and settle the Released Claims (as defined below in  
 24 ¶ 1.17), upon and subject to the following conditions and terms.

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 27 <sup>1</sup> References to specific paragraphs in the Stipulation refer to the paragraphs in  
 28 Part IV.

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2 **I. PROCEDURAL HISTORY OF THE ACTION**

3 **A. History of the Litigation**

4 On February 23, 2014, Advanced Advisors filed *Advanced Advisors, G.P. v.*  
 5 *Stephen Berman et al.*, Case No. 14-cv-01420 (C.D. Cal.), derivatively on behalf of  
 6 nominal defendant JAKKS alleging, among other things, claims of breach of  
 7 fiduciary duties against the Federal Derivative Action Individual Defendants (as  
 8 defined below in ¶ 1.8).<sup>2</sup> On March 6, 2014, LMPERS filed *Louisiana Municipal*  
 9 *Police Employees Retirement System v. Stephen Berman et al.*, Case No. 14-cv-  
 10 01670 (C.D. Cal.), derivatively on behalf of nominal defendant JAKKS against the  
 11 Federal Derivative Action Individual Defendants. On April 17, 2014, the Court  
 12 consolidated the Consolidated Plaintiffs' (as defined below in ¶ 1.3) actions (the  
 13 "Consolidation Order") into the Federal Derivative Action. The Consolidation Order  
 14 designated the law firms of Block & Leviton LLP and the Paskowitz Law Firm P.C.  
 15 as Plaintiffs' Interim Co-Lead Counsel and the Law Offices of David N. Lake as  
 16 Plaintiffs' Interim Liaison Counsel.

17 On April 30, 2014, Consolidated Plaintiffs filed their Verified Shareholders'  
 18 Derivative Amended Complaint (the "DAC") in the Federal Derivative Action,  
 19 asserting four claims for relief: (1) contribution, under the Securities Exchange Act  
 20 of 1934, against Mr. Berman and now-dismissed defendant Joel Bennett for potential  
 21 damages arising from the Class Action (as defined below in ¶ 1.2); (2) violations of  
 22 Section 14 of the Securities Exchange Act of 1934 and Securities and Exchange  
 23 Commission Rule 14a-9 against the Federal Derivative Action Individual Defendants  
 24 regarding alleged omissions in a 2013 proxy; (3) state law breach of fiduciary duty

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26 <sup>2</sup> The Federal Derivative Action complaints also named as individual  
 27 defendants certain other current and former JAKKS directors and officers who were  
 subsequently dismissed by Court order dated November 4, 2014.

1 claims against the Federal Derivative Action Individual Defendants allegedly arising  
2 from certain actions by the Board (as defined below in ¶ 1.1) between 2011 and  
3 2013; and (4) state law breach of fiduciary claims against Messrs. Berman and  
4 Bennett for potential liability arising out of the Class Action.

5 On May 28, 2014, the Defendants filed a motion to dismiss all claims in the  
6 DAC under Rules 12(b)(6) and 23.1 of the Federal Rules of Civil Procedure. On  
7 September 17, 2014, the Court entered an order (the "Order") that dismissed with  
8 prejudice Claims 1 and 4 of the DAC: Consolidated Plaintiffs' contingent claims for  
9 contribution and breach of fiduciary duty arising out of the Class Action.  
10 Additionally, the Order dismissed without prejudice Claim 2, Consolidated Plaintiffs'  
11 Section 14 claim, and Claim 3 insofar as it related to the acquisition of JAKKS  
12 shares by Dr. Patrick Soon-Shiong and the Board's approval of the DreamPlay Joint  
13 Ventures. As a result of the Order, the only remaining claims related to the portion  
14 of Claim 3 alleging breach of fiduciary duty arising from a shareholders' rights  
15 agreement, adopted on March 5, 2012, and a share repurchase, approved by the  
16 Board on April 21, 2012 (collectively, the "Challenged Transactions").

17 On September 29, 2014, Consolidated Plaintiffs served document requests in  
18 the Federal Derivative Action on the Federal Derivative Action Individual  
19 Defendants and nominal defendant JAKKS. On October 2, 2014, the Settling Parties  
20 advised the Court that Consolidated Plaintiffs intended to proceed with the claims  
21 not dismissed by the Order. Consolidated Plaintiffs did not file any amended  
22 complaint on or before October 2, 2014, the deadline set by the Order for any  
23 amendment. On October 3, 2014, the Court entered an order referring the Settling  
24 Parties to private mediation (the "Mediation Order"). On October 31, 2014, the  
25 Federal Derivative Action Individual Defendants served document requests in the  
26 Federal Derivative Action on Consolidated Plaintiffs and an interrogatory on  
27 Advanced Advisors. On November 4, 2014, the Court entered an order granting a

1 joint stipulation to dismiss individually named defendants Rex H. Poulsen, Leigh  
2 Anne Brodsky, Peter F. Reilly and Joel Bennett, originally named in the DAC who  
3 were no longer the subject of the claims remaining following the Order.

4 On December 15, 2014, December 17, 2014, January 13, 2015 and January 30,  
5 2015, JAKKS produced certain confidential and non-public documents to  
6 Consolidated Plaintiffs, which included the core documents evidencing the financial  
7 advice received by the Individual Defendants' outside financial advisors and  
8 considerations by the Board in adopting the Challenged Transactions, among other  
9 documents: (1) the minutes of Board meetings addressing the Challenged  
10 Transactions; and (2) non-privileged written presentations made to the Board by its  
11 outside advisors concerning the Challenged Transactions (collectively, the "Core  
12 Documents"). In addition, Consolidated Plaintiffs issued four subpoenas by which  
13 they sought and obtained important documents from non-party witnesses, including  
14 Bank of America Merrill Lynch, who were the Company's independent financial  
15 advisors, Oaktree Capital Management, Clinton Group and Viacom. On January 15,  
16 2015, JAKKS also produced potentially relevant insurance policies held by the  
17 Company.

18 On December 18, 2014, Consolidated Plaintiffs filed *Advanced Advisors, G.P.*  
19 *et al. v. Stephen Berman et al.*, Case No. SC123546 (Cal. Super. Ct.) in the  
20 California Superior Court (the "State Derivative Action," and collectively with the  
21 Federal Derivative Action, the "Derivative Actions"), derivatively on behalf of  
22 nominal defendant JAKKS. The complaint in the State Derivative Action named as  
23 defendants the Individual Defendants.

24 On December 23, 2014, Defendants filed a motion for judgment on the  
25 pleadings in the Federal Derivative Action. On December 24, 2014, Defendants  
26 filed a motion to stay discovery pending adjudication of the motion for judgment on  
27 the pleadings in the Federal Derivative Action. On January 26, 2015, Consolidated



1 Plaintiffs filed their opposition to the motion for judgment on the pleadings and to  
2 stay discovery, and Plaintiffs filed a motion for leave to amend the DAC in the  
3 Federal Derivative Action to, among other things, substitute Proposed Plaintiff for  
4 Consolidated Plaintiffs.

5 **B. Settlement Discussions and Filing of the Gusinsky Trust Action**

6 During the pendency of the Federal Derivative Action, Plaintiffs' Counsel (as  
7 defined below in ¶ 1.15) and counsel for the Defendants maintained a dialogue about  
8 the possibility of a settlement agreement. Plaintiffs, however, did not believe they  
9 would be in a position to assess the value of the Derivative Actions and to obtain  
10 sufficient benefits to the Company's shareholders in a settlement until: (1) the DAC  
11 survived a motion to dismiss; and (2) the Core Documents were obtained and  
12 reviewed.

13 On February 12, 2015, pursuant to the Mediation Order, the Settling Parties  
14 conducted a mediation, presided over by the Honorable Layn R. Phillips (U.S.D.J.,  
15 Ret.) (the "Mediator"). By this point, Plaintiffs' Counsel had obtained the Core  
16 Documents and certain third-party discovery, and had consulted experts on the  
17 potential damages in the case. Counsel for the Settling Parties to the Derivative  
18 Actions engaged in arm's-length discussions and negotiations concerning a  
19 settlement of the Derivative Actions. After arm's-length negotiations, including  
20 those that occurred at the Mediation and thereafter, counsel for the Settling Parties  
21 have reached an agreement to settle the Derivative Actions.

22 On February 17, 2015, the parties reported the results of the Mediation to the  
23 Court by means of a filing entitled, "Joint Notice of Results of Mediation." On  
24 March 4, 2015, the Court ordered that Counsel "shall file the stipulation of  
25 settlement by March 23, 2015, as set forth in the Notice, which shall include a  
26 schedule contemplated by counsel as to the settlement process and when a dismissal  
27 is anticipated to be filed."



1 On March 19, 2015, *The Vladimir Gusinsky Living Trust v. Stephen Berman,*  
2 *et al.*, 2:15-cv-02027-TJH-AS (C.D. Cal.) was filed on March 19, 2015 by Plaintiffs'  
3 Counsel herein, and designated as a "related case" to the Federal Derivative Action.  
4 The Defendants named in the Gusinsky Trust Action, by counsel, accept service of  
5 process therein. By motion expected to be submitted to the Court after the Gusinsky  
6 Trust Action is reassigned to this Court, Plaintiffs will move for the Gusinsky Trust  
7 Action to be consolidated with the Federal Derivative Action.

8 **II. CLAIMS OF PLAINTIFFS AND BENEFITS OF SETTLEMENT**

9 Following a full analysis of the strengths and weaknesses of their case,  
10 including review and analysis of the Core Documents and non-party documents, and  
11 in recognition of the time and expense that would be incurred by future litigation, the  
12 uncertainties and risks inherent in such litigation and the interests of the parties,  
13 including the shareholders of JAKKS, Plaintiffs' Counsel have concluded that it is  
14 reasonable to pursue the Settlement (as defined below in ¶ 1.19) of the Derivative  
15 Actions based upon the terms contained in this Stipulation and the procedures  
16 outlined therein.

17 Plaintiffs' Counsel base this conclusion upon, among other things, their  
18 extensive investigation during the development, prosecution and settlement of the  
19 Derivative Actions, which included, *inter alia*: (i) inspecting, reviewing and  
20 analyzing the Core Documents and documents received through third-party  
21 production; (ii) retaining and consulting with experts; (iii) researching corporate  
22 governance issues; and (iv) researching the applicable law with respect to the claims  
23 asserted in the Derivative Actions and the potential defenses thereto. Plaintiffs  
24 believe that the Settlement set forth in this Stipulation is fair, reasonable, and  
25 adequate, and confers substantial benefits upon JAKKS and its shareholders and that  
26 the Settlement is in the best interests of JAKKS and its shareholders.

1 Plaintiffs and their counsel believe, and continue to believe, that the  
2 allegations asserted in the DAC are meritorious and that the Individual Defendants  
3 breached their applicable fiduciary duties to JAKKS and its public shareholders.  
4 Although Plaintiffs and their counsel believe this Settlement is fair, reasonable and  
5 adequate, their agreement to settle this action shall not be construed in any way to  
6 mean that they believe the claims asserted were not valid, proper and meritorious.

7 Plaintiffs and their counsel, cognizant of the risks and uncertainties of  
8 litigation, and taking into account the defenses that may be offered, have entered into  
9 this Settlement to secure the Corporate Governance Changes (as defined below in  
10 ¶ 1.4), which Plaintiffs believe will provide numerous valuable benefits to JAKKS.

### 11 **III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

12 Each of the Individual Defendants has expressly denied and continues to deny  
13 any and all allegations of wrongdoing, fault, liability or damage to the Plaintiffs or  
14 JAKKS and/or any JAKKS shareholders derivatively on behalf of JAKKS. Each of  
15 the Individual Defendants has vigorously denied, and continue to deny, that they  
16 committed or aided and abetted the commission of any breach of fiduciary duty or  
17 any other law, or engaged in any of the wrongful acts alleged, and expressly  
18 maintains that they diligently and scrupulously complied with their fiduciary and  
19 other legal duties, to the extent such duties exist. In addition, the Individual  
20 Defendants also vigorously deny, and continue to deny Plaintiffs' allegations that  
21 JAKKS has suffered damages or was harmed by the conduct alleged in the  
22 Derivative Actions.

23 Defendants further deny that any Corporate Governance Changes, to the extent  
24 such procedures were not in place in the past, constitute evidence of a failure of  
25 compliance, a breach of any duty or any other wrongdoing. The Individual  
26 Defendants, and each of them, believe that they have valid and good defenses to the  
27 causes of action that were or could have been brought in the Derivative Actions.

1 There has been no admission or finding of facts or adjudication of liability by or  
2 against any party, and nothing herein should be construed as such.

3 Nonetheless, the Individual Defendants have entered into this Settlement  
4 solely to: (i) secure, and in consideration of receiving, the full and complete release  
5 contemplated by this Stipulation; (ii) avoid the substantial expense, burden,  
6 distraction and risk of continued litigation; (iii) dispose of potentially burdensome  
7 and protracted litigation; and (iv) obtain a full and final release, discharge and  
8 dismissal, with prejudice, of the claims asserted in the Derivative Actions and bring  
9 the Derivative Actions to a full and final resolution.

#### 10 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

11 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and  
12 among Plaintiffs, the Individual Defendants and JAKKS, by and through their  
13 respective counsel or attorneys of record, that, subject to Court approval, the Federal  
14 Derivative Action and the Released Claims shall be finally and fully compromised,  
15 settled and released, and the Federal Derivative Action shall be dismissed with  
16 prejudice, as to all Settling Parties, upon and subject to the terms and conditions of  
17 the Stipulation, as follows.

##### 18 **1. Definitions**

19 As used in the Stipulation the following terms have the meanings specified  
20 below:

21 1.1. "Board" means the board of directors of JAKKS.

22 1.2. "Class Action" means the putative federal class action entitled *Melot*  
23 *v. JAKKS Pacific, Inc. et al.*, Case No. 13-cv-05388 (C.D. Cal.).

24 1.3. "Consolidated Plaintiffs" means, collectively, Advanced Advisors  
25 and LMPERS.

26 1.4. "Corporate Governance Changes" means the corporate governance  
27 changes described in ¶ 2.1 and contained in the document attached as Exhibit D.

1        1.5. "Derivative Actions" means, collectively, the Federal Derivative  
2 Action and the State Derivative Action.

3        1.6. "Effective Date" means the first date by which all of the conditions  
4 and events specified in ¶ 6.1 of the Stipulation have been met and have occurred.

5        1.7. "Federal Derivative Action" means the consolidated action captioned  
6 *Advanced Advisors, G.P. et al. v. Stephen Berman et al.*, 14-cv-01420-JAK (SSx)  
7 (C.D. Cal.) and, unless otherwise specified, includes the Gusinsky Trust Action.

8        1.8. "Federal Derivative Action Individual Defendants" means,  
9 collectively, defendants Stephen G. Berman, Michael G. Miller, Murray L. Skala,  
10 Robert E. Glick, Marvin Ellin, Dan Almagor, Leigh Anne Brodsky and Peter F.  
11 Reilly.

12        1.9. "Fee Order" means a Court order awarding any attorneys' fees and  
13 expenses whether or not contained in the Judgment approving the Settlement.

14        1.10. "Final Order" means that the Court has entered the signed Judgment  
15 approving the Settlement, dismissing the Federal Derivative Action with prejudice  
16 on the merits and providing for such releases as set forth in ¶¶ 4.1–4.4 below, and  
17 that such final order and judgment is final and no longer subject to further appeal or  
18 review, whether by affirmance on or exhaustion of any possible appeal or review,  
19 writ of certiorari, lapse of time or otherwise. For purposes of ¶¶ 5.2–5.3, "Final  
20 Order" includes a Fee Order whether or not contained in the Judgment approving the  
21 Settlement, so long as it is final and no longer subject to appeal (the "Final Fee  
22 Order"). The Judgment or Fee Order becomes a Final Order when: (1) no appeal  
23 has been filed and the time has passed for any notice of appeal to be timely filed  
24 from the Judgment or the Fee Order; (2) an appeal has been filed from the Judgment  
25 or the Fee Order and the Court of Appeals has either affirmed the Judgment or Fee  
26 Order or dismissed that appeal and the time for seeking reconsideration or further  
27 appellate review has passed; or (3) a higher court has granted further appellate

1 review of the Judgment or Fee Order and that court has either affirmed the Judgment  
2 or Fee Order or affirmed the Court of Appeal's decision affirming the Judgment or  
3 Fee Order or dismissing the appeal.

4 1.11. "Individual Defendants" means, collectively, defendants Stephen G.  
5 Berman, Michael G. Miller, Murray L. Skala, Robert E. Glick, Marvin Ellin, Dan  
6 Almagor, Leigh Anne Brodksy and Peter F. Reilly.

7 1.12. "JAKKS" and the "Company" mean nominal defendant JAKKS  
8 Pacific, Inc., a Delaware corporation and all of its affiliates, subsidiaries,  
9 predecessors, successors and related companies.

10 1.13. "Judgment" means the proposed Order and Final Judgment to be  
11 signed and rendered by the Court approving the Settlement, substantially in the form  
12 attached hereto as Exhibit C.

13 1.14. "Person" means an individual, corporation, limited liability  
14 corporation, professional corporation, partnership, limited partnership, limited  
15 liability partnership, association, joint stock company, estate, legal representative,  
16 trust, unincorporated association, government or any political subdivision thereof,  
17 and any business or legal entity and their spouses, heirs, predecessors, successors and  
18 related companies.

19 1.15. "Plaintiffs' Counsel" means, collectively, The Paskowitz Law Firm  
20 P.C., Block & Leviton LLP, Roy Jacobs & Associates, Ryan & Maniskas, LLP, and  
21 the Law Offices of David N. Lake, and any successors or predecessors to such  
22 counsel.

23 1.16. "Related Persons" means each of an Individual Defendant's or  
24 JAKKS' past or present officers, directors, employees, agents, attorneys, accountants,  
25 advisors, insurers, co-insurers, reinsurers, heirs, executors, personal representatives,  
26 estates, administrators, predecessors, successors and assigns, and any other  
27 representatives of any of these persons or entities or their successors.

1           1.17. "Released Claims" means any and all claims, debts, demands,  
2 disputes, rights, actions or causes of action, liabilities, damages, losses, obligations,  
3 judgments, suits, matters and issues of any kind or nature whatsoever (including, but  
4 not limited to, any claims for damages, interest, attorneys' fees, expert or consulting  
5 fees, and any and all other costs, expenses or liabilities whatsoever), whether based  
6 on United States federal, state or local statutory or common law or any other law,  
7 rule or regulation, whether foreign or domestic, fixed or contingent, accrued or  
8 unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured,  
9 foreseen or unforeseen, whether class or individual in nature, direct or derivative,  
10 including both known claims and Unknown Claims (as defined below in ¶ 1.22):  
11 (1) that have been asserted in any of the Derivative Actions by any of the Plaintiffs,  
12 or any of their attorneys, against any of the Released Persons; or (2) that could have  
13 been, or in the future could be, asserted in any of the Derivative Actions against any  
14 of the Released Persons arising out of, based upon or related to the allegations,  
15 transactions, facts, matters or occurrences, representations or omissions involved, set  
16 forth or referred to in any of the complaints filed in the Derivative Actions.  
17 "Released Claims" also includes any and all claims arising out of, relating to, or in  
18 connection with the Settlement or resolution of the Derivative Actions against the  
19 Released Parties (including Unknown Claims). "Released Claims" does not include:  
20 (1) claims alleged in the Class Action; or (2) claims, rights or causes of action or  
21 liabilities related to the enforcement of this Stipulation and Settlement, including  
22 without limitation any of the terms of this Stipulation or orders or judgments issued  
23 by the courts in connection with the Settlement.

24           1.18. "Released Persons" means each and all of the Plaintiffs and  
25 Defendants (including JAKKS and the Individual Defendants, as defined herein) and  
26 their Related Persons.



1.19. "Settlement" means this settlement and its terms as embodied in the Stipulation and Exhibits attached hereto.

1.20. "Settling Parties" means collectively, each and all of the Individual Defendants, nominal defendant JAKKS, and Plaintiffs, derivatively on behalf of JAKKS.

1.21. "State Derivative Action" means the derivative action captioned *Advanced Advisors, G.P. et al. v. Stephen Berman et al.*, Case No. SC123546 (Cal. Super. Ct.), filed on December 18, 2014 in the California Superior Court by Consolidated Plaintiffs.

1.22. "Unknown Claims" means any and all claims and potential claims against Defendants that Plaintiffs do not know or suspect to exist in his, her or its favor as of the Effective Date, and any claims against Plaintiffs that Defendants do not know or suspect to exist in their favor, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims (including Unknown Claims), the Settling Parties stipulate and agree that by operation of the Final Order, upon the Effective Date, the Settling Parties and each of the current JAKKS shareholders shall have expressly waived the provisions, rights and benefits of Cal. Civ. Code § 1542, which provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**

The Settling Parties shall be deemed to have, and by operation of the Judgment shall have, waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, or international law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542. Settling Parties may hereafter discover facts in addition to or different from those that he,



1 she, or it now knows or believes to be true with respect to the subject matter of the  
2 Released Claims, but the Settling Parties shall expressly fully, finally and forever  
3 settle and release any and all Released Claims, known or unknown, suspected or  
4 unsuspected, contingent or non-contingent, whether or not concealed or hidden,  
5 which now exist, or heretofore have existed, upon any theory of law or equity now  
6 existing or coming into existence in the future, including, but not limited to, conduct  
7 that is negligent, intentional, with or without malice, or a breach of any duty, law or  
8 rule, without regard to the subsequent discovery or existence of such different or  
9 additional facts. Settling Parties acknowledge that the inclusion of "Unknown  
10 Claims" in the definition of Released Claims was separately bargained for and was a  
11 key element of the Settlement.

12 **2. Settlement Consideration; Notice; and Court Approval**

13 2.1. Consideration to the Company. JAKKS acknowledges that  
14 prosecution, litigation and settlement of the Derivative Actions and the litigation  
15 efforts of Plaintiffs and Plaintiffs' Counsel were a material and substantial cause in  
16 the Company's decision to adopt and implement the Corporate Governance Changes  
17 described in ¶ 2.1(a)–(g) below. Within thirty (30) days of entry of a Final Order,  
18 JAKKS will implement the following Corporate Governance Changes and maintain  
19 them for at least four (4) years following the entry of the Final Order:

20 (a) Buyback Committee: A separate committee consisting solely  
21 of independent Board members shall be created to conduct an independent review of  
22 any stock buyback plan, including the terms of such plan, and shall approve or reject  
23 any proposed stock buyback plan prior to consideration by the full Board and shall  
24 exercise continued oversight throughout the execution of any buyback.

25 (b) Future Rights Plans: Any shareholder rights plan shall be  
26 approved by all of the independent directors of the Board.

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1 (c) Cash Allocation: The Board shall conduct an annual review of  
2 the Company's methods of allocating and applying cash between domestic and  
3 international operations, taking into account tax issues, and operating needs and  
4 uncertainties.

5 (d) Implement Enhanced Budgeting and Planning Practices (for  
6 Audit Committee and CFO):

7 (i) The Audit Committee shall review internal budgeting  
8 and planning methods and require the CFO to adopt, at a minimum, the following  
9 practices:

10 (1) Use non-financial factors as part of the planning  
11 and budgeting process.

12 (2) Link budgets to performance measurement.

13 (3) Identify and list specific objectives, targets,  
14 drivers or assumptions in the strategic planning and budgeting process. These  
15 drivers will then be used throughout the budgeting cycle to determine required  
16 quantities, intended resource utilization and direct and indirect cost requirements.

17 (ii) The Company will undertake historical review of  
18 acquisitions to identify key characteristics of successful acquisitions (e.g., types of  
19 acquisitions; size of acquisitions; best product mix; integration into JAKKS'  
20 structure; how lessons from these will help future acquisitions).

21 (e) CEO Compensation:

22 (i) JAKKS will continue to tie CEO compensation to the  
23 share price.

24 (ii) JAKKS' compensation plan will be peer tested by an  
25 independent outside compensation consultant for reasonableness and  
26 competitiveness.

1 (f) Related Party Transactions: Related Party transactions  
2 unrelated to any existing contract or transaction shall be approved by an independent  
3 committee of the Board, which shall have the right to obtain counsel or a financial  
4 advisor at its own discretion. A "Related Party" is a shareholder who owns 5% or  
5 more of the Company's outstanding shares.

6 (g) Takeover or Merger Proposals: Should a fully funded,  
7 unconditional, premium offer emerge, the Board will establish an independent  
8 negotiating committee authorized to determine whether to negotiate and whether to  
9 ultimately accept or reject the offer, and shall retain a financial advisor to advise it in  
10 connection with the evaluation of the offer.

11 2.2. Notice. Plaintiffs will move the Court to approve the form and  
12 content of notice to JAKKS shareholders. Specifically, Plaintiffs will seek approval  
13 of the Notice of Proposed Settlement and Final Approval Hearing (the "Notice"),  
14 substantially in the form attached hereto as Exhibit B. The Notice shall be published  
15 as a press release issued by JAKKS that sets forth the Notice. JAKKS shall also file  
16 a Form-8K with the SEC disclosing the Notice, the press release and the Stipulation.  
17 Plaintiffs' Counsel will also maintain the Notice and this Stipulation on the website  
18 maintained by Block & Leviton. The Settling Parties agree that the Notice is  
19 appropriate for the provision of notice to JAKKS shareholders of the Settlement of  
20 the Derivative Actions.

21 2.3. In accordance with the Court's order dated March 4, 2015 (Dkt. 85),  
22 on March 23, 2015, Plaintiffs shall submit the Stipulation, together with its Exhibits,  
23 to the Court and shall apply for entry of the Order Preliminarily Approving  
24 Settlement and Providing for Notice (the "Notice Order"), substantially in the form  
25 attached hereto as Exhibit A, seeking: (1) approval of the form, content and method  
26 of the Notice; and (2) a date for a final approval hearing (the "Final Approval  
27 Hearing").

1           2.4.     Plaintiffs' Counsel shall request that the Court: (1) hold the Final  
2 Approval Hearing after due and sufficient notice is given to JAKKS shareholders;  
3 and (2) finally approve the Settlement. At the Final Approval Hearing, Plaintiffs'  
4 Counsel also will request that the Court approve the Fee and Expense Award (as  
5 defined below in ¶ 5.1) to Plaintiffs' Counsel.

6 **3.     Dismissal with Prejudice; and Adjournment of Deadlines and Proceedings**

7           3.1.     Within five (5) business days of entry of the Court's signed Judgment  
8 approving the Settlement, Plaintiffs named therein will file in the California Superior  
9 Court a notice voluntarily dismissing with prejudice the State Derivative Action.

10          3.2.     Pending a Final Order approving the Settlement and to the extent  
11 permitted by the Court, Plaintiffs agree to seek to adjourn all deadlines and  
12 proceedings in the Derivative Actions and not to initiate any and all other  
13 proceedings other than those incident to the Settlement itself.

14 **4.     Releases**

15          4.1.     Upon entry of a Final Order approving the Settlement, Plaintiffs, the  
16 Company and all shareholders on whose behalf the claims in the Derivative Actions  
17 were brought shall settle, release, compromise and dismiss fully and forever all  
18 Released Claims, known or unknown, suspected or unsuspected, contingent or non-  
19 contingent, whether or not concealed or hidden, without regard to the subsequent  
20 discovery of existence of such different or additional facts, including Unknown  
21 Claims, that were brought in the Derivative Actions or that could have been brought  
22 in the Derivative Actions or in any other court, including but not limited to direct  
23 and/or derivative claims against JAKKS, the Individual Defendants or any of their  
24 respective predecessors, successors, parents, subsidiaries, affiliates, attorneys and  
25 agents, that arise out of, are based upon or related to the allegations, transactions,  
26 facts, matters or occurrences set forth or referred to in any of the complaints filed in  
27 the Derivative Actions.

1           4.2.       Upon entry of a Final Order approving the Settlement, Defendants  
2 shall settle, release, compromise and dismiss fully and forever all Released Claims,  
3 known or unknown, suspected or unsuspected, contingent or non-contingent,  
4 whether or not concealed or hidden, without regard to the subsequent discovery or  
5 existence of such different or additional facts, including Unknown Claims, related to  
6 claims brought in the Derivative Actions or that could have been brought in the  
7 Derivative Actions or in any other court, including but not limited to direct and/or  
8 derivative claims against Plaintiffs, Plaintiffs' Counsel, or any of their respective  
9 predecessors, successors, parents, subsidiaries, affiliates, attorneys and agents, that  
10 arise out of, are based upon or related to the allegations, transactions, facts, matters  
11 or occurrences set forth or referred to in any of the complaints filed in the Derivative  
12 Actions.

13           4.3.       The claims alleged in the Class Action are not included in the  
14 Released Claims in the Settlement.

15           4.4.       Nothing herein shall in any way impair or restrict the rights of any  
16 Settling Party to enforce the terms of the Stipulation or Settlement.

17 **5.    Attorneys' Fees**

18           5.1.       Plaintiffs' Counsel may apply for an award of attorneys' fees and  
19 reimbursement of expenses in the Federal Derivative Action to compensate them for  
20 the benefits conferred upon the Company as a result of the Settlement, up to an  
21 amount not to exceed \$2.5 million (the "Fee and Expense Award"). With the  
22 substantial assistance and involvement of the Mediator, the Settling Parties have  
23 agreed that the Company and Individual Defendants will not oppose Plaintiffs'  
24 application for a Fee and Expense Award to Plaintiffs' Counsel up to, but not  
25 exceeding, \$2.5 million to be sought in the Federal Derivative Action, and that:  
26 (1) Plaintiffs' Counsel will seek an award of attorneys' fees and expenses only in the  
27 Federal Derivative Action; (2) such application shall not exceed \$2.5 million; and

1 (3) Plaintiffs' Counsel will not separately seek an award of attorneys' fees and  
2 expenses for the State Derivative Action.

3 5.2. Upon entry of a Final Fee Order by the Court awarding the Fee and  
4 Expense Award, the Board agrees to cause the Company's insurance carrier (the  
5 "Insurer") to pay Plaintiffs' Counsel the amount of the Fee and Expense Award  
6 approved by the Court in the Final Fee Order, up to \$2.5 million.

7 5.3. The Insurer will make such payment within eleven (11) days of  
8 receipt by Individual Defendants' counsel of: (1) a copy of the Court's signed Final  
9 Order approving the Settlement (and the Court's Final Fee Order, if not contained in  
10 the Final Order approving the Settlement); (2) payee wiring instructions for the  
11 payment of fees and expenses in conformity with the Final Order or Final Fee Order  
12 awarding the Fee and Expense Award and an IRS Form W-9 for each law firm to  
13 which fees and/or expenses are to be paid; and (3) a request to Counsel for the  
14 Individual Defendants that all the foregoing be delivered to the Insurer.

15 5.4. Given the obligation of the Insurer, as set forth above, Defendants  
16 shall not be liable for any costs or expenses of this litigation, including attorneys'  
17 fees, but shall undertake any and all reasonable efforts to cause the Insurer to pay  
18 any award of attorneys' fees.

19 5.5. The Released Persons shall have no responsibility for, and no liability  
20 whatsoever with respect to, the allocation among Plaintiffs' Counsel in the Derivative  
21 Actions, and/or any other Person who may assert some claim thereto, of any portion  
22 of the Fee and Expense Award. Any dispute among Plaintiffs' Counsel in the  
23 Derivative Actions concerning the allocation of the Fee and Expense Award shall not  
24 operate to terminate or cancel the Stipulation, or affect or delay the finality of the  
25 Judgment approving the Stipulation and the Settlement or the releases provided  
26 therein.

1        5.6.        The failure of the Court to approve a request for the Fee and Expense  
 2 Award, in whole or in part, shall have no impact on the consummation,  
 3 implementation or Effective Date of the Settlement. Any appeal from an order  
 4 awarding the Fee and Expense Award to Plaintiffs' Counsel shall not affect the  
 5 finality of the Settlement or the releases provided therein.

6 **6.        Conditions of Settlement; Effect of Disapproval, Cancellation or**  
 7 **Termination**

8        6.1.        The Effective Date of the Stipulation shall be conditioned on the  
 9 occurrence of all of the following events, unless one or more of the conditions is  
 10 expressly waived in writing by counsel for each of the Settling Parties:

11                (a)        Entry by the Court of the Notice Order in the form or  
 12 substantially in the form attached hereto as Exhibit A;

13                (b)        Final approval of the Settlement by the Court following notice  
 14 to the Company's shareholders and the Final Approval Hearing; *provided, however,*  
 15 that any failure of the Court to approve a Fee and Expense Award request, in whole  
 16 or in part, shall have no impact on the effectiveness or delay the Effective Date of the  
 17 Settlement or Stipulation, as specified in ¶ 5.6;

18                (c)        Entry by the Court of the Judgment in the form or substantially  
 19 in the form attached hereto as Exhibit C; and

20                (d)        The Judgment referred to in subparagraph (c) above shall have  
 21 become the Final Order; and

22                (e)        Dismissal with prejudice of the State Derivative Action.

23        6.2.        If any of the conditions specified in ¶ 6.1 are not met, then the  
 24 Stipulation shall be canceled and terminated subject to ¶ 6.3 unless counsel for the  
 25 Settling Parties mutually agree in writing to proceed with the Stipulation.

26        6.3.        If for any reason the Effective Date of the Stipulation does not occur,  
 27 including but not limited to the Court not granting approval or Court approval being



1 overturned on appeal, or if the Stipulation is in any way canceled, terminated or fails  
2 to become a Final Order in accordance with its terms, or in the event that any  
3 Settling Party withdraws from the Settlement, all Settling Parties and Released  
4 Persons shall be restored to their respective positions as of February 12, 2015. In  
5 such event, the terms and provisions of the Stipulation shall be null and void, of no  
6 further force and effect and without prejudice to any party, and may not be  
7 introduced as evidence or referred to in any action or proceeding by any person or  
8 entity for any purpose.

9 **7. Miscellaneous Provisions**

10 7.1. The Settling Parties: (1) acknowledge that it is their intent to  
11 consummate this Stipulation; and (2) agree to act in good faith and cooperate to take  
12 all reasonable and necessary steps to expeditiously implement the terms and  
13 conditions of the Stipulation.

14 7.2. The Settling Parties intend this Settlement to be a final and complete  
15 resolution of all disputes between them with respect to the Derivative Actions. The  
16 Settlement comprises claims that are contested and shall not be deemed an admission  
17 by any Settling Party as to the merits of any claim, allegation or defense.

18 7.3. Neither the Stipulation nor the Settlement, nor any act performed or  
19 document executed pursuant to or in furtherance of the Stipulation or the Settlement:  
20 (1) is or may be deemed to be or may be offered, attempted to be offered or used in  
21 any way by the Settling Parties as a presumption, a concession or an admission of, or  
22 evidence of, any fault, wrongdoing or liability of the Individual Defendants or  
23 JAKKS, or of the validity of any Released Claims; or (2) is intended by the Settling  
24 Parties to be offered or received as evidence or used by any other person in any other  
25 actions or proceedings, whether civil, criminal or administrative. The Released  
26 Persons may file the Stipulation and the Judgment in any action that may be brought  
27 against them in order to support a defense or counterclaim based on principles of *res*

1 *judicata*, collateral estoppel, full faith and credit, release, good faith settlement,  
2 judgment bar or reduction or any other theory of claim preclusion or issue preclusion  
3 or similar defense or counterclaim.

4 7.4. In the event that final Court approval is not granted, or in the event  
5 that Court approval is overturned on appeal, this stipulation shall be voided pursuant  
6 to ¶ 6.3.

7 7.5. This Stipulation, and the Settlement contemplated by it, shall be  
8 governed by, and construed in accordance with, the laws of the State of Delaware,  
9 without regard to conflict of laws principles.

10 7.6. Any and all agreements made, whether written or oral, and any orders  
11 entered during the course of the Derivative Actions and/or settlement discussions and  
12 mediation relating to the confidentiality of information shall survive the Stipulation.

13 7.7. The Stipulation and the Exhibits attached hereto constitute the entire  
14 agreement among the Settling Parties with respect to the Action. The Exhibits to the  
15 Stipulation are material and integral parts hereof and are fully incorporated herein by  
16 this reference. No representations, warranties or inducements have been made to any  
17 Settling Party concerning the Stipulation or any of its Exhibits other than the  
18 representations, warranties and covenants contained and memorialized in such  
19 documents. The Stipulation supersedes and replaces any prior or contemporaneous  
20 writing, statement or understanding pertaining to the Derivative Actions.

21 7.8. The Stipulation shall not be construed more strictly against one party  
22 than another merely by the virtue of the fact that it, or any part of it, may have been  
23 prepared by counsel for one of the Settling Parties, it being recognized that this  
24 Stipulation is the result of arm's-length negotiations between the Settling Parties and  
25 all Settling Parties have contributed substantially and materially to the preparation of  
26 this Stipulation.

1           7.9.     The Stipulation may not be modified or amended except by a writing  
2 signed by the signatories hereto or their respective successors-in-interest.

3           7.10.    This Stipulation and the Exhibits attached hereto constitute the entire  
4 agreement among the Settling Parties and no representations, warranties or  
5 inducements have been made to any party concerning the Stipulation, its Exhibits,  
6 other than the representations, warranties and covenants contained and memorialized  
7 in such documents.

8           7.11.    Except as otherwise provided herein, each Settling Party shall bear  
9 their own costs.

10          7.12.    Each counsel or other Person executing the Stipulation and its  
11 Exhibits on behalf of any Settling Party hereby warrants that such Person has the full  
12 authority to take appropriate action required or permitted to be taken pursuant to the  
13 Stipulation to effectuate its terms.

14          7.13.    The Stipulation may be executed in counterparts by facsimile, email  
15 or original signature by any of the signatories hereto and as so executed shall  
16 constitute one agreement. A complete set of original executed counterparts shall be  
17 filed with the Court by Plaintiffs' Counsel.

18          7.14.    The Stipulation shall be binding upon, and inure to the benefit of, the  
19 Settling Parties, the Released Persons and their respective agents, successors,  
20 executors, heirs and assigns.

21          7.15.    Without affecting the finality of the Judgment and Final Order  
22 entered in accordance with this Stipulation, the Settling Parties agree that the Court  
23 shall have exclusive jurisdiction over any action to enforce this Stipulation, the  
24 Settlement or any provision thereof, and the Settling Parties hereby consent to and  
25 submit to the jurisdiction of the Court for any such action.

26                IN WITNESS WHEREOF, the Settling Parties have caused the Stipulation to  
27 be executed by their duly authorized attorneys.

1 DATED: March 23, 2015

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24 *Louisiana Municipal Police Employees' Retirement*  
*System and The Vladimir Gusinsky Living Trust*  
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27

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27 *G. Miller, Murray L. Skala, Robert E. Glick, Marvin*  
28 *Ellin, Dan Almagor, Leigh Anne Brodsky and Peter*  
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*Attorneys for Defendants Stephen Berman, Michael G. Miller, Murray L. Skala, Robert E. Glick, Marvin Ellin, Dan Almagor, Leigh Anne Brodsky and Peter F. Reilly*

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

ADVANCED ADVISORS, G.P, *et al.*

Plaintiffs,

v.

STEPHEN BERMAN, an individual;  
MICHAEL G. MILLER, an individual;  
MURRAY L. SKALA, an individual;  
ROBERT E. GLICK, an individual;  
MARVIN ELLIN, an individual; and  
DAN ALMAGOR, an individual,

Defendants.

JAKKS PACIFIC, INC.

Nominal Defendant.

Case No. 2:14-cv-01420-JAK-(SSx)

[PROPOSED] ORDER  
PRELIMINARILY APPROVING  
SETTLEMENT AND PROVIDING  
FOR NOTICE

Date: [], 2015  
Time: 8:30 a.m.  
Courtroom: 750  
Hon. John A. Kronstadt  
Complaint Filed: Feb. 25, 2014

Trial Date: March 16, 2016



**[PROPOSED] ORDER PRELIMINARILY APPROVING  
SETTLEMENT, CONSOLIDATING ACTIONS,  
AND PROVIDING FOR NOTICE**

WHEREAS, the shareholder's derivative actions entitled *Advanced Advisors, G.P. v. Stephen Berman et al.*, Case No. 2:13-cv-01420-JAK-(SSx) (C.D. Cal.) and *Louisiana Municipal Employees Retirement System v. Stephen Berman et al.*, Case No. 14-cv-01670 (C.D. Cal.) were consolidated by Order dated April 17, 2014 as *Advanced Advisors, G.P. et al. v. Stephen Berman et al.*, Case No. 2:13-cv-01420-JAK-(SSx) (the "Federal Derivative Action"), which is pending before this Court;

WHEREAS, on March 19, 2015, The Vladimir Gusinsky Living Trust filed a Verified Shareholders' Derivative Complaint captioned *The Vladimir Gusinsky Living Trust v. Stephen Berman et. al.*, Case No. 2:15-cv-02027-TJH-AS (C.D. Cal.), and whereas the defendants named therein have accepted service thereof through counsel, and the parties desire to have that case deemed related to and consolidated with the Federal Derivative Action upon reassignment;

WHEREAS, the Court has received the Stipulation of Settlement dated as of March 23, 2015 (the "Stipulation"), which has been entered into by plaintiffs Advanced Advisors, G.P., Louisiana Municipal Police Employees Retirement System and The Vladimir Gusinsky Living Trust ("Plaintiffs"), nominal defendant JAKKS Pacific, Inc. ("JAKKS" or the "Company"), and defendants Stephen G. Berman, Robert E. Glick, Michael G. Miller, Dan Almagor, Leigh Ann Brodsky, Peter F. Reilly and Murray L. Skala (the "Individual Defendants"; collectively with JAKKS, the "Defendants"; and together with Plaintiffs, the "Settling Parties"), and the Court has reviewed the Stipulation and its attached Exhibits;

WHEREAS, the Parties having made application, pursuant to Federal Rule of Civil Procedure 23.1(c), for an order preliminarily approving the Settlement of the Federal Derivative Action, in accordance with the Stipulation,

1 which, together with the Exhibits attached thereto, sets forth the terms and  
2 conditions for the proposed Settlement of the Federal Derivative Action and,  
3 following a hearing on such date as may be set by the Court (the "Final Approval  
4 Hearing") for dismissal of the Federal Derivative Action against the Defendants  
5 with prejudice upon the terms and conditions set forth therein;

6 WHEREAS, all defined terms contained herein shall have the same  
7 meanings as set forth in the Stipulation (in addition to those capitalized terms  
8 defined herein); and

9 WHEREAS, the Court having read and considered the Stipulation and  
10 the Exhibits attached thereto:

11 NOW, THEREFORE, IT IS HEREBY ORDERED that:

12 1. The Court preliminarily approves the Settlement, for purposes of  
13 establishing a Notice procedure and setting additional procedures for the Final  
14 Approval Hearing referred to in Paragraph 2, below, at which hearing the Court  
15 will consider whether to grant final approval of the Settlement and related matters;

16 2. A hearing (the "Final Approval Hearing"), as provided in the  
17 Stipulation, is hereby scheduled to be held before the Court on \_\_\_\_\_, 2015 at  
18 \_\_\_\_:\_\_\_\_, \_\_.m., at the Edward Roybal Federal Building, 255 East Temple Street,  
19 Los Angeles, California 90012 in Courtroom 750 (7th Floor), to: (a) determine  
20 whether the proposed Settlement of the consolidated Federal Derivative Action on  
21 the terms and conditions provided for in the Stipulation is fair, reasonable and  
22 adequate to JAKKS and its shareholders and should be finally approved by the  
23 Court pursuant to Rule 23.1(c) of the Federal Rules of Civil Procedure; (b)  
24 determine whether a Judgment, as provided in ¶ 1.13 of the Stipulation and  
25 substantially in the form attached as Exhibit C to the Stipulation, should be entered  
26 herein; (c) consider whether the Fee and Expense Award should be approved; and  
27 (d) rule upon such other matters as the Court may deem appropriate.

1           3.     The Court reserves the right to adjourn the date of the Final Approval  
2 Hearing or modify any other dates set forth herein without further notice to current  
3 JAKKS shareholders, and retains jurisdiction to consider all further applications  
4 arising out of or connected with the Settlement. The Court may approve the  
5 Settlement, with such modifications as may be agreed to by the Parties, if  
6 appropriate, without further notice to current JAKKS shareholders.

7           4.     The Court approves, as to form and content, the Notice attached as  
8 Exhibit B to the Stipulation, and finds that the publication of the Notice as a press  
9 release issued by JAKKS setting forth the Notice (the "Press Release"), which will  
10 refer to the Exhibits filed with the 8-K and need not reproduce them, and the filing  
11 of a Form 8-K with the SEC disclosing the Notice, the Press Release and the  
12 Stipulation, and making the Stipulation and Exhibits available on Co-Lead  
13 Counsel's website, meets the requirements of Federal Rule of Civil Procedure  
14 23.1(c) and due process, is the best notice practicable under the circumstances and  
15 shall constitute due and sufficient notice to current JAKKS shareholders.

16           5.     All costs incurred in notifying the Company's shareholders of the  
17 Settlement, including the filing and publication of the Notice as provided in  
18 Paragraph 4 above, shall be paid by the Company, except for such costs as may be  
19 incurred in connection with making the Stipulation and Exhibits available on Co-  
20 Lead Counsel's website. JAKKS shall undertake the administrative responsibility  
21 for the publishing and filing of the Notice as provided in Paragraph 4.

22           6.     The Court will consider comments and/or objections to the  
23 Settlement, or the Fee and Expense Award only if such comments or objections  
24 and any supporting papers are filed in writing with the Clerk of the Court, the  
25 Edward Roybal Federal Building, 255 East Temple Street, Los Angeles, California  
26 90012 in Courtroom 750 (7th Floor), and copies of all such papers are served, on  
27 or before fourteen (14) calendar days before the date set herein for the Final  
28 Approval Hearing, upon each of the following counsel:

**Plaintiffs' Counsel:**

Laurence Paskowitz  
 The Paskowitz Law Firm, P.C.  
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 New York, NY 10022

Jeffrey C. Block  
 BLOCK & LEVITON LLP  
 155 Federal Street, Suite 400  
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**Defendants' Counsel:**

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Any such written notice of objection must include: (a) a detailed statement of such Person's specific objections to any matter before the Court; (b) documents sufficient to show proof of ownership of JAKKS common stock prior to receiving the Notice and continuing to the time of the objection; and (c) the grounds for such objection, as well as all documents and writings that such Person desires the Court to consider. The Parties may file responses to any objections received no later than seven (7) calendar days prior to the Final Approval Hearing.

7. Attendance at the Final Approval Hearing is not necessary; however, Persons wishing to be heard orally in opposition to the approval of the Settlement, and/or the Fee and Expense Award, are required to indicate in their written objection their intention to appear at the Final Approval Hearing. Persons who intend to object to the Settlement and/or the Fee and Expense Award and desire to present evidence at the Final Approval Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Final Approval Hearing. The Company's shareholders do not need to appear at the Final Approval Hearing or take any other action to indicate their approval of the Settlement.

1           8. Any of the Company's current shareholders may enter an appearance  
2 in the Federal Derivative Action at their own expense, individually or through  
3 counsel of their choice.

4           9. Any of the Company's shareholders who do not make his, her, or its  
5 objection to the Settlement and/or Fee and Expense Award in the manner provided  
6 for herein and in the Notice may be deemed to have waived such objection and  
7 shall forever be foreclosed from making any objection to the fairness,  
8 reasonableness, or adequacy of the proposed Settlement as incorporated in the  
9 Stipulation, the Judgment to be entered approving the Settlement, or the Fee and  
10 Expense Award, and shall be bound by all the terms and provisions of the  
11 Stipulation, and by all proceedings, orders, and judgments in the Federal  
12 Derivative Action.

13           10. Plaintiffs' Counsel shall submit their papers in support of final  
14 approval of the Settlement by no later than twenty-eight (28) calendar days before  
15 the date set herein for the Final Approval Hearing.

16           11. Pending final determination of whether the Settlement shall be  
17 approved, Plaintiffs, the Company, and all of the Company's shareholders, and  
18 each of them, and any of their respective representatives, trustees, predecessors,  
19 successors, parents, subsidiaries, divisions, heirs, and assigns are barred from  
20 commencing, prosecuting, instigating or in any way participating in the  
21 commencement or prosecution of any action or proceeding asserting directly or  
22 indirectly any of the Settled Claims against any Released Persons. All pretrial  
23 proceedings in the Federal Derivative Action relating to the claims against the  
24 Settling Defendants are stayed and suspended until further order of the Court.

25           12. If the Stipulation is not approved by the Court, or is terminated by the  
26 Settling Defendants or Plaintiffs in accordance with ¶ 6.3 of the Stipulation, or  
27 shall not become effective for any reason whatsoever, the Federal Derivative  
28 Action shall proceed, completely without prejudice to any Settling Party as to any

1 matter of law or fact, as if the Stipulation had not been made and had not been  
2 submitted to the Court (except as provided in the Stipulation), and neither the  
3 Stipulation nor any provision contained in the Stipulation nor any action  
4 undertaken pursuant thereto nor the negotiation thereof by any Settling Party shall  
5 be deemed a presumption, concession or admission by any Defendant of any fault,  
6 liability, or wrongdoing as to the facts or claims alleged or asserted in the  
7 Derivative Actions, or any other actions or proceedings and shall not be offered or  
8 received in evidence or otherwise used by any person in the Derivative Actions or  
9 interpreted, construed, deemed, invoked in any other action or proceeding, whether  
10 civil, criminal, or administrative and each party shall be restored to his, her, or its  
11 respective position as it existed as of February 12, 2015.

12 13. The Court hereby retains jurisdiction to consider all further matters  
13 arising out of or connected with the proposed Settlement.

14  
15 IT IS SO ORDERED.

16  
17  
18 DATED: \_\_\_\_\_ ENTERED:

19  
20  
21 \_\_\_\_\_  
22 THE HON. JOHN A. KRONSTADT, U.S.D.J.  
23  
24  
25  
26  
27  
28

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

ADVANCED ADVISORS, G.P., *et al.*,

Plaintiffs,

v.

STEPHEN BERMAN, an individual;  
MICHAEL G. MILLER, an individual;  
MURRAY L. SKALA, an individual;  
ROBERT E. GLICK, an individual;  
MARVIN ELLIN, an individual; and  
DAN ALMAGOR, an individual,

Defendants.

JAKKS PACIFIC, INC.,

Nominal Defendant.

CASE NO.: 2:14-cv-01420-JAK-(SSx)

NOTICE OF PROPOSED  
SETTLEMENT AND FINAL  
APPROVAL HEARING



1  
2 **TO: ANY PERSON WHO OWNED JAKKS PACIFIC, INC. COMMON**  
3 **STOCK ON MARCH 23, 2015 ("CURRENT JAKKS**  
4 **SHAREHOLDER")**

5 **PLEASE READ THIS NOTICE CAREFULLY**

6 **THIS NOTICE RELATES TO THE PENDENCY OF A PROPOSED**  
7 **SETTLEMENT OF A SHAREHOLDER DERIVATIVE LITIGATION**

8 **YOU ARE HEREBY NOTIFIED**, pursuant to an Order of the United States  
9 District Court for the Central District of California (the "Court") under Federal Rule  
10 of Civil Procedure 23.1, that a proposed settlement has been reached, subject to  
11 Court approval, between the Parties in the above-captioned consolidated  
12 shareholder's derivative action and a similar action in the federal court on March 23,  
13 2015 (collectively, the "Federal Derivative Action"). The terms of the proposed  
14 settlement of the Federal Action (the "Settlement") are set forth in the Stipulation of  
15 Settlement dated as of March 23, 2015 (the "Stipulation").

16 **NO PAYMENT WILL BE PAID TO YOU IN THIS SETTLEMENT AND**  
17 **THERE ARE NO CLAIM FORMS TO COMPLETE**

18 **IF THE COURT APPROVES THE SETTLEMENT AND DISMISSAL OF**  
19 **THE ACTION, YOU WILL BE FOREVER BARRED FROM CONTESTING THE**  
20 **APPROVAL OF THE PROPOSED SETTLEMENT AND FROM PURSUING THE**  
21 **RELEASED CLAIMS. THE ACTION IS NOT A "CLASS ACTION." AS THE**  
22 **SETTLEMENT TERMS ARE DESIGNED TO BENEFIT JAKKS, THERE IS NO**  
23 **COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A**  
24 **MONETARY PAYMENT.**

25 **THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS**  
26 **RESPECTING THE MERITS OF THE ACTION. THE RECITATION OF THE**  
27 **BACKGROUND AND CIRCUMSTANCES OF THE SETTLEMENT**  
28 **CONTAINED HEREIN DO NOT CONSTITUTE THE FINDINGS OF THE**  
**COURT. IT IS BASED ON REPRESENTATIONS MADE TO THE COURT BY**  
**COUNSEL FOR THE PARTIES.**

The Individual Defendants are Stephen Berman, Michael G. Miller, Murray L.  
Skala, Robert E. Glick, Marvin Ellin, Leigh Anne Brodsky and Peter F. Reilly, who  
are members or former members of JAKKS' Board of Directors (the "Board"). The

benefits to the Company of the proposed Settlement, which is subject to Court approval, include corporate governance changes that will be of material benefit to JAKKS and its shareholders.

On \_\_\_\_\_, 2015, at \_\_\_\_\_:00 \_\_\_\_\_m., a hearing (the "Final Approval Hearing") will be held before the Honorable John A. Kronstadt, at the Edward Roybal Federal Building, 255 East Temple Street, Los Angeles, California 90012 in Courtroom 750 (7th Floor) to determine: (1) whether the Settlement of the Federal Derivative Action on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate; (2) whether to approve the requested award of attorneys' fees and reimbursement of expenses; and (3) whether a Judgment as provided in ¶ 1.13 of the Stipulation should be entered herein.

The Individual Defendants have denied, and continue to deny, and have contested and continue to contest each and every allegation of liability and wrongdoing on their part, and assert they have strong factual and legal defenses to all the claims alleged against them in the complaints filed in the Federal Derivative Action, as detailed below, including the Verified Shareholders' Derivative Amended Complaint (the "DAC") and the similar and related complaint filed by The Vladimir Gusinsky Living Trust (described below), and that such claims are without merit. Without admitting any wrongdoing or liability on their part whatsoever, the Individual Defendants nevertheless are willing to enter into the Settlement provided for herein in order fully and finally to settle and dispose of all claims that have been or could have been asserted against them in the Derivative Actions and to avoid the continuing burden, expense, inconvenience and distraction of protracted litigation.

#### **I. THE DERIVATIVE ACTIONS**

##### **A. The Federal Derivative Action**

On February 23, 2014, Advanced Advisors, G.P. filed *Advanced Advisors, G.P. v. Stephen Berman et al.*, Case No. 14-cv-01420 (C.D. Cal.), derivatively on behalf of nominal defendant JAKKS Pacific, Inc. alleging, among other things,

1 claims of breach of fiduciary duties against the Individual Defendants. On March 6,  
2 2014, Louisiana Municipal Police Employees Retirement System filed *Louisiana*  
3 *Municipal Police Employees Retirement System v. Stephen Berman et al.*, Case No.  
4 14-cv-01670 (C.D. Cal.), derivatively on behalf of nominal defendant JAKKS  
5 against the Individual Defendants. On April 17, 2014, the Court consolidated  
6 Plaintiffs' cases into the Federal Derivative Action.

7 On April 30, 2014, the Plaintiffs filed the DAC in the Federal Derivative  
8 Action, asserting four claims for relief: (1) contribution, under the Securities  
9 Exchange Act of 1934, against JAKKS Chief Executive Officer Stephen Berman and  
10 now-dismissed defendant Chief Financial Officer Joel Bennett for potential damages  
11 arising from the federal class action captioned *Melot v. JAKKS Pacific, Inc. et al.*,  
12 Case No. 13-cv-05388 (C.D. Cal.) (the "Class Action"); (2) violations of Section 14  
13 of the Securities Exchange Act of 1934 and Securities and Exchange Commission  
14 Rule 14a-9 against the Federal Action Individual Defendants regarding alleged  
15 omissions in a 2013 proxy; (3) state law breach of fiduciary duty claims against the  
16 Federal Action Individual Defendants allegedly arising from certain actions by the  
17 Board between 2011 and 2013; and (4) state law breach of fiduciary claims against  
18 Messrs. Berman and Bennett for potential liability arising out of the Class Action.  
19 On March 19, 2015, The Vladimir Gusinsky Living Trust filed an action alleging  
20 similar claims, and alleging complete diversity among the Parties. The Vladimir  
21 Gusinsky Living Trust was represented at the settlement mediation described herein  
22 by the same Interim Co-Lead counsel who were previously appointed in this Federal  
23 Derivative Action, and is a party to the Settlement and the Stipulation.

24 On May 28, 2014, the Defendants moved to dismiss all claims in the DAC.  
25 On September 17, 2014, the Court dismissed with prejudice Claims 1 and 4 of the  
26 DAC: Plaintiffs' contingent claims for contribution and breach of fiduciary duty  
27 arising out of the Class Action. Additionally, the Court dismissed without prejudice  
28 Claim 2, Plaintiffs' Section 14 claim, and Claim 3 insofar as it related to the

1 acquisition of JAKKS shares by a major shareholder and the Board's approval of  
2 certain joint ventures with companies controlled by that shareholder.

3 The Court denied the motion with respect to claims related to the portion of  
4 Claim 3 where Plaintiffs alleged that the Individual Defendants breached their  
5 fiduciary duties to JAKKS and its shareholders in responding to third parties in 2010  
6 and 2011. In particular, in the surviving claims of Claim 3, the Plaintiffs alleged that  
7 the Company's Board adopted a shareholder's rights agreement in response to a third  
8 party's expression of interest in acquiring the Company and, when another third party  
9 indicated it might launch a consent solicitation, agreed to a stock repurchase in  
10 response to the potential consent solicitation. Plaintiffs alleged that these actions  
11 were motivated by an intent to entrench the Board, and therefore harmed JAKKS by  
12 depriving it of needed funds or an opportunity to engage in fair negotiations of a  
13 potential sale of the Company.

14 Thereafter the parties engaged in discovery. JAKKS and the Individual  
15 Defendants produced documents relating to the Challenged Transactions and  
16 Plaintiffs obtained further discovery from non-party witnesses.

17 **B. The State Derivative Action**

18 On December 18, 2014, Plaintiffs who filed the DAC filed *Advanced*  
19 *Advisors, G.P. et al. v. Stephen Berman et al.*, Case No. SC123546 (Cal. Super. Ct.)  
20 in the California Superior Court (the "State Derivative Action," and collectively with  
21 the Federal Derivative Action, the "Derivative Actions"), derivatively on behalf of  
22 nominal defendant JAKKS. The complaint in the State Derivative Action, which  
23 asserted claims substantially similar to those asserted and upheld in the DAC, named  
24 as defendants the Individual Defendants.

25 **C. Mediation and Settlement Discussions**

26 On February 12, 2015, pursuant to an Order of the Court, the Parties  
27 conducted a mediation, presided over by the Honorable Layn R. Phillips (U.S.D.J.,  
28 Ret.) (the "Mediator"). By this point, Plaintiffs' Counsel had obtained important

1 discovery, and had consulted experts on the potential damages in the case. Counsel  
2 for the parties engaged in arm's-length discussions and negotiations concerning a  
3 settlement of the Derivative Actions. As a result of such discussions and  
4 negotiations, including those that occurred at the Mediation and thereafter, counsel  
5 for the Plaintiffs and Defendants (the "Settling Parties") have reached an agreement  
6 to settle the Derivative Actions.

7 **II. The Settlement**

8 **A. Terms of the Settlement**

9 The terms of the Settlement set forth in the Stipulation include that: (1) the  
10 Company will establish a Buyback Committee consisting of independent directors of  
11 the Board who will independently review any stock buyback plan and shall approve  
12 or reject any such plan prior to full consideration by the Board; (2) all the  
13 independent directors of the Board must approve any future shareholder's rights plan;  
14 (3) the Board will conduct an annual review of the methods of allocating and  
15 applying cash between domestic and international operations; (4) the Audit  
16 Committee will adopt and implement a series of enhanced Budgeting and Planning  
17 Practices for the Company and its CFO; (5) the Company will continue to tie CEO  
18 compensation to JAKKS's share price; (6) an independent Board Committee shall  
19 approve all related-party transactions; and (7) an independent Board Committee will  
20 determine whether to negotiate, accept or reject certain future takeover offers for the  
21 Company. These measures shall go into effect within thirty (30) days of entry of an  
22 Order approving the Settlement (the "Judgment") becoming final, and will continue  
23 for at least four (4) years.

24 The full Stipulation is attached hereto as Exhibit \_\_\_\_\_. Further information  
25 regarding the Settlement, and such papers as may be submitted in support of its  
26 approval, may be found on the website maintained by Plaintiffs' Counsel,  
27 <http://www.Blocksq.com>. If the Settlement is approved, the Court will enter a  
28 Judgment releasing all claims that have been, or could have been brought by any

JAKKS shareholder against the Released Persons based upon or related to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in any of the complaints filed in the Derivative Actions, and the Federal Derivative Action will be dismissed (which will be followed by the voluntary dismissal of the State Derivative Action).

**B. Reasons for the Settlement**

Plaintiffs' Counsel believe that the corporate governance measures described above will be of material benefit to JAKKS and its shareholders. In the opinion of Plaintiffs' Counsel, they will provide enhanced independent oversight of stock buybacks and anti-takeover measures; improve procedures for cash allocation, budgeting and planning; ensure that the interests of the CEO and the stockholders in the performance of the Company's stock are closely aligned; enhance oversight of related-party transactions; and provide procedures to be followed in the event of future bona fide acquisition interest.

Plaintiffs' Counsel believe they are well-informed regarding the strengths and weaknesses of their case. Before the Derivative Actions were initiated, Plaintiffs' Counsel performed an investigation concerning the facts and claims alleged in the Federal Derivative Action. This investigation included, among other things, review and analysis of JAKKS's filings with the United States Securities and Exchange Commission, news articles about JAKKS and stock market analyst reports. After the Defendants' Motion to Dismiss was granted in part and denied in part, Plaintiffs' Counsel undertook discovery of Defendants and consulted with potential experts.

Plaintiffs' Counsel have concluded that their investigation and their efforts are sufficient for them to reach a conclusion regarding settlement. In addition to fully considering the arguments made by plaintiffs in those actions, the defenses asserted, and the Court's various rulings, Plaintiffs' Counsel also recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Federal Derivative Action against the Defendants through trial and appeals. Plaintiffs'



1 Counsel have also taken into account the uncertain outcome and the risk of any  
2 litigation, especially in complex shareholder litigation such as the Federal Derivative  
3 Action, as well as the difficulties and delays inherent in such litigation. Plaintiffs'  
4 Counsel are also mindful of the inherent problems of proof under, and possible  
5 defenses to, the violations asserted in the Federal Derivative Action, involving  
6 difficult issues of causation, damages, business judgment and bad faith. Based on  
7 these considerations, among others, and the significant corporate governance  
8 enhancements to JAKKS as referenced herein, Plaintiffs' Counsel believe that the  
9 Settlement confers substantial benefits upon JAKKS and is in the best interests of the  
10 Company and its shareholders.

11 **III. RELEASES**

12 If the Settlement is approved, the claims being settled will be released. The  
13 releases state as follows:

14 Upon entry of a Final Order approving the Settlement, Plaintiffs, the Company  
15 and all shareholders on whose behalf the claims in the Derivative Actions were  
16 brought shall settle, release, compromise and dismiss fully and forever all Released  
17 Claims, known or unknown, suspected or unsuspected, contingent or non-contingent,  
18 whether or not concealed or hidden, without regard to the subsequent discovery of  
19 existence of such different or additional facts, including Unknown Claims, that were  
20 brought in the Derivative Actions or that could have been brought in the Derivative  
21 Actions or in any other court, including but not limited to direct and/or derivative  
22 claims against JAKKS, the Individual Defendants or any of their respective  
23 predecessors, successors, parents, subsidiaries, affiliates, attorneys and agents, that  
24 arise out of, are based upon or related to the allegations, transactions, facts, matters  
25 or occurrences set forth or referred to in the complaints filed in the Derivative  
26 Actions.

27 Upon entry of a Final Order approving the Settlement, Defendants shall settle,  
28 release, compromise and dismiss fully and forever all Released Claims, known or



1 unknown, suspected or unsuspected, contingent or non-contingent, whether or not  
2 concealed or hidden, without regard to the subsequent discovery or existence of such  
3 different or additional facts, including Unknown Claims, related to claims brought in  
4 the Derivative Actions or that could have been brought in the Derivative Actions or  
5 in any other court, including but not limited to direct and/or derivative claims against  
6 Plaintiffs, Plaintiffs' Counsel, or any of their respective predecessors, successors,  
7 parents, subsidiaries, affiliates, attorneys and agents, that arise out of, are based upon  
8 or related to the allegations, transactions, facts, matters or occurrences set forth or  
9 referred to in the complaints filed in the Derivative Actions.

10 The Stipulation contains certain definitions of key terms involving the  
11 releases, which are set forth below:

12 "Released Persons" means defendants Stephen G. Berman, Michael G. Miller,  
13 Murray L. Skala, Robert E. Glick, Marvin Ellin, Dan Almagor, Leigh Anne Brodksy  
14 and Peter F. Reilly and JAKKS, all of its affiliates, subsidiaries, predecessors,  
15 successors and related companies, and Plaintiffs Advanced Advisors, G.P., Louisiana  
16 Municipal Police Retirement System and The Vladimir Gusinsky Living Trust and  
17 all Related Persons of the Released Persons, which includes past or present officers,  
18 directors, employees, agents, attorneys, accountants, advisors, insurers, co-insurers,  
19 reinsurers, heirs, executors, personal representatives, estates, administrators,  
20 predecessors, successors and assigns, and any other representatives of any of these  
21 persons or entities or their successors.

22 "Released Claims" means any and all claims, debts, demands, disputes, rights,  
23 actions or causes of action, liabilities, damages, losses, obligations, judgments, suits,  
24 matters and issues of any kind or nature whatsoever (including, but not limited to,  
25 any claims for damages, interest, attorneys' fees, expert or consulting fees, and any  
26 and all other costs, expenses or liabilities whatsoever), whether based on United  
27 States federal, state or local statutory or common law or any other law, rule or  
28 regulation, whether foreign or domestic, fixed or contingent, accrued or unaccrued,

1 liquidated or unliquidated, at law or in equity, matured or unmatured, foreseen or  
2 unforeseen, whether class or individual in nature, direct or derivative, including both  
3 known claims and Unknown Claims: (1) that have been asserted in either of the  
4 Derivative Actions by any of the Plaintiffs, or any of their attorneys, against any of  
5 the Released Persons; or (2) that could have been, or in the future could be, asserted  
6 in either of the Derivative Actions against any of the Released Persons arising out of,  
7 based upon or related to the allegations, transactions, facts, matters or occurrences,  
8 representations or omissions involved, set forth or referred to in any of the  
9 complaints filed in the Derivative Actions. "Released Claims" also includes any and  
10 all claims arising out of, relating to, or in connection with the Settlement or  
11 resolution of the Action against the Released Parties (including Unknown Claims).  
12 "Released Claims" does not include: (1) claims alleged in the Class Action; or (2)  
13 claims, rights or causes of action or liabilities related to the enforcement of this  
14 Stipulation and Settlement, including without limitation any of the terms of this  
15 Stipulation or orders or judgments issued by the courts in connection with the  
16 Settlement.

17 "Unknown Claims" means any and all claims and potential claims against  
18 Defendants that Plaintiffs do not know or suspect to exist in his, her or its favor as of  
19 the Effective Date, and any claims against Plaintiffs that Defendants do not know or  
20 suspect to exist in their favor, which if known by him, her or it might have affected  
21 his, her or its decision(s) with respect to the Settlement. With respect to any and all  
22 Released Claims (including Unknown Claims), the Settling Parties stipulate and  
23 agree that by operation of the Final Order, upon the Effective Date, the Settling  
24 Parties and each of the JAKKS shareholders shall have expressly waived the  
25 provisions, rights and benefits of California Civil Code Section 1542, which  
26 provides:

27 A GENERAL RELEASE DOES NOT EXTEND TO  
28 CLAIMS WHICH THE CREDITOR DOES NOT KNOW  
OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT

1 THE TIME OF EXECUTING THE RELEASE, WHICH  
2 IF KNOWN BY HIM OR HER MUST HAVE  
3 MATERIALLY AFFECTED HIS OR HER  
4 SETTLEMENT WITH THE DEBTOR.

5 The Settling Parties shall be deemed to have, and by operation of the Judgment shall  
6 have, waived any and all provisions, rights and benefits conferred by any law of any  
7 state or territory of the United States, or principle of common law, or international  
8 law, which is similar, comparable, or equivalent to California Civil Code Section  
9 1542. Settling Parties may hereafter discover facts in addition to or different from  
10 those that he, she, or it now knows or believes to be true with respect to the subject  
11 matter of the Released Claims, but the Settling Parties shall expressly fully, finally  
12 and forever settle and release any and all Released Claims, known or unknown,  
13 suspected or unsuspected, contingent or non-contingent, whether or not concealed or  
14 hidden, which now exist, or heretofore have existed, upon any theory of law or  
15 equity now existing or coming into existence in the future, including, but not limited  
16 to, conduct that is negligent, intentional, with or without malice, or a breach of any  
17 duty, law or rule, without regard to the subsequent discovery or existence of such  
18 different or additional facts. Settling Parties acknowledge that the inclusion of  
19 "Unknown Claims" in the definition of Released Claims was separately bargained  
20 for and was a key element of the Settlement.

21 **IV. ATTORNEYS' FEES AND EXPENSES**

22 Plaintiffs' Counsel shall make application to the Court for an award of  
23 attorneys' fees and the reimbursement of expenses in an amount of up to \$2.5 million  
24 to be paid by JAKKS's insurance carriers. Defendants have agreed, as part of the  
25 Settlement, not object to this application. Fee and expense negotiations were  
26 overseen by the Mediator and did not occur until all other substantive terms of the  
27 Settlement were agreed upon.

28 **V. WHAT YOU MAY DO AS A SHAREHOLDER**

1 If you like the Settlement you do not need to do anything. Any Current  
 2 JAKKS Shareholder may object to the Settlement. A shareholder who objects to the  
 3 Settlement of the Federal Derivative Action shall have a right to appear and to be  
 4 heard at the Final Approval Hearing, provided that he, she, or it was a beneficial  
 5 shareholder or shareholder of record as of the date of this Notice and as of the date  
 6 his, her or its objection was lodged, and continuing to the hearing date. Any  
 7 shareholder of JAKKS who satisfies this requirement may enter an appearance  
 8 through counsel of such shareholder's own choosing and at such shareholder's own  
 9 expense or may appear on his, her, or its own without counsel, *provided, however,*  
 10 that no shareholder of JAKKS shall be heard at the Final Approval Hearing unless no  
 11 later than 14 days prior to the date of the Final Approval Hearing, such shareholder  
 12 has satisfied the following procedures:

13 1. You must file a written objection or opposition, together with copies of  
 14 all other papers (including proof of ownership of JAKKS common stock) and briefs,  
 15 with the Clerk's Office at the Edward Roybal Federal Building, 255 East Temple  
 16 Street, Los Angeles, California 90012 no later than 14 days prior to the date of the  
 17 Final Approval Hearing.

18 2. You must also serve the papers on the following counsel so that the  
 19 papers are received no later than 14 days prior to the date of the Final Approval  
 20 Hearing:

21 **Plaintiffs' Counsel:**

22 Laurence Paskowitz  
 23 The Paskowitz law Firm, P.C.  
 208 East 51st Street, Suite 380  
 New York, NY 10022

24 Jeffrey C. Block  
 25 BLOCK & LEVITON LLP  
 155 Federal Street, Suite 400  
 26 Boston, MA 02110

**Defendants' Counsel:**

Matthew Donald Umhofer  
 SPERTUS, LANDES & UMHOFFER, LLP  
 1990 South Bundy Dr., Suite 705  
 Los Angeles, CA 90025

Jonathan J. Lerner  
 SKADDEN, ARPS, SLATE, MEAGHER  
 & FLOM LLP  
 Four Times Square  
 New York, New York 10036

1           3.     The filing must demonstrate your ownership of JAKKS common stock,  
2 including the date of acquisition and continued ownership, and must state the basis  
3 for your objection.

4           4.     You may file a written objection without appearing at the Final  
5 Approval Hearing. You may not appear at the Final Approval Hearing to present  
6 your objection, however, unless you first filed and served a written objection in  
7 accordance with the procedures described above, unless the Court orders otherwise.

8           5.     If you wish to be heard orally at the hearing in opposition to the  
9 approval of the Settlement, including the Fee and Expense Award, and if you have  
10 filed and served a timely written objection as described above, you must also notify  
11 the above counsel in your written objection concerning your intention to appear.  
12 Persons who intend to object and desire to present evidence at the Final Approval  
13 Hearing must include in their written objection the identity of any witnesses they  
14 may call to testify and exhibits they intend to introduce into evidence at the hearing.

15          6.     As stated above, you are not required to hire an attorney to represent  
16 you in making written objections or in appearing at the Final Approval Hearing. If  
17 you decide to hire an attorney, this will be at your own expense, and your attorney  
18 must file a notice of appearance with the Court and serve it on the above counsel so  
19 that the notice is received no later than 14 days prior to the date of the Final  
20 Approval Hearing.

21          7.     The Final Approval Hearing may be adjourned by the Court without  
22 further written notice. If you intend to attend the Final Approval Hearing, you  
23 should confirm the date and time with Plaintiffs' Counsel.

24 **Unless the Court orders otherwise, any Current JAKKS Shareholder who does**  
25 **not object in the manner described above will be deemed to have waived any**  
26 **objection and shall be forever foreclosed from making any objection to the**  
27 **proposed Settlement, including the Fee and Expense Award. Current JAKKS**  
28

1 Shareholders do not need to appear at the Final Approval Hearing or take any  
2 other action to indicate their approval.

3 **VI. Interim Stay and Injunction**

4 Pending the Final Approval Hearing, all proceedings in the Federal Derivative  
5 Action involving the Settling Parties, as defined in the Stipulation, other than those  
6 proceedings necessary to carry out or enforce the terms and conditions of the  
7 Stipulation, are stayed.

8 Pending final determination of whether the Settlement should be approved,  
9 Plaintiffs, the Company and Current JAKKS Shareholders, and each of them, and  
10 anyone who acts or purports to act on their behalf, shall not institute, commence or  
11 prosecute any action that asserts Released Claims against any Released Person, as  
12 defined in the Stipulation.

13 **VII. Scope of the Notice**

14 This Notice is a summary description of the Federal Derivative Action, the  
15 complaints, the terms of the Settlement and the Settlement Hearing. For a more  
16 detailed statement of the matters involved in the Derivative Actions, reference is  
17 made to the Stipulation, a copy of which is attached hereto as Exhibit \_\_\_\_ and can be  
18 reviewed at <http://www.Blocksq.com>.

19 Any inquiry concerning the Derivative Actions should be addressed to a  
20 representative of Lead Federal Derivative Plaintiffs' Counsel.

21 **DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF**  
22 **CLERK OF THE COURT REGARDING THIS NOTICE.**

23 Dated: \_\_\_\_\_, 2015

24 By Order of the Court

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

ADVANCED ADVISORS, G.P., *et al.*,

Plaintiffs,

v.

STEPHEN BERMAN, an individual;  
MICHAEL G. MILLER, an individual;  
MURRAY L. SKALA, an individual;  
ROBERT E. GLICK, an individual;  
MARVIN ELLIN, an individual; and  
DAN ALMAGOR, an individual,

Defendants.

JAKKS PACIFIC, INC.,

Nominal Defendant.

Case No. 2:14-cv-01420-JAK-(SSx)

**[PROPOSED] ORDER AND  
FINAL JUDGMENT**

Date: [], 2015  
Time: 8:30 a.m.  
Courtroom: 750  
Hon. John A. Kronstadt  
Complaint Filed: Feb. 25, 2014

Trial Date: March 16, 2016

**[PROPOSED] ORDER AND FINAL JUDGMENT**

This matter came before the Court for hearing pursuant to the Order of this Court of \_\_\_\_\_, 2015 (the "Preliminary Approval Order"), on the application of the Settling Parties for: (a) approval of the Settlement set forth in the Stipulation of Settlement dated as of March [], 2015 (the "Stipulation"); (b) entry of a judgment dismissing the Federal Derivative Action on the merits and with prejudice; and (c) approval of the Fee and Expense Award. Due and adequate notice having been given to the Company's shareholders in accordance with Rule 23.1 of the Federal Rules of Civil Procedure as required in said Preliminary Approval Order, and the Court having considered all papers filed and proceedings held herein and otherwise being fully informed in the premises and good cause appearing therefore,



**IT IS HEREBY ORDERED, ADJUDGED AND DECREED  
THAT:**

1. This Order and Final Judgment (the "Judgment") incorporates by reference the definitions in the Stipulation, and all initial capitalized terms used herein shall have the same meaning as set forth in the Stipulation.

2. The Court has jurisdiction over the subject matter of this Federal Derivation Action (the "Action").

3. Notice of the pendency of this Action and of the proposed Settlement was given to the Company's shareholders. The form and method of notifying the Company's shareholders of the pendency of the Federal Derivative Action and of the terms and conditions of the proposed Settlement met the requirements of Rule 23.1 of the Federal Rules of Civil Procedure, due process, and any other applicable law, constituted the best notice practicable under the circumstances, and constituted due and sufficient notice to all Persons and entities entitled thereto.

4. Pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, this Court approves the Settlement set forth in the Stipulation and finds that the Settlement is fair, reasonable and adequate to, and in the best interests of, JAKKS and its shareholders. This Court further finds the Settlement set forth in the Stipulation is the result of arm's-length negotiations between experienced counsel representing the interests of the Plaintiffs on behalf of JAKKS, the Individual Defendants, and JAKKS. Accordingly, the Settlement embodied in the Stipulation is hereby approved and the Settling Parties are directed to consummate the Settlement in accordance with the terms and provisions of the Stipulation.

5. Plaintiffs' Counsel are hereby awarded attorneys' fees and expenses in the amount of \$\_\_\_\_\_ with such payment to be made in accordance with the terms of the Stipulation.

1           6.     This Action was filed, maintained and defended on a good faith basis  
2 in accordance with Rule 11 of the Federal Rules of Civil Procedure, and is hereby  
3 dismissed with prejudice and without costs, except as provided in the Stipulation.

4           7.     Upon the Effective Date of the Settlement, Plaintiffs and JAKKS, on  
5 behalf of themselves and each of their Related Parties shall be deemed to have, and  
6 by operation of this Judgment shall have, fully, finally, and forever released,  
7 relinquished and discharged all Released Claims, and any and all derivative claims  
8 (including Unknown Claims) arising out of, based upon or related to the Released  
9 Claims or the Settlement or resolution of the Derivative Actions, against the  
10 Released Persons. Notwithstanding the foregoing, nothing herein is meant to bar  
11 any claims relating to the performance or enforcement of the Stipulation or the  
12 Settlement.

13           8.     Plaintiffs, individually and derivatively, and JAKKS and its  
14 shareholders shall, by operation of this Judgment, release and be deemed to release  
15 and forever discharge, all Released Claims against all Released Persons, and shall  
16 forever be barred and enjoined from commencing, instituting or prosecuting any of  
17 the Released Claims, or any action or other proceeding brought derivatively on  
18 behalf of JAKKS against any of the Released Persons arising out of, based upon or  
19 related to the Released Claims or the Settlement or resolution of the Derivative  
20 Actions.

21           9.     Neither this Judgment, the Stipulation nor the Settlement contained  
22 therein, nor any act performed or document executed pursuant to or in furtherance  
23 of the Stipulation or the Settlement is or may be deemed to be or may be used as an  
24 admission of, or evidence of: (a) the validity or lack thereof of any Released  
25 Claim, or of any wrongdoing or liability of the Released Persons; or (b) any fault  
26 or omission of the Released Persons in any civil, criminal or administrative  
27 proceeding in any court, administrative agency or other tribunal. The Released  
28 Persons may file the Stipulation and/or Judgment in any other action or related

1 matters that may be brought against it or them in order to support a defense or  
2 counterclaim based on principles of *res judicata*, collateral estoppel, release, good  
3 faith settlement, judgment bar or reduction, or any other theory of claim preclusion  
4 or similar defense or counterclaim.

5 10. The Court finds that all parties and their counsel have complied with  
6 the requirements of Rule 11 of the Federal Rules of Civil Procedure as to all  
7 proceedings herein.

8 11. Without affecting the finality of this Judgment in any way, the Court  
9 hereby retains continuing exclusive jurisdiction over: (a) implementation of this  
10 Settlement; (b) all parties hereto for the purpose of construing, enforcing and  
11 administering the Stipulation, Settlement and Judgment; and (c) any other matter  
12 related or ancillary thereto.

13 12. In the event that the Settlement does not become effective in  
14 accordance with the terms of the Stipulation or the Effective Date does not occur,  
15 then this Judgment shall be rendered null and void to the extent provided by and in  
16 accordance with the Stipulation and shall be vacated and, in such event, all orders  
17 entered and releases delivered in connection herewith shall be null and void, and  
18 the Settling Parties shall be returned to their respective positions as of February 12,  
19 2015, to the extent provided by and in accordance with the Stipulation.

20  
21 DATED: \_\_\_\_\_ ENTERED: \_\_\_\_\_

22  
23 \_\_\_\_\_  
24 THE HON. JOHN A. KRONSTADT, U.S.D.J.  
25  
26  
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28

Exhibit D

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

ADVANCED ADVISORS, G.P., *et al.*,  
Plaintiffs,  
v.

CASE NO.: 2:14-cv-01420-JAK-(SSx)  
CORPORATE GOVERNANCE  
CHANGES

STEPHEN BERMAN, an individual;  
MICHAEL G. MILLER, an individual;  
MURRAY L. SKALA, an individual;  
ROBERT E. GLICK, an individual;  
MARVIN ELLIN, an individual; and  
DAN ALMAGOR, an individual,

Defendants.

JAKKS PACIFIC, INC.,

Nominal Defendant.

**EXHIBIT D**

## 1. Buyback Committee

A separate committee consisting solely of independent Board members shall be created to conduct an independent review of any stock buyback plan, including all the terms of such plan, and shall approve or reject any proposed stock buyback plan prior to consideration by the full Board and shall exercise continued oversight throughout the execution of any buyback.

## 2. Future Rights Plans

Any shareholder rights plan shall be approved by all of the independent directors of the Board.

## 3. Cash Allocation

The Board shall conduct an annual review of the Company's methods of allocating and applying cash between domestic and international operations, taking into account tax issues, and operating needs and uncertainties.

## 4. Implement Enhanced Budgeting and Planning Practices (for Audit Committee and CFO)

a. The Audit Committee shall review internal budgeting and planning methods and require the CFO to adopt, at a minimum, the following practices:

i. Use non-financial factors as part of the planning and budgeting process.

ii. Link budgets to performance measurement.

iii. Identify and list specific objectives, targets, drivers or assumptions in the strategic planning and budgeting process. These drivers will then be used throughout the budgeting cycle to determine required quantities, intended resource utilization and direct and indirect cost requirements.

b. Company will undertake historical review of acquisitions to identify key characteristics of successful acquisitions (e.g., types of acquisitions; size of acquisitions; best product mix; integration into JAKKS' structure; how lessons from these will help future acquisitions).

## 5. CEO Compensation

a. JAKKS will continue to tie CEO compensation to the share price.

b. JAKKS' compensation plan will be peer-tested by an independent outside compensation consultant for reasonableness and competitiveness.

1 6. Related Party Transactions

2 Related party transactions unrelated to any existing contract or  
3 transaction shall be approved by an independent committee of the  
4 Board, which shall have the right to obtain counsel or a financial  
advisor at its own discretion. A "related party" is a shareholder who  
owns 5% or more of the Company's outstanding shares;

5 7. Takeover or Merger Proposals

6 Should a fully funded, unconditional, premium offer emerge, the Board  
7 will establish an independent negotiating committee authorized to  
8 determine whether to negotiate and whether to ultimately accept/reject  
the offer and shall retain a financial advisor to advise it in connection  
with the evaluation of the offer.

9 8. The Company will be required to maintain these reforms for a period of four  
10 years following approval of the Settlement.