LEROY D. BACA, SHERIFF

County of Los Angeles
Sheriff's Department Headquarters
4700 Ramona Boulevard
Monterey Park, California 91754-2169

A Tradition of Service

April 05, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Dear Supervisors:

AUTHORIZE THE SHERIFF TO EXECUTE TRADEMARK LICENSE AGREEMENT WITH JADA TOYS, INCORPORATED FOR DIE CAST METAL VEHICLES (ALL DISTRICTS) (3 VOTES)

SUBJECT

Request Board approval authorizing the Sheriff to enter into the attached licensing agreement with Jada Toys Incorporated (Jada) to use certain Los Angeles County Sheriff's Department (Department) trademarks for production of scale die cast patrol cars.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Mayor to sign the attached Agreement and authorize the Sheriff to execute a Trademark License Agreement (Agreement) with Jada to use certain Department trademarks in the production and sale of 1/64 scale die cast model vehicles, in exchange for a gross sales percentage royalty to be deposited into the Department's Special Training Fund, for an initial term to expire December 31, 2015, with authority to extend the Agreement for five years thereafter.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Jada, a toy manufacturing company, proposes to produce 1/64 scale die cast models of Department vehicles for sale. Jada will use the Sheriff's star and slogan "A Tradition of Service," each of which is a registered trademark.

This Agreement provides benefits for Los Angeles County (County), including compensation and the ability to control the use of the Department's intellectual property. This Agreement will ensure that the intellectual property retains its integrity and strength.

Implementation of Strategic Plan Goals

The proposed Agreement supports the County's Strategic Plan, Goal 4, Fiscal Responsibility, by strengthening the County's fiscal capacity and providing revenue to support the Department's Special Training Fund.

FISCAL IMPACT/FINANCING

Under this Agreement, the Department will receive royalties equal to 5 percent of gross sales revenue of all models sold by Jada. Gross sales revenue is defined to include the entire amount of money invoiced by Jada to its customers, excluding only sales tax, duties, shipping costs, and handling charges. A royalty rate of 5 percent is consistent with the industry standard for similar trademark license agreements.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Under the Agreement, the County grants Jada a non-exclusive license to use the trademarked Sheriff's star and slogan "A Tradition of Service" in production of certain die cast metal vehicles, to be produced and sold internationally.

Jada is required to submit samples of each of its products using the trademarks and all proposed packaging and business material to the Department for review and approval prior to production. The Agreement requires Jada to comply with all applicable laws, indemnify the County, and provide proof of adequate products liability insurance.

The Agreement also contains provisions requiring compliance with the County lobbyist ordinance, non-discrimination laws, and restrictions against improper consideration. The Agreement has been reviewed and approved by County Counsel.

The initial term of the Agreement commences on the date of execution by the Sheriff and expires on December 31, 2015. Under the terms of the Agreement, at the end of the initial term, the Sheriff is authorized to extend the Agreement for an additional five years to December 31, 2020, if Jada has remained in full compliance with all terms of the Agreement.

CONTRACTING PROCESS

As the proposed Agreement does not constitute a contract for services or involve the purchase of goods or commodities, the customary Board-mandated provisions required for such agreements are not necessary in this instance.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Agreement will have no impact on current services. The die cast models will be made and marketed at no cost to the County. Approval of this Agreement will assist the Department in funding the Department's Special Training Fund.

CONCLUSION

Upon Board approval, please return two adopted copies of this action to the Department's Administrative Services Division for further processing.

Sincerely,

LEROY D. BACA
Sheriff

LDB:PY:py

Enclosures

TRADEMARK LICENSE AGREEMENT

This agreement ("Agreement") made and entered into this 23rd day of FEB. 2011, (hereinafter referred to as "Effective Date"), by and between, the Los Angeles County Sheriff's Department, a government agency organized under the laws of the State of California, having a principal business address at 4700 Ramona Boulevard, Monterey Park, California 91754 (hereinafter referred to as "LICENSOR") and Jada Toys, Inc., a corporation formed and duly existing under the laws of the State of California, having a principal place of business at 938 Hatcher Avenue, City of Industry, California 91748 (hereinafter referred to as "LICENSEE").

I.

RECITALS

This Agreement is entered into by and between the foregoing parties in view of the facts and under the circumstances hereinafter recited.

1. LICENSOR provides police and civil protection services and a wide variety of other goods and services under the trademarks identified as the SHERIFF'S STAR and "A TRADITION OF SERVICE" and various other trademarks.

2. By virtue of the high reputation of LICENSOR'S police and civil protection services, the promotion of the image and prestige of the LICENSOR, the LICENSOR'S trademarks have acquired a high reputation and favorable goodwill.

3. LICENSEE desires to produce and internationally market die cast metal vehicles bearing the SHERIFF'S STAR and A TRADITION OF SERVICE marks. For this purpose they have sought from LICENSOR a non-exclusive international license to use the SHERIFF's STAR and A TRADITION OF SERVICE marks for such goods.

4. LICENSOR is willing to grant to LICENSEE a non-exclusive international license to use the SHERIFF'S STAR and A TRADITION OF SERVICE marks, subject to the

terms and conditions of this Agreement, which terms and conditions are acceptable to LICENSEE.

NOW, THEREFORE, in consideration of the exchange of covenants and promises herein made, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as hereinafter set forth.

II.

DEFINITIONS

1. **LICENSED TRADEMARKS:** The term "Licensed Trademark" and "Licensed Trademarks" as used herein mean and include the SHERIFF'S STAR and A TRADITION OF SERVICE marks depicted in Exhibit A attached hereto and, by the forgoing reference, incorporated herein.

2. **LICENSED PRODUCTS:** The term "Licensed Products" as used herein means and includes the following die cast metal vehicles:

   (a) 1/64 scale die cast model of 2006-2010 Dodge Charger Patrol vehicle which bears one or both of the Licensed Trademarks.

3. **TERRITORY:** The term "Territory" as used herein means and includes all countries of the world presently and hereafter existing, and all duty-free shops, aircraft and vessels on the high seas anywhere in the world.

4. **GROSS SALES REVENUE:** The term "Gross Sales Revenue" as used herein means and includes the entire amount of money invoiced by LICENSEE to its customers of the Licensed Products, regardless of, if, when or how paid, excluding only any sales taxes duties, shipping costs and handling charges which are included in LICENSEE's invoices. Except for the foregoing exclusions, no other amount of any kind whatsoever, however characterized, may be deducted or excluded by LICENSEE from its invoice in calculating its Gross Sales Revenue hereunder. More specifically, but, without limiting the generality of the above provisions, sales commissions, cash discounts, advertising

allowances and bad debts shall not be deducted or excluded from its invoices by LICENSEE. Gross Sales Revenue shall be deemed to accrue on the date that LICENSEE dispatches and invoice for Licensed Products to a Retailer (defined below) purchaser thereof, or on the tenth (10^{th}) business day following shipment of the Licensed Product to such purchaser, whichever date occurs first.

5. **INTITIAL TERM:** The "Initial Term" of this Agreement shall commence upon the Effective Date hereof and unless otherwise earlier terminated hereunder or at law, or extended pursuant to the provisions of Section II, Paragraph 7, herein below, shall expire on December 31, 2015.

6. **EXTENDED TERM:** The "Extended Term" of this Agreement, if its term is duly extended in accordance with the provisions of Section VIII, Paragraph 4, herein below, shall commence on January 1, 2016 and, unless otherwise earlier terminated hereunder or at law pursuant to the provisions of Section VIII, Paragraph 1, shall expire on December 31, 2020.

7. **ANNUAL ROYALTY PERIODS:** The term "Annual Royalty Period" as used herein shall mean a period of twelve (12) consecutive calendar months commencing January 1^{st} of each year during the term of this Agreement and ending on December 31st of the immediately following year. Thus, the Annual Royalty Periods hereunder are as follows:

INITIAL TERM

FIRST	January 1, 2011 to December 31, 2011
SECOND	January 1, 2012 to December 31, 2012
THIRD	January 1, 2013 to December 31, 2013
FOURTH	January 1, 2014 to December 31, 2014
FIFTH	January 1, 2015 to December 31, 2015

EXTENDED TERM

SIXTH	January 1, 2016 to December 31, 2016
SEVENTH	January 1, 2017 to December 31, 2017
EIGHTH	January 1, 2018 to December 31, 2018
NINTH	January 1, 2019 to December 31, 2019
TENTH	January 1, 2020 to December 31, 2020

8. **AFFILIATE(S) OF LICENSOR:** The term "Affiliate of LICENSOR" as used herein means any corporation, person or other business, presently existing or hereinafter created, which controls, is controlled by, or is under common control with LICENSOR or its principals.

9. **ADVERTISING MATERIALS:** The term "Advertising Materials" as used herein means and includes any and all materials that are used to advertise or promote the sale of the Licensed Products.

10. **PACKAGING MATERIALS:** The term "Packaging Materials" as used herein means and includes any and all tags, labels, cartons, containers, packages, wrapping and other materials in which or with which the Licensed Products are packaged.

11. **BUSINESS MATERIALS:** The term "Business Materials" as used herein means and includes any and all stationery, letterhead, envelopes, business cards, invoices and other business forms and materials used by LICENSEE in connection with its business of producing and marketing the Licensed Products.

III.

GRANT OF LICENSE

1. **GRANT:** LICENSOR hereby grants to LICENSEE, for the term of this Agreement and under the terms and conditions hereinafter set forth, and for the sole purpose of producing and selling Licensed Products anywhere in the Territory, the non-exclusive, non-transferable right, license and privilege to mark the Licensed Products with one or both of the Licensed Trademarks, subject to (i) the marketing requirements set forth in Section IV; (ii) LICENSOR's rights of approval set forth in Section IV; and (iii) LICENSOR's absolute and sole discretion with respect to the governing or refusing of any required approvals, as set forth in Section IV, herein below.

2. **NO RIGHT TO SUBLICENSE:** It is further understood and agreed that the foregoing license granted to LICENSEE does not include the right to sublicense any other party, person or legal entity to use the Licensed Trademarks in any way or for any purpose without LICENSOR's prior written approval, which approval may be withheld by LICENSOR if and as it deems appropriate, for any reason, in its sole discretion and judgment.

3. **NO RIGHT TO ASSIGN:** The parties hereby acknowledge that the foregoing license is "personal" to LICENSEE and as such, neither said license nor this Agreement may be assigned by LICENSEE to any other party, person or legal entity without LICENSOR's prior written approval, which approval, which approval may be withheld by LICENSOR if and as it deems appropriate, for any reason, in its sole discretion and judgment. Further, LICENSEE shall have no right to sell, encumber, or otherwise transfer any rights or interest in or to the Licensed Trademarks or its rights under this Agreement.

IV.

MARKETING; QUALITY CONTROL; CHANNELS OF TRADE

1. **ACKNOWLEDGMENT OF PRESTIGE OF LICENSED MARK:** LICENSEE, hereby acknowledges the prestige, high reputation and goodwill acquired by LICENSOR in the Licensed Trademarks (and all formatives thereof), and the substantial investment made by LICENSOR to achieve the same.

2. **PRIOR APPROVAL OF LICENSED PRODUCTS, PACKAGING AND BUSINESS MATERIALS:** LICENSEE shall furnish to LICENSOR, at LICENSEE's sole expense, at least one representative sample of each proposed Licensed Product, in addition to representative sample of each proposed Licensed Product, in addition to representative samples of all proposed Packaging Materials and Business Materials, for LICENSOR's written approval prior to the production thereof. LICENSOR shall have thirty (30) business days following its receipt of any such Licensed Product or item in which to accept or reject the same. Any Licensed Product or item of Packaging Material or Business Material submitted to LICENSOR in accordance with this Paragraph 2 for

approval shall be deemed approved by LICENSOR if LICENSOR fails to respond within said thirty (30) business days following receipt thereof.

3. **ADDITIONAL RESTRAINTS:** LICENSEE covenants and agrees that each Licensed Product and all Packaging Materials and Business Materials shall be of first-class quality in material, design and manufacture and of a standard at least as high as that of the final sample of such Licensed Product or item approved in writing by LICENSOR in accordance with Paragraph 2 immediately above.

4. **LICENSOR NOT PREJUDICED BY RIGHT OF APPROVAL:** LICENSEE hereby acknowledges and agrees that LICENSOR's right to indemnification under this Agreement shall not be deemed to have been waived or otherwise limited in any way by virtue of LICENSOR's approval of, or failure to disapprove or object to, any Licensed Product, item of the Packaging Materials and /or Business Materials, or its approval of, or failure to disapprove or object to, any act or practice of LICENSEE. In this connection, LICENSOR expressly disclaims any liability arising or alleged to arise by virtue of its right of approval, whether or not exercised, with respect to any of the foregoing things, or any act or practice of LICENSEE.

5. **COMPLIANCE WITH LAW:** LICENSEE hereby covenants and agrees that LICENSEE shall obtain, at its own expense, any and all consents, approvals, authorizations, licenses, permits, registrations and similar entitlements required by any country, commonwealth, territory, dependency, state or possession within the Territory, or other political subdivision contained therein, or by any independent agency, that are or may during the term of this Agreement (including any extensions thereof and any post-termination license period, as hereinafter provided) become necessary or desirable in connection with the execution, delivery or performance of this Agreement by LICENSEE or LICENSOR, as the case may be, or to effectuate the purposes of this Agreement. LICENSEE further covenants and agrees that, throughout the term of this Agreement (including any extensions thereof and post-termination license period), all Licensed Products shall be manufactured, packaged, advertised, distributed, and sold in accordance with all applicable laws. Upon the request of LICENSOR, proof of compliance with the provisions of this Paragraph 5 shall be provided by LICENSEE to LICENSOR.

V.

OWNERSHIP AND USE OF LICENSED TRADEMARKS

1. **ACKNOWLEDGMENT OF OWNERSHIP OF LICENSED TRADEMARKS:** LICENSEE hereby acknowledges and agrees that LICENSOR is the sole and exclusive owner of the Licensed Trademarks identified in Exhibit A and all of the goodwill associated with the Licensed Trademarks, and that the Licensed Trademarks and such goodwill shall remain at all times the sole and exclusive property of LICENSOR. All use by LICENSEE of the Licensed Trademarks shall be deemed to inure exclusively to the benefit of LICENSOR. To the extent that any rights in or to the Licensed Trademarks or any aspect thereof are deemed to accrue to LICENSEE, LICENSEE hereby irrevocably assigns any and all such rights, at such time as they may be deemed to accrue, including any and all related goodwill, to LICENSOR. LICENSEE further agrees that it will not, directly or indirectly at any time during the term of this Agreement or thereafter, (i) question, challenge or attack the ownership right, title or interest of LICENSOR in or to the Licensed Trademarks or any aspect thereof (including the goodwill related thereto), or (ii) apply to register in any country or jurisdiction in the world or claim any rights in any of the Licensed Trademarks or any aspect thereof (including the goodwill related thereto). If LICENSEE owns any existing application for registration or registrations for any of the Licensed Trademarks anywhere in the world, LICENSEE shall immediately assign any existing registrations for the Licensed Trademarks to LICENSOR. With respect to any application for registration of the Licensed Trademarks, LICENSEE shall immediately assign such registrations to LICENSOR upon registration.

2. **FORM AND USES OF LICENSED TRADEMARKS:**

(A) LICENSEE shall use the Licensed Trademarks only in forms approved by LICENSOR, as aforesaid, such forms encompassing, without limitation, lettering styles, scripts, colors and designs previously approved by LICENSOR. LICENSEE shall cause appropriate notice or indicia of LICENSOR's ownership of the Licensed Trademarks and, if appropriate, notice of registration thereof, in a form prescribed by LICENSOR and/or as required by law, to appear on all

Licensed Products, all Packaging Materials, Business Materials and Advertising Materials on which any of the Licensed Trademarks appear.

(B) LICENSEE covenants and agrees that the Licensed Trademarks will not be used by or on behalf of LICENSEE in any way other than as expressly authorized herein. Specifically, but without limitation, the Licensed Trademarks shall not be used in any manner in connection with any special programs, plans, ideas, promotions or tie-ins without LICENSOR's prior written approval. Without limiting the generality of the foregoing, under no circumstances shall the Licensed Trademarks be used by or on behalf of LICENSEE in any way which, in the judgment of LICENSOR, could impair, tarnish or otherwise reflect adversely upon LICENSOR's public image or reputation, and LICENSEE shall take no action which, in the judgment of LICENSOR, could impair, tarnish or otherwise reflect adversely upon LICENSOR's public image or reputation. LICENSEE acknowledges and agrees that this provision shall be deemed violated in the event that there is a significant level or number (in light of the number of Licensed Products sold under this Agreement) of complaints with respect to the quality of any Licensed Product.

VI.

ROYALTIES; PAYMENTS; ACCOUNTING

1. **ROYALTIES:** LICENSEE shall pay to LICENSOR royalties equal to five percent (5%) of LICENSEE's Gross Sales Revenue during the term of this Agreement (hereinafter referred to as "Earned Royalties"). Earned Royalties shall accrue with respect to LICENSEE's sale of a Licensed Products on the date on which LICENSEE invoices its purchasers of such Licensed Products, or on that date which is ten (10) business days following the date of shipment of such Licensed Products, whichever occurs first. LICENSEE's obligation to pay Earned Royalties to LICENSOR shall accrue even if LICENSOR is in default, hereunder, and shall be paid and reported as hereinafter provided. Further, in no

event, may any costs or losses incurred in the manufacture, packaging, sale, distribution, advertisement or exploitation of any Licensed Products, or any other costs, losses or allowances of any kind whatsoever of LICENSEE's be deducted from the royalty compensation payable by LICENSEE to LICENSOR hereunder.

2. **PAYMENTS; INTERGRATION OF EARNED ROYALTIES AND FIRST ANNUAL MINIMUM ROYALTIES:** Within thirty (30) days following the expiration of each six-month period of each Annual Royalty Period hereunder; i.e., on the thirtieth (30th) day of April, and October, LICENSEE shall pay to LICENSOR an amount of money calculated as follows:

   (A) The aggregate Earned Royalties from the start of the then Annual Royalty Period to the close of the six-month period or the aggregate Earned Royalties which accrue from the proceeding close of such six-month period to the end of the then Annual Royalty Period.

3. **DELINQUENT PAYMENTS:** Without prejudice to any of LICENSOR's rights or remedies hereunder, any amounts owing by LICENSEE to LICENSOR hereunder and past due shall automatically be subject to an interest charge at an annual rate of two percentage points over the prevailing prime rate (or reference rate if "prime" rate is not used) of Wells Fargo Bank in Los Angeles, California. Payments by LICENSEE shall first be credited against such interest charges. In no event shall the interest rate applicable hereunder exceed the maximum rate permitted by applicable law.

4. **PERIODIC STATEMENTS:**

   (A) Within thirty (30) days after the end of each six-month period during the term of this Agreement (including any extensions thereof and any post-termination license period) LICENSEE shall furnish to LICENSOR a complete, detailed and accurate statement, certified as accurate by the chief financial officer of LICENSEE, setting forth the total number and invoice price of each Licensed Product included in the Gross Sales on a design-by-design basis during the preceding period as well as the total

number of units of each Licensed Product included in Gross Sales Revenue through the end of the relevant period. Each statement required hereunder shall also detail and itemize (i) the quantities of each item of Licensed Products in production and in inventory as of the close of the reporting period; (ii) any and all permitted adjustments affecting the royalty payable to LICENSOR; and (iii) shall set forth the amount of Earned Royalties accrued and payable to LICENSOR for the preceding six-month period, and the manner in which royalty compensation due and payable in accordance with the provisions of Paragraph 3 immediately above have been calculated.

(B) In addition to the statements required pursuant to subpart (A) immediately above, within forty-five (45) days after the end of each Annual Royalty Period, LICENSEE shall furnish to LICENSOR a complete, detailed and accurate statement, certified as accurate by the chief financial officer of LICENSEE, setting forth all information, cumulative for the preceding Annual Royalty Period.

(C) Each semi-annual statement of royalty compensation submitted to LICENSOR by LICENSEE pursuant to subpart (B) immediately above may be audited by LICENSOR, as provided in Paragraph 6 immediately below. Such audit, unless contested by LICENSEE as provided in (D) immediately below, shall be conclusive and binding upon LICENSEE and LICENSOR with respect to the information contained therein (except if any inaccuracies therein are the result of fraudulent activity by any person or entity other than LICENSOR).

(D) LICENSEE may contest any audit by LICENSOR by written notice to LICENSOR given within fifteen (15) days of the receipt by LICENSEE of the audit report. In the event of such contest, the respective accountants of LICENSOR and LICENSEE shall cooperate in good faith for a period of thirty (30) days from the date of the giving of notice of contest to achieve a mutually agreeable resolution of the contested audit. Any

inconsistencies or mistakes determined by such accountants to have been made in LICENSEE's statements or payments shall immediately be rectified and the appropriate payments made in any form of cash reasonably requested by the payee. In the event that no such resolution is achieved within such thirty (30) day period, the respective accountants of LICENSOR and LICENSEE shall, within fifteen (15) days following the end of such period, mutually select a third accounting firm of international reputation to conduct an independent audit, the results of which independent audit shall be conclusive and binding on LICENSEE and LICENSOR. The party to whom the independent auditor's decision is adverse shall bear and shall promptly pay the cost of the independent audit.

(E) Except as specifically provided in subparts (C) and (D) immediately above, notwithstanding anything herein to the contrary, the receipt or acceptance by LICENSOR of any of the statements furnished or payments made pursuant to this Agreement shall not preclude LICENSOR from challenging the accuracy thereof at any time and shall not prejudice any of LICENSOR's rights or remedies in connection therewith.

5. **BOOKS AND RECORDS; AUDIT:** LICENSEE shall keep, maintain and preserve, at LICENSEE's principal place of business, for at least three (3) years following the date of the last statement to be furnished pursuant to Paragraph 4 immediately above, complete and accurate books and records of accounts regarding the sale of Licensed Products, including, without limitation, correspondence, purchase order, shipping document, bills of lading, invoices, receipts, banking and financial records, and records relating to taxes, duties, trade and cash discounts, freight charges, and all other records pertaining to the sale of Licensed Products and the various other items required to be shown on the statements pursuant to Paragraph 4 immediately above. LICENSOR and its agents and representatives shall have the right to inspect and audit such books and records at any time during or after the term of this Agreement, provided that LICENSEE shall receive reasonable notice of such pending inspection, and provided further that said inspection

shall take place during the regular business hours of LICENSEE and at the place where such books and records are maintained. At LICENSOR's request, LICENSEE shall make available to LICENSOR and its agents and representatives at LICENSEE's place of business requested portions of such books and records and related documents for copying. LICENSEE agrees not to cause or permit any interference with LICENSOR or its agents or representatives in the performance of their inspection and audit, and LICENSEE agrees to cause its accountants and bookkeepers to cooperate fully in the audit. Any such audit by LICENSOR shall be at the sole expense of the party or parties initiating such audit; PROVIDED, however, that if such audit reveals a shortage in the payments made to LICENSOR hereunder of three percent (3%) or more, then LICENSEE shall bear and shall promptly pay, upon LICENSOR's request, the entire cost of such audit, and shall also promptly pay to LICENSOR the full amount of such shortage.

VII.

EARLY TERMINATION; EXTENSION OF TERM

1. **TERMINATION BY LICENSEE:** LICENSEE shall have the right to terminate this Agreement at any time, with or without cause, and without penalty upon prior written penalty notice given to LICENSOR at least ninety (90) days prior to the effective date of termination.

2. **TERMINATION BY LICENSOR:** LICENSOR shall have the right to terminate this Agreement at any time, with or without cause, and without penalty upon prior written notice given to LICENSEE at least ninety (90) days prior to the effective date of termination.

3. **EFFECTS OF TERMINATION:** Upon the expiration or early termination of this Agreement for any reason:

   (A) LICENSOR's right to receive all Earned Royalties shall survive such termination;

(B) Any and all royalty and other payment statements and accountings then due from LICENSEE to LICENSOR hereunder shall be paid and submitted promptly; and

(C) Subject to the provisions of Paragraph 5 immediately below, LICENSEE shall immediately (i) cease any and all use of the Licensed Trademarks in any manner and for any purpose whatsoever and (ii) at LICENSOR's request, deliver to LICENSOR or destroy, as LICENSOR may instruct, any and all Licensed Products, Advertising Materials, Business Materials and Packaging Materials then in LICENSEE's custody, possession or control.

4. **EXTENTION OF TERM:** If LICENSEE desires to extend the term of this Agreement immediately upon the expiration of the Initial Term, for the duration of the Extended Term, it shall first request such extension from LICENSOR at any time between March 1, 2015 and May 31, 2015. LICENSOR shall, in response, determine whether LICENSEE is in good standing under this Agreement; i.e., in full compliance with all terms and conditions of this Agreement and not in material default hereunder. If LICENSEE is in good standing, LICENSOR will give due consideration to such request for extension. If granted by LICENSOR, however, such extension shall be null, void and of no legal effect if, on December 31, 2015, LICENSEE is no longer in good standing hereunder.

5. **POST-TERMINATION LIMITED LICENSE:**

(A) Promptly following the date expiration or early termination of this Agreement for any reason, LICENSEE shall deliver to LICENSOR a statement indicating, as of such date, the number of each item of Licensed Products, on a design by design basis; (i) in its inventory; (ii) in the process of being manufactured by LICENSEE and/or any contractor of LICENSEE.

(B) Upon the expiration or early termination of this Agreement by LICENSEE or LICENSOR, LICENSEE shall have a limited non-exclusive license to continue to use the Licensed Trademarks in connection with the manufacture and packaging of additional Licensed Products necessary (after giving effect to all existing inventory) to fulfill any non-cancelable bona fide orders fully executed in good faith prior to the termination date. Further LICENSEE may continue to distribute

its remaining inventory for a period not to exceed sixty (60) days following the effective date of expiration or early termination hereof, subject to payment of applicable Earned Royalties with respect thereto. Upon reasonable prior notice to LICENSEE, LICENSOR may conduct, during LICENSEE's regular business hours, a physical inventory in order to ascertain or verify such inventory and/or said statement submitted pursuant to subpart (A) immediately above. In the event LICENSEE shall interfere in any way with such physical inventory, LICENSEE shall forfeit its right hereunder to dispose of such inventory. Following the expiration or early termination of this Agreement for any reason (and, if applicable following the foregoing sixty (60) days limited license), LICENSOR shall be entitled, at LICENSOR's sole option, to purchase all or any portion of LICENSEE's inventory of Licensed Products at LICENSEE's actual, out-of-pocket cost of goods. Promptly upon notice from LICENSOR of its election not to purchase any such inventory, LICENSEE shall destroy all Licensed Products bearing Licensed Trademarks on such unsold inventory.

VIII.

ENFORCEMENT OF TRADEMARK RIGHTS

1. ENFORCEMENT OF RIGHTS:

LICENSEE shall notify LICENSOR promptly in writing of any act or alleged act, of any person or entity, of unfair competition, infringement, or imitation of the Licensed Trademarks on any article whether or not similar to any Licensed Product known to LICENSEE. LICENSOR, if it so desires, may commence or prosecute any claims or suits, at the cost and expense of LICENSOR, in its own name. Notwithstanding anything herein to the contrary, LICENSEE shall not institute any suit or take any action in the name of LICENSOR, whether offensive or defensive, against a third party on account of any such act of unfair competition, infringement or imitation without the prior written consent of LICENSOR which consent LICENSOR may withhold, if and as it deems appropriate, for any reason, in its sole discretion and judgment, nor shall LICENSEE

institute any suit or take any action in its own name, whether offensive or defensive, against a third party on account of any such act of unfair competition, infringement or imitation without giving prior written notice to LICENSOR.

IX.

INDEMNIFICATION; PRODUCTS LIABILITY INSURANCE

1. **INDEMNIFICATION BY LICENSEE:** LICENSEE hereby indemnifies and agrees to defend and hold harmless LICENSOR and LICENSOR's officers, directors, stockholder, agents, employees and representatives from and against any and all claims, demands, losses, costs (including reasonable attorney(s) fees), damages, judgments, penalties, expenses, suits and liabilities, contingent or otherwise, matured or unmatured, of any kind or nature whatsoever (collectively, "Losses") directly or indirectly arising out of, resulting from, relating to or in connection with (i) any breach by Licensee or any of its agents or employees of any representation, warranty, covenant or agreement of LICENSEE hereunder, or (ii) any actual or alleged defects in or any injury resulting from any of the Licensed Products or from the use thereof, or (iii) any actual or alleged inaccuracies or misrepresentations in connection with the promotion or selling of any of the Licensed Products by LICENSEE or its officers, directors, agents, employees or representatives. Promptly upon receipt of notice of any such claim, LICENSEE shall engage counsel reasonably acceptable to LICENSOR and defend such claim at LICENSEE's sole cost and expense; PROVIDED, however, that in the event LICENSEE fails to defend any such claim in a reasonably diligent manner, LICENSOR, at its option, may engage counsel of its own choosing and defend such claim at LICENSEE's sole cost and expense, which costs and expenses (including reasonable attorney(s) fees) shall be paid promptly by LICENSEE upon receipt of invoice therefore. No settlement of any claim for indemnifiable damages under this Paragraph shall be entered into without the prior written consent of LICENSEE, which consent shall not be unreasonably withheld.

2. **INDEMNIFICATION BY LICENSOR:** LICENSOR hereby indemnifies and agrees to defend and hold harmless LICENSEE and LICENSEE's officers, directors, stockholders, agents, employees and representatives from and against any and all losses directly or indirectly arising out of, resulting from, relating to or in connection with any breach of any representation, warranty, covenant or agreement of LICENSOR hereunder. Promptly upon receipt of notice of any such claim, LICENSOR shall engage counsel reasonably acceptable to LICENSEE and defend such claim at LICENSOR's sole cost and expense; PROVIDED, however, that in the event LICENSOR fails to defend any such claim in a reasonably diligent manner, LICENSEE, at its option, may engage counsel of its own choosing and defend such claim at LICENSOR's sole cost and expense, which costs and expenses (including reasonable attorney(s) fees) shall be paid promptly by LICENSOR upon receipt of invoice therefore. No settlement of any claim for indenmifiable damages under this Paragraph shall be entered into by LICENSEE without the prior written consent of LICENSOR, which approval may be withheld by LICENSOR if and as it deems appropriate, for any reason, in its sole discretion and judgment.

3. **INSURANCE:** On or before the Effective Date of this Agreement, LICENSEE shall have procured from a financially sound and reputable insurer reasonably acceptable to LICENSOR, at LICENSEE's sole expense, a policy or policies of products liability and comprehensive general liability insurance covering the manufacture and sale of the Licensed Products and providing adequate protection for LICENSOR in amounts no less than one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) aggregate coverage against all such liability. Such policy or policies shall name LICENSOR as an additional insured party, and shall provide that the insurer shall not terminate or materially modify such policy or policies without written notice to LICENSOR at least thirty (30) days in advance thereof. LICENSEE shall maintain such policy or policies, at its own expense, without interruption throughout the term of this Agreement (including any extensions thereof and any post-termination license period). LICENSEE shall submit to LICENSOR certified copies, signed by a legal representative of the insurer, of such fully paid policy or policies of insurance as soon as practicable following the execution of this Agreement, but in no event later than the Effective Date.

X.

REPRESENTATIONS AND WARRANTIES

1. **REPRESENATIONS AND WARANTIES OF LICENSOR:** LICENSOR represents and warrants to LICENSEE as follows:

(A) Neither the execution and delivery of this Agreement nor the consummation of the actions contemplated hereby will (i) violate any provisions of the regulations or bylaws of LICENSOR; (ii) violate, or be in conflict with or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under any contract to which LICENSOR is a party; or (iii) violate any laws, statutes, ordinances, regulations, decrees, judgments and orders (including, without limitation, all federal, state and local laws, rules and regulations with respect to consumer health, safety and protection, employment practices and benefits, terms and conditions of employment, health and safety, building and zoning, environmental protection and corrupt practices) (hereinafter referred to collectively as "Laws") binding upon LICENSOR.

(B) LICENSOR has the full and unrestricted right, power and authority to enter into and perform the terms, covenants, and conditions of this Agreement and to be bound thereby during the entire term of this Agreement. This Agreement constitutes a legal, valid and binding obligation of LICENSOR, enforceable against LICENSOR in accordance with its terms.

(C) No representations or warranties of LICENSOR contained in this Agreement, and no other information provided by LICENSOR to LICENSEE or LICENSEE's agents or representatives, contains or will contain any untrue statement of material fact, or omits or will omit to state a material fact, necessary to make the statements herein or therein not misleading.

2. **REPRESENTATIONS AND WARRANTIES OF LICENSEE:** LICENSEE represents and warrants to LICENSOR as follows:

(A) LICENSEE is a duly organized and validly existing corporation in good standing under the laws of the State of California. LICENSEE is or will be at all times duly qualified to do business and is and will be at all times in good standing in each jurisdiction in the Territory in which the conduct of its business or the ownership, leasing or use of its properties makes such qualification necessary.

(B) Neither the execution and delivery of this Agreement nor the consummation of the actions contemplated hereby will (i) violate any provisions of the articles of incorporation or by laws of LICENSEE; (ii) violate, or be in conflict with or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under any contract to which LICENSEE is a party; or (iii) violate any Laws binding upon LICENSEE.

(C) LICENSEE has the full and unrestricted right, power and authority to enter into and perform the terms, covenants, and conditions of this Agreement and to be bound thereby during the entire term of this Agreement. This Agreement constitutes a legal, valid and binding obligation of LICENSEE, enforceable against LICENSEE in accordance with its terms.

(D) LICENSEE has (i) complied with all Laws, and LICENSEE has not received any notice asserting or alleging any noncompliance with any Laws; (ii) filed with the proper authorities each statement, report, information and form required by each Law; and (iii) maintained in full force and effect each license, permit, registration and similar entitlement necessary or proper in the conduct of its business and operations, and, to the best knowledge of LICENSEE, no revocation or limitation thereof is threatened or pending.

(E) No representations or warranties of LICENSEE contained in this Agreement, and no other information provided by LICENSEE to LICENSOR or to LICENSOR's agents or representatives, contain or will contain an untrue statement of material fact, or omits or will to state a material fact, necessary to make the statements herein or therein not misleading.

XI.

OTHER PROVISIONS

1. **RESERVATIONS OF RIGHTS:** LICENSOR retains all rights not expressly and exclusively conveyed herein.

2. **NOTICES:** All notices required or permitted under this Agreement shall be sent in writing to the other party by hand, over-night courier, telecopy, or registered or certified mail, postage prepaid, return receipt requested, as follows:

If to LICENSOR, to:

Los Angeles County Sheriff's Department
Paul Yoshinaga
4700 Ramona Boulevard, Room #225
Monterey Park, California 91794
Phone: (323) 526-5045
Fax: (323) 267-6687

If to LICENSEE, to:

Jada Toys, Inc.
Jason Richman
938 Hatcher Avenue
City of Industry, California 91748
Phone: (626) 810-8382
Fax: (626) 581-4232

The foregoing addresses and telecopy numbers shall be deemed valid until the party whose address and telecopy number is listed above notifies the other party in writing of any change thereto.

3. **PARTIES' RELATIONSHIP:** Nothing contained in this Agreement shall be construed to create a partnership or joint venture between the parties or to make either party the agent or legal representative of the other. Neither party is granted hereby any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of the other, or to bind the other party in any manner whatsoever.

4. **GOVERNING LAW:** This Agreement shall be governed by and construed in accordance with the laws of the State of California, United States of America without reference to conflict or choice of laws principles.

5. **ENTIRE AGREEMENT; MODIFICATION:** This Agreement contains the entire agreement of the parties and there are no representations, warranties, inducements, promises, covenants, agreements or undertakings between the parties other than those set forth herein or which may be subsequently entered into and recorded in writing executed by all parties. Any prior written or oral and any contemporaneous oral negotiations, representations, warranties, inducements, promises, covenants, agreements or undertakings concerning the subject matter of this Agreement not expressly set forth herein are of no force or effect. No amendments to this Agreement shall be binding unless such amendments shall be in writing and duly executed by all parties hereto.

6. **SUCCESSORS AND ASSIGNS; NO THIRD PARTY BENEFICIARIES:** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives and permitted successors and assigns. The terms of this Agreement shall be for the benefit of the parties hereto and their respective successors and permitted assigns only, and shall not inure to the benefit of any other person or entity. LICENSOR may assign this Agreement and delegate its duties hereunder to any successor or assignee.

7. **WAIVER OF BREACH:** No waiver by any party hereto of any provision of this Agreement shall operate or be construed as a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

8. **SEVERABILITY:** If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable after all appeals have either been exhausted or the time for any appeals to be taken has expired, the remainder of the terms,

provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

9. **DISPUTES; CONSENT TO JURISDICTION:** With reference to any controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance or breach of this Agreement or otherwise arising out of the execution hereof, including any claim based on contract, tort or statute, the parties agree to undertake a good faith effort to resolve or otherwise settle such controversy, dispute or claim. If such an undertaking fails, the controversy, dispute or claim shall be adjudicated, and each of the parties hereto consents to the jurisdiction of, any state or federal court located within the City of Los Angeles, State of California, and irrevocably agrees that all actions or proceedings relating to this Agreement or any agreement or instrument executed hereunder. In this connection each of the parties waives any objection which it may have based on improper venue or forum non convenient to the conduct of any such action or proceeding in any such court and waives personal service of any and all process upon it, and consents to all such service of process made in the manner set forth in Paragraph 2 immediately above. Nothing contained in this Paragraph 9 shall affect the right of either party to serve legal process on the other party in any other manner permitted by law.

10. **INJUNCTIVE RELIEF:** LICENSEE recognizes the unique and special nature and value of the use of the Licensed Trademarks, and agrees that it is extremely difficult and impractical to ascertain the extent of the detriment to LICENSOR which would be caused in the event of any manufacture, sale or distribution of Licensed Products or use of the Licensed Trademarks contrary to the terms of this Agreement. LICENSEE furthermore acknowledges that LICENSOR will have no adequate remedy at law in the event LICENSEE uses the Licensed Trademarks or any of the Licensed Products in any way not expressly permitted hereunder, and agrees that LICENSOR shall be entitled to equitable relief by way of temporary and permanent injunctions, and such other and further relief as any arbitrator or court of competent jurisdiction may deem just and proper, in addition to any and all other remedies provided for herein and available to LICENSOR at law or equity.

11. **ATTORNEY'S FEES TO PREVAILING PARTY:** In the event a controversy, dispute, or claim is adjudicated as hereinabove provided, the parties agree that the prevailing party shall be entitled to an award of its reasonable attorney's fees and costs of suit.

12. **ADDITIONAL UNDERTAKING OF LICENSEE:** LICENSEE hereby covenants and agrees as follows:

(A) LICENSEE shall not challenge or attack the right of LICENSOR to grant the license hereunder or the legality of the terms hereof;

(B) LICENSEE shall not create or attempt to create any expense chargeable directly or indirectly to LICENSOR;

(C) LICENSEE shall immediately notify LICENSOR in writing if LICENSEE knows or suspects that any unauthorized party is duplicating the Licensed Products or any products and selling such so-called "knock-off" or "bootleg" items anywhere in the Territory; and

(D) LICENSEE shall provide LICENSOR with a copy of any written complaint relating to any Licensed Product promptly upon receipt of such complaint by LICENSEE or any Affiliate of LICENSEE.

13. **FURTHER ACTS:** Each party hereto agrees to perform any further acts and execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

14. **CONSTRUCTION:** This Agreement shall, in all cases, be construed simply, according to its fair meaning, and not strictly for or against either party. All Section and Paragraph headings contained in this Agreement are for convenience of reference only and shall not

affect the construction or interpretation of this Agreement. This Agreement shall not be construed against either party because it was drafted by the attorney representing such party.

15. **ADVICE OF COUNSEL:** LICENSEE hereby represents and warrants that it (i) has read this Agreement; (ii) has had the advice of counsel of their own choosing with respect to the terms and conditions hereof; and (iii) fully understands the legal significance of said terms and conditions.

16. **COUNTERPARTS:** This Agreement may be executed in any number of identical counterparts, each of which shall be deemed an original for all purposes, but all of which together shall constitute one and the same instrument.

17. **NON-DISCRIMINATION**

With respect to its exercise of all uses, rights and privileges herein granted, LICENSEE agrees that it shall not discriminate against any person, because of race, color, creed, national origin, age sex, sexual orientation, handicap or veteran status.

18. **WAIVER**

Failure or inability of any party to enforce any right hereunder shall not waive any right to enforce said right in the future.

19. **COUNTY LOBBYIST**

LICENSEE agrees that each "County Lobbyist" as defined in the Los Angeles County Code Section 2.160.010, retained by the LICENSEE, shall fully comply with the County Lobbyist Ordinance that is set forth in Los Angeles County Code Chapter 2.160. Failure on the part of any County Lobbyist retained by the LICENSEE to fully comply with the County Lobbyist Ordinance shall constitute a material breach of this Agreement upon which the LICENSOR may immediately terminate this Agreement, upon written notice thereof to LICENSEE.

20. TERMINATION FOR IMPROPER CONSIDERATION

LICENSOR may, by written notice to LICENSEE, immediately terminate the right of LICENSEE to proceed under this Agreement if it is found that consideration, in any form, was offered or given by LICENSEE, either directly or through an intermediary, to any LICENSOR officer, employee or agent of the LICENSOR with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment for extension of the Agreement or the making of any determinations with respect to the LICENSEES' performance pursuant to the Agreement. In the event of such termination, LICENSOR shall be entitled to pursue the same remedies against LICENSEE as it could pursue in the event of default by the LICENSEE. Among other items, such improper considerations may take the form of cash, discounts, services, the provision of travel or entertainment, or tangible gifts.

21. NO JOINT VENTURE

Nothing herein contained shall be deemed to constitute this a joint venture or partnership between the parties and none of them shall be responsible for any obligations of the others, except as herein specifically provided.

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

COUNTY OF LOS ANGELES

Date: _____ By: _____
Mayor, County of Los Angeles

JADA TOYS, INC.

Date: 2/24/11 By: _____
Title: PRESIDENT

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT

Date: _____ By: _____
Leroy D. Baca, Sheriff

ATTEST:
SACHI HAMAI
Executive Officer-Clerk of
The Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:
ANDEA S. ORDIN
County Counsel

By: _____
Deputy