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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

PACIFIC ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

California	20-4118216
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5820 Oberlin Drive, Ste 203, San Diego, California	92121
(Address of principal executive offices)	(Zip Code)

Copies to:

Gretchen Cowen, Esq.
Law Offices of Gretchen Cowen, APC
6100 Innovation Way
Carlsbad, California 92009
(760) 931-0903

Registrant's telephone number, including area code (858) 450-2900

Securities to be registered under Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
None	n/a

Securities to be registered pursuant to Section 12(g) of the Act:

Common stock, no par value
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One).

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

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You should consider the areas of risk described in connection with any forward-looking statements that may be made herein, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this registration statement in its entirety. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this registration statement, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

FORWARD LOOKING STATEMENTS

The statements contained in this document that are not purely historical are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Although we believe that the expectations reflected in such forward-looking statements, including those regarding future operations, are reasonable, we can give no assurance that such expectations will prove to be correct. Forward-looking statements are not guarantees of future performance and they involve various risks and uncertainties. Forward-looking statements contained in this document include statements regarding our proposed products, market opportunities and acceptance, expectations for revenues, cash flows and financial performance, and intentions for the future. Such forward-looking statements are included under Item 1. "Business" and Item 2. "Financial Information - Management's Discussion and Analysis of Financial Condition and Results of Operation." All forward-looking statements included in this document are made as of the date hereof, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement. It is important to note that such statements may not prove to be accurate and that our actual results and future events could differ materially from those anticipated in such statements. Among the factors that could cause actual results to differ materially from our expectations are those described under Item 1. "Business" and Item 2. "Financial Information - Management's Discussion and Analysis of Financial Condition and Results of Operations." All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this section and other factors included elsewhere in this document. You should assume that the information contained in this document is accurate as of the date of this Form 10 only.

ITEM 1. BUSINESS.

General

Pacific Entertainment Corporation ("we", "us", "our" or the "Company") was formed and commenced operations in January 2006. The primary business focus of the Company is the development and production of family and children's DVDs and CD music products under the "Baby Genius" and related brands, including "Kid Genius," "Wee Worship," "123 Favorite Music," "Child Genius" and "Little Genius". We also have third party licensing agreements to develop musical products under other brands, such as "Guess How Much I Love You" and "The Snowman," and, in July 2009, the Company entered into a licensing agreement with Precious Moments, Inc. (PMI) granting the Company non-exclusive rights to use its copyrights and trademarks in connection with the manufacture, distribution, sale, and advertising of music CD's for children through 2012. In addition, the Company signed an amendment in September 2009 to include licensing for six DVD's created by PMI. In early 2010, we signed an agreement with Precious Moments, Inc. ("PMI") to market and distribute the "Precious Girl's Club" DVD releases through the end of 2012.

In addition to the distribution of our core products, we have developed and will continue to develop multiple revenue streams which include worldwide licensing and merchandising opportunities for toys, books, shoes, socks, infant and toddler layette items, and other customer products that have been inspired by our brands or which we feel we can market and sell through our distribution channels. The Company is committed to providing the very best in children's education and developmental entertainment, as well as quality items based on our brand and licensed characters.

Our management team continues to evaluate new opportunities and revenue streams for the Company and, in 2010, we launched a line of classic movies and television programs, under the brand "Pacific Entertainment Presents". We also occasionally provide remainder sales services to entertainment studios and select retailers seeking to sell overstocked or discontinued merchandise such as DVD, CDs, electronic games and other merchandise, for which we receive commissions.

Of course, all of our products will need to be accepted by our target audience, the licensees and the retailers.

Distribution

The "Baby Genius," "Kid Genius," "Wee Worship," "123 Favorite Music," "Child Genius" and "Little Genius" brands were acquired by the Company in January 2006 when it assumed all of the rights and obligations of its Chief Executive Officer, Klaus Moeller, under an asset purchase agreement between Mr. Moeller and Genius Products, Inc. ("Genius Products") for the purchase of all rights, copyrights and trademarks to the brands as well as all then existing DVD and CD releases under these titles, rights to original music, and DVD footage. The purchase price of $3,000,000 for the assets was payable over a term of five years subject to two 4.5% full-recourse, secured promissory notes. At the same time, the Company was required to execute an exclusive distribution agreement with Genius Products for a distribution fee equal to 20% of net sales until the full purchase price had been paid.

In 2008, the Company and Genius Products entered into certain settlement agreements for the early satisfaction of the notes through the extinguishment of all monetary obligations between the parties and the relinquishment of existing inventory to the Company, as well as for the early termination of the distribution agreement. Since that time, these core products have been primarily self-distributed by the Company through direct relationships with our primary customers. However, we also continue to utilize a variety of third party distributors for U.S. and international sales of our core products.

In December 2007, we entered into a distribution agreement with Motta Internacional to act as the exclusive distributor of Baby Genius DVD & CD's, as well as learning and developmental toys in duty free and domestic retail outlets in countries throughout Central and South America; and on a non-exclusive basis in Brazil. The agreement established Baby Genius DVDs and CDs, along with learning and developmental toys as new product categories for Motta. Motta Internacional is recognized throughout the industry as a founding pioneer of the duty-free retail marketplace as well as a premier distributor of high quality merchandise. While the contract term has expired, and either party could terminate the distribution arrangement without notice, Motta Internacional continues to act as the distributor for Baby Genius products throughout the territory.

Where we have licensed our brands for production of additional product lines, such as toys, books and clothing products, the products are primarily distributed by the licensee through the licensee's marketing channels, although we may have opportunities for direct distribution through our website at www.babygenius.com.

We also have third party licensing agreements to develop musical products under other brands, such as "Guess How Much I Love You," and receive revenue and pay a royalty for distributing those products through our distribution channels.

Because our distribution and license agreements with third parties often include exclusivity provisions with respect to particular products or territories, we experience some concentration of risk with respect to the distribution of both our core and licensed product lines.

Products

Our products consist primarily of family and children's DVD and CD music products. These products are manufactured and sold under brand names such as "Baby Genius", "Kid Genius", "Wee Worship", "123 Favorite Music" and "Pacific Entertainment Presents". The Company released two new music products, "50 Classic Lullabies & Soothing Songs" and "Favorite Guitar and Piano Melodies" for pre-order in June 2010. We released another new music title, "Best of Baby Genius" in January 2011. We also began production of a new DVD based on the concept of shapes and colors, scheduled for release in 2011. The entire library of Baby Genius DVD and CD music products includes both English and Spanish versions.

We also license our Baby Genius brand for various product lines including toys, books, games and puzzles, clothing and layette items, sippy cups, and early learning aids, as well as others, and receive royalties based on sales of these products.

On December 17, 2009, we signed an agreement with Battat Incorporated whereby our brand was licensed to Battat for development and launch of a line of 24 toys introduced through Walmart in August 2009. The license granted Battat an exclusive license for the marketing and distribution of a toy line based on the Baby Genius brand in the United States and Canada, and non-exclusive rights of distribution in other parts of the world. This license was terminated according to the terms of the contract in December 2010 and we have granted Battat the right to continue to distribute the existing line of toys through late Spring 2011.

On January 11, 2011, the Company signed a license agreement with Jakks Pacific's Tollytots® division for a new toy line to be distributed world-wide. As a result of the five-year agreement, Tollytots® will immediately begin development on a comprehensive line of musical and early learning toys, incorporating the music, characters and themes that have made the *Baby Genius* series of videos and music CDs so successful among children and parents around the world. The new toy line will cover a broad range of exclusive categories including learning and developmental toys, most plush toys, and musical toys, as well as several other non-exclusive categories.

We will continue to explore the potential for derivative products under the Baby Genius brand to expand brand awareness and sales. For instance, we have created custom products using the Baby Genius brand for several book and music premiums, including Taco Bell and Gerber.

During June 2010, the Company launched a line of classic movies and television programs, "Pacific Entertainment Presents". Initially consisting of seven titles, each focusing on a specific genre such as Horror, Western, SciFi, Action, Mystery, War, and Gangster, an additional six titles were added in late 2010 expanding the line with the Super Hero's collection as well as Family Favorites.

On September 20, 2010, the Company entered into a joint venture agreement between the Company and Dr. Shulamit Ritblatt to form Circle of Education, LLC (COE), a California limited liability company, for the purpose of creation and distribution of a curriculum to promote school readiness for children ages 0-5 years. The Company obtained an initial voting and economic interest of seventy-five percent of the outstanding units of the newly formed company in exchange for the contribution of all intellectual property rights the Company had in the Circle of Education program. To date, COE continues to develop its product concept and has not introduced any products to market.

We have third party licensing agreements to develop musical products under other brands, such as "Guess How Much I Love You" and "The Snowman". In July 2009, the Company entered into a licensing agreement with Precious Moments, Inc. (PMI) granting the Company non-exclusive rights to use its copyrights and trademarks in connection with the manufacture, distribution, sale, and advertising of music CD's for children through 2012. In addition, the Company signed an amendment in September 2009 to include licensing for six DVD's created by PMI. Through an exclusive licensing agreement with the San Diego Zoological Society, we created a series of Baby Genius DVD's featuring footage from the San Diego Zoo and San Diego Wild Animal Park. We will continue to investigate partnerships which may lead to valuable additions to our product lines.

Marketing

We market our products in a variety of ways, including through our website at www.babygenius.com. The website was completely redesigned and packaged with new interactive features, and launched the Baby Genius Club in Spring 2009. The club offers valuable ways for parents and caregivers to enrich their child's Baby Genius experience with exclusive, members-only promotions, merchandise discounts, opportunities to earn points toward future purchases and an exciting membership kit.

Other features on the website include a dedicated "Circle of Education" section, games and activities, and a room for parents to share their experience with other parents, read testimonials, gets tips on parenting and link to external websites for important information.

We are developing the "Circle of Education" musical based system for early learning to help prepare children for socialization and education. The curriculum and songs were developed in conjunction with Dr. Shulamit Ritblatt, Ph.D., Department Chair at the San Diego University Department of Child and Family Development, who is spearheading a research project that exposes young children through music to behavior and knowledge that they will need to succeed in kindergarten. We presented a live concert, featuring Grammy winner Patti Austin, to promote the introduction of the program, in addition to media appearances by Larry Balaban, our Chief Creative Officer.

The Baby Genius toy line launched through Walmart was supported by print and online advertising and marketing programs targeting mothers with children one to five years old, DVD and CD inserts cross-promoting the product lines, on-air spots running on Comcast and Cox VOD, and a dedicated national publicity campaign, including a television media tour hosted by C.O.O., Larry Balaban.

We make 12-minute segments of our DVD products available "On-Demand" through Comcast and Cox Communications. We neither pay nor receive royalties for the airing of these segments, which are geared toward gaining exposure of our products. Through its relationships with third parties, Comcast reaches an estimated over 27 million digital households per year.

We have also successfully marketed our products through promotional and licensing partnerships with YouTube, MySpace, Meadowbrook Press, the San Diego Zoo, Gerber, Pixfusion, Loblaws, Battat, and Taco Bell, among others.

We utilize multiple forms of media to market our brand for all products. We engage in print campaigns and our Chief Creative Officer, Larry Balaban, has made a number of appearances on television in an effort to create and expand consumer awareness of our products, including appearances on Good Morning America Now, the Today Show, Health Corner, ABC Now, Money Matters, Fox Business, Comcast Babyboost, CN8 PHIL, Dr. Lisa and NBC 4 NY. Our print advertising has reached consumers through a number of English and Spanish publications in the United States, including *Today's Family Magazine*, *The Parent Guide*, *Parents Magazine*, *Parenting Magazine*, and WomansDay.com, among others. Through distributors, promotional partners and direct marketing, we plan to market our brand worldwide. Currently, we have licensed broadcast deals in over one hundred countries around the world, audio deals in five countries, DVD deals in fourteen countries, and VOD deals in three countries. Motta Internacional sells DVDs, VOD, CDs and toys in nine countries in Central and South America.

Competition

Our Baby Genius brand competes with other brands in the 0 to 60 month age range that produce DVDs and CDs, books and other branded, licensed products, including toys. Some of our main competitors are Baby Einstein, Brainy Baby, So Smart, The Wiggles and Sesame Baby.

The main competition for our DVD and CD products comes from the major studios, such as Disney and Universal Studios that produce a large volume of children's programming, including our main competition, the "Baby Einstein" brand. The next level of competition is from other independent production companies, distributors and content producers/owners. To be competitive, we must produce high quality creative productions and must develop the reputation and contacts to meet with the principal players in this industry. As we obtain more distributors, we expect that they will provide the support necessary to enable us to compete in this marketplace.

We believe that our Baby Genius brand is positioned in the market as a high quality, value brand. Each Baby Genius DVD includes all tracks in both English and Spanish. The DVDs are packaged with companion music CDs. We believe this adds value to our products and, with our broad, multi-media marketing campaign, we believe we are positioned competitively to reach both English and Spanish consumers. Although many of our competitors have more resources than we do, we have specifically designed our marketing campaign to effectively reach consumers in our niche market even if our exposure is not as broad as some of our competitors.

We also introduced a toy line in August 2009 through a licensing arrangement with master toy manufacturer, Battat Incorporated, and have launched a series of books based on the Baby Genius brand through Meadowbrook Press and distributor Simon & Schuster. Our primary competitors for these products are Playskool, Fisher Price, Little Tykes and Leapfrog. However, we will also face intense competition for retail shelf space for these products and will compete with a variety of other toys and books offered by those retailers in addition to products produced by our primary competitors in the DVD and CD markets.

During 2010, the Company launched a line of classic movies and television programs, "Pacific Entertainment Presents". The primary competition for this line of products is various studios that also have lines of products considered in the public domain. Our primary competitive advantage is price point and the quantity of programs available with each title.

Customers

For fiscal year 2010, the revenue from three major customers comprised 27.6%, 16.3% and 14.1% of the Company's total revenue. Those three major customers made up 39.1%, 0%, and 0% of the total accounts receivable balance at December 31, 2010, respectively. For fiscal year 2009, the Company had revenue from three major customers comprised of 28.5%, 13.7% and 11.5% of the Company's total revenue. Those three major customers made up 24.2%, 0%, and 0% of the total accounts receivable balance at December 31, 2009, respectively. The major customers for the year ending December 31, 2010 are not necessarily the same major customers at December 31, 2009. There is significant financial risk associated with a dependence upon a small number of customers. The Company periodically assesses the financial strength of these customers and establishes allowances for any anticipated bad debt. At December 31, 2010 and 2009, no allowance for bad debt has been established for the major customers as these amounts are believed to be fully collectible.

Seasonality

Our business has reacted to seasonal influence, such as the holiday season. We generally anticipate increased sales in the third and fourth quarters principally due to sales from the holiday season. Due to the seasonality of our sales, we expect quarterly results to fluctuate. Our results of operations may also fluctuate significantly as a result of a variety of other factors, including changing consumer tastes and the marketing efforts of our distributors. We hope to offset some of the sensitivity of our products to seasonal and consumer trends by expanding value for families and children to help to create more consistent demand.

Government Regulation

We are currently subject to regulations applicable to businesses generally, including numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, enforcement and advertising of credit accounts, and limitations on the maximum amount of finance charges that may be charged by a credit provider. Although credit to our customers is provided by third parties without recourse to us based upon a customer's failure to pay, any restrictive change in the regulation of credit, including the imposition of, or changes in, interest rate ceilings, could adversely affect the cost or availability of credit to our customers and, consequently, our results of operations or financial condition.

Licensed toy products are subject to regulation under the Consumer Product Safety Act and regulations issued thereunder. These laws authorize the Consumer Product Safety Commission (the "CPSC") to protect the public from products which present a substantial risk of injury. The CPSC can require the manufacturer of defective products to repurchase or recall such products. The CPSC may also impose fines or penalties on manufacturers or retailers. Similar laws exist in some cities and other countries in which we plan to market our products. Although we do not manufacture and may not directly distribute the toy products, a recall of any of the products may adversely affect our business, financial condition, results of operations and prospects.

We also maintain websites, including our website located at www.babygenius.com, and are subject to laws and regulations directly applicable to Internet communications and commerce, which is a currently developing area of the law. The United States has enacted Internet laws on children's privacy, copyrights and taxation. However, laws governing the Internet remain largely unsettled. The growth of the market for Internet commerce may result in more stringent consumer protection laws, both in the United States and abroad, that place additional burdens on companies conducting business over the Internet. We cannot predict with certainty what impact such laws will have on our business in the future. In order to comply with new or existing laws regulating Internet commerce, we may need to modify the manner in which we conduct our website business, which may result in additional expense.

Because our products are manufactured by third parties and licensees, the Company is not significantly impacted by federal, state and local environmental laws and does not have significant costs associated with compliance with such laws and regulations.

Research and Development

The Company engages in the development of new products as part of its ongoing business. In accordance with FASB Accounting Standards Codification regarding the topics of Intangible Assets (350) and Research and Development (730), the costs of new product development and significant improvement to existing products are capitalized while routine and periodic alterations to existing products are expensed as incurred. We capitalized $263,750 and $166,227 for the years ending December 31, 2010 and December 31, 2009, respectively. The amount expensed for product development in the years ending December 31, 2010 and December 31, 2009 are $7,796 and $46,531, representing updates to existing products which may include changes to artwork and/or content. The Company is responsible for the entire expenditure of any research and development of new products, with the exception of licensed product development costs borne by the licensee. Research and development costs are generally passed on to customers through pricing of our products.

Employees

We currently have eleven employees, all of whom are full-time employees.

Insurance

We currently maintain commercial general liability and directors and officers insurance in levels deemed to be appropriate for the size and complexity of the Company.

We currently maintain no insurance coverage against trademark and copyright infringement protection. Although there have been no claims made against the Company, there is no assurance that the Company would have sufficient insurance to cover such claims or that we would prevail against any future claim. Successful claims could have a serious adverse effect upon our financial condition and our future viability.

The Company maintains workman's compensation coverage as required by the laws of the states in which we have employees.

Intellectual Property

We strive to obtain ownership rights in the content included in our DVD and CD products, and currently own the majority of sing-a-long and instrumental (non-classical) songs included in those products. However, because there are many songs which are not available in the public domain and which we think make desirable additions to our products (for instance, classical music), we license a good portion of the songs and song performances included in our products, particularly from the Harry Fox Agency and NAXOS. We pay royalties, directly or indirectly through our distributors, on licensed songs and song performances.

We own the trademarks "Baby Genius", "Kid Genius", "Child Genius", "Wee Worship" and "Little Genius" and will obtain trademarks for any additional titles. Currently, we hold eight registered trademarks and eight pending trademarks in the United States. We also have a number of registered and pending trademarks in Europe and other countries in which our products are sold.

We do not generally file for copyright protection for our productions, but rely on common law principles and agreements with our vendors and content providers to secure our rights in the intellectual property aspects of our products.

ITEM 1A. RISK FACTORS.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

ITEM 2. FINANCIAL INFORMATION.

Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion and analysis of our results of operations, financial condition and liquidity and capital resources should be read in conjunction with our audited financial statements and related notes for the fiscal years ended December 31, 2010 and 2009. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

Safe Harbor for Forward-Looking Statements

When used in this statement, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27a of the Securities Act of 1933 and Section 21e of the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and those actual results may differ materially from those included within the forward looking statements as a result of various factors. Such factors include, among other things, uncertainties relating to our success in judging consumer preferences, financing our operations, entering into strategic partnerships, engaging management, seasonal and period-to-period fluctuations in sales, failure to increase market share or sales, inability to service outstanding debt obligations, dependence on a limited number of customers, increased production costs or delays in production of new products, intense competition within the industry, inability to protect intellectual property in the international market for our products, changes in market condition and other matters disclosed by us in our public filings from time to time. Forward-looking statements speak only as to the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

Our Business

Pacific Entertainment Corporation ("we", "us", "our" or the "Company") commenced operations in January 2006, assuming all of the rights and obligations of its Chief Executive Officer, Klaus Moeller, under an Asset Purchase Agreement between the Company and Genius Products, Inc., in which we obtained all rights, copyrights, and trademarks to the brands "Baby Genius", "Little Genius", "Kid Genius", and "Wee Worship", and all then existing productions under those titles. We provide family entertainment and music-based products that are entertaining, educational and beneficial to the well-being of infants and young children. We create, market and sell children's DVDs, CD music, toy, and book products in the United States by distribution at wholesale to retail stores and outlets. We also license the use of our brands internationally to others to manufacture, market and sell the products, whereby we receive advances and royalties.

The Company released two new music products, "50 Classic Lullabies & Soothing Songs" and "Favorite Guitar and Piano Melodies" for pre-order in June 2010. We have released another new music title, "Best of Baby Genius" in January 2011. We also began production of a new DVD based on the concept of shapes and colors, scheduled for release in 2011.

In August 2009, the Company launched a line of Baby Genius pre-school toys. The line of 24 Baby Genius toys, manufactured by master toy manufacturer, Battat Incorporated, includes musical, activity, and role-play toys that incorporate the Baby Genius principle of music as a core learning tool to engage and encourage children to communicate, connect, discover, and use their imagination. The Company cancelled the agreement in December 2010 according to the terms of the contract, permitting Battat to continue selling the current line of toys until late Spring 2011.

On January 11, 2011, the Company signed a world-wide license agreement with Jakks Pacific's Tollytots® division for a new toy line. As a result of the five-year agreement, Tollytots® will immediately begin development on a comprehensive line of musical and early learning toys, incorporating the music, characters and themes that have made the *Baby Genius* series of videos and music CDs so successful among children and parents around the world. The new toy line will cover a broad range of exclusive categories including learning and developmental toys, most plush toys, and musical toys, as well as several other non-exclusive categories.

The Company, in partnership with Dr. Shulamit Ritblatt, has developed "Circle of Education," an early childhood education curriculum using music as the basis for skills required to prepare pre-school children for Kindergarten. This groundbreaking system is designed to assist teachers and parents in providing their pre-school children with the skills required to succeed in their first steps of education. Circle of Education, LLC was formed on September 24, 2010, pursuant to a joint venture agreement between the Company and Dr. Ritblatt. The Company obtained an initial voting and economic interest of seventy-five percent of the outstanding units of the newly formed company in exchange for the contribution of all intellectual property rights the Company had in the Circle of Education program. As of December 31, 2010, we have recognized an investment in the new property of $53,008. There is no income or expenses consolidated in the financial statements of the Company for the year ending December 31, 2010. In 2009, research and development costs were expensed by the Company in the amount of $28,455, in accordance with FASB Codification Topic 730, Research and Development.

During fourth quarter of 2009 and 2010, the Company signed licensing agreements to develop additional product lines based on the Baby Genius characters. These agreements include children's games and puzzles, electronic learning aids, "sippy cups", shoes, socks and infant and toddler layette items. We are also discussing other licensing opportunities for introduction in 2011 and 2012 and we believe that our licensing revenue will grow significantly during the upcoming years.

The Company also obtains licenses for other select brands we feel we can market and sell through our distribution channels. In July 2009, Pacific Entertainment entered into a licensing agreement with Precious Moments, Inc. (PMI) granting the Company non-exclusive rights to use its copyrights and trademarks in connection with the manufacture, distribution, sale, and advertising of music CD's for children through 2012. The Company initially produced three CD's released in fourth quarter 2009. In addition, the Company signed an amendment in September 2009 to include licensing for DVD's created by PMI. The "Precious Moments" products join our previously licensed lines including "Guess How Much I Love You" and "The Snowman".

During 2010, the Company launched a line of classic movies and television programs, "Pacific Entertainment Presents". Initially consisting of seven titles, each focusing on a specific genre such as Horror, Western, SciFi, Action, Mystery, War, and Gangster, an additional six titles were added in late 2010 expanding the line with the Super Hero's collection as well as Family Favorites.

Results of Operations

Please refer to the financial statements, including references to notes in the financial statements, which are included in this Form 10 and are incorporated herein by reference, for further information regarding the results of operations of the Company.

Fiscal Year Ended December 31, 2010 Compared to December 31, 2009

Our summary results are presented below:

	2010	2009
Revenues	$ 3,972,663	$ 3,303,038
Costs and Expenses	(4,012,788)	(4,318,076)
Depreciation and Amortization	(694,698)	(659,302)
Loss from Operations	(734,823)	(1,674,340)
Other Income	46,060	20,914
Interest Expense	(70,406)	(205,302)
Gain on Settlement of Debt	66,286	2,809
Gain/Loss on Disposition of Assets	-	5,028
Total Other Income	41,940	(176,551)
Net Loss	$ (692,883)	$ (1,850,891)
Net Loss per common share	$ (0.01)	$ (0.03)
Weighted average shares outstanding	54,757,285	54,351,487

Revenues. Revenues by product segment and for the Company as a whole were as follows:

	2010	2009
Direct PEC Product Sales	$ 1,661,809	$ 2,435,116
Licensed Products	1,278,385	158,754
Licensing & Royalties	1,032,469	709,168
Total Revenue	$ 3,972,663	$ 3,303,038

Direct product sales represent items in which the Company holds the patents and/or copyrights to the characters and which are manufactured and sold by the Company directly at wholesale to retail stores and outlets. The decrease of the twelve month period ending December 31, 2010 versus the twelve month period ending December 31, 2009, was due in part to sales of approximately $558,700 during 2009 derived from inventory received from the various Genius Products settlement agreements (see Item 1. "Business - Distribution") that was sold at discounted pricing due to the age and condition of the inventory. Exclusive of these items, direct sales were approximately $1,876,000 in 2009, resulting in a decrease of $214,000 compared to 2010, or 8.8%, primarily due to the overall economic condition in the U.S. during the year as well as changes in the space allocated by retailers to DVD and CD products in general.

The licensed product sales category include items for which we license the rights from other companies to copyrights and trademarks of select brands we feel will do well within our distribution channels. In 2010, the Company launched a new line of classic movies and television programs under the "Pacific Entertainment Presents" brand which was well received during the holiday season. This resulted in approximately $476,000 in sales growth in this category. The remaining sales increase was due to sales of product from other studios acquired and sold through our distribution channels.

Licensing and royalties is revenue for our brands licensed to others to manufacture and/or market, both internationally and domestically. There may be fluctuation in licensing revenue due to economic conditions in the sales territory. Gross royalty income increased approximately $323,000 due to the toy line which was introduced in August 2009.

We continue to add new direct sales outlets and distribution partners and there continue to be additional sales opportunities we are actively pursuing, although it is possible that retailers will choose not to include our product line.

Gross Profit on revenue increased $156,802, or 8.3%, in 2010 as compared to 2009.

Our direct products compete in the pre-school music and DVD categories. We believe we compare favorably in the quality of our products, as well as competitive price point. In spite of the global economic decline we exhibited a minimal decrease in 2010, with a significant increase in 2009. We continue to aggressively market direct to retailers, although the Company continues to be challenged with retailer department changes, such as space limitations in DVD & CD departments.

Our licensed product category is rapidly expanding and we are adding additional titles as well as expanding distribution opportunities with other studios through our channels. The challenges relating to this category are retailer department changes, including space limitations, as well as competition with other studios releasing similar products. There is no guarantee that the products will be accepted by the public or that retailers will elect to carry our line.

We are exploring new domestic and international licensing opportunities and investigating additional relevant external brands to license, adding to the diversity of our product line, while maintaining the integrity of our core mission of educating and entertaining families and children.

The Company's business is subject to the effects of seasonality, causing revenues to fluctuate with consumer purchasing behavior, competition, and the timing of holiday periods.

The 2011 economic outlook is uncertain, however, we anticipate continued sales growth through our actions to improve our existing products, maintaining highly competitive price points, adding content to our product offerings and adding additional channels of distribution.

Costs. Costs and expenses, excluding depreciation and amortization, consisting primarily of cost of sales, marketing and sales expenses, and general and administrative costs, decreased $305,288 (7.1%) for the twelve month period ended December 31, 2010 compared to the twelve month period ended December 31, 2009.

Cost of Sales increased $512,823, or 36.2%, during 2010 compared to 2009. The increase was a result of increased direct material costs of $417,856, royalties on licensed product lines of $44,872, and shipping of $40,461. The primary factors for the increases of direct materials and shipping costs were increased volume of product sales in 2010 as well as a reduced cost of materials sold resulting from inventory received as part of the settlement agreements with Genius Products that was sold in 2009. Increases in royalty costs are related to the gains in the licensed product category.

Selling, General and Administrative (SG&A) expenses consist primarily of salaries, employee benefits and stock based compensation as well as other expenses associated with executive management, finance, legal, facilities, marketing, rent, and other professional services. Costs associated with these categories are detailed as follows:

	2010	2009
General and Administrative	$ 1,397,191	$ 2,256,918
Marketing and Sales	678,188	597,837
Product Development	7,796	46,531
Total Selling, General, and Administrative	$ 2,083,175	$ 2,901,286

General and administrative costs for 2010 decreased $859,727. The decrease includes a decrease of $400,924 in stock compensation expense, a decrease of $449,209 in salaries and related costs, $52,255 of decreases for accounting services, and $22,687 decreased legal services costs. These decreased expenses were partially offset by increases of $41,251 for investor relations, $20,868 for insurance premiums, and $16,681 in rental expense. The increase in rental expense is partially offset in Other Income due to the sublease of the Del Mar, California offices.

Salary expenses for 2010 were reduced due to the Company's top four executives agreeing to a retroactive salary reduction for 2010 from a previously reduced level of $125,000 each per annum to $80,000 inclusive of car allowance. Each of these executives also receives an annual auto allowance of $11,400. Future salaries are anticipated to increase slightly in 2011, as the outside accounting services retained previously has converted to an employee position, although a corresponding decrease will occur in the accounting services cost. Future salary expense is also subject to the contractual salary increases discussed under "Certain Relationships and Related Transactions" below. Expenditures for SG&A are not generally seasonal and require consistent cash flow expenditures.

The stock compensation expense in 2009, for options granted at 110% of current market price to officers of the Company with a two year vesting period, was valued using the Black-Scholes model as required by Topic 718, Compensation, of the FASB Accounting Standards Codification. As the Company had the obligation to grant these stock options at the beginning of 2008, and the options were to vest partially during 2008, the Company has accrued stock compensation expense of $810,898 and recorded a liability to the four officers in the same amount as of December 31, 2008. The remaining $486,539 of stock compensation expense was expensed in 2009. A complete discussion of the subject can be found in "Certain Relationships and Related Transactions" below. In addition, on December 31, 2009, Stock Option Grant Notices were issued to seven employees and service providers under the 2008 Stock Option Plan, as amended, for options to purchase 130,000 shares, fully vesting at December 31, 2009. These options were valued using the Black-Scholes model as of the date of the grant, and the full expense was recognized in 2009. In 2010, stock option grant notices were issued to various employees and consultants for the purchase of up to 840,000 shares, 540,000 vesting as of December 31, 2010 and 100,000 vesting each year thereafter in 2011, 2012 and 2013. The total expense recognized in 2010 was $117,610. There is no cash outflow associated with the granting of the options or recognition of the expense.

Accounting Services expenditures are primarily related to outside accounting firm fees for quarterly reviews and audit, as well as the annual audits performed for the years 2007 and 2008 charged in 2009 ($103,852). It is expected that the fees for future audits will remain at the reduced cost as the audits will be performed annually and improved processes have been implemented. The Company also engaged outside accounting services for support to the daily operational activities in both years.

Legal services expenditures decreases are primarily attributable to our Disclosure Statement filing with the Financial Investment Regulatory Agency (FINRA) to establish a secondary trading market on the OTC Market Group, Inc. systems, various licensing agreements, and activities caused by the bankruptcy of a licensee and subsequent recapture of inventory, all of which occurred in 2009.

Marketing and sales expenses increased 13.4% primarily due to commissions paid on the increased royalty revenue in 2010. This increase was offset by decreased expenditures in 2010 for advertising activities related to the 2009 launch of the toy line, public relations outside services, and development costs for the Circle of Education program expensed in 2009. Marketing activities include trade shows, public relations firms, and personal contact. Marketing expenses exhibit some fluctuation earlier in the year due to timing of trade shows.

Product development charges are for routine and periodic alterations to existing products. All costs for new product development and significant improvements to existing products are capitalized in accordance with FASB Accounting Standards Codifications Topic 350, Intangible Assets, and Topic 730, Research and Development Costs.

Interest Expense. Interest expense resulted from related party loans and debentures. A full discussion of the related party notes payable and debentures issued can be located in "Certain Relationships and Related Transactions" below.

Total interest expense decreased $137,011 for 2010 versus 2009 due to various repayments of Related Party loans and the termination of debenture interest payments with the establishment of a secondary trading market on the OTC Market Group, Inc. system.

Liquidity and Capital Resources

Cash and cash equivalents totaled $207,880 and $247,865 at December 31, 2010 and December 31, 2009, respectively. The change in cash and cash equivalents is as follows:

	Twelve Months Ending 12/31/2010	Twelve Months Ending 12/31/2009	Change
Cash provided/(used) by operations	$ 151,965	$ 199,586	$ (47,621)
Cash provided/(used) in investing activities	$ (261,636)	$ (187,876)	$ (73,760)
Cash provided/(used) in financing activities	$ 69,686	$ (311,569)	$ 381,255
Increase/(decrease) in cash and cash equivalents	$ (39,985)	$ (299,859)	$ 259,874

Our cash flow is very seasonal and a vast majority of our sales historically occurs in the last two quarters of the year as retailers expand inventories for the holiday selling season. Cash provided by operations decreased $47,621 over 2009 primarily due to increased net investment in working capital. Additional cash expenditures for capitalized product development were the result of production costs for new products, newly licensed product lines and the development of additional toys for the line launched in 2009. Cash was provided for financing activities by sales of common stock to accredited investors offset by repayment on a portion of the related party notes payable.

Management believes that its increasing sales and cash generated by operation, together with funds available from short-term related party advances, will be sufficient to fund planned operations for the next twelve months. However, there can be no assurance that operations and operating cash flows will continue at the current levels or improve in the near future. If the Company is unable to obtain profitable operations and positive operating cash flows sufficient to meet scheduled debt obligations, it may need to seek additional funding through equity and related party loans or be forced to scale back its development plans or to significantly reduce or terminate operations.

Our business is substantially dependant on three primary customers, who purchase product directly or through our distributors. The Company is continually working to increase the customer base for current products, create new product lines and open new lines of distribution to decrease the risk of concentration; however, in the event that we were to lose either of these customers or the purchase of product by them were to significantly decrease, it would have a material adverse impact on our results of operations and business.

With the cancellation of the licensing agreement with Battat, our current toy licensee, there could be a reduction in royalty revenue during 2011. However, the Company anticipates this potential reduction will be offset by increases in our product revenue categories, including our licensed product sales. There is no guarantee that the increases will occur, or, if they do occur, that they will equal or exceed the reductions.

The Company outsources manufacturing of our DVD and CD products. There are multiple suppliers that provide these services and we feel there would be no significant impact or delay to our business should the current supplier become unavailable.

Critical Accounting Policies

The Company's accounting policies are described in the notes to the financial statements which are incorporated by reference. Below is a summary of the critical accounting policies, among others, that management believes involve significant judgments and estimates used in the preparation of its financial statements.

Revenue Recognition – Revenues associated with the sale of branded CDs, DVDs and other products, are recorded when shipped to customers pursuant to approved customer purchase orders resulting in the transfer of title and risk of loss. Cost of sales, rebates and discounts are recorded at the time of revenue recognition or at each financial reporting date.

The Company's licensing and royalty revenue represent variable payments based on net sales from brand licensees for exclusive content distribution rights. These license agreements are held in conjunction with third parties that are responsible for collecting fees due and remitting to the Company its share after expenses. Revenue from licensed products is recognized when realized or realizable based on royalty reporting received from licensees.

Other Estimates – The Company estimates reserves for future returns of product based on an analysis that considers historical returns, changes in customer demand and current economic trends. The Company regularly reviews the outstanding accounts receivable balances for each account and monitors delinquent accounts for collectability. The Company reviews all intangible assets periodically to determine if the value has been impaired by recent financial transactions using the discounted cash flow analysis of revenue stream for the estimated life of the assets.

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. The Company continually evaluates the policies and estimates that it uses to prepare its financial statements. In general, management's estimates and assumptions are based on historical experience, known trends or events, information from third-party professionals and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

ITEM 3. PROPERTIES.

The Company owns no real property. On April 10, 2009, we entered into a lease for approximately 2,162 square feet of office space located at 5820 Oberlin Drive in San Diego, California. The lease expired on October 31, 2010, and the Company continues to lease the facilities on a month-to-month basis in accordance with all other terms of the lease. Base monthly rent for the space is $3,144, and we are responsible for 6% of operating expenses on the property (not to exceed $400 per month during the term of the lease). No security deposit was required under the lease.

We also lease approximately 1,415 square feet of office space in Del Mar, California, where our original executive business offices were located until May 2009. Our current lease for the property commenced on August 1, 2008 and expires on July 31, 2011. The lease required a security deposit of $4,150 and rent equal to $4,650 plus 35% of operating expenses for the property per month through July 31, 2011.

On March 27, 2009, the Company entered into an agreement to sublease the Del Mar space for the duration of the lease term. The sublease provides for base monthly rent of $3,396, which graduates up to $3,467 during the second year of the agreement and to $3,538 during the final year, leaving a deficiency between what we are required to pay under the original lease and what we receive under the sublease, which must be absorbed by the Company. We required a security deposit under the sublease of $3,538. Our subtenant is responsible for all operating expenses payable by us to the landlord under the original lease.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table shows the beneficial ownership of shares of our common stock as of April 30, 2011 known by us through transfer agent records, held by: (i) each person who beneficially owns 5% or more of the shares of common stock then outstanding; (ii) each of our directors; (iii) each of our named executive officers; and (iv) all of our directors and executive officers as a group.

The information in this table reflects "beneficial ownership" as defined in Rule 13d-3 of the Exchange Act. To our knowledge and unless otherwise indicated, each stockholder has sole voting power and investment power over the shares listed as beneficially owned by such stockholder, subject to community property laws where applicable. Percentage ownership is based on 55,148,815 shares of common stock outstanding as of April 30, 2011 excluding 5,050,000 shares sold in April 2011 and not yet issued.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class[1]
No par value common stock	Klaus Moeller 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	4,147,225 shares	12%
No par value common stock	Michael Gene Meader and Suzanne Donayan Meader Trustees The Meader Family Trust dated June 27, 2002 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	4,391,133 shares	12%
No par value common stock	Michael Gene Meader and Suzanne Donayan Meader Trustees of Ani Meader Trust dated July 25, 2006 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	1,500,000 shares	3%
No par value common stock	Michael Gene Meader and Suzanne Donayan Meader Trustees of Mark Meader Trust dated July 25, 2006 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	1,500,000 shares	3%
No par value common stock	Michael Gene Meader and Suzanne Donayan Meader Trustees of Anthony Meader Trust dated July 25, 2006 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	1,500,000 shares	3%
No par value common stock	Larry Balaban and Sara Balaban Trustees of Balaban Family Trust dated December 13, 2005 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	7,801,134 shares	18%
No par value common stock	Larry Balaban and Sara Balaban Trustees of Balaban Children's Trust dated October 15, 2006 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	1,000,000 shares	2%
No par value common stock	Howard Balaban 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	8,674,883 shares	19%
No par value common stock	Shelly Moeller 718 N. Croft Ave #203 Los Angeles, CA 90069	3,140,000 shares	6%
No par value common stock	James Sommers 7095 Hollywood Blvd #833 Los Angeles, CA 90028	2,633,333 shares	5%
No par value common stock	Jeanene Morgan 5820 Oberlin Dr., Suite 203 San Diego, CA 92121	200 shares	<1%
No par value common stock	All officers and directors as a group	30,514,575 shares[1]	69%

(1) Where persons listed on this table have the right to obtain additional shares of our common stock through the exercise of outstanding options or warrants or the conversion of convertible securities within 60 days from April 30, 2011, these additional shares are deemed to be beneficially owned for the purpose of computing the amount and percentage of common stock owned by such persons. As indicated in Section 6. Executive Compensation, the Company granted each of Messrs. Moeller, Howard Balaban, Larry Balaban and Michael G. Meader an option to purchase up to 2,000,000 shares of the Company's common stock on January 20, 2009, the total shares of which were vested on December 31, 2009. On April 26, 2011, the Company signed new employment agreements which granted each of Messrs. Moeller, Meader, Howard Balaban, and Larry Balaban an additional option to purchase up to 1,000,000 shares of the Company's common stock, 250,000 fully vested as of April 1, 2011, with the remaining option vesting as of April 1, 2012, 2013, and 2014 in the amount of 250,000 shares each year. The Company granted James Sommers an option to purchase up to 250,000 shares on June 21, 2010, which were fully vested as of that date. The Company granted Jeanene Morgan an option to purchase up to 50,000 shares on December 31, 2009, which were fully vested as of that date. The Company granted Jeanene Morgan an option to purchase up to 450,000 shares on December 31, 2010, 150,000 were fully vested as of that date, with the remaining options vesting as of December 31, 2011, 2012, and 2013 in the amount of 100,000 shares each year. As a result, the percentage ownership interest of each such officer referenced in the table includes the 2,700,000 shares which could be purchased within 60 days of April 30, 2011. In addition, shares held by such officers as guardian for or in as trustees of trusts established for minor children are included in the table and are reflected in the aggregate number and percentage ownership for all officers and directors as a group. Each of Messrs. Moeller, Meader, Larry Balaban and Howard Balaban has the right of first refusal for shares owned by Tia Moeller (1,000,000 shares) and Shelly Moeller (3,140,000 shares). These shares were not included in the beneficial ownership calculation of the respective officers' percentages. Percentages are based on total outstanding shares on April 30, 2011 excluding 5,050,000 shares sold in April 2011 and not yet issued.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS.

Directors and Executive Officers

Set forth below are the Directors and Executive Officers of the Company and their ages and position(s) held as of the date of this Offering:

Name	Age	Position
Klaus Moeller 5820 Oberlin Drive, Suite 203 San Diego, California 92121	50	Chief Executive Officer and Chairman of the Board/Director
Michael G. Meader 5820 Oberlin Drive, Suite 203 San Diego, California 92121	45	President and Director
Larry Balaban 5820 Oberlin Drive, Suite 203 San Diego, California 92121	47	Chief Creative Officer and Director
Howard Balaban 5820 Oberlin Drive, Suite 203 San Diego, California 92121	50	Executive Vice President of New Business Development and Director
Jeanene Morgan 5820 Oberlin Dr. Ste 203 San Diego, CA 92121	54	Chief Financial Officer
Saul Hyatt 5820 Oberlin Drive, Suite 203 San Diego, California 92121	48	Director*

* Denotes directors who meet our criteria for "independence".

The term of office of each person elected to our Board of Directors is one (1) year or until the next regular or annual meeting of the stockholders at which election of directors is an agenda item and until his successor is duly elected and shall qualify.

Background Information

Klaus Moeller was elected to serve on the board of directors of the Company at inception and has acted as its Chief Executive Officer and Chairman of the Board since that time. In May 2008, he was also appointed interim Chief Financial Officer of the Company, a position he held until April 26, 2011. Mr. Moeller currently sits on the Board of Directors of U.K.-based Western Canon, Inc., which owns and operates an art gallery in Beverly Hills, California, a position he has held since 2008. Previously, Mr. Moeller acted as a member of the Board of Directors of Pro-Stars, Inc., a position he held from April 2, 2003 until dissolution of the company in 2008 following the sale of substantially all of its assets to Dreams, Inc. Mr. Moeller also acted as Chief Financial Officer and Chairman of the Board for Pro-Stars. Mr. Moeller acted as the Chief Executive Officer and Chairman of the Board of a Delaware corporation, Celebrity, Inc., a privately held company in the business of selling celebrity-related artwork from its inception in 2006 until dissolution of the company in 2008. Mr. Moeller was a Founder and the Chief Executive Officer, Chairman of the Board and a Director of Genius Products, Inc. from 1998 to 2005. Mr. Moeller served as Interim Chief Financial Officer of Genius from May 2001 until August of 2004. Mr. Moeller grew up and was educated in Germany, England, and Portugal. He worked as an auditor for Eluma S.A. in Sao Paulo Brazil for the Ted Bates Advertising Agency and BHF Bank in Frankfurt.

Michael G. Meader was elected to serve on the board of directors of the Company at inception and also acted as Chief Operating Officer and Secretary of the Company upon inception. He was appointed as President of the Company on August 27, 2008 and resigned his positions as Chief Operating Officer and Secretary at that time. In his capacity as President of Pacific Entertainment Corporation, Mr. Meader is in charge of the day-to-day operations of the Company. Mr. Meader has a long history of experience in marketing and sales of entertainment products. Prior to January 2006, he acted as President (2001-2005), Executive Vice President of Distributions (1998-2000) for, and helped found, Genius Products, Inc. Prior to founding Genius Products, Inc, from 1995 to 1997, Mr. Meader acted as Executive Vice President of the Book and Music Division of ARAMARK Corporation. From 1991 through 1994, Mr. Meader acted as Secretary (1991-1992) and then Executive Vice President of the Music Division (1993-1994) for Meader Distributing. Mr. Meader has a B.S. degree in hotel administration from the University of Wisconsin, and studied international business at the University of St. Thomas. He was a member of the Scholastic Society and graduated with honors.

Larry Balaban is currently Chief Creative Officer and Secretary of Pacific Entertainment Corporation, positions he has held since August 27, 2008. Prior to becoming Chief Creative Officer, Mr. Balaban acted as Director and President for the Company since its inception in January 2006. Outside the production studio, Larry is a well-respected licensor who was named one of the "40 Under 40" most important people in the licensing industry by *License Magazine* in 2003. For the past five years, he has held a seat on the board of directors of the Coalition for Quality Children's Media, home of the Kids First!® Community-based jury that evaluates, rates and endorses children's entertainment. Larry Balaban was a founder and Head of Production of Genius Products, Inc., from 1998 to 2005. Genius Products, Inc. was one of the fastest growing independent home entertainment distribution companies in the country. He was also the President of Mr. B Productions, a non-traditional marketing firm based in New York City, specializing in TV production, target marketing and membership programs. From 1994-1997, Larry Balaban was President of Virtual Reality Productions, where he specialized in marketing, and coordinated specialized audio productions for licensed Products including Star Trek(TM), The Simpson's and the X-Files.

Howard Balaban is currently Executive Vice President of New Business Development and is a co-founder of the Company. He is also a Director of the Company, a position he has held since April, 2006. He had served as Executive Vice President of New Business Development and co-founder of Genius Products from 2001-2006. He was previously appointed Senior Vice President of Sales in January 1999-2000 after having rendered sales and marketing consulting services from 1997-2000 for Genius Products and several other companies. From 1994-1997, Mr. Balaban was Chief Executive Officer of Future Call Inc, a prepaid telephone card company that he co-founded with William Shatner and held the rights to all Star Trek properties and many others such as, The Simpsons, X Files, and major Soap Operas associated with prepaid phone cards. From 1991-1995, he was the Chief Executive Officer of 3B Telecommunications, a company he co-founded and which acted as a master agent for telecom networks reselling phone time and telecom services. Mr. Balaban is the President, director and sole owner of a privately held entertainment corporation known as Balaban Entertainment Corp., a position he has held since its inception in 2004.

Jeanene Morgan was appointed as the Company's Chief Operating and Accounting Officer in December 2010 and her title was subsequently changed to Chief Financial Officer in April 2011. Prior to such appointment, Ms. Morgan acted as the Company's Controller from February 2009, during which time she acted as a consultant through Morgan Consulting, a provider of project management and financial consulting for numerous organizations and clients, including audit support, GAAP compliance and structuring of internal financial and reporting controls. From 2004 to 2010, Ms. Morgan co-owned and operated Ascent, Inc. a media booking agency located in Oxnard, California which specialized in television placement for long and short form infomercials. As President of Ascent, Ms. Morgan was responsible for preparation of financial statements, business plans and tax reporting, including implementation of client reporting and development of new business proposals and presentations. From 2002 to 2004, Ms. Morgan acted as Plant Controller to Rexam Beverage Can Company in Chatsworth, California, where she was responsible for corporate accounting and GAAP compliance and implemented a SAP inventory management module. Ms. Morgan acted as Chief Financial Officer of Thaon Communications, Inc., a publicly traded company from February 2002 until its acquisition by Practice Xpert Services, Inc. in April 2003. In that position she was responsible for ongoing fiscal operations, including accounting and cash management for three operating units as well as the publicly traded parent organization, and SEC compliance. During her tenure at Thaon, two subsidiaries of that company, CastPro.com, LLC and PTMS filed a Chapter 7 bankruptcy in November and December of 2002, respectively. Ms. Morgan has an M.B.A. in International Management from the University of Dallas and a B.S. in Business Administration from Hawaii Pacific University.

Saul Hyatt currently acts as an independent director for the Company, a position he has held since May 29, 2008. Mr. Hyatt has served as President of DFASS USA, Inc. since 2009, and also acts as the Chief Operating Officer and a member of the Board of Directors DFASS/Retail Travel Services, Inc. a non-reporting company located in Miami, Florida, positions he has held since the year 2000. Mr. Hyatt holds no other officer or director positions with any public or private company.

ITEM 6. EXECUTIVE COMPENSATION.

Executive Compensation

The following table sets forth the annual and long-term compensation for services in all capacities for the fiscal years ended December 31, 2010 and 2009 paid to our Chief Executive Officer and Chief Financial Officer, and each other officer earning in excess of $100,000 per year.

	Salary Compensation Table					
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Option Awards ($)**	**All Other Compensation ($)**	**Total ($)**
Klaus Moeller,	2009	142,500(2)	—	324,359(5)	11,400(1)	478,259
Chief Executive Officer	2010	68,600(3)	—	—	11,400(1)	80,000
Michael G. Meader,	2009	142,500(2)	—	324,359(5)	11,400(1)	478,259
President	2010	68,600(3)	—	—	11,400(1)	80,000
Larry Balaban,	2009	142,500(2)	—	324,359(5)	11,400(1)	478,259
Chief Creative Officer and Secretary	2010	68,600(3)	—	—	11,400(1)	80,000
Howard Balaban,	2009	142,500(2)	—	324,359(5)	11,400(1)	478,259
EVP of Business Development	2010	68,600(3)	—	—	11,400(1)	80,000
Jeanene Morgan,	2010	5,000(4)	—	22,500(6)	125,000(4)	152,500
Chief Financial Officer						

(1) Represents car allowances paid to each officer out of a total authorized car allowance of $11,400 for each officer for the period ended December 31, 2009 and 2010.

(2) Authorized salaries for each officer for the fiscal year ended December 31, 2009 were $195,000, of which $97,500 was accrued and remains unpaid as to each officer. On April 1, 2009, each of the four officers agreed to a salary reduction to $125,000, resulting in a prorated total salary calculation of $142,500 for the year. As of September 30, 2010, this balance was converted to subordinated, long term debt.

(3) Authorized salaries for each officer for the fiscal year ended December 31, 2010 were $210,000. On April 1, 2009, each of the four officers agreed to a salary reduction to $125,000. On February 11, 2011 each of the four officers agreed to a retroactive salary reduction for 2010 to $80,000 inclusive of the car allowance, of which $19,200 remains unpaid. As of September 30, 2010, this balance was converted to subordinated, long term debt.

(4) Authorized salary for Ms. Morgan for the fiscal year ended December 31, 2010 was $130,000. Ms. Morgan began employment on December 26, 2010. Prior to her employment she acted as a consultant for the company to advise on accounting and financial procedures and reporting.

(5) Options were granted as part of employment agreements, A total of 2,000,000 options were issued, however, 1,250,000 to be issued and vested in 2008 were not issued until January 2009 due to delay in acceptance of the plan by shareholders but were fully expensed in 2008. This figure represents the amount expensed in 2009.

(6) During 2009, while acting as a consultant, options to purchase up to 50,000 shares were issued and vested as of December 31, 2009. As part of the offer of employment, Ms. Morgan was granted options to purchase up to 450,000 shares on December 31, 2010, with 150,000 vesting on issuance and 100,000 vesting per annum on December 31, 2011, 2012, and 2013.

Outstanding Equity Awards at Fiscal Year End

	Option awards					Stock awards			
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested ($)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
Klaus Moeller	2,000,000	0	0	$0.44	01/20/2014	0	0	0	0
Michael Meader	2,000,000	0	0	$0.44	01/20/2014	0	0	0	0
Larry Balaban	2,000,000	0	0	$0.44	01/20/2014	0	0	0	0
Howard Balaban	2,000,000	0	0	$0.44	01/20/2014	0	0	0	0
Jeanene Morgan	50,000	0	0	$0.55	12/31/2014	0	0	0	0
	150,000(1)	0	0	$0.336	12/31/2015	0	0	0	0
	0	0	100,000(1)	$0.336	12/31/2016	0	0	0	0
	0	0	100,000(1)	$.0336	12/31/2017	0	0	0	0
	0	0	100,000(1)	$0.336	12/31/2018	0	0	0	0

(1) Options were granted as part of offer of employment. Options to purchase up to 450,000 shares of common stock were granted on December 31, 2010, with 150,000 vesting on issuance and 100,000 vesting per annum on December 31, 2011, 2012, and 2013.

Employment Agreements

On April 26, 2011, the Company and each of Messrs. Moeller, Meader, Larry Balaban and Howard Balaban (the "Executives") agreed to terminate all then existing employment agreements for the Executives and enter into new five-year employment agreements unless written termination is provided by either party. Each employment agreement provides for a graduated base salary beginning at $165,000 per annum retroactive to March 20, 2011 and continuing to December 31, 2011 and increasing to $195,000 for 2012, $225,000 for 2013. After 2013, the agreement provides for base salary increases at the discretion of the Board of Directors, with a minimum 5% increase. In addition to base salary, each Executive will receive an annual car allowance of $11,400, and four weeks paid vacation per annum.

Each agreement also provides for a cash incentive bonus determined at the sole discretion of our Board of Directors which shall not be less than 4.5% of the Company's EBITDA (Earnings Before Interest, Depreciation, Taxes and Amortization) if the Company is EBITDA positive nor be more than 100% of the Executive's base salary, although the Board has retained discretion to waive the 100% cap. In addition, pursuant to the agreements each Executive has been granted a non-qualified stock options to purchase up to 1,000,000 shares of the Company's common stock, vesting as to 250,000 shares on the grant date and 250,000 shares per year on the anniversary date of the agreements. The exercise price of options is $0.44 per share and the options will expire on the tenth anniversary of the date of grant except in the event of a termination for cause under the respective employment agreement, in which case the option will expire in its entirety ninety days after termination of employment. Each Executive has granted the Company a right of first refusal to repurchase any shares of common stock acquired by the Executive pursuant to the option in the event of a termination for cause. The purchase price on the right of first refusal would be the bid price on the date of termination. (see Item 9. "Market Price and Dividends on the Registrant's Common Equity and Related Stockholder Matters – Equity Compensation Plan Information.") Each Executive has granted the Company a right of first refusal to repurchase any shares of common stock acquired by the Executive pursuant to the option in the event of a termination for cause. The purchase price on the right of first refusal would be the bid price on the date of termination.

Each Executive has granted the Company a right of first refusal to repurchase any shares of common stock acquired by the Executive pursuant to the option in the event of a termination for cause. The purchase price on the right of the first refusal would be the bid price on the date of termination.

The employment agreement provides for payment of severance compensation equal to eighteen months of the Executive's base salary on the date of termination of the Executive's employment by the Company other than for cause. Subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, severance will be paid over the course of eighteen months following the termination date and will be made on the Company's normal payroll dates during the severance period. Severance compensation is in addition to his base salary through the date of termination, accrued vacation and bonus compensation earned but not yet paid on the date of termination.

In addition, the agreements each provide that, upon termination without cause or as a result of a change of control, the unvested portion of any options then held by the Executive will immediately vest. For purposes of these agreements, a "change of control" includes the sale of all or substantially all of the Company's assets, a merger or consolidation resulting in securities representing 50% of the combined voting power of the outstanding common stock being transferred to persons who are different from the holders immediately preceding the transaction, the acquisition (directly or indirectly) of 50% of the total combined voting power of the common stock pursuant to a tender or exchange offer, or a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election.

Each of the employment agreements includes standard confidentiality, non-competition (including during any severance period), non-solicitation and non-disparagement provisions, provides for twenty days of vacation time per annum, and provides for indemnification of the Executive to the fullest extent allowed by the California Corporations Code and the Company's Articles of Incorporation and Bylaws. See Item 12. "Indemnification of Officers and Directors".

Our Chief Financial Officer does not have a written employment agreement with the Company. She receives an annual base salary of $130,000, which may be increased in the discretion of the Board. Ms. Morgan was issued a Stock Option Grant Notice in conjunction with her appointment as Chief Accounting and Operating Officer under the 2008 Stock Option Plan to purchase up to 450,000 shares of the Company's common stock at an exercise price of $0.336 per share vesting as to 150,000 shares on December 31, 2010 and as to 100,000 shares on each of December 31, 2001, 2012 and 2013. Ms. Morgan receives four weeks paid vacation per annum.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Parties

Our Creative Director, Larry Balaban, and our Vice-President of New Business Development, Howard Balaban, are brothers.

On February 1, 2008, Isabel Moeller, sister of our Chief Executive Officer, Klaus Moeller, loaned $310,000 to the Company at an interest rate equal to 8% per annum. The proceeds of the loan were used to reduce outstanding obligations to Genius Products at the time (see Item 1. "Business – Distribution"). A subsequent agreement extended the maturity date to December 31, 2009. On December 31, 2009, Ms. Moeller agreed to accept a new note agreement for the balance due, including principal and unpaid interest with a maturity date of December 31, 2010 and a stated interest rate of 6% per annum. On September 30, 2010, Ms. Moeller agreed to execute a new note under the same interest terms with a stated maturity date of December 31, 2012, resulting in the reclassification of the total amount outstanding, including principal and accrued interest, as long term debt. In March 2011, Ms. Moeller subscribed for 1,000,000 shares of our common stock at a purchase price of $0.20 per share pursuant to a private placement offering conducted by the Company under Rule 506. In lieu of cash payment for the shares, Ms. Moeller agreed to a $200,000 reduction in the outstanding principal balance of her note effective April 1, 2011. The shares have not yet been issued.

Throughout 2009, 2008 and 2007, the Company borrowed funds from Messrs. Moeller, Meader, Larry Balaban and Howard Balaban in the aggregate principal amounts of $4,000, $280,000 and $444,500, respectively. The loans were made pursuant to promissory notes which require payment of 1.63% per annum for 2009 and 2008 and 6% per annum for the notes issued in 2007. Notes issued in 2007 were payable upon demand. However, the maturity date for each outstanding promissory note to these officers and directors was extended to December 31, 2009. The proceeds from all officer loans were used to pay operating obligations of the Company. On December 31, 2009, each of the Officers agreed to issue new note agreements for the outstanding balances, including principal and unpaid interest, with a maturity date of December 31, 2010 and a stated interest rate of 6% per annum. On September 30, 2010, the four Officers agreed to execute new notes with the same interest rate and a maturity on December 31, 2012 for the total outstanding amounts, including principal and accrued interest, resulting in a change in classification to long term notes payable. At December 31, 2010, there was a combined total of approximately $311,987 in principal and accrued interest outstanding under these notes.

On September 30, 2010, these same officers agreed to convert accrued but unpaid salaries through September 30, 2010 to subordinated long term notes payable. In February 2011, as a result of an agreement by each of the four Officers to retroactively decrease the amount of the annual salary for 2010 from $125,000 per annum to $80,000, the amount of the notes were reduced to an aggregate of $1,620,137. The notes have a maturity of December 31, 2012 and a stated interest rate of six percent (6%) per annum, said interest accruing from October 1, 2010 on the unpaid balance of principal and interest. The amount of interest outstanding on these loans as of December 31, 2010 is $24,090. There is no prepayment penalty.

Except as otherwise indicated herein, there have been no other related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 and Item 407(a) of Regulation S-K.

Director Independence

Our Common Stock is not quoted or listed on any national exchange or interdealer quotation system with a requirement that a majority of our board of directors be independent and, therefore, the Company is not subject to any director independence requirements. Under NASDAQ Rule 5605(a)(2)(A), a director is not considered to be independent if he or she also is an executive officer or employee of the corporation. Under such definition, each of Messrs. Moeller, Meader, Howard Balaban and Larry Balaban would not be considered an independent director. Based on Rule 5605(a)(2)(A), Mr. Hyatt is the only member of the Board that can be considered an independent director because he is not an executive officer or employee of the Company, has not been an employee of the Company during the past three years and has not received compensation from the Company at any time during the past three years.

ITEM 8. LEGAL PROCEEDINGS.

There are presently no material pending legal proceedings to which the Company is a party or as to which any of its property is subject, and no such proceedings are known to the Company to be threatened or contemplated against it.

ITEM 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

Market Information

Transactions in our common stock are currently reported in the United States under the symbol "PENT" on the OTC Market Groups, Inc. quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter equity securities. The following table sets forth the range of high and low bids reported in the over-the-counter market for our common stock. The prices shown below represent prices in the market between dealers in securities; they do not include retail markup, markdown or commissions, and do not necessarily represent actual transactions. The "OTC Market Groups, Inc." is neither a stock exchange nor a self-regulatory organization and is not regulated by either Financial Industry Regulatory Authority or the SEC.

Quarter Ending	Quarter High	Quarter Low
09/30/2009	$0.80	$0.35
12/31/2009	$0.90	$0.25
03/31/2010	$0.50	$0.45
06/30/2010	$0.50	$0.40
09/30/2010	$0.50	$0.25
12/31/2010	$0.35	$0.28
03/31/2011	$0.35	$0.25

Outstanding Shares and Number of Stockholders

As of March 31, 2011, the number of shares of common stock outstanding was 55,148,815. As of that date, there were approximately 148 record holders of our shares of issued and outstanding common stock. This figure does not include holders of shares held in securities position listings. As of March 31, 2011, we have outstanding warrants to purchase 471,108 shares of common stock.

Dividends

We have never declared or paid dividends on our common stock. Moreover, we currently intend to retain any future earnings for use in our business and, therefore, do not anticipate paying any dividends on our common stock in the foreseeable future.

Equity Compensation Plan Information

	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	8,995,000	$0.44	7,005,000
Equity compensation plans not approved by shareholders	0	$0.00	0
Total	8,995,000	$0.44	7,005,000

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES.

The information below lists all of our securities sold by us during the past three years, which were not registered under the Securities Act of 1933. We paid no underwriting discounts or commissions in connection with any of the following transactions.

During 2006, the issuer sold $2,500,000 in 10% convertible debentures (the "Debentures"), each of which was convertible into shares of the issuer's common stock at a rate of one (1) share per each $0.20 converted. The Debentures were sold to accredited investors only pursuant to Rule 506 of the Securities Act. We borrowed $1,361,000 from our officers and directors to pay the first of the two promissory notes to Genius Products and used $1,361,000 of those proceeds to repay such officer loans. The remaining proceeds were used to pay general operating expenses of the Company. Effective June 30, 2008, all of the outstanding Debentures were converted into 12,500,000 shares of common stock. At the time of conversion, the issuer agreed to make remaining interest payments to the Debenture holders in shares of common stock at a rate of one (1) share for each $0.40 in accrued interest due and payable provided that the recipient still met the requirements of an accredited investor. Equity interest payments were made pursuant to Rule 506 for the second and third quarters of 2008 on or about February 11, 2009, with 156,250 shares of common stock issued to the former Debenture holders for each quarter. An additional 150,000 shares were issued to the former Debenture holders on March 31, 2009 in payment of equity interest due for the first quarter of 2009, and 197,907 shares were issued on July 24, 2009 as a final payment for interest on the debentures. Proceeds of the debenture offering were used to repay amounts due to Mr. Moeller associated with the asset purchase from Genius Products and a portion of the purchase price due to Genius Products.

In September 2008, the issuer commenced a private placement of up to $10,000,000 in common stock priced at $0.40 per share to accredited investors only under Rule 506. As of December 31, 2009, the Company had sold 807,500 shares in that offering during 2008 and 2009 for total proceeds of $323,000. The offering was suspended in January 2009. The proceeds of the offering were used for general operating expenses, including general administrative expenses (including salaries, payment of existing debt obligations, rent and professional fees) and production costs, select retail placement fees, tradeshows, and marketing.

On January 1, 2008, the issuer entered into written employment agreements with four of its officers pursuant to which it agreed to grant each such officer an option to purchase up to 2,000,000 shares of the issuer's common stock at a purchase price equal to the fair market value of the common stock on the grant date, with each option vesting as to 500,000 shares on the date of the agreement and 750,000 shares on each of December 31, 2008 and 2009. The grant of the options was delayed pending adoption of a qualified stock option plan by the issuer's shareholders, and the options were finally granted on January 20, 2009, with an adjustment to the vesting schedule to reflect the late grant date. Consequently, each option was vested as to 1,250,000 shares on the date of grant and vested as to the remainder on December 31, 2009. In the event the options are exercised, the Company will likely use the proceeds from the exercise to pay general operating expenses of the Company.

On September 30, 2009, 65,000 shares were issued in payment of management consulting service contracts covering the 90 day period beginning July 1, 2009. The shares were valued at $0.40 per share, and the full amount of $26,000 was expensed in 2009.

On December 14, 2009, the Company issued Stock Option Grant Notices to seven employees and service providers, granting options to purchase 130,000 shares of common stock. The options fully vested as of December 31, 2009. In the event the options are exercised, the Company will likely use the proceeds from the exercise to pay general operating expenses of the Company.

On March 8, 2010, the Board of Directors ratified an agreement between the Company and James Sommers whereby the Company agreed to issue options to purchase 250,000 shares of common stock at an exercise price of $0.50 in exchange for consulting services for one year. The Option was issued on June 21, 2010 pursuant to Rule 701. In the event the option is exercised, the Company will likely use the proceeds from the exercise to pay general operating expenses of the Company.

On April 6, 2010, the Company commenced a private placement to certain accredited investors pursuant to Rule 506 for up to 12,500,000 shares of common stock at a purchase price of $0.40 per share. On July 13, 2010, the Board of Directors amended the offering to include the issuance of a warrant to purchase one additional share of common stock for each share of common stock sold through the offering. Each warrant expires three years from the date of purchase and has a stated exercise price of $0.40 per share. As of December 31, 2010, a total subscription of $188,443 had been received and 471,108 shares have been issued and warrants have been issued to purchase an addition 471,108 shares. Costs of the offering in the amount of $17,396 were offset against the common stock account through December 31, 2010. The proceeds of the offering were used to pay product development costs. In the event the warrants are exercised, proceeds from the exercise will likely be used to cover general operating expenses.

On September 28, 2010, 50,000 shares were issued in payment of website design services rendered. The service provider is an accredited investor and the shares were issued pursuant to Section 4(6) of the Securities Act. The shares were valued at $0.50 per share, and the full amount of $25,000 was capitalized in 2010 as an intangible asset.

In January 2011, the issuer granted an incentive stock option to purchase up to 25,000 shares of common stock to our Vice President of Sales. The option was fully vested on grant and will expire five years from the date of grant. The option was granted with an exercise price of $0.336 per share, or 100% of the preceding 5 day average market price on the date of grant.

In April 2011, pursuant to new employment agreements, we granted a non-qualified stock option to purchase up to 1,000,000 shares of common stock to each of Mr. Moeller, Mr. Meader, Mr. Larry Balaban and Mr. Howard Balaban. The options were vested as to 250,000 of the shares on the date of grant and will vest as to the remaining shares at a rate of 250,000 shares on each of April 1, 2012, April 1, 2013 and April 1, 2014. The options have a term of ten years and will not expire earlier except in the event of a termination for cause, in which case they will expire as to all shares within ninety days of the date of termination. The options were granted with an exercise price of $0.44 per share, or the greater of $0.44 or 110% of the fair market value of the shares on the date of grant.

In the first quarter of 2011, we conducted a private placement to accredited investors only under Rule 506. As a result of the offering, the Company sold 5,050,000 shares of common stock at a purchase price of $0.20 per share for an aggregate of $1,010,000. The proceeds of the offering will be primarily used to fund general operating expenses, product development and introduction for Circle of Education, LLC and to reduction of the outstanding principal balance on the note issued to Isabel Moeller. Ms. Moeller subscribed for 1,000,000 shares. In lieu of cash payment for the subscribed shares, Ms. Moeller agreed to a $200,000 reduction in the outstanding principal balance of her note effective April 1, 2011. The shares sold in the private placement have not yet been issued.

As of March 31, 2011, the issuer has 55,148,815 shares of common stock outstanding.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED.

Capital Stock

The Company is authorized to issue 100,000,000 shares of common stock, no par value per share, of which 55,148,815 were outstanding on March 31, 2011. The following summary descriptions are qualified in their entirety by reference to the Company's Articles of Incorporation, as amended, which will be made available to qualified investors upon written request. Each share of common stock entitles the holder thereof to one vote on all matters submitted to a vote of stockholders. Unless one or more shareholders gives notice of an intent to cumulate votes for Directors prior to the vote to elect Directors, holders of a majority of the voting power represented at any meeting at which a quorum is present will be able to elect the entire Board of Directors and, in such event, the holders of the remaining voting power will be unable to elect any directors. The holders of common stock do not have preemptive rights or rights to convert their common stock into other securities. Holders of the common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefore. In the event of a liquidation, dissolution or winding up of the Company, holders of the common stock have the right to a ratable portion of the assets remaining after payment of liabilities. All shares of common stock outstanding are fully paid and non-assessable.

Debt Securities

None.

Warrants and Rights

Currently, the Company has warrants outstanding to purchase up to 471,108 shares of our common stock, each of which was issued with an exercise price of $0.40 and expires three years from the date of issue. All of the warrants will have expired on November 18, 2013. All common stock underlying the warrants will be restricted when issued.

Either the exercise price or the number of shares purchasable under the warrant may be adjusted in the event of any split of the common stock, reclassification, capital reorganization or change in the outstanding common stock, or declaration of a common stock dividend. In the event of any such adjustment, the Company will notify the holders of the warrants of the exercise price and number of shares purchasable under the warrant following adjustment, the facts requiring the adjustment and the method of calculation of any increase or decrease in price or purchasable shares. No adjustment will be required, however, unless the adjustment would require an increase or decrease in the exercise price of at least 1%.

Other Securities to be Registered

None.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

In accordance with provisions of the California Corporations Law, our articles of incorporation provide that the liability for monetary damages of our directors shall be eliminated to the fullest extent permitted by California law. Further, our articles authorize us to provide indemnification to our agents (including our officers and directors). Our bylaws provide for this indemnification of our corporate agents to the maximum extent permitted by California law.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and report of independent auditors are filed as a separate part of this report on pages F-1 through F-22.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There are not and have not been any disagreements between the Company and our accountants on any matter of accounting principles, practices or financial statement disclosure.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Index to Financial Statements.

See the index to consolidated financial statements set forth on page F-1.

(b) Index to Exhibits.

See the exhibit index immediately following the signature page to this Form 10.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 29, 2011

By: /s/ Klaus Moeller, Chief Executive Officer
Klaus Moeller, Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation
3.2	Bylaws
4.1	Form of Stock Certificate
4.2	2008 Stock Option Plan
4.3	First Amendment to 2008 Stock Option Plan
4.4	Second Amendment to 2008 Stock Option Plan
4.5	Form of Stock Option Grant Notice
4.6	Form of Warrant
10.1	Employment Agreement of Klaus Moeller
10.2	Employment Agreement of Michael G. Meader
10.3	Employment Agreement of Larry Balaban
10.4	Employment Agreement of Howard Balaban
10.5	Amended and Restated Subordinated Promissory Note to Klaus Moeller
10.6	Amended and Restated Subordinated Promissory Note to Michael G. Meader
10.7	Amended and Restated Subordinated Promissory Note to Larry Balaban
10.8	Amended and Restated Subordinated Promissory Note to Howard Balaban
10.9	Promissory Note to Klaus Moeller
10.10	Promissory Note to Michael G. Meader
10.11	Promissory Note to Larry Balaban
10.12	Promissory Note to Howard Balaban
10.13*	Merchandise License Agreement with Jakks Pacific
21	List of Subsidiaries

* Confidential treatment has been requested with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, and 17 CFR 200.83. Omitted portions have been filed separately with the Securities and Exchange Commission.

PACIFIC ENTERTAINMENT CORPORATION
COMPARATIVE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDING
DECEMBER 31, 2010 AND 2009

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HJ ASSOCIATES & CONSULTANTS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Salt Lake City, Utah 84101
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Pacific Entertainment Corporation
San Diego, California

We have audited the accompanying balance sheets of Pacific Entertainment Corporation as of December 31, 2010 and 2009, and the related statements of operations, stockholders' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express as opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Entertainment Corporation as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP
Salt Lake City, Utah
March 11, 2011

Pacific Entertainment Corporation
Balance Sheets
December 31, 2010 and 2009

ASSETS	**2010**	**2009**
Current Assets:		
Cash	$ 207,880	$ 247,865
Accounts Receivable, net	1,077,685	804,406
Inventory	247,505	157,498
Prepaid and Other Assets	55,376	45,000
Total Current Assets	1,588,446	1,254,769
Property and Equipment, net	35,168	31,932
Capitalized Product Development	75,515	44,724
Intangible Assets, net	547,611	1,042,708
Long Term Investment – Circle of Education, LLC	53,008	-
Total Assets	**$ 2,299,748**	**$ 2,374,133**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 948,428	$ 680,787
Accrued Expenses	221,739	232,099
Accrued Salaries and Wages	62,551	1,602,820
Accrued Interest - Debentures	19,049	18,052
Notes Payable – Related Parties	-	752,365
Total Current Liabilities	1,251,767	3,286,123
Long Term Liabilities:		
Notes Payable and Accrued Interest – Related Parties	2,339,197	-
Total Liabilities	3,590,964	3,286,123
Stockholders' Equity (Deficit):		
Common Stock, no par value, 100,000,000 shares authorized; 55,116,515 and 54,595,407 shares issued and outstanding, respectively	3,390,875	3,194,828
Additional Paid in Capital	2,086,065	1,968,455
Accumulated Deficit	(6,768,156)	(6,075,273)
Total Stockholders' Equity (Deficit)	(1,291,216)	(911,990)
Total Liabilities & Stockholders' Equity (Deficit)	**$ 2,299,748**	**$ 2,374,133**

Pacific Entertainment Corporation
Statements of Operations
Years Ended December 31, 2010 and 2009

Revenues:	2010	2009
Product Sales	$ 2,940,194	$ 2,593,870
Licensing & Royalties	1,032,469	709,168
Total Revenues	3,972,663	3,303,038
Cost of Sales	1,929,613	1,416,790
Gross Profit	2,043,050	1,886,248
Operating Expenses:		
Product Development	7,796	46,531
Professional Services	312,818	396,013
Rent Expense	146,979	130,299
Marketing & Sales	678,188	597,837
Depreciation & Amortization	694,698	659,302
Salaries and Related Expenses	613,787	1,062,996
Stock Compensation Expense	117,610	518,534
General & Administrative	205,997	149,076
Total Operating Expenses	2,777,873	3,560,588
Loss from Operations	(734,823)	(1,674,340)
Other Income (Expense):		
Other Income	46,060	20,914
Interest Expense	(2,349)	(143,781)
Interest Expense – Related Parties	(68,057)	(61,521)
Gain on Settlement of Debt	66,286	2,809
Gain/(Loss) on Disposition of Intangible Assets	-	5,028
Net Other Income (Expense)	41,940	(176,551)
Loss before Income Taxes	(692,883)	(1,850,891)
Income Tax	-	-
Net Loss	$ (692,883)	$ (1,850,891)
Net Loss per common share	$ (0.01)	$ (0.03)
Weighted average shares outstanding	54,757,285	54,351,487

Pacific Entertainment Corporation
Statements of Stockholders' Equity (Deficit)
December 31, 2010 and 2009

	Common Stock		Additional Paid in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2008	53,932,500	$ 2,945,234	$ 619,681	$ (4,224,382)	$ (659,467)
Common Stock Issued for Cash	250,000	100,000	-	-	100,000
Common Stock Issued for Interest	347,907	139,163	-	-	139,163
Stock Offering Costs	-	(15,569)	-	-	(15,569)
Common Stock Issued for Services	65,000	26,000	-	-	26,000
Stock Compensation Expense	-	-	518,534	-	518,534
Stock Options Granted for Accrued Stock Compensation	-	-	810,898	-	810,898
Imputed Interest on Related Party Notes Payable	-	-	19,342	-	19,342
Net Loss	-	-	-	(1,850,891)	(1,850,891)
Balance, December 31, 2009	54,595,407	3,194,828	1, 968,455	(6,075,273)	(911,990)
Common Stock Issued for Cash	471,108	188,443	-	-	188,443
Stock Offering Costs	-	(17,396)	-	-	(17,396)
Common Stock Issued for Services	50,000	25,000	-	-	25,000
Stock Compensation Expense	-	-	117,610	-	117,610
Net Loss	-	-	-	(692,883)	(692,883)
Balance, December 31, 2010	55,116,515	$ 3,390,875	$ 2,086,065	$ (6,768,156)	$ (1,291,216)

Pacific Entertainment Corporation
Statements of Cash Flows
Year Ended December 31, 2010 and 2009

Cash Flows from Operating Activities:	**2010**	**2009**
Net Loss	$ (692,883)	$ (1,850,891)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation Expense	19,650	12,550
Amortization Expense	675,048	646,752
Gain/Loss on Disposal of Intangible Assets	-	(5,028)
Issuance of Common Stock for Interest	-	139,163
Issuance of Common Stock for Services	-	26,000
Capital Contribution Related Party Interest	-	19,342
Gain on Settlement of Debt	(66,286)	(2,809)
Stock Compensation Expense	117,610	518,534
Decrease (increase) in operating assets		
Accounts Receivable	(273,279)	(209,338)
Inventory	(90,007)	153,507
Prepaid Expenses & Other Assets	(10,376)	(13,060)
Other Receivable	-	14,862
Increase (decrease) in operating liabilities		
Accounts Payable	333,927	109,064
Accrued Salaries	79,867	384,439
Stock Compensation Expense	-	-
Accrued Interest	997	2,500
Accrued Interest – Related Party	68,057	42,180
Other Accrued Expenses	(10,360)	211,819
Net cash provided by operating activities	151,965	199,586
Cash Flows from Investing Activities:		
Investment in Product Masters	(185,742)	(166,227)
Investment in Circle of Education	(53,008)	-
Purchase of Fixed Assets	(22,886)	(21,649)
Net cash (used) by investing activities	(261,636)	(187,876)
Cash Flows from Financing Activities:		
Sale of Common Stock	188,443	100,000
Common Stock Offering Cost	(17,396)	(15,569)
Proceeds from Related Party Debt	-	4,000
Payments on Related Party Debt	(101,361)	(400,000)
Net cash provided/(used) by financing activities	69,686	(311,569)
Net decrease in cash	(39,985)	(299,859)
Cash at Beginning of Year	247,865	547,724
Cash at End of Year	$ 207,880	$ 247,865
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,349	$ 2,118
Cash paid for income taxes	$ -	$ -
Schedule of non-cash financing and investing activities:		
Stock Issued for Intangible Assets	$ 25,000	$ -
Accrued Salaries and wages converted to Long Term Notes Payable	$ 1,620,137	$ -
Accrued Interest rolled into Notes	$ -	$ 113,865
Accrued Stock Compensation reclassified to Additional Paid in Capital	$ -	$ 810,898
Accounts Payable traded for Fixed Assets	$ -	$ 16,885

Pacific Entertainment Corporation
Notes to Financial Statements
December 31, 2010 and 2009

Note 1: The Company and Significant Accounting Policies

Organization and Nature of Business

Pacific Entertainment Corporation ("we", "us", "our" or the "Company") provides music-based products that are entertaining, educational and beneficial to the well-being of infants and young children. We create, market and sell children's DVDs, CD music, toy, and book products in the United States by distribution at wholesale to retail stores and outlets. We license the use of our brands internationally to others to manufacture, market and sell the products, whereby we receive advances and royalties.

The Company commenced operations in January 2006, assuming all of the rights and obligations of its Chief Executive Officer, Klaus Moeller, under an Asset Purchase Agreement between the Company and Genius Products, Inc., in which we obtained all rights, copyrights, and trademarks to the brands "Baby Genius," "Little Genius," "Kid Genius," "123 Favorite Music" and "Wee Worship," and all then existing productions under those titles.

In August 2009, the Company launched a line of Baby Genius pre-school toys. The line of 24 Baby Genius toys, manufactured by master toy manufacturer Battat Incorporated, includes musical, activity, and role-play toys that incorporate the Baby Genius principle of music as a core learning tool to engage and encourage children to communicate, connect, discover, and use their imagination. The Company cancelled the agreement in December 2010 according to the terms of the contract, permitting Battat to continue selling the current line of toys until late spring 2011.

On January 11, 2011, the Company signed an agreement with Jakks Pacific's Tollytots® division for a new toy line. As a result of the five-year agreement, Tollytots® will immediately begin development on a comprehensive line of musical and early learning toys, incorporating the music, characters and themes that have made the *Baby Genius* series of videos and music CDs so successful among children and parents around the world. The new toy line will cover a broad range of exclusive categories, including learning and developmental toys, most plush toys, and musical toys, as well as several other non-exclusive categories.

During fourth quarter of 2009 and 2010, the Company signed licensing agreements to develop additional product lines based on the Baby Genius characters. These agreements include children's games and puzzles, electronic learning aids, "sippy cups", shoes, socks and infant and toddler layette items. We are also discussing other licensing opportunities for introduction in 2011 and 2012 and we believe that our licensing revenue will grow significantly during the upcoming years.

The Company also obtains licenses for other select brands we feel we can market and sell through our distribution channels. In July 2009, Pacific Entertainment entered into a licensing agreement with Precious Moments, Inc. (PMI) granting the Company non-exclusive rights to use its copyrights and trademarks in connection with the manufacture, distribution, sale, and advertising of music CD's for children through 2012. The Company initially produced three CD's released in fourth quarter 2009. In addition, the Company signed an amendment in September 2009 to include licensing for DVD's created by PMI. The "Precious Moments" products join our previously licensed lines including "Guess How Much I Love You" and "The Snowman".

During 2010, the Company launched a line of classic movies and television programs, "Pacific Entertainment Presents". Initially consisting of seven titles, each focusing on a specific genre such as Horror, Western, SciFi, Action, Mystery, War, and Gangster, an additional six titles were added in late 2010 expanding the line with the Super Hero's collection as well as Family Favorites.

The Company's Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Although the Company uses its best estimates and judgments, actual results could differ from these estimates as future confirming events occur.

Liquidity

Historically, the Company has incurred net losses. As of December 31, 2010, the Company had an accumulated deficit of $6,768,156 and a total stockholders' deficit of $1,291,216. At December 31, 2010, the Company had current assets of $1,588,446, including cash and cash equivalents of $207,880, and current liabilities of $1,251,767, resulting in a working capital excess of $336,679. For the year ending December 31, 2010, the Company reported a net loss of $692,883 and net cash provided by operating activities of $151,965. Management believes that its increasing sales, cash provided by operations, together with funds available from short-term related party advances, will be sufficient to fund planned operations for the next twelve months. However, there can be no assurance that operations and operating cash flows will continue at the current levels or improve in the near future. If the Company is unable to obtain profitable operations and positive operating cash flows sufficient to meet scheduled debt obligations, it may need to seek additional funding or be forced to scale back its development plans or to significantly reduce or terminate operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Cash Equivalents

The Company considers all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Significant Accounting Policies

Revenue Recognition - The Company recognized revenue related to product sales when (i) the seller's price is substantially fixed, (ii) shipment has occurred causing the buyer to be obligated to pay for product, (iii) the buyer has economic substance apart from the seller, and (iv) there is no significant obligation for future performance to directly bring about the resale of the product by the buyer as required by Revenue Recognition Topic 605 of the FASB Accounting Standards Codification.

Revenues associated with the sale of branded CDs, DVDs and other products, are recorded when shipped to customers pursuant to approved customer purchase orders resulting in the transfer of title and risk of loss. Cost of sales, rebates and discounts are recorded at the time of revenue recognition or at each financial reporting date.

The Company's licensing and royalty revenue represent variable payments based on net sales from brand licensees for content distribution rights. These license agreements are held in conjunction with third parties that are responsible for collecting fees due and remitting to the Company its share after expenses. Revenue from licensed products is recognized when realized or realizable based on royalty reporting received from licensees.

Shipping and Handling - The Company records shipping and handling expenses in the period in which they are incurred and are included in the Cost of Goods Sold.

Inventories - Inventories are stated at the lower of cost (average) or market and consist of finished goods such as DVDs, CDs and other products. A reserve for slow-moving and obsolete inventory is established for all inventory deemed potentially non-saleable by management in the period in which it is determined to be potentially non-saleable. The current inventory is considered properly valued and saleable. The Company concluded that there was an appropriate reserve for slow moving and obsolete inventory of $5,972 established as of December 31, 2010 and there was no need for a reserve at December 31, 2009.

Property and Equipment - Property and equipment are recorded at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Maintenance, repairs, and renewals, which neither materially add to the value of the assets nor appreciably prolong their lives, are charged to expense as incurred. Gains and losses from dispositions of property and equipment are reflected in the statement of operations.

Stock Based Compensation - As required by the Stock Compensation Topic 718 of the FASB Accounting Standards Codification, the Company recognizes an expense related to the fair value of our stock-compensation awards, including stock options, using the Black-Scholes calculation as of the date of grant.

Income Taxes- Deferred income tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates. At each balance sheet date, the Company evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets, and records a valuation allowance that reduces the deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

Advertising Costs- The Company's marketing and sales costs are primarily related to advertising, trade shows, public relation fees and production and distribution of collateral materials. In accordance with the FASB Topic 720-35 regarding Advertising Costs, the Company expenses advertising costs in the period in which the expense is incurred. Marketing and Sales costs incurred by licensees are borne fully by the licensee and are not the responsibility of the Company. Advertising expense for the year ended December 31, 2010 was $103,908 and for 2009 was $129,796.

Allowance for Sales Returns - An Allowance for Sales Returns is estimated based on average sales during the previous year. Based on experience, sales growth, and our customer base, the Company concluded that the allowance for sales returns at December 31, 2010 and 2009 should be $76,000.

Concentration of Risk - The Company's cash and cash equivalents are maintained at one financial institution and from time to time the balances for this account exceed the Federal Deposit Insurance Corporation's ("FDIC's") insured amount. Balances on deposits at banks in the United States are insured by the FDIC up to $250,000 per institution. As of December 31, 2010 and 2009, there were no uninsured balances.

For fiscal year 2010, the revenue from three major customers comprised 27.6%, 16.3% and 14.1% of the Company's total revenue. Those three major customers made up 39.1%, 0%, and 0% of the total accounts receivable balance at December 31, 2010, respectively. For fiscal year 2009, the Company had revenue from three major customers comprised of 28.5%, 13.7% and 11.5% of the Company's total revenue. Those three major customers made up 24.2%, 0%, and 0% of the total accounts receivable balance at December 31, 2009, respectively. The major customers for the year ending December 31, 2010 are not necessarily the same major customers at December 31, 2009. There is significant financial risk associated with a dependence upon a small number of customers. The Company periodically assesses the financial strength of these customers and establishes allowances for any anticipated bad debt. At December 31, 2010 and 2009, no allowance for bad debt has been established for the major customers as these amounts are believed to be fully collectible.

Earnings Per Share - Basic earnings (loss) per common share ("EPS") is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated by dividing net loss by the weighted average number of common shares outstanding, plus the assumed exercise of all dilutive securities using the treasury stock or "as converted" method, as appropriate. During periods of net loss, all common stock equivalents are excluded from the diluted EPS calculation because they are antidilutive. The Company had stock options outstanding to purchase 8,970,000 shares of common stock as of December 31, 2010.

Fair value of financial instruments - The carrying amounts of cash, receivables and accrued liabilities approximate fair value due to the short-term maturity of the instruments.

Fair Value Measurements - The Company has an equity investment that is measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier fair value hierarchy has been established which prioritized the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The equity investment value of $53,008 in Circle of Education LLC has been valued using Level 3 criteria.

Litigation

We are not a party to any legal or administrative proceedings, other than routine legal activities incidental to our business that we do not believe, individually or in the aggregate, would be likely to have a material adverse effect on our financial condition or results of operations.

Note 2: Plant, Property, and Equipment and Intangible Assets

The Company has plant, property and equipment and other intangible assets used in the creation of revenue as follows as of December 31:

	2010	2009
Furniture and Equipment	$ 76,986	$ 54,099
Less Accumulated Depreciation	(41,818)	(22,167)
Net Fixed Assets	**$ 35,168**	**$ 31,932**

	2010	2009
Trademarks	$ 129,831	$ 129,831
Product Masters	3,202,712	3,122,779
Other Intangible Assets	223,282	123,264
Less Accumulated Amortization	(3,008,214)	(2,333,166)
Net Intangible Assets	**$ 547,611**	**$ 1 ,042,708**

Pursuant to FASB Accounting Standards Codification regarding Topic 350, Intangible Assets, intangible asset(s) acquired, either individually or with a group of other assets shall be initially recognized and measured based on fair value. In the acquisition of the assets from Genius Products, fair value was calculated using a discounted cash flow analysis of the revenue streams for the estimated life of the assets. As this resulted in a fair market value in excess of the purchase price, the assets were recorded at $2,489,082, the total purchase price discounted with the imputed interest rate of 10%.

The Company reviews all intangible assets periodically to determine if the value has been impaired by recent financial transactions using the discounted cash flow analysis of revenue stream for the estimated life of the assets. At year end December 31, 2010 and 2009, it was determined that no impairment existed.

The Company continues to develop new CDs and DVDs, in addition to adding content, improved animation and bonus songs/features to their existing CD and DVD collection. In accordance with FASB Accounting Standards Codification regarding the topics of Intangible Assets (350) and Research and Development (730), the costs of new product development and significant improvement to existing products are capitalized while routine and periodic alterations to existing products are expensed as incurred.

Note 3: Accrued Liabilities

Accrued but unpaid Salaries and Vacation benefits total $62,551 and $1,602,820 as of December 31, 2010 and 2009, respectively. The amount as of December 31, 2009 includes accrued salaries due to four of the Officers that were converted to long term notes payable during 2010. Debenture Interest accrued and unpaid for the previously outstanding balance is $19,049 in 2010 and $18,052 in 2009. Other accrued liabilities totaling $221,739 in 2010 and $232,099 in 2009 are as follows:

	2010	2009
Allowance for Sales Returns	$ 76,000	$ 76,000
Common Marketing Fund	-	51,530
Commission on Royalties	71,485	83,492
Royalties Payable	44,940	10,715
Other Accrued Expenses	29,314	10,362
Total Accrued Expenses	$ 221,739	$ 232,099

Note 4: Notes Payable and Accrued Interest - Related Parties

As of December 31, 2010 and 2009, the Company had the following notes payable and accrued interest balances outstanding:

	2010	2009
Related Party Note Payable to PEC	$ 360,840	$ 360,840
Accrued Interest on Related Party Note	22,142	-
Officer Loans to PEC	311,987	391,525
Subordinated Officer Loans to PEC	1,620,137	-
Accrued Interest on Subordinated Loans	24,090	-
Total Notes Payable and Accrued Interest	2,339,197	752,365
Less: Current Portion	-	752,365
Long Term Portion	$ 2,339,197	$ -

On February 1, 2008, Isabel Moeller, sister of our Chief Executive Officer, Klaus Moeller, loaned $310,000 to the Company at an interest rate equal to 8% per annum as a short term note payable. The funds were borrowed from Ms. Moeller in order to reduce outstanding obligations due to Genius Products at that time. In August 2008, the note was amended to require payment of all principal and accrued interest on June 30, 2009. Subsequent agreements extended the maturity date to December 31, 2010 and reduced the stated interest rate to six (6%) percent per annum. On September 30, 2010, Ms. Moeller agreed to accept a new note with a maturity date of December 31, 2012 resulting in the reclassification of the total amount outstanding, including principal and accrued interest, as long term debt. The amount due to Ms. Moeller as of December 31, 2010 includes $22,142 in accrued but unpaid interest.

Notes were issued in favor of four of the Officers for loans to the Company at various times during the years 2007 through 2009. The term of the notes issued in 2009 and 2008 called for payment on December 31, 2009 and had a stated interest rate of 1.63%. The notes issued in 2007 were payable Upon Demand and had a stated interest rate of 6% per annum until paid in full. On February 13, 2009, the Officers agreed to an extension of the maturity date of all outstanding notes to December 31, 2009 at the stated interest rate of the original note. Partial repayment on the notes to the Officers in the amount of $400,000 was made on March 4, 2009. On December 31, 2009, the Officers agreed to issue new note agreements for the outstanding balances, including accrued but unpaid interest, with a maturity date of December 31, 2010 and a stated interest rate of 6% per annum. Repayments in the aggregate amount of $60,654 were made on August 11, 2010. On September 30, 2010, the Officers agreed to extend the maturity date of the loans to December 31, 2012 resulting in the outstanding balances, including principle and accrued interest, to be reclassified as long term debt. On October 12, 2010 repayments were made in the aggregate amount of $40,707.

In accordance with generally accepted accounting principles, stated interest rates on the related party notes were reviewed for compliance with the subject of Imputation of Interest, Topic 835 of the FASB Accounting Standards Codification. As a result, imputed interest was calculated for a market rate of 7% in the years 2009 and 2008 and 10% in 2007, resulting in Additional Paid in Capital contribution of $41,305 over the life of the loans.

On September 30, 2010, four of the Officers agreed to convert accrued but unpaid salaries through September 30, 2010 to subordinated long term notes payable. In February 2011, as a result of an agreement by each of the four Officers to retroactively decrease the amount of the annual salary for 2010 from $125,000 per annum per Officer to $80,000, the amount of the notes were reduced to an aggregate of $1,620,137. The notes have a maturity of December 31, 2012 and a stated interest rate of six percent (6%) per annum, said interest accruing from October 1, 2010 on the unpaid balance of principal and interest. There is no prepayment penalty. As of December 31, 2010, the accrued but unpaid interest totals $24,090.

Note 5: Stockholders' Equity

As of December 31, 2010 and December 31, 2009, there were 55,116,515 and 54,595,407 shares of common stock outstanding out of the 100,000,000 shares of common authorized respectively. In 2009, 65,000 shares were issued for services rendered valued at $26,000 or $0.40 per share. An additional 50,000 shares valued at $25,000, or $0.50 per share, were issued in 2010 in exchange for services rendered.

The Company issued $2.5 million in 10% debentures, which converted into shares of the Company's common stock at a conversion rate of one share for each $0.20 converted on June 30, 2008. The effect of this full conversion of the outstanding debentures was issuance of 12,500,000 shares. In addition, the terms of the conversion offering included the continued payment of interest until the creation of a secondary trading market for the Company's common stock. The Company was listed on the Pink Sheets Electronic OTC Market system as of July 24, 2009 and the interest payments were terminated as of that date. This resulted in an additional 347,907 shares issued to the debenture holders in 2009 for a total value of $139,163.

On September 5, 2008, the Company offered 25,000,000 shares of common stock to certain accredited investors pursuant to a Confidential Private Placement Memorandum. The shares were offered at a purchase price of $0.40 per share. A total of 250,000 shares were sold for cash at a total investment of $100,000 for the year ending December 31, 2009. Offering costs were recognized and offset against the common stock account in the amount of $15,569 for 2009.

On April 6, 2010, the Company commenced a Confidential Private Placement offering to certain accredited investors for up to 12,500,000 shares of common stock at a purchase price of $0.40 per share. On July 13, 2010, the Board of Directors amended the offering to include the issuance of a warrant to purchase one additional share of common stock for each share of common stock sold through the offering. Each warrant will have an expiration of three years from the date of purchase and an exercise price of $0.40 per share. As of December 31, 2010, a total subscription of $188,443 had been received and 471,108 shares have been issued. Costs of the offering in the amount of $17,396 were offset against the common stock account through December 31, 2010.

In accordance with generally accepted accounting principles, stated interest rates on the related party notes were reviewed for compliance with Topic 835, Imputation of Interest, in the FASB Accounting Standards Codification to determine an appropriate rate of interest. As a result, imputed interest was calculated for a market rate of 7% in 2009 resulting in Additional Paid in Capital contribution of $19,342.

During 2009 and 2010, option grant notices for up to 8,970,000 shares of common stock have been issued to employees and service providers of the Company pursuant to the 2008 Stock Option Plan, in accordance with the provisions of Topic 718, Compensation, of the Accounting Standards Codification, which requires companies to measure the cost of employee services received in exchange for equity instruments based on the grant date fair value of those awards and to recognize the compensation expense over the requisite service period during which the awards are expected to vest. A total of $1,447,042 has been recognized as Additional Paid in Capital as the value of these options granted, which includes $117,610 and $518,534 for the years ending December 31, 2010 and 2009, respectively. Additional details regarding the stock options granted is found in Note 9: Stock Options.

On June 2, 2009, the Company, through Glendale Securities, Inc. of Sherman Oaks, California as broker-dealer, filed a Disclosure Statement with the Financial Investment Regulatory Agency (FINRA) pursuant to Rule 15c2-11 of the Securities and Exchange Act of 1934, as amended, to establish a secondary trading market on the Pink Sheets Electronic OTC Markets system. Glendale Securities' request for un-priced quotation on the Pink Sheets was cleared by FINRA on July 13, 2009 and trading began on July 24, 2009. The trading symbol is PENT.

Note 6: Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax liabilities consist of the following components as of December 31, 2010 and December 31, 2009:

	2010	2009
Deferred tax assets:		
NOL Carryover	$ 1,137,838	$ 1,043,162
Accrued Expenses	120,842	95,652
Accrued Compensation	631,853	601,901
Depreciation	65,610	68,342
Charitable Contributions	2,406	2,016
Valuation allowance	(1,958,549)	(1,811,073)
Net deferred tax asset	$ -	$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal tax rate to pretax income from continuing operations for the years ended December 31, 2010 and December 31, 2009 due to the following:

	2010	2009
Book Loss	$ (270,225)	$ (721,847)
Charitable	390	-
Depreciation	(2,731)	(1,828)
Accrued Expenses	-	(19,110)
Meals & Entertainment	2,449	3,595
Accrued Compensation	28,989	152,404
Gain/Loss	-	998
Stock for Service	55,618	212,369
Interest	-	7,543
Related Party Interest	26,153	10,385
Valuation Allowance	159,357	355,491
	$ -	$ -

At December 31, 2010, the Company had net operating loss carry forwards of approximately $2,918,000 that may be offset against future taxable income from the year 2011 through 2031. No tax benefit has been reported in the December 31, 2010 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

The Company accounts for income taxes in accordance with Accounting Standards Codification Topic 740, Income Taxes ("Topic 740"), which requires the recognition of deferred tax liabilities and assets at currently enacted tax rates for the expected future tax consequences of events that have been included in the financial statements or tax returns. A valuation allowance is recognized to reduce the net deferred tax asset to an amount that is more likely than not to be realized.

Topic 740 provides guidance on the accounting for uncertainty in income taxes recognized in a company's financial statements. Topic 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

At the adoption date of January 1, 2008, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized.

The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operation in the provision for income taxes. As of December 31, 2009, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and in the state of California. The Company is currently subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities since inception of the Company.

Note 7: Lease Commitments

The Company has no capital leases subject to the Capital Lease guidelines in the FASB Accounting Standards Codification. Rental expenses incurred for operating leases during 2010 and 2009 were $146,979 and $130,299. The Company had two operating leases for office space. The San Diego, California office is approximately 2,162 square feet and had a lease which expired in October, 2010. The Company continues to occupy the space on a month to month basis. The Del Mar, California office is approximately 1,415 square feet and has been subleased. Both the lease and sublease on the Del Mar property expires July 31, 2011. Future minimum lease payments on the Del Mar office are as follows:

	2011
Minimum Rentals	$ 34,532
Less: Sublease Rentals	(24,338)
Total	$ 10,194

Note 8: Recent Accounting Pronouncements

In February 2010, the Financial Accounting Standards Board amended Topic 855, Subsequent Events, to require SEC filer companies to evaluate subsequent events through the date the financial statements are issued and to remove the requirements for an SEC filer to disclose a date in issued and revised financial statements for evaluation of subsequent events. The requirement to evaluate subsequent events for an entity that is not otherwise an SEC filer remains the date that the financial statements are available to be issued and the date must be included within the disclosure. The Company does not anticipate a change as a result of this amendment.

In April 2010, Codification Topic 740, Income Taxes, was amended to reconcile the timing differences the signing date might have on the accounting for the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. It was determined that the two Acts should be considered together for accounting purposes. The Company does not anticipate an impact based on this amendment.

In December 2010, Business Combinations, Topic 805, was amended to require disclosure of pro forma information for business combinations that occurred during the current reporting period as if the acquisition date for all business combinations occurred at the beginning of the current annual reporting period. If the reporting entity is presenting comparative financial statements, pro forma information is required as if the business combination occurred at the beginning of the comparable prior annual reporting period. The Company formed a joint venture in September 2010, however, no revenue or earnings have been recorded for the new venture and thus no change in the Company's reporting has occurred.

In December 2010, Topic 350, Intangibles – Goodwill and Other, was amended to clarify when to perform Step 2 of the impairment test for Goodwill when reporting units have zero or negative carrying amounts. The amendments modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The Company does not anticipate any impact based on this amendment.

Note 9: Stock Options

The Company has adopted the provisions of Topic 718, Compensation, of the Accounting Standards Codification, which requires companies to measure the cost of employee services received in exchange for equity instruments based on the grant date fair value of those awards and to recognize the compensation expense over the requisite service period during which the awards are expected to vest.

In January of 2008, the Company entered into employment agreements with four of its officers. Pursuant to these agreements, the Company committed to issue options to purchase up to 8 million shares of the Company's common stock. The options vested over a two-year period.

On December 29, 2008, the Company adopted the Pacific Entertainment Corporation 2008 Stock Option Plan (the "Plan"), which provides for the issuance of qualified and non-qualified stock options to officers, directors, employees and other qualified persons. The Plan is administered by the Board of Directors of the Company or a committee appointed by the Board of Directors. The number of shares of the Company's common stock initially reserved for issuance under the Plan is 11 million.

On January 20, 2009 the Company granted the 8 million stock options to its four officers as required by the employment agreements mentioned above. The options have a 5 year life, an exercise price of $0.44, which in accordance with the 2008 Stock Option Plan is 10% above the current Fair Market value on the grant date, and became fully vested at December 31, 2009.

The Company used the Black-Scholes valuation model to estimate the grant date fair value of its stock options and warrants. The model requires various judgmental assumptions including estimated stock price volatility, forfeiture rates and expected life.

The Company's calculations of the fair market value of each stock-based award that were granted, on January 20, 2009, used the following assumptions:

Risk-free interest rate	1.48%
Expected life in years	5
Dividend yield	0
Expected volatility	48.43%

Using the above assumptions the Company calculated the fair market value of the 8,000,000 options on January 20, 2009 to be $0.16 per option, or $1,297,437 for all of the options granted. As the Company had the obligation to grant these stock options at the beginning of 2008 and the options were to vest partially during 2008 the Company accrued Stock Compensation Expense of $810,898 and recorded a liability to the four officers in the same amount as of December 31, 2008. The remaining $486,539 of stock compensation expense was expensed in 2009.

On December 31, 2009 the Company issued Stock Option Grant notices to seven employees and service providers under the 2008 Stock Option Plan, as amended. Options to purchase 130,000 shares of common stock at an exercise price of $0.55 per share were granted with a 5 year life, fully vesting on December 31, 2009. The exercise price was determined using an average of the closing price of the five days immediately preceding the Date of Grant.

The Company's calculations of the fair market value of each stock-based award that were granted, on December 31, 2009, used the following assumptions:

Risk-free interest rate	1.48%
Expected life in years	5
Dividend yield	0
Expected volatility	58.56%

Using the above assumptions the Company calculated the fair market value of the 130,000 options on December 31, 2009 to be $0.24 per option, or $31,319 for all of the options granted. The full value of the options was expensed in 2009.

On June 21, 2010, the Company issued a Stock Option Grant notice to James Sommers, pursuant to a an agreement for consulting services rendered, under the 2008 Stock Option Plan, as amended. Options to purchase 250,000 shares of common stock at an exercise price of $0.50 per share were granted with a 3 year life, fully vesting on the date of grant. The exercise price was determined using an average of the closing price of the five days immediately preceding the Date of Grant. The Company's calculation of the fair market value of the stock-based award was $0.26 per option, or $63,894. The full value of the options was expensed in 2010.

On October 3, 2010 the Company issued a Stock Option Grant notice to Anthony Dates, Vice President of Sales, pursuant to a an agreement for a salary reduction effective on that date, under the 2008 Stock Option Plan, as amended. Options to purchase 25,000 shares of common stock at an exercise price of $0.50 per share were granted with a 5 year life, fully vesting on December 31, 2010. The exercise price was determined using an average of the closing price of the five days immediately preceding the Date of Grant. The Company's calculation of the fair market value of the stock-based award was $0.32 per option, or $16,046. The full value of the options was expensed in 2010.

On December 31, 2010 the Company issued Stock Option Grant notices to ten employees and service providers under the 2008 Stock Option Plan, as amended. Options to purchase 100,000 shares of common stock at an exercise price of $0.336 per share were granted with a 5 year life, fully vesting on December 31, 2010. The exercise price was determined using an average of the closing price of the five days immediately preceding the Date of Grant. The Company's calculation of the fair market value of the stock-based award that was granted was $0.15 per option, or $15,068 for all of the options granted. The full value of the options was expensed in 2010.

On December 31, 2010, the Company issued a Stock Option Grant notice to Jeanene Morgan in conjunction with her appointment as Chief Accounting and Operating Officer under the 2008 Stock Option Plan, as amended. Options to purchase 450,000 shares of common stock at an exercise price of $0.336 per share were granted with a vesting schedule of 150,000 shares on December 31, 2010 and 100,000 vesting each year thereafter on Decembers 31, 2011, 2012 and 2013. The options have a 5 year life from the date of vesting. The exercise price was determined using an average of the closing price of the five days immediately preceding the Date of Grant. The Company's calculation of the fair market value of the stock-based award that was granted was $0.15 per option, or $67,806 for all of the options granted. Expense was recorded in 2010 for 150,000 vested options in the amount of $22,602, with the remaining $45,204 to be amortized on a straight line basis over the remaining three years of the vesting schedule.

The Company used the Black-Scholes valuation model to estimate the grant date fair value of the options granted in 2010. The Company used the following assumptions for the 2010 valuations:

Risk-free interest rate	1.21% – 2.01%
Expected life in years	3-5
Dividend yield	0
Expected volatility	68.54% - 80.23%

The following schedule summarizes the changes in the Company's stock option plan:

	Options Outstanding		Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Weighted Average Exercise Price per Share
	Number of Shares	Exercise Price per Share			
Balance at December 31, 2008	-	-	-	-	-
Options Granted	8,130,000	$ 0.44-0.55	5.00 years	-	$ 0.44
Options Exercised	-	-	-	-	-
Options Expired	-	-	-	-	-
Balance at December 31, 2009	8,130,000	$ 0.44-0.55	4.07 years	-	$ 0.44
Options Granted	840,000	$ 0.34-0.50	4.97 years	-	$ 0.39
Options Exercised	-	-	-	-	-
Options Expired	-	-	-	-	-
Balance at December 31, 2010	8,970,000	$ 0.34-0.55	3.25 years	-	$ 0.44
Exercisable December 31, 2010	8,670,000	$ 0.34-0.55	3.12 years	-	$ 0.44

Note 10: Warrants

In connection with the sale of shares of its common stock in 2010 the Company issued warrants to purchase a total of 471,108 shares of its common stock at $0.40 per share exercisable for a three-year period.

The following schedule summarizes the changes in the Company's warrants during 2010:

	Number of Warrants	Exercise Price per Share	Weighted Average Exercise Price per Share
Balance at December 31, 2009	-	-	-
Warrants Granted	471,108	$ 0.40	$ 0.40
Warrants Exercised	-	-	-
Warrants Expired	-	-	-
Balance at December 31, 2010	471,108	$ 0.40	$ 0.40
Exercisable December 31, 2010	471,108	$ 0.40	$ 0.40

The following schedule summarizes the outstanding warrants at December 31, 2010:

Number of Warrants Outstanding at December 31, 2010	Number of Warrants Exercisable at December 31, 2010	Expiration Date	Exercise Price
471,108	471,108	2013	$ 0.40

Note 11: Employment Agreements

On January 1, 2008, the Company entered into Employment Agreements with four of the Officers of the Company for a term of five years, expiring on December 31, 2012. The agreements specify increasing annual salary amounts, car allowances, participation in benefit plans, vacations, and stock option plans, and severance benefits.

Authorized salaries for each officer for the fiscal year ended December 31, 2009 were $195,000. On April 1, 2009, each of the four officers agreed to a salary reduction to $125,000, resulting in a prorated total salary calculation of $142,500 for the year. As of September 30, 2010, this balance was converted to subordinated, long term debt.

Authorized salaries for each officer for the fiscal year ended December 31, 2010 were $210,000. On April 1, 2009, each of the four officers agreed to a salary reduction to $125,000. On February 11, 2011 each of the four officers agreed to a retroactive salary reduction for 2010 to $80,000 inclusive of the car allowance. As of September 30, 2010, this balance was converted to subordinated, long term debt.

Pursuant to a February 2011 amendment to the employment agreements, salaries for 2011 were set at $125,000 exclusive of the car allowance of $11,400, and, upon notice from the employee, may be increased to $165,000 for 2012. The following is a schedule by year of the future minimum salary payments related to these employment agreements:

2011	500,000
2012	660,000
Total	$ 1,160,000

Note 12: Creation of Limited Liability Company

On September 20, 2010, the Company entered into a joint venture agreement between the Company and Dr. Shulamit Ritblatt to form Circle of Education, LLC (COE), a California limited liability company, for the purpose of creation and distribution of a curriculum to promote school readiness for children ages 0-5 years. The Company obtained an initial voting and economic interest of seventy-five percent of the outstanding units of the newly formed company in exchange for the contribution of all intellectual property rights the Company had in the Circle of Education program. As of the issuance date of these financial statements, both parties have made their intellectual property contributions to COE and a Long Term Investment in Circle of Education was recognized by the Company in the amount of $53,008, which represents the expenditure for development of the product through December 31, 2010. Circle of Education, LLC was formed on September 24, 2010. As of the issuance of these financial statements, it has not yet begun sales operations and no income or expenses are included in the financial statements of the Company.

Note 13: Subsequent Events

The Company evaluated subsequent events through March 11, 2011.

On January 12, 2011, the Company announced it had signed an agreement with Jakks Pacific's Tollytots® division for a new toy line. As a result of the world-wide, five-year agreement, which expires on December 31, 2016, Tollytots® will immediately begin development on a comprehensive line of musical and early learning toys, based on the *Baby Genius* brand and characters. The new toy line will cover a broad range of exclusive categories including learning and developmental toys, most plush toys, and musical toys, as well as several other non-exclusive categories. The contract is subject to certain minimum net sales revenue.

On February 9, 2011, payments of certain of the related party notes payable were made in the aggregate of $56,000 against the principal outstanding.

Exhibit 3.1

2593050

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

JAN - 3 2006

ARTICLES OF INCORPORATION

ONE: The name of this corporation is PACIFIC ENTERTAINMENT CORPORATION

TWO: The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

THREE: The name and address in the State of California of this corporation's initial agent for service of process is George L. de la Flor, APC, 8355 La Mesa Blvd., La Mesa, CA 91941.

FOUR: This corporation is authorized to issue only one class of shares of stock, which shall be designated common stock. The total number of shares which this corporation is authorized to issue is ONE HUNDRED MILLION (100,000,000) shares.

FIVE: The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

SIX: The corporation is authorized to indemnify the directors and officers of the corporation to the fullest extent permissible under California law.

IN WITNESS WHEREOF, the undersigned, being all the persons named above as the initial directors, have executed these Articles of Incorporation.

Dated: 010306

1-3-06

1/3/06

Klaus Moeller

Larry Balaban

Mike Meagher

OFFICE OF THE SECRETARY OF STATE

Articles of Incorporation

Exhibit 3.2

BYLAWS
OF
PACIFIC ENTERTAINMENT CORPORATION

ARTICLE I
OFFICES

1. PRINCIPAL OFFICES. The Board of Directors of this corporation (the **"Board**") shall fix the location of the principal executive office of the corporation at any place within or outside California. If the principal executive office is located outside the state, and the corporation has one or more business offices in this state, the Board shall designate a principal business office in California.

2. OTHER OFFICES. The Board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II
MEETINGS OF SHAREHOLDERS

1. PLACE OF MEETINGS. Meetings of shareholders shall be held at any place within or outside California designated by the Board. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

2. ANNUAL MEETING. The annual meeting of shareholders shall be held each year on a date and at a time designated by the Board. At each annual meeting, directors shall be elected, and any other proper business may be transacted.

3. SPECIAL MEETING. A special meeting of the shareholders may be called at any time by the Board, or by the Chairman of the Board, or by the President, or by one or more shareholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting.

If a special meeting is called by any person or persons other than the Board, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, any Vice President, or the Secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article II, that a meeting will be held at the time requested by the person(s) calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person(s) requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 3 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the Board may be held.

4. NOTICE OF SHAREHOLDERS' MEETINGS. All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 5 of Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (a) in the case of a special meeting, the general nature of the business to be transacted, or (b) in the case of the annual meeting, those matters which the Board, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the name of any nominees whom, at the time of the notice, management intends to present for election.

If action is proposed to be taken at any meeting for approval of (a) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to California Corporations Code (the "**Code**") §310, (b) an amendment of the Articles of Incorporation, pursuant to Code §902, (c) a reorganization of the corporation, pursuant to Code §1201, (d) a voluntary dissolution of the corporation, pursuant to Code §1900, or (e) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant of Code § 2007, the notice shall also state the general nature of that proposal.

5. MANNER OF GIVING NOTICE: AFFIDAVIT OF NOTICE. Notice of any meeting of shareholders shall be given either personally or by the first-class mail of telegraphic or other written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the U.S. Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice.

6. QUORUM. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action is taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

7. ADJOURNED MEETING: NOTICE. Any shareholder's meeting, annual or special, whether a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 6 of this Article II.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date of the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Board shall set a new record date. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

8. VOTING. The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 11 of this Article II, subject to Code §§ 702 to 704, inclusive (relating to voting shares held by a fiduciary, in the name of a corporation, or in joint ownership). The shareholders' vote may be by voice vote or by ballot; provided, that an election for directors must be by ballot if demanded by any shareholder before the voting has begun. On any matter other than elections of directors, any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the shareholders, unless the vote of a greater number of voting by classes is required by these Bylaws, the California Corporation Code or by the Articles of Incorporation.

At a shareholders' meeting at which directors are to be elected, no shareholder shall be entitled to cumulate votes (i.e., cast for any one or more candidates a number of votes greater than the number of the shareholder's shares) unless the candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

9. WAIVER OF NOTICE OR CONSENT BY ABSENT SHAREHOLDERS. The transactions of any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to a holding of the meeting, or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of the matters specified in the second paragraph of Section 4 of this Article II, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

10. SHAREHOLDER ACTION BY WRITTEN CONSENT. Any action which may be taken at any annual or special meeting of shareholders may by taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, that a director may be elected at any time to fill a vacancy of the Board that has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. All such consents shall be filed with the Secretary and shall be maintained in the corporate records. Any shareholder giving written consent, or the shareholder's proxy holders, or a transferee of the shares or a personal representative of the shareholder or their respective proxy holders, may revoke the consent by a writing received by the corporation prior to the time that the written consents of the number of shares required to authorize the proposed action have been filed with the Secretary, but may not do so thereafter.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the Secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. This notice shall be given in the manner specified in Section 5 of this Article II. In the case of approval of (a) contracts or transactions in which a director has a direct or indirect financial interest, pursuant to Code §310, (b) indemnification of agents of the corporation pursuant to Code §317, (c) a reorganization of the corporation pursuant to Code §1201, and (d) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares pursuant to Code §2007, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

11. RECORD DATE FOR NOTICE, VOTING, AND CONSENTS. For purposes of determining the shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the Board may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in this event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books to the corporation after the record date, except as otherwise provided in the California General Corporation Law. If the Board does not so fix a record date:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the date on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, (1) when no prior action by the board has been taken, shall be the day on which the first written consent is given, or (2) when prior action of the Board has been taken, shall be at the close of business on the day on which the Board adopts the resolution relating to that action, or the sixtieth (60^{th}) day before the date of such other action, whichever is later.

12. PROXIES. Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (a) revoked by the person executing it before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (b) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provision of Code §§705(e) and 705(f).

13. INSPECTORS OF ELECTION. Before any meeting of shareholders, the Board may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy. These inspectors shall: (a) determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies; (b) receive votes, ballots, or consents; (c) hear and determine all challenges and questions in any way arising in connection with the right to vote; (d) count and tabulate all votes or consents; (e) determine when the polls shall close; (f) determine the result; and (g) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III
DIRECTORS

1. RESPONSIBILITY OF BOARD. Subject to the provisions of the California General Corporation Law and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the day-to-day operation of the business of the corporation to another person, including but not limited to the officers of the corporation, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

2. NUMBER AND QUALIFICATION OF DIRECTORS. The number of directors shall be not less than three (3); provided, however, that (a) so long as the corporation has only one (1) shareholder, the number may be one or two, and (b) so long as the corporation has only two (2) shareholders, the number may be two. The number of directors may be increased or decreased from time to time by the Board; provided, however, after shares have been issued, any bylaw specifying or changing the minimum number of directors may be adopted only by approval of the outstanding shares, as that term is defined in Section 152 of the California Corporations Code, provided that a bylaw reducing the minimum number to a number less than five (5) cannot be adopted if the votes cast against its adoption at a meeting of shareholders or the shares not consenting in the case of action by written consent are equal to more than 16 2/3 percent of the outstanding shares entitled to vote.

3. ELECTION AND TERM OF OFFICE OF DIRECTORS. Directors shall be elected at each annual meeting of the shareholders to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

4. VACANCIES. Vacancies in the Board may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified.

A vacancy or vacancies in the Board shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the Board by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized or required number of directors is increased, or if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be voted for at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election by written consent shall require the consent of a majority of the outstanding shares entitled to vote.

Any director may resign effective on giving written notice to the Chairman of the Board, the President, the Secretary, or the Board, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

5. PLACE OF MEETING AND MEETINGS BY TELEPHONE. Regular meetings of the Board may be held at any place within or outside California that has been designated from time to time by Board resolution. In the absence of such a designation, regular meetings shall be held at the principal executive office. Special meetings of the Board shall be held at any place within or outside California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at the meeting.

6. ANNUAL MEETING. Immediately following each annual meeting of shareholders, the Board shall hold a regular meeting for the purpose of organization, any desired election of officers, and the transaction of other business. Notice of this meeting shall not be required.

7. OTHER REGULAR MEETINGS. Other regular meetings of the Board shall be without call at such time as shall from time to time be fixed by the Board. Such regular meetings may be held without notice.

8. SPECIAL MEETINGS. Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board or the President or any Vice President or the Secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. In case the notice is mailed, it shall be deposited in the U.S. mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, it shall be delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail or other electronic means or at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal executive office of the corporation.

9. QUORUM. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 11 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, subject to Code §310 (as to approval of contracts or transactions in which a director has a direct or indirect material of financial interest), §311 (as to appointment of committees), and §317(e) (as to indemnification of directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

10. WAIVER OF NOTICE. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement the lack of notice to that director.

11. ADJOURNMENT. A majority of the directors present, whether constituting a quorum, may adjourn any meeting to another time and place.

12. NOTICE OF ADJOURNMENT. Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than twenty-four hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

13. ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

14. FEES AND COMPENSATION OF DIRECTORS. Directors and committee members may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board. This Section 14 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise, and receiving compensation for those services.

ARTICLE IV
COMMITTEES

1. COMMITTEES OF DIRECTORS. The Board may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the Board's pleasure. The Board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to: (a) the approval of any action which, under the General Corporation Law of California, also requires shareholders' approval or approval of the outstanding shares; (b) the filling of vacancies on the Board or in any committee; (c) the fixing of compensation of the directors for serving on the Board or on any committee; (d) the amendment or repeal of bylaws or the adoption of new bylaws; (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the Board; or (g) the appointment of any other committees of the Board or the members of such committees.

2. MEETINGS AND ACTION OF COMMITTEES. Meetings and actions of committees shall be governed by, and held and taken in accordance with, Article III, Section 5 (place of meetings), 7 (regular meetings), 8 (special meetings and notice), 9 (quorum), 10 (waiver of notice), 11 (adjournment), 12 (notice of adjournment), and 13 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members, except that the time of regular meetings of committees may be determined either by Board resolution or by committee resolution; special meetings of committees may also be called by Board resolution; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with these Bylaws.

ARTICLE V
OFFICERS

1. OFFICERS. The officers of the corporation will be a Chairman of the Board, a Chief Executive Officer, a President, a Chief Operating Officer, a Secretary, a Chief Financial Officer or a Treasurer. The corporation may also have, at the discretion of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be elected or appointed in accordance with the provisions of this Article. Any number of offices may be held by the same person.

2. ELECTION OF OFFICERS. The officers, except such officers as may be appointed in accordance with Sections 3 or 5 of this Article V, shall be chosen by a majority vote of the Board, and each shall serve at the Board's pleasure, subject to the rights, if any, of an officer under any employment contract.

3. SUBORDINATE OFFICERS. The Board may appoint, and may empower the Chief Executive Officer to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

4. REMOVAL AND RESIGNATION OF OFFICERS. Subject to the rights, if any, of an officer under any employment contract, any officer may be removed, either with or without cause, by the Board at any regular or special Board meeting, or except in case of an officer chosen by the Board by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5. VACANCIES IN OFFICES. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

6. CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned to him or her by the Board or prescribed by the Bylaws.

7. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the corporation shall be the chief executive officer of the corporation, unless otherwise determined by the Board, and shall have, subject to the control of the Board, general and active supervision and management over the business of the corporation and over its several subordinate officers, assistants, agents and employees.

8. PRESIDENT. The President shall have, subject to the control of the Board and/or the Chief Executive Officer, general and active supervision and management over the business of the corporation and over its several subordinate officers, assistants, agents and employees. The President shall have such other powers and duties as may from time to time be assigned to him by the Chief Executive Officer, the Board or as prescribed by the Bylaws. At the request of the Chief Executive Officer, or in the case of the absence or inability to act of the Chief Executive Officer upon the request of the Board, the President shall perform the duties of the Chief Executive Officer and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer.

9. VICE PRESIDENTS. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board or, if not ranked, a Vice President designated by the Board, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board or these Bylaws, and the Chief Executive Officer, or the President.

10. SECRETARY. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board may direct, a book of minutes of all meetings and actions of directors, committees of directors, and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board required by these Bylaws or by law to be given, and he shall keep the seal of the corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

11. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and share value. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board. He or she shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VI
IDEMNIFICATION

1. RIGHT OF INDEMNIFICATION. The corporation shall indemnify any person who was or is a party to any threatened, pending or completed civil lawsuit or proceeding, whether administrative or investigative, including all appeals (other than an action brought by or on behalf of the corporation) by reason of the fact that that person is or was acting as a director, officer or employee of the corporation. Indemnification shall be against all expenses, including without limitation, attorneys' fees, court costs, expert witness fees, judgments, decrees, and fines actually paid by the person in settlement of any action, suit or proceedings provided that the Board shall first have determined, in its sole judgment, that the person acted in good faith and in a manner that he or she reasonably believed to be in the best interests of the corporation. The termination of any action, suit or proceeding by judgment, order or settlement shall not of itself create a presumption that the person did not act in good faith.

2. GROSS NEGLIGENCE OR MISCONDUCT. No indemnification shall be made for any claim, issue or matter as to which the person is finally adjudged to be liable for gross negligence or intentional misconduct in the performance of his or her duties as director, officer, trustee, fiduciary or employee.

3. INDEMNITY FOR SUCCESSFUL DEFENSE. In spite of any limitations set forth in Sections 1 and 2 of this Article VI, to the extent that any person has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in those Sections, that person shall be indemnified against all expenses actually and reasonably paid by him or her, including, without limitation, attorneys' fees, court costs and expert witness fees.

4. ADVANCEMENT OF EXPENSES. Expenses incurred in defending a civil action, suit or proceeding may be paid by the corporation in advance of the final disposition of the action, suit or proceeding as authorized by the Board, on receipt by the Board of an undertaking by or on behalf of the director, officer or employee involved to repay the expenses if it is ultimately determined that the person is not entitled to be indemnified by the corporation as authorized in this Article VI.

5. INDEMNIFICATION NOT EXCLUSIVE. The indemnification provided under this Article VI shall not be deemed to be exclusive of any other rights to which any person indemnified may be entitled under any regulation, agreement, vote of the shareholders or disinterested directors or otherwise. The indemnification provided under this Article VI shall be deemed exclusive of any other power to indemnify or right to indemnification that the corporation or any person referred to in this Article VI may have to acquire. Indemnification shall continue and inure to the benefit of the heirs, executors and administrators of any person entitled to indemnification under this Article VI.

ARTICLE VII
RECORDS AND REPORTS

1. MAINTENANCE AND INSPECTION OF SHARE REGISTER. The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar if either be appointed and as determined by resolution of the Board, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation may (a) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five (5) days prior written demand on the corporation, and (b) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such a list, a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate. Any inspection and copying under this Section 1 may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand and at their expense.

2. MAINTENANCE AND INSPECTION OF BYLAWS. The corporation shall keep at its principal executive office, or if its principal executive office is not in California, at its principal business office in this state, the original or a copy of the Bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside California and the corporation has no principal business office in this state, the Secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of the Bylaws, as amended to date.

3. MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS. The accounting books and records and minutes of proceedings of the shareholders and the Board and any committee or committees of the Board shall be kept at such place or places designated by the Board, or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

4. INSPECTION BY DIRECTORS. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

5. ANNUAL REPORT TO SHAREHOLDERS. The annual report to shareholders referred to in Code §1501 is expressly dispensed with, but nothing herein shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to the shareholders of the corporation as they consider appropriate.

6. ANNUAL STATEMENT. The corporation shall file with the California Secretary of State, on the prescribed form, a statement setting forth the authorized number of directors, the names and complete business or residence addresses of all incumbent directors, the names and complete business or residence addresses of the President, Secretary, and CFO, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the corporation, together with a designation of the agent of the corporation for the purpose of service of process, all in compliance with Code §1502.

ARTICLE VIII
GENERAL CORPORATE MATTERS

1. RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING. For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the Board may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the California General Corporation Law.

If the board does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the board adopts the applicable resolution or the sixtieth (60^{th}) day before the date of that action, whichever is later.

2. CHECKS, DRAFTS, EVIDENCES OF IDEBTEDNESS. All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board.

3. CORPORATE CONTRACTS AND INSTRUMENTS. The Board, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

4. SHARE CERTIFICATES. A certificate(s) for shares of the corporate capital stock shall be issued to each shareholder when any of these shares are fully paid, and the Board may authorize the issuance of certificates for shares as partly paid provided these certificates state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the corporation by the Chief Executive Officer or the President or a Vice-President and by the Chief Financial Officer or an assistant treasurer or the Secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue.

5. LOST CERTIFICATES. Except as provided in this Section 5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the corporation and canceled at the same time. The Board may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate for any other conditions as the Board may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

6. REPRESENTATION OF SHARES OF OTHER CORPORATIONS. The Chief Executive Officer, the President, or any Vice-President, or any other person authorized by Board resolution or by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any shares of any other corporation, foreign or domestic, standing in the corporation's name. This authority may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

7. CONSTRUCTION AND DEFINITIONS. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE IX
AMENDMENTS

1. AMENDMENT BY SHAREHOLDERS. New Bylaws may be adopted or these Bylaws may be amended or repealed by approval of the outstanding shares of the corporation, as that term is defined in Section 152 of the California Corporations Code; provided, however, that if the Articles of Incorporation of the corporation set forth the number of authorized Directors of the corporation, the authorized number of Directors may be changed only by an amendment of the Articles of Incorporation.

2. AMENDMENT BY DIRECTORS. Subject to the rights of shareholders as provided in Section 1 of this Article IX, these Bylaws, other than a bylaw or an amendment of a bylaw changing the authorized number of directors, may be adopted, amended, or repealed by the Board.

CERTIFICATE OF ADOPTION OF AMENDED AND RESTATED BYLAWS

CERTIFICATE BY SECRETARY:

I HEREBY CERTIFY that I am the duly elected, qualified and acting Secretary of this corporation, that these Bylaws were adopted as the Bylaws of this corporation on _____, 2006 by the Board of Directors and the Shareholders of this corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal as of _____, 2006.

/s/ Michael G. Meader

Mike Meader,
Secretary

Exhibit 4.1

NOT VALID UNLESS COUNTERSIGNED BY TRANSFER AGENT
INCORPORATED UNDER THE LAWS OF THE STATE OF CALIFORNIA

NUMBER

PACIFIC ENTERTAINMENT CORP

SHARES

AUTHORIZED COMMON STOCK: 100,000,000 SHARES
PAR VALUE: $0.001

CUSIP NO. 69423R104

THIS CERTIFIES THAT

IS THE RECORD HOLDER OF

— Shares of **Pacific Entertainment Corp** Common Stock —

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

SECRETARY

PRESIDENT

PACIFIC ENTERTAINMENT CORP
CORPORATE
Seal
CALIFORNIA

Countersigned & Registered: Globex Transfer, LLC
(386) 206-1133

By _____
Authorized Signature

NOTICE: Signature must be guaranteed by a firm which is a member of a registered national stock exchange, or by a bank (other than a savings bank), or a trust company. The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations

TEN COM-as tenants in common
TEN ENT- as tenants by the entireties
JT TEN -as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)
under Uniform Gifts to Minors

Act.....
(State)

Additional abbreviations may also be used though not in the above list

For Value Received, _____ **hereby sell, assign and transfer unto**

PLEASE INSERT SOCIAL SECURITY OR
OTHER,
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OR ASSIGNEE)

_____ Shares of the capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint

_____ ,_____ Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFIC

PACIFIC ENTERTAINMENT CORPORATION

2008 STOCK OPTION PLAN

ADOPTED BY BOARD OF DIRECTORS: DECEMBER 15, 2008
APPROVED BY STOCKHOLDERS: DECEMBER 29, 2008
TERMINATION DATE: DECEMBER 29, 2018

1. GENERAL.

(a) Eligible Option Recipients. The persons eligible to receive Options are Employees, Directors and Consultants.

(b) Available Options. The Plan provides for the grant of the following Options: (i) Incentive Stock Options, and (ii) Nonstatutory Stock Options.

(c) General Purpose. The Company, by means of the Plan, seeks to secure and retain the services of the group of persons eligible to receive Options as set forth in Section 1(a), to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Options.

2. DEFINITIONS. As used in the Plan, the definitions contained in this Section 2 shall apply to the capitalized terms indicated below:

(a) ***"Affiliate"*** means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 of the Securities Act. The Board shall have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(b) ***"Board"*** means the Board of Directors of the Company.

(c) ***"Capitalization Adjustment"*** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Option after the Effective Date without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.

(d) ***"Code"*** means the Internal Revenue Code of 1986, as amended.

(e) ***"Committee"*** means a committee of two (2) or more Directors to whom authority has been delegated by the Board in accordance with Section 3(c).

(f) ***"Common Stock"*** means the no par value common stock of the Company.

(g) ***"Company"*** means Pacific Entertainment Corporation, a California corporation.

(h) ***"Consultant"*** means any person, including an advisor, who is engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services. Service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a "Consultant" for purposes of the Plan.

(i) ***"Continuous Service"*** means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an employee of the Company to a consultant to an Affiliate or to a Director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in an Option only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(j) ***"Corporate Transaction"*** means:

(i) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred at such time as the stockholders of the Company immediately prior to the completion of the transaction (or, in the case of a series of transactions, immediately prior to the first transaction in the series) hold, directly or indirectly, less than fifty percent (50%) of the beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act or comparable successor rules) of the outstanding securities of the surviving entity, or, if more than one entity survives the transaction or transactions, the controlling entity, following such transaction or transactions; or

(ii) During any period of twelve (12) consecutive months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which voting securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of voting securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all of the assets of the Company, provided that any such consolidation, merger, sale, lease, exchange or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control of the Company; or

(iv) Approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.

(k) ***"Covered Employee"*** shall have the meaning provided in Section 162(m)(3) of the Code and the regulations promulgated thereunder.

(l) ***"Director"*** means a member of the Board.

(m) ***"Disability"*** means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Section 22(e)(3) and 409A(a)(2)(c)(i) of the Code.

(n) **"*Effective Date*"** means the effective date of this Plan document, which is the date of the annual meeting of stockholders of the Company held in 2008, provided this Plan is approved by the Company's stockholders at such meeting.

(o) ***"Employee"*** means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an "Employee" for purposes of the Plan.

(p) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

(q) ***"Fair Market Value"*** means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined by the Board in good faith.

(r) ***"Incentive Stock Option"*** means an option granted pursuant to Section 6 that is intended to be, and qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) ***"Non-Employee Director"*** means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(t) ***"Non-Executive Director"*** means a Director who is not an Employee.

(u) ***"Nonstatutory Stock Option"*** means an option granted pursuant to Section 6 that does not qualify as an Incentive Stock Option.

(v) ***"Officer"*** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) ***"Option"*** means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to Section 6.

(x) ***"Option Agreement"*** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(y) ***"Optionholder"*** means a person to whom an Option is granted pursuant to the Plan or, if permitted under the terms of this Plan, such other person who holds an outstanding Option.

(z) ***"Outside Director"*** means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an "affiliated corporation," and does not receive remuneration from the Company or an "affiliated corporation," either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(aa) ***"Participant"*** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(bb) ***"Performance Criteria"*** means the one or more criteria that the Board shall select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that shall be used to establish such Performance Goals may be based on any one of, or combination of, or any ratio between two or more of, the following: (i) earnings before interest, taxes, depreciation and amortization ("EBITDA"); (ii) earnings before interest and taxes ("EBIT"); (iii) earnings before unusual or nonrecurring items; (iv) net earnings; (v) earnings per share; (vi) net income; (vii) gross profit margin; (viii) operating margin; (ix) operating income; (x) net operating income; (xi) net operating income after taxes; (xii) growth; (xiii) net worth; (xiv) cash flow; (xv) cash flow per share; (xvi) total stockholder return; (xvii) return on capital; (xviii) stock price performance; (xix) revenues; (xx) costs; (xxi) working capital; (xxii) capital expenditures; (xxiii) changes in capital structure; (xxiv) economic value added; (xxv) industry indices; (xxvi) expenses and expense ratio management; (xxvii) debt reduction; (xxviii) profitability of an identifiable business unit or product; (xxix) levels of expense, cost or liability by category, operating unit or any other delineation; (xxx) implementation or completion of projects or processes; (xxxi) contribution; (xxxii) average days sales outstanding; (xxxiii) new sales; and (xxxiv) to the extent that an Option is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Option Agreement. The Board shall, in its sole discretion, define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

(cc) ***"Performance Goals"*** means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be set on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to other Performance Criteria or internally generated business plans approved by the Board, the performance of one or more comparable companies or a relevant index. The Board is authorized to make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (i) to exclude restructuring and/or other nonrecurring charges; (ii) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated net sales and operating earnings; (iii) to exclude the effects of changes to generally accepted accounting standards required by the Financial Accounting Standards Board; (iv) to exclude the effects of any statutory adjustments to corporate tax rates; (v) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; (vi) to exclude any other unusual, non-recurring gain or loss or other extraordinary item; (vii) to respond to, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development; (viii) to respond to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; (ix) to exclude the dilutive effects of acquisitions or joint ventures; (x) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (xi) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common shareholders other than regular cash dividends; (xii) to reflect a corporate transaction, such as a merger, consolidation, separation (including a spinoff or other distribution of stock or property by a corporation), or reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code); and (xiii) to reflect any partial or complete corporate liquidation. The Board also retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals.

(dd) ***"Performance Period"*** means the one or more periods of time, which may be of varying and overlapping durations, as the Board may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's vesting in any Option.

(ee) ***"Plan"*** means this Pacific Entertainment Corporation 2008 Stock Option Plan.

(ff) ***"Retirement"*** means the termination of a Participant's Continuous Service by retirement as determined in accordance with the Company's then current employment policies and guidelines.

(gg) ***"Rule 16b-3"*** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(hh) ***"Securities Act"*** means the Securities Act of 1933, as amended.

(ii) ***"Ten Percent Stockholder"*** means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. ADMINISTRATION.

(a) **ADMINISTRATION BY BOARD.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee or Committees, as provided in Section 3(c).

(b) **POWERS OF BOARD.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Options; (B) when and how each Option shall be granted; (C) what type or combination of types of Options shall be granted; (D) the provisions of each Option granted (which need not be identical), including the time or times when a person shall be permitted to receive cash or Common Stock pursuant to an Option; and (E) the number of shares of Common Stock with respect to which an Option shall be granted to each such person.

(ii) To construe and interpret the Plan and Options, and to establish, amend and revoke rules and regulations for the Plan's administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement in a manner and to the extent it shall deem necessary or expedient to make the Plan or Option fully effective.

(iii) To settle all controversies regarding the Plan and Options.

(iv) To accelerate the time at which an Option may first be exercised or the time during which an Option or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Option stating the time at which it may first be exercised or the time during which it will vest.

(v) To suspend or terminate the Plan at any time. Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the affected Participant.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and to bring the Plan and/or Options into compliance therewith, subject to the limitations, if any, of applicable law. However, except as provided in Section 9 (a) relating to Capitalization Adjustments, stockholder approval shall be required for any amendment of the Plan that either (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Options under the Plan, (C) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (D) materially extends the term of the Plan, or (E) expands the types of Options or other awards available for issuance under the Plan, but only to the extent required by applicable law or listing requirements. Except as provided above, rights under any Option granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding "incentive stock options" or (C) Rule 16b-3.

(viii) To approve forms of Option Agreements for use under the Plan and to amend the terms of any one or more Options, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Option Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however,* that the Participant's rights under any Option shall not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without the affected Participant's consent, the Board may amend the terms of any one or more Options if necessary to maintain the qualified status of the Option as an Incentive Stock Option or to bring the Option into compliance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Options.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(c) Delegation to Committee.

(i) General. Subject to the limitation set forth in Section 3(c)(ii), the Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated to the Committee, Committees, subcommittee or subcommittees.

(ii) COMMITTEE COMPOSITION. In the sole discretion of the Board, the Committee may consist solely of two (2) or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two (2) or more Non-Employee Directors, in accordance with Rule 16b-3. In addition, the Board or the Committee, in its sole discretion, may (A) delegate to a Committee which need not consist of Outside Directors the authority to grant Options to eligible persons who are either (1) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Option, or (2) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code, or (B) delegate to a Committee which need not consist of Non-Employee Directors the authority to grant Options to eligible persons who are not then subject to Section 16 of the Exchange Act. Notwithstanding the foregoing or any other provision of the Plan to the contrary, any Option granted to a Non-Executive Director shall be granted by a Committee consisting solely of two (2) or more Outside Directors or Non-Employee Directors.

(d) DELEGATION TO AN OFFICER The Board may delegate to one (1) or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Options granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Options granted by such Officer and that such Officer may not grant an Option to himself or herself. Notwithstanding anything to the contrary in this Section 3(d), the Board may not delegate to an Officer authority to determine the Fair Market Value pursuant to Section 2(q)(ii).

(e) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. Shares Subject to the Plan.

(a) **Share Reserve.** Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Options after the Effective Date shall not exceed eleven million (11,000,000) shares. Shares may be issued in connection with a merger or acquisition as permitted by NYSE Listed Company Manual Section 303A.08 or, if applicable, NASD Rule 4350(i)(1)(A)(iii) or AMEX Company Guide Section 711, and such issuance shall not reduce the number of shares available for issuance under the Plan. Furthermore, if an Option (i) expires or otherwise terminates without having been exercised in full or (ii) is settled in cash (*i.e.*, the holder of the Option receives cash rather than stock), such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares Common Stock that may be issued pursuant to the Plan.

(b) **Reversion of Shares to the Share Reserve.** If any shares of common stock issued pursuant to a Option are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares which are forfeited shall revert to and again become available for issuance under the Plan. Also, any shares reacquired by the Company pursuant to Section 8(g) or as consideration for the exercise of an Option shall again become available for issuance under the Plan. Notwithstanding the provisions of this Section 4(b), any such shares shall not be subsequently issued pursuant to the exercise of Incentive Stock Options.

(c) **Incentive Stock Option Limit.** Notwithstanding anything to the contrary in this Section 4(c), subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options shall be eleven million (11,000,000) shares.

(d) **Source of Shares.** The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the market or otherwise.

5. Eligibility.

(a) **Eligibility for Specific Options.** Incentive Stock Options may be granted only to employees of the Company or a parent corporation or subsidiary corporation (as such terms are defined in Sections 424(e) and (f) of the Code). Options other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

6. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options need not be identical; *provided, however*, that each Option Agreement shall include (through incorporation of provisions hereof by reference in the Option Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 5(b) regarding Ten Percent Stockholders, no Option shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Option Agreement.

(b) Exercise Price. Subject to the provisions of Section 5(b) regarding Ten Percent Stockholders, the exercise price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option if such Option is granted pursuant to an assumption of or substitution for another option in a manner consistent with the provisions of Section 424(a) of the Code (whether or not such options are Incentive Stock Options).

(c) Consideration. The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The methods of payment permitted by this Section 6(c) are:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; *provided, further,* that shares of Common Stock will no longer be outstanding under an Option and will not be exercisable thereafter to the extent that (A) shares are used to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board.

(d) Transferability of Options. The Board may, in its sole discretion, impose such limitations on the transferability of Options as the Board shall determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options shall apply:

(i) Restrictions on Transfer. An Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder; *provided, however*, that the Board may, in its sole discretion, permit transfer of the Option in a manner consistent with applicable tax and securities laws upon the Optionholder's request.

(ii) Domestic Relations Orders. Notwithstanding the foregoing, an Option may be transferred pursuant to a domestic relations order, *provided, however*, that an Incentive Stock Option may be deemed to be a Nonqualified Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be the beneficiary of an Option with the right to exercise the Option and receive the Common Stock or other consideration resulting from an Option exercise.

(e) Vesting Generally. The total number of shares of Common Stock subject to an Option may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this Section 6(e) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(f) Termination of Continuous Service. Except as otherwise provided in the applicable Option Agreement or other agreement between the Optionholder and the Company, in the event that an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of Continuous Service, the Optionholder does not exercise his or her Option within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(g) Extension of Termination Date. An Optionholder's Option Agreement may provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option as set forth in the Option Agreement or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements. In addition, unless otherwise provided in the Option Agreement, if the sale of the Common Stock received upon exercise of an Option following the termination of the Optionholder's Continuous Service would violate the Company's insider trading policy, then the Option shall terminate on the earlier of (i) the expiration of a period equal to the original post-termination exercise period applicable to such Option during which the exercise of the Option would not be in violation of the Company's insider trading policy, (ii) the 15th day of the third month after the date on which the Option would cease to be exercisable but for this Section 6(g), or such longer period as would not cause the Option to become subject to Section 409A(a)(1) of the Code, or (iii) the expiration of the term of the Option as set forth in the Option Agreement.

(h) Disability of Optionholder. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of Continuous Service, the Optionholder does not exercise his or her Option within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(i) Death of Optionholder. In the event that (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death, or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated as the beneficiary of the Option upon the Optionholder's death, but only within the period ending on the earlier of (A) the date twelve (12) months following the date of death (or such longer or shorter period specified in the Option Agreement), or (B) the expiration of the term of such Option as set forth in the Option Agreement. If, after the Optionholder's death, the Option is not exercised within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate. If the Optionholder designates a third party beneficiary of the Option in accordance with Section 6(d)(iii), then upon the death of the Optionholder such designated beneficiary shall have the sole right to exercise the Option and receive the Common Stock or other consideration resulting from an Option exercise.

(j) NON-EXEMPT EMPLOYEES. No Option granted to an Employee that is a non-exempt employee for purposes of the Fair Labor Standards Act shall be first exercisable for any shares of Common Stock until at least six (6) months following the date of grant of the Option. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from his or her regular rate of pay.

7. COVENANTS OF THE COMPANY.

(a) AVAILABILITY OF SHARES. During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) LEGAL COMPLIANCE. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Options and to issue and sell shares of Common Stock upon exercise of the Options; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option or any Common Stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Options unless and until such authority is obtained.

(c) NO OBLIGATION TO NOTIFY. The Company shall have no duty or obligation to any holder of an Option to advise such holder as to the time or manner of exercising such Option. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of Option or a possible period in which the Option may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Option to the holder of such Option.

8. MISCELLANEOUS.

(a) USE OF PROCEEDS FROM SALES OF COMMON STOCK. Proceeds from the sale of shares of Common Stock pursuant to Options shall constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Options. Corporate action constituting a grant by the Company of an Option to any Participant shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Option is communicated to, or actually received or accepted by, the Participant.

(c) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Option unless and until such Participant has satisfied all requirements for exercise of the Option pursuant to its terms and the Participant shall not be deemed to be a stockholder of record until the issuance of the Common Stock pursuant to such exercise has been entered into the books and records of the Company.

(d) NO EMPLOYMENT OR OTHER SERVICE RIGHTS. Nothing in the Plan or any Option Agreement or any Option granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Option was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) INCENTIVE STOCK OPTION $100,000 LIMITATION. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(f) INVESTMENT ASSURANCES. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Option, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Option for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (A) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Option has been registered under a then currently effective registration statement under the Securities Act or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(g) WITHHOLDING OBLIGATIONS. Unless prohibited by the terms of an Option Agreement, the Company may, in its sole discretion, satisfy any federal, state, local or foreign tax withholding obligation relating to an Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Option; (iii) withholding cash from an Option settled in cash; or (iv) by such other method as may be set forth in the Option Agreement.

(h) Electronic Delivery. Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically or posted on the Company's intranet.

(i) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Option may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an Employee. The Board is authorized to make deferrals of Options and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of employment or retirement, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(j) COMPLIANCE WITH SECTION 409A OF THE CODE. To the extent that the Board determines that any Option granted under the Plan is subject to Section 409A of the Code, the Option Agreement evidencing such Option shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Option Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Board determines that any Option may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Board may adopt such amendments to the Plan and the applicable Option Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (i) exempt the Option from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Option, or (ii) comply with the requirements of Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date.

9. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; CORPORATE TRANSACTIONS.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board shall appropriately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 4(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 4(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 5(c), and (iv) the class(es) and number of securities and price per share of Common Stock subject to outstanding Options. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

(b) DISSOLUTION OR LIQUIDATION In the event of a dissolution or liquidation of the Company, all outstanding Options shall terminate immediately prior to such event.

(c) Corporate Transactions. Upon the occurrence of a Corporate Transaction either of the following two actions shall be taken**:**

(i) fifteen (15) days prior to the scheduled consummation of a Corporate Transaction, all Options outstanding hereunder shall become immediately exercisable and shall remain exercisable for a period of fifteen (15) days, or

(ii) the Board may elect, in its sole discretion, to cancel any outstanding Options and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Board acting in good faith) equal to the product of the number of shares of Common Stock subject to the Option (the "Option Shares") multiplied by the amount, if any, by which (A) the formula or fixed price per share paid to holders of shares of Common Stock pursuant to such transaction exceeds (B) the exercise price of the Option.

With respect to the Company's establishment of an exercise window, (i) any exercise of an Option during such fifteen-day period shall be conditioned upon the consummation of the event and shall be effective only immediately before the consummation of the event, and (ii) upon consummation of any Corporate Transaction, the Plan and all outstanding but unexercised Options shall terminate. The Board shall send written notice of an event that will result in such a termination to all individuals who hold Options not later than the time at which the Company gives notice thereof to its stockholders. In addition provision may be made in the Corporate Transaction for the assumption or continuation of the Options theretofore granted, or for the substitution for such Options for new common stock options relating to the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number of shares (disregarding any consideration that is not common stock) and option exercise prices, in which event the Plan and Options theretofore granted shall continue in the manner and under the terms so provided.

10. LIMITATION ON PAYMENTS.

(A) BASIC RULE. Any provision of the Plan to the contrary notwithstanding, in the event that the independent auditors most recently selected by the Board (the "Auditors") determine that any payment or transfer by the Company to or for the benefit of a Participant, whether paid or payable (or transferred or transferable) pursuant to the terms of this Plan or otherwise (a "Payment"), would be nondeductible by the Company for federal income tax purposes because of the provisions concerning "excess parachute payments" in Section 280G of the Code, then the aggregate present value of all Payments shall be reduced (but not below zero) to the Reduced Amount; *provided* that the Board, at the time of granting an Option under this Plan or at any time thereafter, may specify in writing that such Option shall not be so reduced and shall not be subject to this Section 10. For purposes of this Section 10, the "Reduced Amount" shall be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by the Company because of Section 280G of the Code.

(b) Reduction of Payments. If the Auditors determine that any Payment would be nondeductible by the Company because of Section 280G of the Code, then the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Participant may then elect, in his or her sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall advise the Company in writing of his or her election within ten (10) days of receipt of notice; *provided, however,* that such election shall be subject to Company approval if made on or after the effective date of a Corporate Transaction. If no such election is made by the Participant within such ten (10) day period, then the Company may elect which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall notify the Participant promptly of such election. For purposes of this Section 10, present value shall be determined in accordance with Section 280G(d)(4) of the Code. All determinations made by the Auditors under this Section 10 shall be binding upon the Company and the Participant and shall be made within sixty (60) days of the date when a payment becomes payable or transferable. As promptly as practicable following such determination and the elections hereunder, the Company shall pay or transfer to or for the benefit of the Participant such amounts as are then due to him or her under the Plan and shall promptly pay or transfer to or for the benefit of the Participant in the future such amounts as become due to him or her under the Plan.

(c) Overpayments and Underpayments. As a result of uncertainty in the application of Section 280G of the Code at the time of an initial determination by the Auditors hereunder, it is possible that Payments will have been made by the Company which should not have been made (an "Overpayment") or that additional Payments which will not have been made by the Company could have been made (an "Underpayment"), consistent in each case with the calculation of the Reduced Amount hereunder. In the event that the Auditors determine, based upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant which the Auditors believe has a high probability of success, that an Overpayment has been made, such Overpayment shall be treated for all purposes as a loan to the Participant which he or she shall repay to the Company, together with interest at the applicable federal rate provided in Section 7872(f)(2) of the Code; *provided, however,* that no amount shall be payable by the Participant to the Company if and to the extent that such payment would not reduce the amount that is subject to taxation under Section 4999 of the Code. In the event that the Auditors determine that an Underpayment has occurred, such Underpayment shall promptly be paid or transferred by the Company to or for the benefit of the Participant, together with interest at the applicable federal rate provided in Section 7872(f)(2) of the Code.

(d) Related Corporations. For purposes of this Section 10, the term "Company" shall include affiliated corporations to the extent determined by the Auditors in accordance with Section 280G(d)(5) of the Code.

11. Termination or Suspension of the Plan.

(a) Plan Term. Unless sooner terminated by the Board pursuant to Section 3, the Plan shall automatically terminate on the date that is the fifth anniversary of the Effective Date. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the affected Participant.

12. Effective Date of Plan.

This Plan shall become effective on the Effective Date.

13. Choice of Law.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

Exhibit 4.3

FIRST AMENDMENT TO
2008 STOCK OPTION PLAN OF
PACIFIC ENTERTAINMENT CORPORATION

The Pacific Entertainment Corporation 2008 Stock Option Plan (the "Plan") is amended, effective November 11, 2009, in the following respects:

1. Section 2(q)(1) is stricken in its entirety and is amended to read as follows:

"If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock shall be equal to the 5-day average closing price of the common stock on the date of grant (or the average closing bid, if no sales were reported) plus 10% as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable."

2. This amendment shall be effective as to all options granted under the Plan following the effective date hereof and shall not be applicable to nor shall it effect options granted under the Plan prior to the date hereof.

Exhibit 4.4

SECOND AMENDMENT TO
2008 STOCK OPTION PLAN OF
PACIFIC ENTERTAINMENT CORPORATION

The Pacific Entertainment Corporation 2008 Stock Option Plan (the "Plan") is amended, effective April 4, 2011, in the following respects:

1. The first sentence of Section 4(a) is stricken in its entirety and is amended to read as follows:

"Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Options after the Effective Date shall not exceed sixteen million (16,000,000) shares."

2. This amendment shall be effective as to all options granted under the Plan following the effective date hereof and shall not be applicable to nor shall it effect options granted under the Plan prior to the date hereof.

Exhibit 4.5

PACIFIC ENTERTAINMENT CORPORATION
STOCK OPTION GRANT NOTICE
2008 STOCK OPTION PLAN

Pacific Entertainment Corporation (the "***Company***"), pursuant to its 2008 Stock Option Plan (the "***Plan***"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Option Agreement, the Plan, and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety.

Optionholder:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	_____

Type of Grant: ¨ Incentive Stock Option[1] ¨ Nonstatutory Stock Option

Exercise Schedule: ¨ Same as Vesting Schedule

Vesting Schedule: [_____ , subject to the Optionholder's Continuous Service through such time.]

Payment: By one or a combination of the following items (described in the Option Agreement):

- By cash, check bank draft or money order payable to the Company
- Pursuant to a Regulation T Program if the shares are publicly traded
- Subject to the Company's consent at the time of exercise, by delivery of already-owned shares
- Subject to the Company's consent at the time of exercise, by a *"net exercise"* arrangement[2]

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice, the Option Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice, the Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS:

PACIFIC ENTERTAINMENT CORPORATION	**OPTIONHOLDER:**
By: _____	_____
Signature	Signature
Title: _____	Date: _____
Date: _____	

[1] If this is an Incentive Stock Option, it (plus other outstanding Incentive Stock Options) cannot be first *exercisable* for more than $100,000 in value (measured by exercise price) in any calendar year. Any excess over $100,000 is a Nonstatutory Stock Option.

[2] Any portion of this option intended to qualify as an Incentive Stock Option may not be exercised by a net exercise arrangement.

PACIFIC ENTERTAINMENT CORPORATION
2008 STOCK OPTION PLAN

OPTION AGREEMENT

(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("***Grant Notice***") and this Option Agreement, Pacific Entertainment Corporation (the "***Company***") has granted you an option under its 2008 Stock Option Plan (the "***Plan***") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.

3. EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES. In the event that you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (*i.e.*, a "***Non-Exempt Employee***"), you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant specified in your Grant Notice, notwithstanding any other provision of your option.

4. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner ***permitted by your Grant Notice,*** subject to the following:

(a) Bank draft or money order payable to the Company.

(B) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(C) Subject to the consent of the Company at the time of exercise, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(d) If the Option is a Nonstatutory Stock Option, subject to the consent of the Company at the time of exercise, by a *"net exercise"* arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise of your option by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company shall accept a cash or other payment from you to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; provided further, however, that shares of Common Stock will no longer be outstanding under your option and will not be exercisable thereafter to the extent that (1) shares are used to pay the exercise price pursuant to the *"net exercise,"* (2) shares are delivered to you as a result of such exercise, and (3) shares are withheld to satisfy tax withholding obligations.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. Securities Law Compliance. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

7. Term. You may not exercise your option before the commencement or after the expiration of its term. The term of your option commences on the Date of Grant and expires upon the earliest of the following:

(a) three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three (3)-month period you may not exercise your option solely because of the condition set forth in the preceding paragraph relating to *"Securities Law Compliance,"* your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) twelve (12) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates; or

(d) the Expiration Date indicated in your Grant Notice.

If your option is an Incentive Stock Option, note that, to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the date of grant of your option and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment terminates.

8. Exercise.

(a) You may exercise the vested portion of your option during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

9. Transferability.

(i) Restrictions on Transfer. Your option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during your lifetime only by you; *provided, however*, that the Board may, in its sole discretion, permit transfer of your options in a manner that is not prohibited by applicable tax and securities laws upon your request.

(ii) Domestic Relations Orders. Notwithstanding the foregoing, your option may be transferred pursuant to a domestic relations order; *provided, however*, that if your option is an Incentive Stock Option, your option shall be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Notwithstanding the foregoing, you may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect option exercises, designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option. In the absence of such a designation, the executor or administrator of your estate shall be entitled to exercise your option.

10. Option Not A Service Contract. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

11. Withholding Obligations.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a *"cashless exercise"* pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein unless such obligations are satisfied.

12. Tax Consequences. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the *"fair market value"* per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option.

13. Notices. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

14. Governing Plan Document. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

NOTICE OF EXERCISE

PACIFIC ENTERTAINMENT CORPORATION
2195 SAN DIEGUITO DRIVE, SUITE 1
DEL MAR, CA 92014

Date of Exercise: _____

Ladies and Gentlemen:

This constitutes notice under my stock option that I elect to purchase the number of shares for the price set forth below.

Type of option (check one):	Incentive ¨	Nonstatutory ¨
Stock option dated:	_____	
Number of shares as to which option is exercised:	_____	
Certificates to be issued in name of:	_____	
Total exercise price:	$ _____	
Cash or check delivered herewith:	$ _____	
Regulation T Program (cashless exercise)	$ _____	
Value of _____shares of Pacific Entertainment Corporation common stock delivered herewith[1]:	$ _____	
Value of _____shares of Pacific Entertainment Corporation common stock pursuant to net exercise[2]:	$ _____	

[1] Subject to the consent of Pacific Entertainment Corporation at the time of exercise. Shares must be valued in accordance with the terms of the option being exercised, must have been owned for the minimum period required in the option, and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

[2] Pacific Entertainment Corporation must have established net exercise procedures at the time of exercise in order to utilize this payment method and must expressly consent to your use of net exercise at the time of exercise. An Incentive Stock Option may not be exercised by a net exercise arrangement.

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the 2008 Stock Option Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and (iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the shares of Common Stock issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such shares of Common Stock are issued upon exercise of this option.

Very truly yours,

_____

Exhibit-4.6

WARRANT

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES WHICH MAY BE ACQUIRED UPON THE EXERCISE OF THIS COMMON STOCK PURCHASE WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, DONATED OR OTHERWISE TRANSFERRED (WHETHER OR NOT FOR CONSIDERATION) BY THE HOLDER WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN OPINION SATISFACTORY TO THE COMPANY OF COUNSEL SATISFACTORY TO THE COMPANY TO THE EFFECT THAT ANY SUCH TRANSFER SHALL NOT BE IN VIOLATION OF THE ACT.

Void after _____, 2013, or
otherwise as provided herein

Right to Purchase _____ Shares
of Common Stock, no par value
value per share, of Pacific
Entertainment Corporation

Warrant A-__

PACIFIC ENTERTAINMENT CORPORATION
COMMON STOCK PURCHASE WARRANT

Pacific Entertainment Corporation, a California corporation (the "Company"), for value received and subject to the terms set forth below, hereby grants to _____ and its registered successors and assigns (the "Holder") the right to purchase from the Company, at any time or from time to time before 3:00 P.M., California time, on _____, 2013, _____ fully paid and non-assessable shares of the Common Stock, par value $0.001 per share, of the Company, at the Exercise Price (as defined below). The Exercise Price and the number and character of such shares of Common Stock purchasable pursuant to the rights granted under this Warrant are subject to adjustment as provided herein.

This Warrant is subject to the following provisions:

1. DEFINITIONS. As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) "Common Stock" means the Company's no par value common stock.

(b) "Exercise Price" means $0.40 pursuant to that certain Amended Private Placement Memorandum dated July 1, 2010 (the "Memorandum").

(c) "Issue Date" means _____, 2010.

(d) "Other Securities" means any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or other) which the Holder of this Warrant at any time shall be entitled to receive, or shall have received, upon the exercise of this Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock.

(e) "Person" means, without limitation, an individual, a partnership, a corporation, a trust, a joint venture, an unincorporated organization, or a government or any department or agency thereof.

(f) "This Warrant" means, collectively, this Warrant and all other stock purchase warrants issued in exchange herefor or replacement hereof.

2. EXERCISE OF WARRANT.

2.1 ***Exercise Period.*** The Holder may exercise this Warrant, in whole or in part (but not as to a fractional share of Common Stock), at any time and from time to time prior to 3:00 P.M. California time on _____, 2013.

2.2 ***Exercise Procedure.***

(a) This Warrant will be deemed to have been exercised at such time as the Company has received all of the following items (the "Exercise Date"):

(i) a completed Subscription Agreement in substantially the form attached to the Memorandum, executed by the Holder exercising all or part of the purchase rights represented by this Warrant (the "Purchaser");

(ii) this Warrant;

(iii) if this Warrant is not registered in the name of the Purchaser, an Assignment or Assignments in the form set forth in Exhibit B hereto, evidencing the assignment of this Warrant to the Purchaser together with any documentation required pursuant to Section 6(a) hereof; and

(iv) a check payable to the order of the Company in an amount equal to the product of the Exercise Price multiplied by the number of shares of Common Stock being purchased upon such exercise;

(b) As soon as practicable after the exercise of this Warrant in full or in part, and in any event within ten (10) days after the Exercise Date, the Company at its expense will cause to be issued in the name of and delivered to the Holder hereof, or as the Holder (upon payment by the Holder of any applicable transfer taxes) may direct, a certificate or certificates for the number of fully paid and non-assessable shares of Common Stock (or Other Securities) to which the Holder shall be entitled upon such exercise, together with any other stock or other securities and property (including cash, where applicable) to which the Holder is entitled upon exercise.

(c) Unless this Warrant has expired or all of the purchase rights represented hereby have been exercised, the Company at its expense will, within ten (10) days after the Exercise Date, issue and deliver to or upon the order of the Holder hereof a new Warrant or Warrants of like tenor, in the name of the Holder calling in the aggregate on the face or faces thereof for the number of shares of Common Stock remaining issuable under this Warrant.

(d) The Common Stock (or Other Securities) issuable upon the exercise of this Warrant will be deemed to have been issued to the Purchaser on the Exercise Date, and the Purchaser will be deemed for all purposes to have become the record holder of such Common Stock (or Other Securities) on the Exercise Date.

(e) The issuance of certificates for shares of Common Stock (or Other Securities) upon exercise of this Warrant will be made without charge to the Holder for any issuance tax in respect thereof or any other cost incurred by the Company in connection with such exercise and the related issuance of Shares of Common Stock (or Other Securities).

2.3 ***Fractional Shares.*** If a fractional share of Common Stock would, but for the provisions of Section 2.1 hereof, be issuable upon exercise of the rights represented by this Warrant, the Company will, within ten (10) days after the Exercise Date, deliver to the Purchaser a check payable to the Purchaser in lieu of such fractional share, in an amount equal to the Market Price of such fractional share as of the close of business on the Exercise Date.

3. ADJUSTMENTS; CANCELLATION.

3.1 ***Stock Splits, Etc.*** If the Company shall at any time after the Issue Date subdivide its outstanding Common Stock or Other Securities, by split-up or otherwise, or combine its outstanding Common Stock or Other Securities, or issue additional shares of its capital stock in payment of a stock dividend in respect of its Common Stock or Other Securities, the number of shares issuable on the exercise of the unexercised portion of this Warrant shall forthwith be proportionately increased in the case of such a subdivision or stock dividend, or proportionately decreased in the case of such combination, and the Exercise Price then applicable to shares covered by the unexercised portion of this Warrant shall forthwith be proportionately decreased in the case of such a subdivision or stock dividend, or proportionately increased in the case of such combination.

3.2 ***Reclassification, Reorganization, Etc.*** In case of any reclassification, capital reorganization or change of the outstanding Common Stock or Other Securities (other than as a result of a subdivision, combination or stock dividend) or any exchange or conversion of the Common Stock for or into securities of another entity, or in case of the consolidation or merger of the Company with or into any other Person or in case of any sale or conveyance of all or substantially all of the assets of the Company (any of the foregoing being a "Reorganization Transaction"), then, as a condition of such Reorganization Transaction, lawful provision shall be made so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, the kind and amount of shares of stock and other securities and property receivable upon such Reorganization Transaction by a holder of the number of shares of Common Stock or Other Securities of the Company as to which this Warrant was exercisable immediately prior to such Reorganization Transaction, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder to the end that the provisions hereof (including, without limitation, provisions for the adjustment of the Exercise Price and of the number of shares purchasable upon exercise of this Warrant) shall thereafter be applicable in relation to any shares of stock, and other securities and property, thereafter deliverable upon exercise hereof.

3.3 ***Dividends.*** In case the Company shall, at any time or from time to time after the Issue Date, pay any dividend or make any other distribution upon its Common Stock (or Other Securities) payable in cash, property or securities of a corporation other than the Company, then forthwith upon the payment of such dividend, or the making of such other distribution, as the case may be, the Exercise Price then in effect shall be reduced by the amount of such dividend or other distribution in respect of each outstanding share of Common Stock (or Other Securities). The Board of Directors of the Company shall determine the fair value of any dividend or other distribution made upon Common Stock of the Company payable in property or securities of a corporation other than the Company.

3.4 ***Certificate of Adjustment.*** Whenever the Exercise Price or the number of shares issuable hereunder is adjusted, as herein provided, the Company shall promptly deliver to the Holder a certificate of the Chief Financial Officer of the Company, which certificate shall state (i) the Exercise Price and the number of shares of Common Stock (or Other Securities) issuable hereunder after such adjustment, (ii) the facts requiring such adjustment, and (iii) the method of calculation for such adjustment and increase or decrease.

3.5 ***Small Adjustments.*** No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease in the Exercise Price of at least one percent; provided, however, that any adjustments which by reason of this Section 3.5 are not required to be made immediately shall be carried forward and taken into account at the time of exercise of this Warrant or any subsequent adjustment in the Exercise Price which, singly or in combination with any adjustment carried forward, is required to be made under Sections 3.1, 3.2 or 3.3.

4. **IMPAIRMENT.** The Company will not, by amendment of its Articles of Incorporation or Bylaws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all action as may be necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock (or Other Securities) upon the exercise of this Warrant.

5. **RESERVATION OF STOCK, ETC., ISSUABLE ON EXERCISE OF WARRANT.** The Company will at all times reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, all shares of Common Stock (or Other Securities) from time to time issuable upon the exercise of this Warrant.

6. **DISPOSITION OF THIS WARRANT, COMMON STOCK, ETC.**

(a) The Holder and any proposed transferee hereof or of the Common Stock (or Other Securities) with respect to which this Warrant may be exercisable, by their acceptance hereof, hereby understand and agree that this Warrant and the Common Stock (or Other Securities) with respect to which this Warrant may be exercisable have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be sold, pledged, hypothecated, donated, or otherwise transferred (whether or not for consideration) without an effective registration statement under the Act or an opinion satisfactory to the Company of counsel satisfactory to the Company and/or submission to the Company of such other evidence as may be satisfactory to counsel to the Company, in each such case, to the effect that any such transfer shall not be in violation of the Act. It shall be a condition to the transfer of this Warrant that any transferee hereof deliver to the Company its written agreement to accept and be bound by all of the terms and conditions of this Warrant.

(b) The stock certificates of the Company that will evidence the shares of Common Stock (or Other Securities) with respect to which this Warrant may be exercisable will be imprinted with a conspicuous legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, DONATED OR OTHERWISE TRANSFERRED (WHETHER OR NOT FOR CONSIDERATION) BY THE HOLDER WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN OPINION SATISFACTORY TO THE COMPANY OF COUNSEL SATISFACTORY TO THE COMPANY AND/OR SUBMISSION TO THE COMPANY OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO COUNSEL TO THE COMPANY, IN EACH CASE, TO THE EFFECT THAT ANY SUCH TRANSFER SHALL NOT BE IN VIOLATION OF THE ACT."

provided, however, that, if the shares of Common Stock (or Other Securities) with respect to which this Warrant has been exercised are registered in accordance with the provisions of the Act, any stock certificates of the Company issued in connection herewith and bearing the foregoing legend will, upon written request of the Holder, be replaced with a certificate(s) not bearing the foregoing legend.

7. Rights and Obligations of Holder. The Holder shall not, by virtue hereof, be entitled to any voting rights or other rights as a stockholder of the Company. No provision of this Warrant, in the absence of affirmative actions by the Holder to purchase Common Stock (or Other Securities) of the Company by exercising this Warrant, and no enumeration in this Warrant of the rights or privileges of the Holder, will give rise to any liability of the Holder for the Exercise Price of Common Stock (or Other Securities) acquirable by exercise hereof or as a stockholder of the Company.

8. Transfer of Warrants. Subject to compliance with the restrictions on transfer applicable to this Warrant referred to in Section 6 hereof, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the registered Holder, upon surrender of this Warrant with a properly executed Assignment (in substantially the form attached hereto as Exhibit B), to the Company, and the Company at its expense will issue and deliver to or upon the order of the Holder a new Warrant or Warrants in such denomination or denominations as may be requested, but otherwise of like tenor, in the name of the Holder or as the Holder (upon payment of any applicable transfer taxes) may direct.

9. Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

10. Company Records. Until this Warrant is transferred on the books of the Company, the Company may treat the registered Holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

11. Miscellaneous.

11.1 ***Notices.*** All notices and other communications from the Company to the Holder shall be mailed by first class mail, postage prepaid, to such address as may have been furnished to the Company in writing by the Holder, or, until an address is so furnished, to and at the address of the last previous Holder who has so furnished an address to the Company. All communications from the Holder to the Company shall be mailed by first class mail, postage prepaid, to the Company at 5820 Oberlin Drive, Suite 203, San Diego, California 92121, or such other address as may have been furnished to the Holder in writing by the Company.

11.2 ***Amendment and Waiver.*** Except as otherwise provided herein, this Warrant and any term hereof may be amended, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such amendment, waiver, discharge or termination is sought.

11.3 ***Governing Law; Descriptive Headings.*** This Warrant shall be construed and enforced in accordance with and governed by the internal laws of the State of California. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

Dated: _____, 2010

PACIFIC ENTERTAINMENT CORPORATION

By: _____
Klaus Moeller, CEO

EXHIBIT A

Pacific Entertainment Corporation
5820 Oberlin Drive, Suite 203
San Diego, CA 92121

Date of Exercise: _____

To Whom It May Concern:

This constitutes notice under the Pacific Entertainment Corporation (the "Company") common stock purchase warrant granted to me on _____ (the "Warrant") that I elect to purchase the number of shares for the price set forth below:

Number of shares as to which warrant is exercised: _____

Certificates to be issued in name of: _____

Social Security Number: _____

Total exercise price: _____

Cash payment delivered herewith: _____

By this exercise, I agree to provide such additional documents as you may require pursuant to the terms of the Warrant.

Sincerely,

_____
Signature

_____
Print Name

EXHIBIT B

ASSIGNMENT

[To be signed only upon exercise of Warrant]

For value received, the undersigned hereby sells, assigns and transfers all of the rights of the undersigned under the within Warrant with respect to the number of shares of the Common Stock (or Other Securities) covered thereby set forth below, unto:

Name of Assignee	Address	No. of Shares
_____	_____	_____
	_____	

Dated: Signature: _____

(Signature must conform in all respects to name of Holder as specified on the face of the Warrant).

Address: _____

_____

Exhibit 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made as of April 26, 2011 (the "Effective Date") by and between Klaus Moeller ("Employee") and Pacific Entertainment Corporation, a California corporation ("Employer or "Company"), located at 5820 Oberlin Drive, Suite 203, San Diego, California 92121.

WITNESSETH:

WHEREAS, Employer would like to engage the services of Employee for Employee's executive skills as Chief Executive Officer and related services as requested by Employer on a full-time basis, and Employee would like to be so engaged;

WHEREAS, Employer and Employee have agreed on terms for such services and compensation; and

WHEREAS, Employer and Employee wish to enter into a formal written agreement to document such relationship in order to set forth (a) Employee's services and compensation, (b) the terms of Employee's employment, including the "at-will" nature thereof, (c) Employer's exclusive ownership of all proprietary information relating to Employer, (d) certain confidentiality matters, and (e) the manner in which proprietary information produced or acquired by Employee during such relationship shall be handled and made the sole property of Employer;

NOW, THEREFORE, in consideration of the foregoing and in exchange for the promises and other good consideration set forth below, Employee and Employer agree as follows:

1. Services; Title. Employee shall operate as a member of Employer's management team and provide such management and planning responsibilities and other services as Employer shall reasonably request to be performed (together, the "Services") on a full-time basis and shall devote substantially all of Employee's work efforts to the business and operations of Employer. Employee's title, subject to change by Company at any time, shall be "Chief Executive Officer."

2. Compensation, Benefits and Reviews. Subject to all the other terms of this Agreement, in connection with Employee's performance of the Services, Employer shall:

(a) pay Employee's salary by check in equal installments in accordance with Employer's regular salary payment schedule, which shall be paid at the rate (before deductions for advances and deductions made at Employee's request, if any, and for deductions required by federal, state and local law) of $165,000 per year retroactive to March 20, 2011 through December 31, 2011, then $195,000 per year from January 1, 2012 through December 31, 2012, then $225,000 per year from January 1, 2013 through December 31, 2014. Employee's salary for the remaining term of this Agreement shall be set by the Board of Directors, but shall not increase less than five percent (5%) per annum.

(b) at the sole option of the Board of Directors of Company, pay Employee a year-end performance bonus in the form of cash, options to purchase shares, or shares of the Company's common stock or a combination thereof, but in no event shall the dollar value of the combined bonus be less than four and one-half percent (4.5%) of EBITDA of the Company (earnings before interest, depreciation, taxes and amortization) for the immediately preceding fiscal year, as long as that figure is positive, up to 100% of the base salary for the annual period for which the bonus is earned. The bonus amount may be increased to in excess of 100% of base salary at the discretion of the Board of Directors. Such bonuses are payable within ninety (90) days of issuance of audited financial statements of the Company.

(c) grant an option to Employee in the approved form of grant notice for the Company's 2008 Stock Option Plan (the "Option") to purchase up to 1,000,000 shares of the Company's no par value common stock, the terms (including, without limitation, the option price and the time of vesting of the shares issuable pursuant thereto) of which Option shall be governed by the face thereof subject to availability and provisions of Employer's 2008 Stock Option Plan (the "Plan") in effect or as amended, a copy of which has been provided to Employer. The Option shall be granted on the Effective date and vest as to 250,000 shares on April 1, 2011, and as to 250,000 shares on April 1st of each following year during the term. The exercise price of the Option shall be the greater of $0.44 per share. The Option shall be exercisable for ten (10) years from date of grant, and shall be treated as a Non-qualified Stock Option (NSO) as such term is defined in section 422 of the Internal Revenue Code when allowed by law. Upon termination, the Option shall expire as to all vested but unexercised shares and as to all unvested shares in accordance with the Stock Option Grant Notice, unless the Option has otherwise expired or Employee is terminated for Cause, in which case the Option must be exercised in accordance with the Plan, which currently calls for exercise within ninety (90) days of termination. In the event of a Change of Control that results in the termination of Employee's employment prior to the Expiration Date, the vesting of the Option shall accelerate and vest in full. A Change of Control means the sale of all or substantially all of the Company's assets, a merger or consolidation resulting in securities representing 50% of the combined voting power of the outstanding common stock being transferred to persons who are different from the holders immediately preceding the transaction, the acquisition (directly or indirectly) of 50% of the total combined voting power of the common stock pursuant to a tender or exchange offer, or a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election.

Employee hereby grants a right of first refusal to the Company on all shares underlying and purchased by Employee pursuant to the Option (the "Shares") in the event of Employee's Termination for Cause pursuant to Paragraph 3 of this Agreement. The purchase price for the Shares under this right of first refusal shall be the bid price of the common stock on the date of termination of Employee's employment hereunder (the "Purchase Price"). Prior to selling any of the Shares, Employee shall provide the Company with written notice (the "Notice") stating: (i) the Employee's bona fide intention to sell or otherwise transfer the Shares, the number of Shares being transferred (the "Offered Shares"), the identity of the proposed transferee, and the terms and conditions of the proposed transfer. The Company shall have thirty (30) days after receipt of the Notice ("Exercise Period") to elect to purchase all or less than all of the Offered Shares at the Purchase Price by delivery written notice of exercise of its right of purchase hereunder to Employee ("Notice of Exercise"). Payment of the Purchase Price shall be made in cash (by check or wire transfer) within thirty (30) days after delivery of the Company's Notice of Exercise. If less than all of the Offered Shares are purchased by the Company within the Exercise Period, Employee may sell or otherwise transfer the remaining Offered Shares to the proposed buyer at a minimum of the price included in the Notice within sixty (60) days after the expiration of the Exercise Period. To the extent the Offered Shares are not so sold, a new Notice shall be given to the Company and the Company shall again be offered the right of first refusal before any of the Shares may be sold or otherwise transferred.

(d) grant Employee the option to participate in all of the benefit plans offered by Employer to its Employees generally, including without limitation, insurance plans, 401(k) and other savings plans, Section 125 (cafeteria) and similar pre-tax expense plans, etc., in existence or established during the term.

(e) grant Employee private health care insurance for Employee and Employee's dependents, either a cellular telephone or a cellular telephone reimbursement, computer laptop or similar devices, an automobile allowance of $11,400.00 per annum payable in equal installments in accordance with the Employers normal payroll payment schedule and subject to deductions required by federal, state and local law, and such other benefits as Employer shall determine to provide to any of its most senior executives from time to time.

(f) reimburse Employee for all reasonable travel, meals, lodging, communications, entertainment and other business expenses incurred by Employee in connection with Employee's performance under this Agreement subject to the Company's expense reimbursement policy. Company shall indemnify Employee for all lawful acts committed in course and scope of employment to fullest extent allowed by law in accordance with the Company's Articles of Incorporation and Bylaws.

(g) grant Employee four (4) weeks' vacation with pay for each twelve-month period, taken at times agreed with Employer, plus holidays observed by Company.

3. Term and Termination. The term of this Agreement is five (5) years after the effective date ending on March 31, 2016 (the "Expiration Date"), unless earlier terminated by Employer in Employer's sole discretion. The term of this Agreement may be terminated "at will" by Employer at any time and for any reason or for no reason. In the event Employee shall be terminated by Employer without "Cause" (as defined below) Employer shall provide Employee with the compensation required by clauses (a) and (b) of Paragraph 2 of this Agreement as of the termination date for an eighteen (18) month period (the "Severance Period") following the date of such termination plus all accrued but unpaid salary and vacation time to the date of termination, with the salary portion of all such compensation payable at regular payroll intervals (less deductions required by law), provided, however, that the Severance Period shall not be extended beyond the Expiration Date. IT IS EXPRESSLY UNDERSTOOD AND AGREED that Employee need not mitigate damages during the Severance Period, but also that payment during the Severance period is expressly conditioned on a) Employee signing a release of all claims subject to the provisions of this Agreement, and b) Employee not competing with Company in children's entertainment during the Severance Period, or soliciting, directly or indirectly, any Company employees to work elsewhere, or disparaging Company during the Severance Period, and if Employee does so, any and all obligation by Company to make Severance payments shall cease and become void. Further, upon termination of Employee without cause, any portion of the Option not yet vested shall immediately be vested. Further, any bonus which would have been earned on the date of termination or within ninety (90) days after termination (earned for the purpose of this paragraph is either the end of the calendar year or payable date, whichever provides Employee with greater benefit) would be deemed earned and payable upon the same payment schedule as provided in paragraph 2(b). Upon termination of Employee's employment with Employer for Cause, Employer shall be under no further obligation to Employee for salary or other compensation except to pay all accrued but unpaid salary and accrued vacation time to the date of termination thereof and to continue Employee's benefits under paragraph 2 for a period of thirty (30) days. For purposes of this Agreement, "Cause" shall mean (i) conviction of a felony, or a misdemeanor where imprisonment is imposed, or (ii) Employee's entering into any arrangement with or providing of any services to any company, business or person that produces or markets children's or infant's entertainment other than Pacific Entertainment Corporation and its controlled or controlling affiliates and successors, (iii) any act of fraud, embezzlement, or breach of fiduciary duty or duty of good faith to Employer, (iv) gross dereliction of duties, but only after written notice and a thirty (30) day chance to cure, unless such a cure period would be fruitless, or (v) death or complete disability in excess of one hundred twenty (120) days causing an inability to perform duties, in accordance with law. Termination by Employee for Good Reason creates the same rights to Employee as if Employer terminated Employee without Cause. Termination by Employee for Good Reason is defined as a breach of this contract by Company, a substantial reduction in duties, responsibilities or authority, or being made to change location of work by more than thirty (30) miles, however Employee must give written notice and Company shall have thirty (30) days to cure. "Cause" shall not be triggered by a Change of Control. The Parties shall work together in good faith to alter the date of any payment to avoid any penalties under Section 409A of the Internal Revenue Code.

4. Confidentiality of Terms; Termination Certificate. Employee covenants and agrees that, other than acknowledging the existence of an Employee relationship between Employer and Employee and as otherwise required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel. Upon the termination of Employee's engagement under this Agreement for any reason whatsoever, Employee agrees to sign, date and deliver to Employer a "Termination Certificate" in the form of Annex A and to deliver and take all other action necessary to transfer promptly to Employer all records, materials, equipment, drawings, documents and data of any nature pertaining to any invention, trade secret or confidential information of Employer or to Employee's engagement, and Employee will not take with Employee any description containing or pertaining to any confidential information, knowledge or data of Employer that Employee may produce or obtain during the course of Employee's engagement under this Agreement. This Paragraph 4 shall survive indefinitely any termination of this Agreement or Employee's engagement, and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

5. Nondisclosure. Employee agrees to keep confidential and not to disclose or make any use of (except for the benefit of Employer), at any time, either during or after Employee’s engagement under this Agreement, any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business or future business of Employer or any of its clients, customers, Employees, licensees or affiliates, which Employee may produce, obtain or otherwise acquire or become aware of during the course of Employee’s engagement under this Agreement. Employee further agrees not to deliver, reproduce or in any way allow any such trade secrets, confidential information, knowledge, data or other information, or any documentation relating thereto, to be delivered or used by any third party without specific direction or consent of a duly authorized officer of Employer. This Paragraph 5 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

6. Work for Hire; Ownership of Intellectual Property. Employee understands and agrees that all of Employee's work and the results thereof in connection with the Employer and the Services, whether made solely by Employee or jointly with others, during the period of Employee's association with Employer, that relate in any manner to the actual or anticipated business, work, activities, research or development of Employer or its affiliates, or that result from or are suggested by any task assigned to Employee or any activity performed by Employee on behalf of Employer, shall be the sole property of the Employer, and, to the extent necessary to ensure that all such property shall belong solely to the Employer, Employee by Employee's execution of this Agreement transfers to the Employer any and all right and interest Employee may possess in such intellectual property and other assets created in connection with Employee's employment by Employer and that may be acquired by Employee during the term of this Agreement from any source that relate, directly or indirectly, to Employer's business and future business, in each case without restriction of any kind. Employee also agrees to take any and all actions requested by Employer to preserve Employer's rights with respect to any of the foregoing. This Paragraph 6 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other agreement between Employee and Employer.

7. Exception to assignment. I understand that the provisions of Paragraph 6 requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870. I will advise the Company promptly in writing of any inventions that I believe meet the criteria in Labor Code Section 2870, which provides:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

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

8. No Partnership; Not Assignable by Employee. This Agreement is between Employee, as such, and Employer, as at-will employer, and shall not form or be deemed to form a partnership or joint venture. Employer's rights, benefits, duties and obligations under this Agreement shall inure to its successors and assigns. Employee's rights, obligations and duties under this Agreement are personal to Employee and may not be assigned.

9. Trade Secrets of Others: Employee represents that Employee's performance of all the terms of this Agreement and as the Employer's Employee does not and will not breach any agreement to keep in confidence any proprietary information, knowledge or data acquired by Employee in confidence or in trust before Employee's engagement under this Agreement, and Employee will not disclose to Employer or induce Employer to use any confidential or proprietary information or material belonging to any other person or entity. Employee agrees not to enter into any agreement, either written or oral, in conflict with this Paragraph 8.

10. Employee's Representations and Warranties. Employee represents, warrants, covenants, understands and agrees that: (i) Employee is free to enter into this Agreement; (ii) Employee is not obligated or a party to any engagement, commitment or agreement with any person or entity that will, does or could conflict with or interfere with Employee's full and faithful performance of this Agreement, nor does Employee have any commitment, engagement or agreement of any kind requiring Employee to render services or preventing or restricting Employee from rendering services or respecting the disposition of any rights or assets that Employee has or may hereafter acquire or create in connection with the Services and the results thereof; (iii) other than as required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel; (iv) Employee shall not use any material or content of any kind in connection with Employer's products, software or website that is copyrighted or owned or licensed by a party other than Employer or that would or could infringe the rights of any other party; (v) Employee shall not use in the course of Employee's performance under this Agreement, and shall not disclose to Employer, any confidential information belonging, in part or in whole, to any third party; (vi) Employee currently has no inventions which fall within are excepted from assignment under Paragraph 7; (vii) **EMPLOYEE UNDERSTANDS ALL OF THE TERMS OF THIS "AT WILL" EMPLOYMENT AGREEMENT, AND HAS REVIEWED THIS AGREEMENT FULLY AND IN DETAIL BEFORE AGREEING TO EACH AND ALL OF THE PROVISIONS**; and (viii) no statement, representation, promise, or inducement has been made to Employee, in connection with the terms or execution of this Agreement, except as expressly set forth in this Agreement.

11. Governing Law; Arbitration. This Agreement shall be subject to and construed in accordance with the laws of the State of California applicable to agreements entered into and to be performed fully therein and without giving effect to conflicts of laws principles thereof. In the event of any dispute in connection with the Services or this Agreement that cannot be resolved privately between the parties, resolution of such dispute shall be through binding arbitration before a single arbitrator conducted in the County of San Diego, California under the simple employment rules of the Judicial Arbitration and Mediation Service (JAMS) then in effect that are not contrary to California law. Nothing contained in this paragraph 10 shall limit either party's right to seek temporary restraining orders or injunctive or other equitable relief in court in connection with this Agreement. **EMPLOYEE UNDERSTANDS THAT BY AGREEING TO ARBITRATION IN THE EVENT OF A DISPUTE BETWEEN EMPLOYER AND EMPLOYEE, EMPLOYEE IS EXPRESSLY WAIVING EMPLOYEE'S RIGHT TO REQUEST A TRIAL BY JURY IN A COURT OF LAW.** The prevailing party in any arbitration shall be entitled to reasonable attorneys fees and costs, but only if the party initiating arbitration first sought in good faith to mediate the dispute with the other party.

12. Entire Agreement; Modification; Waiver; Construction Generally. This Agreement constitutes the entire agreement between Employer and Employee relating to its subject matter, and, other than as expressly set forth in the last sentence of each of Paragraphs 5 and 6 solely for the benefit of Employer, supersedes all previous agreements, if any, whether oral, written or unwritten. Other than the agreements expressly contemplated by this Agreement, there is no separate agreement, contract or understanding, express or implied, of any kind or with respect to any subject matter between Employer and Employee, and none shall be deemed to exist under any circumstances. No provision of this Agreement shall be construed strictly against any party, including, without limitation, the drafter. Neither this Agreement nor any provision may be amended, waived or modified in any way other than by a writing executed by the party against whom such amendment, waiver or modification would be enforced. No failure to exercise, and no delay in exercising and no course of dealing with respect to any right shall operate as a waiver. Nor shall a waiver by any party of a breach of any provision be deemed a waiver of any subsequent breach. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive its right to exercise any or all other rights and remedies. The headings or titles of the several paragraphs of this Agreement are inserted solely for convenience and are not a part of, nor shall they be used or referred to in the construction of, any provision of this Agreement. Words in the singular number shall include the plural, and vice versa. Whenever examples are used in this Agreement with the words "including," "for example," "any," "e.g.," "such as," "etc." or any derivation thereof, such examples are intended to be illustrative and not in limitation. All references to the masculine, feminine or neuter genders shall mean and include all genders.

IN WITNESS WHEREOF, each of the undersigned has set forth Employee's, Employer's or its signature as of the date first set forth above.

EMPLOYER:

Pacific Entertainment Corporation, a California corporation

By: /s/ Michael Meader
Michael Meader, President

EMPLOYEE: /s/ Klaus Moeller
Klaus Moeller

Annex A

TERMINATION CERTIFICATE

This is to certify that undersigned does not have in the undersigned's possession, nor has undersigned failed to return, any customer information, records, files, programs, documents, data, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals, or copies of them, or other documents or materials, equipment, or other property or asset belonging to Pacific Entertainment Corporation ("Employer"), its successors and assigns.

Undersigned further certify that undersigned has fully complied with and will continue to comply with all the terms of the Employment Agreement dated as of April 25, 2011 between Employer and the undersigned (the "Agreement").

Undersigned further agree that, in compliance with the Agreement, undersigned will preserve as confidential all any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business of Employer or any of its clients, customers, Employees, licensees or affiliates, that Employee produced, obtained or otherwise acquired or became aware of during the course of Employee's engagement under the Agreement.

EMPLOYEE:

_____
Klaus Moeller

Date: _____

Exhibit 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made as of April 26, 2011 (the "Effective Date") by and between Michael Meader ("Employee") and Pacific Entertainment Corporation, a California corporation ("Employer or "Company"), located at 5820 Oberlin Drive, Suite 203, San Diego, California 92121.

WITNESSETH:

WHEREAS, Employer would like to engage the services of Employee for Employee's executive skills as President and related services as requested by Employer on a full-time basis, and Employee would like to be so engaged;

WHEREAS, Employer and Employee have agreed on terms for such services and compensation; and

WHEREAS, Employer and Employee wish to enter into a formal written agreement to document such relationship in order to set forth (a) Employee's services and compensation, (b) the terms of Employee's employment, including the "at-will" nature thereof, (c) Employer's exclusive ownership of all proprietary information relating to Employer, (d) certain confidentiality matters, and (e) the manner in which proprietary information produced or acquired by Employee during such relationship shall be handled and made the sole property of Employer;

NOW, THEREFORE, in consideration of the foregoing and in exchange for the promises and other good consideration set forth below, Employee and Employer agree as follows:

1. Services; Title. Employee shall operate as a member of Employer's management team and provide such management and planning responsibilities and other services as Employer shall reasonably request to be performed (together, the "Services") on a full-time basis and shall devote substantially all of Employee's work efforts to the business and operations of Employer. Employee's title, subject to change by Company at any time, shall be "President."

2. Compensation, Benefits and Reviews. Subject to all the other terms of this Agreement, in connection with Employee's performance of the Services, Employer shall:

(a) pay Employee's salary by check in equal installments in accordance with Employer's regular salary payment schedule, which shall be paid at the rate (before deductions for advances and deductions made at Employee's request, if any, and for deductions required by federal, state and local law) of $165,000 per year retroactive to March 20, 2011 through December 31, 2011, then $195,000 per year from January 1, 2012 through December 31, 2012, then $225,000 per year from January 1, 2013 through December 31, 2014. Employee's salary for the remaining term of this Agreement shall be set by the Board of Directors, but shall not increase less than five percent (5%) per annum.

(b) at the sole option of the Board of Directors of Company, pay Employee a year-end performance bonus in the form of cash, options to purchase shares, or shares of the Company's common stock or a combination thereof, but in no event shall the dollar value of the combined bonus be less than four and one-half percent (4.5%) of EBITDA of the Company (earnings before interest, depreciation, taxes and amortization) for the immediately preceding fiscal year, as long as that figure is positive, up to 100% of the base salary for the annual period for which the bonus is earned. The bonus amount may be increased to in excess of 100% of base salary at the discretion of the Board of Directors. Such bonuses are payable within ninety (90) days of issuance of audited financial statements of the Company.

(c) grant an option to Employee in the approved form of grant notice for the Company's 2008 Stock Option Plan (the "Option") to purchase up to 1,000,000 shares of the Company's no par value common stock, the terms (including, without limitation, the option price and the time of vesting of the shares issuable pursuant thereto) of which Option shall be governed by the face thereof subject to availability and provisions of Employer's 2008 Stock Option Plan (the "Plan") in effect or as amended, a copy of which has been provided to Employer. The Option shall be granted on the Effective date and vest as to 250,000 shares on April 1, 2011, and as to 250,000 shares on April 1st of each following year during the term. The exercise price of the Option shall be the greater of $0.44 per share. The Option shall be exercisable for ten (10) years from date of grant, and shall be treated as a Non-qualified Stock Option (NSO) as such term is defined in section 422 of the Internal Revenue Code when allowed by law. Upon termination, the Option shall expire as to all vested but unexercised shares and as to all unvested shares in accordance with the Stock Option Grant Notice, unless the Option has otherwise expired or Employee is terminated for Cause, in which case the Option must be exercised in accordance with the Plan, which currently calls for exercise within ninety (90) days of termination. In the event of a Change of Control that results in the termination of Employee's employment prior to the Expiration Date, the vesting of the Option shall accelerate and vest in full. A Change of Control means the sale of all or substantially all of the Company's assets, a merger or consolidation resulting in securities representing 50% of the combined voting power of the outstanding common stock being transferred to persons who are different from the holders immediately preceding the transaction, the acquisition (directly or indirectly) of 50% of the total combined voting power of the common stock pursuant to a tender or exchange offer, or a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election.

Employee hereby grants a right of first refusal to the Company on all shares underlying and purchased by Employee pursuant to the Option (the "Shares") in the event of Employee's Termination for Cause pursuant to Paragraph 3 of this Agreement. The purchase price for the Shares under this right of first refusal shall be the bid price of the common stock on the date of termination of Employee's employment hereunder (the "Purchase Price"). Prior to selling any of the Shares, Employee shall provide the Company with written notice (the "Notice") stating: (i) the Employee's bona fide intention to sell or otherwise transfer the Shares, the number of Shares being transferred (the "Offered Shares"), the identity of the proposed transferee, and the terms and conditions of the proposed transfer. The Company shall have thirty (30) days after receipt of the Notice ("Exercise Period") to elect to purchase all or less than all of the Offered Shares at the Purchase Price by delivery written notice of exercise of its right of purchase hereunder to Employee ("Notice of Exercise"). Payment of the Purchase Price shall be made in cash (by check or wire transfer) within thirty (30) days after delivery of the Company's Notice of Exercise. If less than all of the Offered Shares are purchased by the Company within the Exercise Period, Employee may sell or otherwise transfer the remaining Offered Shares to the proposed buyer at a minimum of the price included in the Notice within sixty (60) days after the expiration of the Exercise Period. To the extent the Offered Shares are not so sold, a new Notice shall be given to the Company and the Company shall again be offered the right of first refusal before any of the Shares may be sold or otherwise transferred.

(d) grant Employee the option to participate in all of the benefit plans offered by Employer to its Employees generally, including without limitation, insurance plans, 401(k) and other savings plans, Section 125 (cafeteria) and similar pre-tax expense plans, etc., in existence or established during the term.

(e) grant Employee private health care insurance for Employee and Employee's dependents, either a cellular telephone or a cellular telephone reimbursement, computer laptop or similar devices, an automobile allowance of $11,400.00 per annum payable in equal installments in accordance with the Employers normal payroll payment schedule and subject to deductions required by federal, state and local law, and such other benefits as Employer shall determine to provide to any of its most senior executives from time to time.

(f) reimburse Employee for all reasonable travel, meals, lodging, communications, entertainment and other business expenses incurred by Employee in connection with Employee's performance under this Agreement subject to the Company's expense reimbursement policy. Company shall indemnify Employee for all lawful acts committed in course and scope of employment to fullest extent allowed by law in accordance with the Company's Articles of Incorporation and Bylaws.

(g) grant Employee four (4) weeks' vacation with pay for each twelve-month period, taken at times agreed with Employer, plus holidays observed by Company.

3. Term and Termination. The term of this Agreement is five (5) years after the effective date ending on March 31, 2016 (the "Expiration Date"), unless earlier terminated by Employer in Employer's sole discretion. The term of this Agreement may be terminated "at will" by Employer at any time and for any reason or for no reason. In the event Employee shall be terminated by Employer without "Cause" (as defined below) Employer shall provide Employee with the compensation required by clauses (a) and (b) of Paragraph 2 of this Agreement as of the termination date for an eighteen (18) month period (the "Severance Period") following the date of such termination plus all accrued but unpaid salary and vacation time to the date of termination, with the salary portion of all such compensation payable at regular payroll intervals (less deductions required by law), provided, however, that the Severance Period shall not be extended beyond the Expiration Date. IT IS EXPRESSLY UNDERSTOOD AND AGREED that Employee need not mitigate damages during the Severance Period, but also that payment during the Severance period is expressly conditioned on a) Employee signing a release of all claims subject to the provisions of this Agreement, and b) Employee not competing with Company in children's entertainment during the Severance Period, or soliciting, directly or indirectly, any Company employees to work elsewhere, or disparaging Company during the Severance Period, and if Employee does so, any and all obligation by Company to make Severance payments shall cease and become void. Further, upon termination of Employee without cause, any portion of the Option not yet vested shall immediately be vested. Further, any bonus which would have been earned on the date of termination or within ninety (90) days after termination (earned for the purpose of this paragraph is either the end of the calendar year or payable date, whichever provides Employee with greater benefit) would be deemed earned and payable upon the same payment schedule as provided in paragraph 2(b). Upon termination of Employee's employment with Employer for Cause, Employer shall be under no further obligation to Employee for salary or other compensation except to pay all accrued but unpaid salary and accrued vacation time to the date of termination thereof and to continue Employee's benefits under paragraph 2 for a period of thirty (30) days. For purposes of this Agreement, "Cause" shall mean (i) conviction of a felony, or a misdemeanor where imprisonment is imposed, or (ii) Employee's entering into any arrangement with or providing of any services to any company, business or person that produces or markets children's or infant's entertainment other than Pacific Entertainment Corporation and its controlled or controlling affiliates and successors, (iii) any act of fraud, embezzlement, or breach of fiduciary duty or duty of good faith to Employer, (iv) gross dereliction of duties, but only after written notice and a thirty (30) day chance to cure, unless such a cure period would be fruitless, or (v) death or complete disability in excess of one hundred twenty (120) days causing an inability to perform duties, in accordance with law. Termination by Employee for Good Reason creates the same rights to Employee as if Employer terminated Employee without Cause. Termination by Employee for Good Reason is defined as a breach of this contract by Company, a substantial reduction in duties, responsibilities or authority, or being made to change location of work by more than thirty (30) miles, however Employee must give written notice and Company shall have thirty (30) days to cure. "Cause" shall not be triggered by a Change of Control. The Parties shall work together in good faith to alter the date of any payment to avoid any penalties under Section 409A of the Internal Revenue Code.

4. Confidentiality of Terms; Termination Certificate. Employee covenants and agrees that, other than acknowledging the existence of an Employee relationship between Employer and Employee and as otherwise required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel. Upon the termination of Employee's engagement under this Agreement for any reason whatsoever, Employee agrees to sign, date and deliver to Employer a "Termination Certificate" in the form of Annex A and to deliver and take all other action necessary to transfer promptly to Employer all records, materials, equipment, drawings, documents and data of any nature pertaining to any invention, trade secret or confidential information of Employer or to Employee's engagement, and Employee will not take with Employee any description containing or pertaining to any confidential information, knowledge or data of Employer that Employee may produce or obtain during the course of Employee's engagement under this Agreement. This Paragraph 4 shall survive indefinitely any termination of this Agreement or Employee's engagement, and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

5. Nondisclosure. Employee agrees to keep confidential and not to disclose or make any use of (except for the benefit of Employer), at any time, either during or after Employee’s engagement under this Agreement, any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business or future business of Employer or any of its clients, customers, Employees, licensees or affiliates, which Employee may produce, obtain or otherwise acquire or become aware of during the course of Employee’s engagement under this Agreement. Employee further agrees not to deliver, reproduce or in any way allow any such trade secrets, confidential information, knowledge, data or other information, or any documentation relating thereto, to be delivered or used by any third party without specific direction or consent of a duly authorized officer of Employer. This Paragraph 5 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

6. Work for Hire; Ownership of Intellectual Property. Employee understands and agrees that all of Employee's work and the results thereof in connection with the Employer and the Services, whether made solely by Employee or jointly with others, during the period of Employee's association with Employer, that relate in any manner to the actual or anticipated business, work, activities, research or development of Employer or its affiliates, or that result from or are suggested by any task assigned to Employee or any activity performed by Employee on behalf of Employer, shall be the sole property of the Employer, and, to the extent necessary to ensure that all such property shall belong solely to the Employer, Employee by Employee's execution of this Agreement transfers to the Employer any and all right and interest Employee may possess in such intellectual property and other assets created in connection with Employee's employment by Employer and that may be acquired by Employee during the term of this Agreement from any source that relate, directly or indirectly, to Employer's business and future business, in each case without restriction of any kind. Employee also agrees to take any and all actions requested by Employer to preserve Employer's rights with respect to any of the foregoing. This Paragraph 6 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other agreement between Employee and Employer.

7. Exception to assignment. I understand that the provisions of Paragraph 6 requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870. I will advise the Company promptly in writing of any inventions that I believe meet the criteria in Labor Code Section 2870, which provides:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

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

8. No Partnership; Not Assignable by Employee. This Agreement is between Employee, as such, and Employer, as at-will employer, and shall not form or be deemed to form a partnership or joint venture. Employer's rights, benefits, duties and obligations under this Agreement shall inure to its successors and assigns. Employee's rights, obligations and duties under this Agreement are personal to Employee and may not be assigned.

9. Trade Secrets of Others: Employee represents that Employee's performance of all the terms of this Agreement and as the Employer's Employee does not and will not breach any agreement to keep in confidence any proprietary information, knowledge or data acquired by Employee in confidence or in trust before Employee's engagement under this Agreement, and Employee will not disclose to Employer or induce Employer to use any confidential or proprietary information or material belonging to any other person or entity. Employee agrees not to enter into any agreement, either written or oral, in conflict with this Paragraph 8.

10. Employee's Representations and Warranties. Employee represents, warrants, covenants, understands and agrees that: (i) Employee is free to enter into this Agreement; (ii) Employee is not obligated or a party to any engagement, commitment or agreement with any person or entity that will, does or could conflict with or interfere with Employee's full and faithful performance of this Agreement, nor does Employee have any commitment, engagement or agreement of any kind requiring Employee to render services or preventing or restricting Employee from rendering services or respecting the disposition of any rights or assets that Employee has or may hereafter acquire or create in connection with the Services and the results thereof; (iii) other than as required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel; (iv) Employee shall not use any material or content of any kind in connection with Employer's products, software or website that is copyrighted or owned or licensed by a party other than Employer or that would or could infringe the rights of any other party; (v) Employee shall not use in the course of Employee's performance under this Agreement, and shall not disclose to Employer, any confidential information belonging, in part or in whole, to any third party; (vi) Employee currently has no inventions which fall within are excepted from assignment under Paragraph 7; (vii) **EMPLOYEE UNDERSTANDS ALL OF THE TERMS OF THIS "AT WILL" EMPLOYMENT AGREEMENT, AND HAS REVIEWED THIS AGREEMENT FULLY AND IN DETAIL BEFORE AGREEING TO EACH AND ALL OF THE PROVISIONS**; and (viii) no statement, representation, promise, or inducement has been made to Employee, in connection with the terms or execution of this Agreement, except as expressly set forth in this Agreement.

11. Governing Law; Arbitration. This Agreement shall be subject to and construed in accordance with the laws of the State of California applicable to agreements entered into and to be performed fully therein and without giving effect to conflicts of laws principles thereof. In the event of any dispute in connection with the Services or this Agreement that cannot be resolved privately between the parties, resolution of such dispute shall be through binding arbitration before a single arbitrator conducted in the County of San Diego, California under the simple employment rules of the Judicial Arbitration and Mediation Service (JAMS) then in effect that are not contrary to California law. Nothing contained in this paragraph 10 shall limit either party's right to seek temporary restraining orders or injunctive or other equitable relief in court in connection with this Agreement. **EMPLOYEE UNDERSTANDS THAT BY AGREEING TO ARBITRATION IN THE EVENT OF A DISPUTE BETWEEN EMPLOYER AND EMPLOYEE, EMPLOYEE IS EXPRESSLY WAIVING EMPLOYEE'S RIGHT TO REQUEST A TRIAL BY JURY IN A COURT OF LAW.** The prevailing party in any arbitration shall be entitled to reasonable attorneys fees and costs, but only if the party initiating arbitration first sought in good faith to mediate the dispute with the other party.

12. Entire Agreement; Modification; Waiver; Construction Generally. This Agreement constitutes the entire agreement between Employer and Employee relating to its subject matter, and, other than as expressly set forth in the last sentence of each of Paragraphs 5 and 6 solely for the benefit of Employer, supersedes all previous agreements, if any, whether oral, written or unwritten. Other than the agreements expressly contemplated by this Agreement, there is no separate agreement, contract or understanding, express or implied, of any kind or with respect to any subject matter between Employer and Employee, and none shall be deemed to exist under any circumstances. No provision of this Agreement shall be construed strictly against any party, including, without limitation, the drafter. Neither this Agreement nor any provision may be amended, waived or modified in any way other than by a writing executed by the party against whom such amendment, waiver or modification would be enforced. No failure to exercise, and no delay in exercising and no course of dealing with respect to any right shall operate as a waiver. Nor shall a waiver by any party of a breach of any provision be deemed a waiver of any subsequent breach. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive its right to exercise any or all other rights and remedies. The headings or titles of the several paragraphs of this Agreement are inserted solely for convenience and are not a part of, nor shall they be used or referred to in the construction of, any provision of this Agreement. Words in the singular number shall include the plural, and vice versa. Whenever examples are used in this Agreement with the words "including," "for example," "any," "e.g.," "such as," "etc." or any derivation thereof, such examples are intended to be illustrative and not in limitation. All references to the masculine, feminine or neuter genders shall mean and include all genders.

IN WITNESS WHEREOF, each of the undersigned has set forth Employee's, Employer's or its signature as of the date first set forth above.

EMPLOYER:

Pacific Entertainment Corporation, a California corporation

By: /s/ Klaus Moeller
Klaus Moeller, Chief Executive Officer

EMPLOYEE: /s/ Michael Meader
Michael Meader

Annex A

TERMINATION CERTIFICATE

This is to certify that undersigned does not have in the undersigned's possession, nor has undersigned failed to return, any customer information, records, files, programs, documents, data, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals, or copies of them, or other documents or materials, equipment, or other property or asset belonging to Pacific Entertainment Corporation ("Employer"), its successors and assigns.

Undersigned further certify that undersigned has fully complied with and will continue to comply with all the terms of the Employment Agreement dated as of April 25, 2011 between Employer and the undersigned (the "Agreement").

Undersigned further agree that, in compliance with the Agreement, undersigned will preserve as confidential all any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business of Employer or any of its clients, customers, Employees, licensees or affiliates, that Employee produced, obtained or otherwise acquired or became aware of during the course of Employee's engagement under the Agreement.

EMPLOYEE:

_____
Michael Meader

Date: _____

Exhibit 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made as of April 26, 2011 (the "Effective Date") by and between Larry Balaban ("Employee") and Pacific Entertainment Corporation, a California corporation ("Employer or "Company"), located at 5820 Oberlin Drive, Suite 203, San Diego, California 92121.

WITNESSETH:

WHEREAS, Employer would like to engage the services of Employee for Employee's executive skills as Chief Creative Officer and related services as requested by Employer on a full-time basis, and Employee would like to be so engaged;

WHEREAS, Employer and Employee have agreed on terms for such services and compensation; and

WHEREAS, Employer and Employee wish to enter into a formal written agreement to document such relationship in order to set forth (a) Employee's services and compensation, (b) the terms of Employee's employment, including the "at-will" nature thereof, (c) Employer's exclusive ownership of all proprietary information relating to Employer, (d) certain confidentiality matters, and (e) the manner in which proprietary information produced or acquired by Employee during such relationship shall be handled and made the sole property of Employer;

NOW, THEREFORE, in consideration of the foregoing and in exchange for the promises and other good consideration set forth below, Employee and Employer agree as follows:

1. Services; Title. Employee shall operate as a member of Employer's management team and provide such management and planning responsibilities and other services as Employer shall reasonably request to be performed (together, the "Services") on a full-time basis and shall devote substantially all of Employee's work efforts to the business and operations of Employer. Employee's title, subject to change by Company at any time, shall be "Chief Creative Officer."

2. Compensation, Benefits and Reviews. Subject to all the other terms of this Agreement, in connection with Employee's performance of the Services, Employer shall:

(a) pay Employee's salary by check in equal installments in accordance with Employer's regular salary payment schedule, which shall be paid at the rate (before deductions for advances and deductions made at Employee's request, if any, and for deductions required by federal, state and local law) of $165,000 per year retroactive to March 20, 2011 through December 31, 2011, then $195,000 per year from January 1, 2012 through December 31, 2012, then $225,000 per year from January 1, 2013 through December 31, 2014. Employee's salary for the remaining term of this Agreement shall be set by the Board of Directors, but shall not increase less than five percent (5%) per annum.

(b) at the sole option of the Board of Directors of Company, pay Employee a year-end performance bonus in the form of cash, options to purchase shares, or shares of the Company's common stock or a combination thereof, but in no event shall the dollar value of the combined bonus be less than four and one-half percent (4.5%) of EBITDA of the Company (earnings before interest, depreciation, taxes and amortization) for the immediately preceding fiscal year, as long as that figure is positive, up to 100% of the base salary for the annual period for which the bonus is earned. The bonus amount may be increased to in excess of 100% of base salary at the discretion of the Board of Directors. Such bonuses are payable within ninety (90) days of issuance of audited financial statements of the Company.

(c) grant an option to Employee in the approved form of grant notice for the Company's 2008 Stock Option Plan (the "Option") to purchase up to 1,000,000 shares of the Company's no par value common stock, the terms (including, without limitation, the option price and the time of vesting of the shares issuable pursuant thereto) of which Option shall be governed by the face thereof subject to availability and provisions of Employer's 2008 Stock Option Plan (the "Plan") in effect or as amended, a copy of which has been provided to Employer. The Option shall be granted on the Effective date and vest as to 250,000 shares on April 1, 2011, and as to 250,000 shares on April 1st of each following year during the term. The exercise price of the Option shall be the greater of $0.44 per share. The Option shall be exercisable for ten (10) years from date of grant, and shall be treated as a Non-qualified Stock Option (NSO) as such term is defined in section 422 of the Internal Revenue Code when allowed by law. Upon termination, the Option shall expire as to all vested but unexercised shares and as to all unvested shares in accordance with the Stock Option Grant Notice, unless the Option has otherwise expired or Employee is terminated for Cause, in which case the Option must be exercised in accordance with the Plan, which currently calls for exercise within ninety (90) days of termination. In the event of a Change of Control that results in the termination of Employee's employment prior to the Expiration Date, the vesting of the Option shall accelerate and vest in full. A Change of Control means the sale of all or substantially all of the Company's assets, a merger or consolidation resulting in securities representing 50% of the combined voting power of the outstanding common stock being transferred to persons who are different from the holders immediately preceding the transaction, the acquisition (directly or indirectly) of 50% of the total combined voting power of the common stock pursuant to a tender or exchange offer, or a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election.

Employee hereby grants a right of first refusal to the Company on all shares underlying and purchased by Employee pursuant to the Option (the "Shares") in the event of Employee's Termination for Cause pursuant to Paragraph 3 of this Agreement. The purchase price for the Shares under this right of first refusal shall be the bid price of the common stock on the date of termination of Employee's employment hereunder (the "Purchase Price"). Prior to selling any of the Shares, Employee shall provide the Company with written notice (the "Notice") stating: (i) the Employee's bona fide intention to sell or otherwise transfer the Shares, the number of Shares being transferred (the "Offered Shares"), the identity of the proposed transferee, and the terms and conditions of the proposed transfer. The Company shall have thirty (30) days after receipt of the Notice ("Exercise Period") to elect to purchase all or less than all of the Offered Shares at the Purchase Price by delivery written notice of exercise of its right of purchase hereunder to Employee ("Notice of Exercise"). Payment of the Purchase Price shall be made in cash (by check or wire transfer) within thirty (30) days after delivery of the Company's Notice of Exercise. If less than all of the Offered Shares are purchased by the Company within the Exercise Period, Employee may sell or otherwise transfer the remaining Offered Shares to the proposed buyer at a minimum of the price included in the Notice within sixty (60) days after the expiration of the Exercise Period. To the extent the Offered Shares are not so sold, a new Notice shall be given to the Company and the Company shall again be offered the right of first refusal before any of the Shares may be sold or otherwise transferred.

(d) grant Employee the option to participate in all of the benefit plans offered by Employer to its Employees generally, including without limitation, insurance plans, 401(k) and other savings plans, Section 125 (cafeteria) and similar pre-tax expense plans, etc., in existence or established during the term.

(e) grant Employee private health care insurance for Employee and Employee's dependents, either a cellular telephone or a cellular telephone reimbursement, computer laptop or similar devices, an automobile allowance of $11,400.00 per annum payable in equal installments in accordance with the Employers normal payroll payment schedule and subject to deductions required by federal, state and local law, and such other benefits as Employer shall determine to provide to any of its most senior executives from time to time.

(f) reimburse Employee for all reasonable travel, meals, lodging, communications, entertainment and other business expenses incurred by Employee in connection with Employee's performance under this Agreement subject to the Company's expense reimbursement policy. Company shall indemnify Employee for all lawful acts committed in course and scope of employment to fullest extent allowed by law in accordance with the Company's Articles of Incorporation and Bylaws.

(g) grant Employee four (4) weeks' vacation with pay for each twelve-month period, taken at times agreed with Employer, plus holidays observed by Company.

3. Term and Termination. The term of this Agreement is five (5) years after the effective date ending on March 31, 2016 (the "Expiration Date"), unless earlier terminated by Employer in Employer's sole discretion. The term of this Agreement may be terminated "at will" by Employer at any time and for any reason or for no reason. In the event Employee shall be terminated by Employer without "Cause" (as defined below) Employer shall provide Employee with the compensation required by clauses (a) and (b) of Paragraph 2 of this Agreement as of the termination date for an eighteen (18) month period (the "Severance Period") following the date of such termination plus all accrued but unpaid salary and vacation time to the date of termination, with the salary portion of all such compensation payable at regular payroll intervals (less deductions required by law), provided, however, that the Severance Period shall not be extended beyond the Expiration Date. IT IS EXPRESSLY UNDERSTOOD AND AGREED that Employee need not mitigate damages during the Severance Period, but also that payment during the Severance period is expressly conditioned on a) Employee signing a release of all claims subject to the provisions of this Agreement, and b) Employee not competing with Company in children's entertainment during the Severance Period, or soliciting, directly or indirectly, any Company employees to work elsewhere, or disparaging Company during the Severance Period, and if Employee does so, any and all obligation by Company to make Severance payments shall cease and become void. Further, upon termination of Employee without cause, any portion of the Option not yet vested shall immediately be vested. Further, any bonus which would have been earned on the date of termination or within ninety (90) days after termination (earned for the purpose of this paragraph is either the end of the calendar year or payable date, whichever provides Employee with greater benefit) would be deemed earned and payable upon the same payment schedule as provided in paragraph 2(b). Upon termination of Employee's employment with Employer for Cause, Employer shall be under no further obligation to Employee for salary or other compensation except to pay all accrued but unpaid salary and accrued vacation time to the date of termination thereof and to continue Employee's benefits under paragraph 2 for a period of thirty (30) days. For purposes of this Agreement, "Cause" shall mean (i) conviction of a felony, or a misdemeanor where imprisonment is imposed, or (ii) Employee's entering into any arrangement with or providing of any services to any company, business or person that produces or markets children's or infant's entertainment other than Pacific Entertainment Corporation and its controlled or controlling affiliates and successors, (iii) any act of fraud, embezzlement, or breach of fiduciary duty or duty of good faith to Employer, (iv) gross dereliction of duties, but only after written notice and a thirty (30) day chance to cure, unless such a cure period would be fruitless, or (v) death or complete disability in excess of one hundred twenty (120) days causing an inability to perform duties, in accordance with law. Termination by Employee for Good Reason creates the same rights to Employee as if Employer terminated Employee without Cause. Termination by Employee for Good Reason is defined as a breach of this contract by Company, a substantial reduction in duties, responsibilities or authority, or being made to change location of work by more than thirty (30) miles, however Employee must give written notice and Company shall have thirty (30) days to cure. "Cause" shall not be triggered by a Change of Control. The Parties shall work together in good faith to alter the date of any payment to avoid any penalties under Section 409A of the Internal Revenue Code.

4. Confidentiality of Terms; Termination Certificate. Employee covenants and agrees that, other than acknowledging the existence of an Employee relationship between Employer and Employee and as otherwise required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel. Upon the termination of Employee's engagement under this Agreement for any reason whatsoever, Employee agrees to sign, date and deliver to Employer a "Termination Certificate" in the form of Annex A and to deliver and take all other action necessary to transfer promptly to Employer all records, materials, equipment, drawings, documents and data of any nature pertaining to any invention, trade secret or confidential information of Employer or to Employee's engagement, and Employee will not take with Employee any description containing or pertaining to any confidential information, knowledge or data of Employer that Employee may produce or obtain during the course of Employee's engagement under this Agreement. This Paragraph 4 shall survive indefinitely any termination of this Agreement or Employee's engagement, and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

5. Nondisclosure. Employee agrees to keep confidential and not to disclose or make any use of (except for the benefit of Employer), at any time, either during or after Employee’s engagement under this Agreement, any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business or future business of Employer or any of its clients, customers, Employees, licensees or affiliates, which Employee may produce, obtain or otherwise acquire or become aware of during the course of Employee’s engagement under this Agreement. Employee further agrees not to deliver, reproduce or in any way allow any such trade secrets, confidential information, knowledge, data or other information, or any documentation relating thereto, to be delivered or used by any third party without specific direction or consent of a duly authorized officer of Employer. This Paragraph 5 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

6. Work for Hire; Ownership of Intellectual Property. Employee understands andagrees that all of Employee's work and the results thereof in connection with the Employer and the Services, whether made solely by Employee or jointly with others, during the period of Employee's association with Employer, that relate in any manner to the actual or anticipated business, work, activities, research or development of Employer or its affiliates, or that result from or are suggested by any task assigned to Employee or any activity performed by Employee on behalf of Employer, shall be the sole property of the Employer, and, to the extent necessary to ensure that all such property shall belong solely to the Employer, Employee by Employee's execution of this Agreement transfers to the Employer any and all right and interest Employee may possess in such intellectual property and other assets created in connection with Employee's employment by Employer and that may be acquired by Employee during the term of this Agreement from any source that relate, directly or indirectly, to Employer's business and future business, in each case without restriction of any kind. Employee also agrees to take any and all actions requested by Employer to preserve Employer's rights with respect to any of the foregoing. This Paragraph 6 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other agreement between Employee and Employer.

7. Exception to assignment. I understand that the provisions of Paragraph 6 requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870. I will advise the Company promptly in writing of any inventions that I believe meet the criteria in Labor Code Section 2870, which provides:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

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

8. No Partnership; Not Assignable by Employee. This Agreement is between Employee, as such, and Employer, as at-will employer, and shall not form or be deemed to form a partnership or joint venture. Employer's rights, benefits, duties and obligations under this Agreement shall inure to its successors and assigns. Employee's rights, obligations and duties under this Agreement are personal to Employee and may not be assigned.

9. Trade Secrets of Others: Employee represents that Employee's performance of all the terms of this Agreement and as the Employer's Employee does not and will not breach any agreement to keep in confidence any proprietary information, knowledge or data acquired by Employee in confidence or in trust before Employee's engagement under this Agreement, and Employee will not disclose to Employer or induce Employer to use any confidential or proprietary information or material belonging to any other person or entity. Employee agrees not to enter into any agreement, either written or oral, in conflict with this Paragraph 8.

10. Employee's Representations and Warranties. Employee represents, warrants, covenants, understands and agrees that: (i) Employee is free to enter into this Agreement; (ii) Employee is not obligated or a party to any engagement, commitment or agreement with any person or entity that will, does or could conflict with or interfere with Employee's full and faithful performance of this Agreement, nor does Employee have any commitment, engagement or agreement of any kind requiring Employee to render services or preventing or restricting Employee from rendering services or respecting the disposition of any rights or assets that Employee has or may hereafter acquire or create in connection with the Services and the results thereof; (iii) other than as required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel; (iv) Employee shall not use any material or content of any kind in connection with Employer's products, software or website that is copyrighted or owned or licensed by a party other than Employer or that would or could infringe the rights of any other party; (v) Employee shall not use in the course of Employee's performance under this Agreement, and shall not disclose to Employer, any confidential information belonging, in part or in whole, to any third party; (vi) Employee currently has no inventions which fall within are excepted from assignment under Paragraph 7; (vii) **EMPLOYEE UNDERSTANDS ALL OF THE TERMS OF THIS "AT WILL" EMPLOYMENT AGREEMENT, AND HAS REVIEWED THIS AGREEMENT FULLY AND IN DETAIL BEFORE AGREEING TO EACH AND ALL OF THE PROVISIONS**; and (viii) no statement, representation, promise, or inducement has been made to Employee, in connection with the terms or execution of this Agreement, except as expressly set forth in this Agreement.

11. Governing Law; Arbitration. This Agreement shall be subject to and construed in accordance with the laws of the State of California applicable to agreements entered into and to be performed fully therein and without giving effect to conflicts of laws principles thereof. In the event of any dispute in connection with the Services or this Agreement that cannot be resolved privately between the parties, resolution of such dispute shall be through binding arbitration before a single arbitrator conducted in the County of San Diego, California under the simple employment rules of the Judicial Arbitration and Mediation Service (JAMS) then in effect that are not contrary to California law. Nothing contained in this paragraph 10 shall limit either party's right to seek temporary restraining orders or injunctive or other equitable relief in court in connection with this Agreement. **EMPLOYEE UNDERSTANDS THAT BY AGREEING TO ARBITRATION IN THE EVENT OF A DISPUTE BETWEEN EMPLOYER AND EMPLOYEE, EMPLOYEE IS EXPRESSLY WAIVING EMPLOYEE'S RIGHT TO REQUEST A TRIAL BY JURY IN A COURT OF LAW.** The prevailing party in any arbitration shall be entitled to reasonable attorneys fees and costs, but only if the party initiating arbitration first sought in good faith to mediate the dispute with the other party.

12. Entire Agreement; Modification; Waiver; Construction Generally. This Agreement constitutes the entire agreement between Employer and Employee relating to its subject matter, and, other than as expressly set forth in the last sentence of each of Paragraphs 5 and 6 solely for the benefit of Employer, supersedes all previous agreements, if any, whether oral, written or unwritten. Other than the agreements expressly contemplated by this Agreement, there is no separate agreement, contract or understanding, express or implied, of any kind or with respect to any subject matter between Employer and Employee, and none shall be deemed to exist under any circumstances. No provision of this Agreement shall be construed strictly against any party, including, without limitation, the drafter. Neither this Agreement nor any provision may be amended, waived or modified in any way other than by a writing executed by the party against whom such amendment, waiver or modification would be enforced. No failure to exercise, and no delay in exercising and no course of dealing with respect to any right shall operate as a waiver. Nor shall a waiver by any party of a breach of any provision be deemed a waiver of any subsequent breach. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive its right to exercise any or all other rights and remedies. The headings or titles of the several paragraphs of this Agreement are inserted solely for convenience and are not a part of, nor shall they be used or referred to in the construction of, any provision of this Agreement. Words in the singular number shall include the plural, and vice versa. Whenever examples are used in this Agreement with the words "including," "for example," "any," "e.g.," "such as," "etc." or any derivation thereof, such examples are intended to be illustrative and not in limitation. All references to the masculine, feminine or neuter genders shall mean and include all genders.

IN WITNESS WHEREOF, each of the undersigned has set forth Employee's, Employer's or its signature as of the date first set forth above.

EMPLOYER:

Pacific Entertainment Corporation, a California corporation

By: /s/ Klaus Moeller
Klaus Moeller, Chief Executive Officer

EMPLOYEE: /s/ Larry Balaban
Larry Balaban

Annex A

TERMINATION CERTIFICATE

This is to certify that undersigned does not have in the undersigned's possession, nor has undersigned failed to return, any customer information, records, files, programs, documents, data, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals, or copies of them, or other documents or materials, equipment, or other property or asset belonging to Pacific Entertainment Corporation ("Employer"), its successors and assigns.

Undersigned further certify that undersigned has fully complied with and will continue to comply with all the terms of the Employment Agreement dated as of April 25, 2011 between Employer and the undersigned (the "Agreement").

Undersigned further agree that, in compliance with the Agreement, undersigned will preserve as confidential all any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business of Employer or any of its clients, customers, Employees, licensees or affiliates, that Employee produced, obtained or otherwise acquired or became aware of during the course of Employee's engagement under the Agreement.

EMPLOYEE:

_____
Larry Balaban

Date: _____

Exhibit 10.4

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made as of April 26, 2011 (the "Effective Date") by and between Howard Balaban ("Employee") and Pacific Entertainment Corporation, a California corporation ("Employer or "Company"), located at 5820 Oberlin Drive, Suite 203, San Diego, California 92121.

WITNESSETH:

WHEREAS, Employer would like to engage the services of Employee for Employee's executive skills as Executive Vice President of Business Development and related services as requested by Employer on a full-time basis, and Employee would like to be so engaged;

WHEREAS, Employer and Employee have agreed on terms for such services and compensation; and

WHEREAS, Employer and Employee wish to enter into a formal written agreement to document such relationship in order to set forth (a) Employee's services and compensation, (b) the terms of Employee's employment, including the "at-will" nature thereof, (c) Employer's exclusive ownership of all proprietary information relating to Employer, (d) certain confidentiality matters, and (e) the manner in which proprietary information produced or acquired by Employee during such relationship shall be handled and made the sole property of Employer;

NOW, THEREFORE, in consideration of the foregoing and in exchange for the promises and other good consideration set forth below, Employee and Employer agree as follows:

1. Services; Title. Employee shall operate as a member of Employer's management team and provide such management and planning responsibilities and other services as Employer shall reasonably request to be performed (together, the "Services") on a full-time basis and shall devote substantially all of Employee's work efforts to the business and operations of Employer. Employee's title, subject to change by Company at any time, shall be "Executive Vice President of Business Development."

2. Compensation, Benefits and Reviews. Subject to all the other terms of this Agreement, in connection with Employee's performance of the Services, Employer shall:

(a) pay Employee's salary by check in equal installments in accordance with Employer's regular salary payment schedule, which shall be paid at the rate (before deductions for advances and deductions made at Employee's request, if any, and for deductions required by federal, state and local law) of $165,000 per year retroactive to March 20, 2011 through December 31, 2011, then $195,000 per year from January 1, 2012 through December 31, 2012, then $225,000 per year from January 1, 2013 through December 31, 2014. Employee's salary for the remaining term of this Agreement shall be set by the Board of Directors, but shall not increase less than five percent (5%) per annum.

(b) at the sole option of the Board of Directors of Company, pay Employee a year-end performance bonus in the form of cash, options to purchase shares, or shares of the Company's common stock or a combination thereof, but in no event shall the dollar value of the combined bonus be less than four and one-half percent (4.5%) of EBITDA of the Company (earnings before interest, depreciation, taxes and amortization) for the immediately preceding fiscal year, as long as that figure is positive, up to 100% of the base salary for the annual period for which the bonus is earned. The bonus amount may be increased to in excess of 100% of base salary at the discretion of the Board of Directors. Such bonuses are payable within ninety (90) days of issuance of audited financial statements of the Company.

(c) grant an option to Employee in the approved form of grant notice for the Company's 2008 Stock Option Plan (the "Option") to purchase up to 1,000,000 shares of the Company's no par value common stock, the terms (including, without limitation, the option price and the time of vesting of the shares issuable pursuant thereto) of which Option shall be governed by the face thereof subject to availability and provisions of Employer's 2008 Stock Option Plan (the "Plan") in effect or as amended, a copy of which has been provided to Employer. The Option shall be granted on the Effective date and vest as to 250,000 shares on April 1, 2011, and as to 250,000 shares on April 1st of each following year during the term. The exercise price of the Option shall be the greater of $0.44 per share. The Option shall be exercisable for ten (10) years from date of grant, and shall be treated as a Non-qualified Stock Option (NSO) as such term is defined in section 422 of the Internal Revenue Code when allowed by law. Upon termination, the Option shall expire as to all vested but unexercised shares and as to all unvested shares in accordance with the Stock Option Grant Notice, unless the Option has otherwise expired or Employee is terminated for Cause, in which case the Option must be exercised in accordance with the Plan, which currently calls for exercise within ninety (90) days of termination. In the event of a Change of Control that results in the termination of Employee's employment prior to the Expiration Date, the vesting of the Option shall accelerate and vest in full. A Change of Control means the sale of all or substantially all of the Company's assets, a merger or consolidation resulting in securities representing 50% of the combined voting power of the outstanding common stock being transferred to persons who are different from the holders immediately preceding the transaction, the acquisition (directly or indirectly) of 50% of the total combined voting power of the common stock pursuant to a tender or exchange offer, or a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election.

Employee hereby grants a right of first refusal to the Company on all shares underlying and purchased by Employee pursuant to the Option (the "Shares") in the event of Employee's Termination for Cause pursuant to Paragraph 3 of this Agreement. The purchase price for the Shares under this right of first refusal shall be the bid price of the common stock on the date of termination of Employee's employment hereunder (the "Purchase Price"). Prior to selling any of the Shares, Employee shall provide the Company with written notice (the "Notice") stating: (i) the Employee's bona fide intention to sell or otherwise transfer the Shares, the number of Shares being transferred (the "Offered Shares"), the identity of the proposed transferee, and the terms and conditions of the proposed transfer. The Company shall have thirty (30) days after receipt of the Notice ("Exercise Period") to elect to purchase all or less than all of the Offered Shares at the Purchase Price by delivery written notice of exercise of its right of purchase hereunder to Employee ("Notice of Exercise"). Payment of the Purchase Price shall be made in cash (by check or wire transfer) within thirty (30) days after delivery of the Company's Notice of Exercise. If less than all of the Offered Shares are purchased by the Company within the Exercise Period, Employee may sell or otherwise transfer the remaining Offered Shares to the proposed buyer at a minimum of the price included in the Notice within sixty (60) days after the expiration of the Exercise Period. To the extent the Offered Shares are not so sold, a new Notice shall be given to the Company and the Company shall again be offered the right of first refusal before any of the Shares may be sold or otherwise transferred.

(d) grant Employee the option to participate in all of the benefit plans offered by Employer to its Employees generally, including without limitation, insurance plans, 401(k) and other savings plans, Section 125 (cafeteria) and similar pre-tax expense plans, etc., in existence or established during the term.

(e) grant Employee private health care insurance for Employee and Employee's dependents, either a cellular telephone or a cellular telephone reimbursement, computer laptop or similar devices, an automobile allowance of $11,400.00 per annum payable in equal installments in accordance with the Employers normal payroll payment schedule and subject to deductions required by federal, state and local law, and such other benefits as Employer shall determine to provide to any of its most senior executives from time to time.

(f) reimburse Employee for all reasonable travel, meals, lodging, communications, entertainment and other business expenses incurred by Employee in connection with Employee's performance under this Agreement subject to the Company's expense reimbursement policy. Company shall indemnify Employee for all lawful acts committed in course and scope of employment to fullest extent allowed by law in accordance with the Company's Articles of Incorporation and Bylaws.

(g) grant Employee four (4) weeks' vacation with pay for each twelve-month period, taken at times agreed with Employer, plus holidays observed by Company.

3. Term and Termination. The term of this Agreement is five (5) years after the effective date ending on March 31, 2016 (the "Expiration Date"), unless earlier terminated by Employer in Employer's sole discretion. The term of this Agreement may be terminated "at will" by Employer at any time and for any reason or for no reason. In the event Employee shall be terminated by Employer without "Cause" (as defined below) Employer shall provide Employee with the compensation required by clauses (a) and (b) of Paragraph 2 of this Agreement as of the termination date for an eighteen (18) month period (the "Severance Period") following the date of such termination plus all accrued but unpaid salary and vacation time to the date of termination, with the salary portion of all such compensation payable at regular payroll intervals (less deductions required by law), provided, however, that the Severance Period shall not be extended beyond the Expiration Date. IT IS EXPRESSLY UNDERSTOOD AND AGREED that Employee need not mitigate damages during the Severance Period, but also that payment during the Severance period is expressly conditioned on a) Employee signing a release of all claims subject to the provisions of this Agreement, and b) Employee not competing with Company in children's entertainment during the Severance Period, or soliciting, directly or indirectly, any Company employees to work elsewhere, or disparaging Company during the Severance Period, and if Employee does so, any and all obligation by Company to make Severance payments shall cease and become void. Further, upon termination of Employee without cause, any portion of the Option not yet vested shall immediately be vested. Further, any bonus which would have been earned on the date of termination or within ninety (90) days after termination (earned for the purpose of this paragraph is either the end of the calendar year or payable date, whichever provides Employee with greater benefit) would be deemed earned and payable upon the same payment schedule as provided in paragraph 2(b). Upon termination of Employee's employment with Employer for Cause, Employer shall be under no further obligation to Employee for salary or other compensation except to pay all accrued but unpaid salary and accrued vacation time to the date of termination thereof and to continue Employee's benefits under paragraph 2 for a period of thirty (30) days. For purposes of this Agreement, "Cause" shall mean (i) conviction of a felony, or a misdemeanor where imprisonment is imposed, or (ii) Employee's entering into any arrangement with or providing of any services to any company, business or person that produces or markets children's or infant's entertainment other than Pacific Entertainment Corporation and its controlled or controlling affiliates and successors, (iii) any act of fraud, embezzlement, or breach of fiduciary duty or duty of good faith to Employer, (iv) gross dereliction of duties, but only after written notice and a thirty (30) day chance to cure, unless such a cure period would be fruitless, or (v) death or complete disability in excess of one hundred twenty (120) days causing an inability to perform duties, in accordance with law. Termination by Employee for Good Reason creates the same rights to Employee as if Employer terminated Employee without Cause. Termination by Employee for Good Reason is defined as a breach of this contract by Company, a substantial reduction in duties, responsibilities or authority, or being made to change location of work by more than thirty (30) miles, however Employee must give written notice and Company shall have thirty (30) days to cure. "Cause" shall not be triggered by a Change of Control. The Parties shall work together in good faith to alter the date of any payment to avoid any penalties under Section 409A of the Internal Revenue Code.

4. Confidentiality of Terms; Termination Certificate. Employee covenants and agrees that, other than acknowledging the existence of an Employee relationship between Employer and Employee and as otherwise required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel. Upon the termination of Employee's engagement under this Agreement for any reason whatsoever, Employee agrees to sign, date and deliver to Employer a "Termination Certificate" in the form of Annex A and to deliver and take all other action necessary to transfer promptly to Employer all records, materials, equipment, drawings, documents and data of any nature pertaining to any invention, trade secret or confidential information of Employer or to Employee's engagement, and Employee will not take with Employee any description containing or pertaining to any confidential information, knowledge or data of Employer that Employee may produce or obtain during the course of Employee's engagement under this Agreement. This Paragraph 4 shall survive indefinitely any termination of this Agreement or Employee's engagement, and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

5. Nondisclosure. Employee agrees to keep confidential and not to disclose or make any use of (except for the benefit of Employer), at any time, either during or after Employee's engagement under this Agreement, any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business or future business of Employer or any of its clients, customers, Employees, licensees or affiliates, which Employee may produce, obtain or otherwise acquire or become aware of during the course of Employee's engagement under this Agreement. Employee further agrees not to deliver, reproduce or in any way allow any such trade secrets, confidential information, knowledge, data or other information, or any documentation relating thereto, to be delivered or used by any third party without specific direction or consent of a duly authorized officer of Employer. This Paragraph 5 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other Confidentiality or Trade Secrets agreement between Employee and Employer.

6. Work for Hire; Ownership of Intellectual Property. Employee understands and agrees that all of Employee's work and the results thereof in connection with the Employer and the Services, whether made solely by Employee or jointly with others, during the period of Employee's association with Employer, that relate in any manner to the actual or anticipated business, work, activities, research or development of Employer or its affiliates, or that result from or are suggested by any task assigned to Employee or any activity performed by Employee on behalf of Employer, shall be the sole property of the Employer, and, to the extent necessary to ensure that all such property shall belong solely to the Employer, Employee by Employee's execution of this Agreement transfers to the Employer any and all right and interest Employee may possess in such intellectual property and other assets created in connection with Employee's employment by Employer and that may be acquired by Employee during the term of this Agreement from any source that relate, directly or indirectly, to Employer's business and future business, in each case without restriction of any kind. Employee also agrees to take any and all actions requested by Employer to preserve Employer's rights with respect to any of the foregoing. This Paragraph 6 shall survive indefinitely any termination of this Agreement or Employee's engagement and shall be read in addition to, and shall not reduce the restrictions of this Agreement on Employee or limit Employer's rights in any way with respect to, any other agreement between Employee and Employer.

7 . Exception to assignment. I understand that the provisions of Paragraph 6 requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870. I will advise the Company promptly in writing of any inventions that I believe meet the criteria in Labor Code Section 2870, which provides:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

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

8. No Partnership; Not Assignable by Employee. This Agreement is between Employee, as such, and Employer, as at-will employer, and shall not form or be deemed to form a partnership or joint venture. Employer's rights, benefits, duties and obligations under this Agreement shall inure to its successors and assigns. Employee's rights, obligations and duties under this Agreement are personal to Employee and may not be assigned.

9. Trade Secrets of Others: Employee represents that Employee's performance of all the terms of this Agreement and as the Employer's Employee does not and will not breach any agreement to keep in confidence any proprietary information, knowledge or data acquired by Employee in confidence or in trust before Employee's engagement under this Agreement, and Employee will not disclose to Employer or induce Employer to use any confidential or proprietary information or material belonging to any other person or entity. Employee agrees not to enter into any agreement, either written or oral, in conflict with this Paragraph 8.

10. Employee's Representations and Warranties. Employee represents, warrants, covenants, understands and agrees that: (i) Employee is free to enter into this Agreement; (ii) Employee is not obligated or a party to any engagement, commitment or agreement with any person or entity that will, does or could conflict with or interfere with Employee's full and faithful performance of this Agreement, nor does Employee have any commitment, engagement or agreement of any kind requiring Employee to render services or preventing or restricting Employee from rendering services or respecting the disposition of any rights or assets that Employee has or may hereafter acquire or create in connection with the Services and the results thereof; (iii) other than as required by law, Employee shall not at any time divulge, directly or indirectly, any of the terms of this Agreement to any person or entity other than Employee's legal counsel; (iv) Employee shall not use any material or content of any kind in connection with Employer's products, software or website that is copyrighted or owned or licensed by a party other than Employer or that would or could infringe the rights of any other party; (v) Employee shall not use in the course of Employee's performance under this Agreement, and shall not disclose to Employer, any confidential information belonging, in part or in whole, to any third party; (vi) Employee currently has no inventions which fall within are excepted from assignment under Paragraph 7; (vii) **EMPLOYEE UNDERSTANDS ALL OF THE TERMS OF THIS "AT WILL" EMPLOYMENT AGREEMENT, AND HAS REVIEWED THIS AGREEMENT FULLY AND IN DETAIL BEFORE AGREEING TO EACH AND ALL OF THE PROVISIONS**; and (viii) no statement, representation, promise, or inducement has been made to Employee, in connection with the terms or execution of this Agreement, except as expressly set forth in this Agreement.

11. Governing Law; Arbitration. This Agreement shall be subject to and construed in accordance with the laws of the State of California applicable to agreements entered into and to be performed fully therein and without giving effect to conflicts of laws principles thereof. In the event of any dispute in connection with the Services or this Agreement that cannot be resolved privately between the parties, resolution of such dispute shall be through binding arbitration before a single arbitrator conducted in the County of San Diego, California under the simple employment rules of the Judicial Arbitration and Mediation Service (JAMS) then in effect that are not contrary to California law. Nothing contained in this paragraph 10 shall limit either party's right to seek temporary restraining orders or injunctive or other equitable relief in court in connection with this Agreement. **EMPLOYEE UNDERSTANDS THAT BY AGREEING TO ARBITRATION IN THE EVENT OF A DISPUTE BETWEEN EMPLOYER AND EMPLOYEE, EMPLOYEE IS EXPRESSLY WAIVING EMPLOYEE'S RIGHT TO REQUEST A TRIAL BY JURY IN A COURT OF LAW.** The prevailing party in any arbitration shall be entitled to reasonable attorneys fees and costs, but only if the party initiating arbitration first sought in good faith to mediate the dispute with the other party.

12. Entire Agreement; Modification; Waiver; Construction Generally. This Agreement constitutes the entire agreement between Employer and Employee relating to its subject matter, and, other than as expressly set forth in the last sentence of each of Paragraphs 5 and 6 solely for the benefit of Employer, supersedes all previous agreements, if any, whether oral, written or unwritten. Other than the agreements expressly contemplated by this Agreement, there is no separate agreement, contract or understanding, express or implied, of any kind or with respect to any subject matter between Employer and Employee, and none shall be deemed to exist under any circumstances. No provision of this Agreement shall be construed strictly against any party, including, without limitation, the drafter. Neither this Agreement nor any provision may be amended, waived or modified in any way other than by a writing executed by the party against whom such amendment, waiver or modification would be enforced. No failure to exercise, and no delay in exercising and no course of dealing with respect to any right shall operate as a waiver. Nor shall a waiver by any party of a breach of any provision be deemed a waiver of any subsequent breach. The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive its right to exercise any or all other rights and remedies. The headings or titles of the several paragraphs of this Agreement are inserted solely for convenience and are not a part of, nor shall they be used or referred to in the construction of, any provision of this Agreement. Words in the singular number shall include the plural, and vice versa. Whenever examples are used in this Agreement with the words "including," "for example," "any," "e.g.," "such as," "etc." or any derivation thereof, such examples are intended to be illustrative and not in limitation. All references to the masculine, feminine or neuter genders shall mean and include all genders.

IN WITNESS WHEREOF, each of the undersigned has set forth Employee's, Employer's or its signature as of the date first set forth above.

EMPLOYER:

Pacific Entertainment Corporation, a California corporation

By: /s/ Klaus Moeller
Klaus Moeller, Chief Executive Officer

EMPLOYEE: /s/ Howard Balaban
Howard Balaban

Annex A

TERMINATION CERTIFICATE

This is to certify that undersigned does not have in the undersigned's possession, nor has undersigned failed to return, any customer information, records, files, programs, documents, data, specifications, drawings, blueprints, reproductions, sketches, notes, reports, proposals, or copies of them, or other documents or materials, equipment, or other property or asset belonging to Pacific Entertainment Corporation ("Employer"), its successors and assigns.

Undersigned further certify that undersigned has fully complied with and will continue to comply with all the terms of the Employment Agreement dated as of April 25, 2011 between Employer and the undersigned (the "Agreement").

Undersigned further agree that, in compliance with the Agreement, undersigned will preserve as confidential all any trade secrets, confidential information, knowledge, data or other information of Employer relating to products, processes, know-how, designs, formulas, test data, customer lists, business plans, marketing plans and strategies, pricing strategies or other subject matters pertaining to any business of Employer or any of its clients, customers, Employees, licensees or affiliates, that Employee produced, obtained or otherwise acquired or became aware of during the course of Employee's engagement under the Agreement.

EMPLOYEE:

_____
Howard Balaban

Date: _____

Exhibit 10.5

AMENDED AND RESTATED SUBORDINATED PROMISSORY NOTE

Amount: $405,865.66

February 14, 2011
San Diego, California

WHEREAS, PACIFIC ENTERTAINMENT CORPORATION, California corporation, whose address is 5820 Oberlin Drive, Suite 203, San Diego, California 92121 (the ***"Company"***) issued that certain Subordinated Promissory Note dated September 30, 2010 (the ***"Subordinated Note"***) to **KLAUS MOELLER,** an individual whose address is 5820 Oberlin Dr., Suite 203, San Diego, California 92121 (the ***"Holder"***) in lieu of paying accrued salary for services rendered to the Company by Holder during the fiscal years 2006 through the date of issue in an aggregate amount of Four Hundred Sixty-eight Thousand Four Hundred Fifteen and Sixty-six One Hundredths Dollars ($468,415.66) (the ***"Accrued Salary"***); and

WHEREAS, the Holder has subsequently agreed to amend Holder's written, employment agreement with the Company to reduce Holder's salary for the period from January 1, 2010 through December 31, 2010 from One Hundred Twenty-five Thousand Dollars ($125,000) to Eighty Thousand Dollars ($80,000) per annum inclusive of authorized car allowances, to be applied retroactively throughout the period; and

WHEREAS, the Holder and the Company desire to amend and restate the Subordinated Note by recalculating the principal balance and accrued interest on the Subordinated Note to reflect in full the salary reduction for 2010;

NOW, THEREFORE, FOR VALUE RECEIVED, the Company, promises to pay to the order of Holder, (together with any subsequent holder of this amended and restated note (this ***"Note"***), the principal sum of Four Hundred Five Thousand Eight Hundred Sixty-five and Sixty-six One Hundredths Dollars ($405,865,66), together with interest thereon at a per annum rate of 6%, calculated on the basis of a 360-day year.

1. Payment. Subject to Section 2 below, the Company shall pay the Holder the principal of, and accrued interest on, this Note on or before 5:00 p.m., California time, on December 31, 2012 (the ***"Maturity Date"***), The Company shall pay this Note in lawful money of the United States at the address of the Holder or at such other address of which the Holder shall have notified the Company in writing. The Company may prepay all or any portion of this Note at any time, with any such prepayment applied first to accrued but unpaid interest and then to principal, with no penalty or charge for prepayment of any kind.

2. Subordination.

(i) To the extent hereinafter provided, this Note is expressly subordinated in right of payment to the prior payment in full of all Company Indebtedness (as hereinafter defined), unless the instrument creating or evidencing Company Indebtedness provides that such Company Indebtedness is *pari passu* or subordinated in right of payment to this Note. For purposes hereof, ***"Company Indebtedness"*** shall be defined as the principal of (and premium, if any) and interest on and fees and other amounts payable with respect to all current or hereafter incurred debt or obligations (other than trade payables incurred as a result of ongoing operations) of the Company. The Holder, for himself and his successors and assigns, expressly for the benefit of the present and future holders of Company Indebtedness, by accepting this Note, agrees to and shall be bound by the subordination provisions of this Section.

(ii) Notwithstanding Section 4, so long as any Company Indebtedness is outstanding, the Holder shall have no right to accelerate this Note or take any other action under such Section until one-hundred and eighty (180) days after the Holder shall have given the Company notice of the occurrence of a Default. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment unless and until full payment of all amounts currently due on Company Indebtedness has been made or duly provided for in money or money's worth. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment, if, at the time of such payment or application or immediately after giving effect thereto (a) there shall exist under any Company Indebtedness any default or any condition, event or act, which with notice or lapse of time, or both, would constitute a default, or (b) such payment would itself constitute a default or an event of default under any Company Indebtedness, unless and until such default or event of default shall have been cured or waived or cease to exist.

(iii) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the Company, whether or not involving insolvency or bankruptcy, the holders of Company Indebtedness shall be entitled to receive payment in full of all principal, premium, if any, and interest on all Company Indebtedness *(pro rata* to such holders on the basis of the respective amounts of Company Indebtedness held by such holders) before the Holder is entitled to receive any payment of principal or interest upon this Note and to receive for application in payment thereof any payment or distribution of any kind or character, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation or other entity provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) which may be payable or deliverable in any such proceedings in respect of this Note.

(iv) If, notwithstanding the foregoing, any payment or distribution of assets of the Company, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) shall be received by the Holder contrary to the provisions of this Section before all Company Indebtedness is paid in full, or provision made for its payment in cash, such payment or distribution shall be held in trust for the benefit of, and shall (upon acceleration of the Company Indebtedness) be paid over or delivered to, the holders of such Company Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture under which any instruments evidencing any of such Company Indebtedness may have been issued, for application to the payment of all Company Indebtedness remaining unpaid to the extent necessary to pay all such Company Indebtedness after giving effect to any concurrent payment or distribution, or provision for payment thereof in cash, to the holders of such Company Indebtedness.

(v) Immediately upon repayment in full of this Note, including all principal and accrued interest, as applicable, this Note shall no longer be deemed to be outstanding and all rights with respect to this Note shall immediately cease and terminate as of the date of such repayment.

3. Transfer. THE HOLDER MAY NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF THIS PROMISE, INCLUDING THE UNDERLYING RIGHT TO RECEIVE PAYMENT HEREUNDER, AT ANY TIME WITHOUT OBTAINING THE PRIOR WRITTEN CONSENT OF THE COMPANY.

4. Default. Any of the following events shall, for purposes of this Note, constitute an ***"Event of Default":*** (a) failure of the Company to pay the principal of, and interest on, this Note when due, (b) violation by the Company of any other covenant, agreement or condition contained in this Note in any material respect, which violation has not been cured to the satisfaction of the Holder within ten (10) days after the Company's receipt of written notice of any such violation, (c) institution of bankruptcy, reorganization, insolvency, assignment for the benefit of creditors, or other similar proceedings by or against the Company; or (d) dissolution or termination of existence of or by the Company. Upon the occurrence of an Event of Default, the entire outstanding principal amount of, and accrued interest on, this Note shall be immediately due and payable.

5. General Provisions.

(a) This Note shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be performed therein, without giving effect to principals of conflicts of laws. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

(b) The Company waives presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, and Holder diligence in collection or bringing suit, and hereby consents to any and all extensions of time, renewals, waivers or modifications as may be granted by Holder with respect to payment or any other provisions of this Note.

(c) Acceptance by Holder of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the Company's failure to pay the entire amount then due shall be and continue to be a default. Upon the occurrence of any Event of Default, neither the failure of Holder promptly to exercise its right to declare the outstanding principal and accrued but unpaid interest hereunder to be immediately due and payable, nor the failure of Holder to demand strict performance of any other obligation of the Company hereunder, shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Company hereunder.

(d) Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Note.

(e) The remedies provided herein to the Holder shall be cumulative.

(f) The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including reasonable attorneys' fees.

The Company has duly executed this Note as of the date first set forth above.

PACIFIC ENTERTAINMENT CORPORATION

By: /s/ Michael G. Meader
Michael G. Meader, President

Exhibit 10.6

AMENDED AND RESTATED SUBORDINATED PROMISSORY NOTE

Amount: $414,327.21

February 14, 2011
San Diego, California

WHEREAS, PACIFIC ENTERTAINMENT CORPORATION, California corporation, whose address is 5820 Oberlin Drive, Suite 203, San Diego, California 92121 (THE ***"Company"***) issued that certain Subordinated Promissory Note dated September 30, 2010 (the ***"Subordinated Note"***) to **MICHAEL G. MEADER,** an individual whose address is 5820 Oberlin Dr., Suite 203, San Diego, California 92121 (the ***"Holder"***) in lieu of paying accrued salary for services rendered to the Company by Holder during the fiscal years 2006 through the date of issue in an aggregate amount of Four Hundred Seventy-six Thousand Eight Hundred Seventy-seven and Twenty-one One Hundredths Dollars ($476,877.21) (the ***"Accrued Salary"***); and

WHEREAS, the Holder has subsequently agreed to amend Holder's written employment agreement with the Company to reduce Holder's salary for the period from January 1, 2010 through December 31, 2010 from One Hundred Twenty-five Thousand Dollars ($125,000) to Eighty Thousand Dollars ($80,000) per annum inclusive of authorized car allowances, to be applied retroactively throughout the period; and

WHEREAS, the Holder and the Company desire to amend and restate the Subordinated Note by recalculating the principal balance and accrued interest on the Subordinated Note to reflect in full the salary reduction for 2010;

NOW, THEREFORE, FOR VALUE RECEIVED, the Company, promises to pay to the order of Holder, (together with any subsequent holder of this amended and restated note (this ***"Note"***), the principal sum of Four Hundred Fourteen Thousand Three Hundred Twenty-seven and Twenty-one One Hundredths Dollars ($414,327.21), together with interest thereon at a per annum rate of 6%, calculated on the basis of a. 360-day year.

1. Payment. Subject to Section 2 below, the Company shall pay the Holder the principal of and accrued interest on, this Note on or before 5:00 p.m., California time, on December 31, 2012 (the ***"Maturity Date").*** The Company shall pay this Note in lawful money of the United States at the address of the Holder or at such other address of which the Holder shall have notified the Company in writing. The Company may prepay all or any portion of this Note at any time, with any such prepayment applied first to accrued but unpaid interest and then to principal, with no penalty or charge for prepayment of any kind.

2. Subordination.

(i) To the extent hereinafter provided, this Note is expressly subordinated in right of payment to the prior payment in full of all Company Indebtedness (as hereinafter defined), unless the instrument creating or evidencing Company Indebtedness provides that such Company Indebtedness *is pari passu* or subordinated in right of payment to this Note. For purposes hereof, ***"Company Indebtedness"*** shall be defined as the principal of (and premium, if any) and interest on and fees and other amounts payable with respect to all current or hereafter incurred debt or obligations (other than trade payables incurred as a result of ongoing operations) of the Company. The Holder, for himself and his successors and assigns, expressly for the benefit of the present and future holders of Company Indebtedness, by accepting this Note agrees to and shall be bound by the subordination provisions of this Section.

(ii) Notwithstanding Section 4, so long as any Company Indebtedness is outstanding, the Holder shall have no right to accelerate this Note or take any other action under such Section until one-hundred and eighty (180) days after the Holder shall have given the Company notice of the occurrence of a Default. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment unless and until full payment of all amounts currently due on Company Indebtedness has been made or duly provided for in money or money's worth. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment, if, at the time of such payment or application or immediately after giving effect thereto (a) there shall exist under any Company Indebtedness any default, or any condition, event or act, which with notice or lapse of time, or both, would constitute a default, or (b) such payment would itself constitute a default or an event of default under any Company Indebtedness, unless and until such default or event: of default shall have been cured or waived or cease to exist.

(iii) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the Company, whether or not involving insolvency or bankruptcy, the holders of Company Indebtedness shall be entitled to receive payment in full of all principal, premium, if any, and interest on all Company Indebtedness *(pro rata* to such holders on the basis of the respective amounts of Company Indebtedness held by such holders) before the Holder is entitled to receive any payment of principal or interest upon this Note and to receive for application in payment thereof any payment or distribution of any kind or character, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation or other entity provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) which may be payable or deliverable in any such proceedings in respect of this Note.

(iv) If, notwithstanding the foregoing, any payment or distribution of assets of the Company, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) shall be received by the Holder contrary to the provisions of this Section before all Company Indebtedness is paid in full, or provision made for its payment in cash, such payment or distribution shall be held in trust for the benefit of, and shall (upon acceleration of the Company Indebtedness) be paid over or delivered to, the holders of such Company Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture under which any instruments evidencing any of such Company Indebtedness may have been issued, for application to the payment of all Company Indebtedness remaining unpaid to the extent necessary to pay all such Company Indebtedness after giving effect to any concurrent payment or distribution, or provision for payment thereof in cash, to the holders of such Company Indebtedness.

(v) Immediately upon repayment in full of this Note, including all principal and accrued interest, as applicable, this Note shall no longer be deemed to be outstanding and all rights with respect to this Note shall immediately cease and terminate as of the date of such repayment.

3. Transfer. THE HOLDER MAY NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF THIS PROMISE, INCLUDING THE UNDERLYING RIGHT TO RECEIVE PAYMENT HEREUNDER, AT ANY TIME WITHOUT OBTAINING THE PRIOR WRITTEN CONSENT OF THE COMPANY,

4. Default. Any of the following events shall, for purposes of this Note, constitute an ***"Event of Default":*** (a) failure of the Company to pay the principal of, and interest on, this Note when due, (b) violation by the Company of any other covenant, agreement or condition contained in this Note in any material respect, which violation has not been cured to the satisfaction of the Holder within ten (10) days after the Company's receipt of written notice of any such violation, (c) institution of bankruptcy, reorganization, insolvency, assignment for the benefit of creditors, or other similar proceedings by or against the Company; or (d) dissolution or termination of existence of or by the Company. Upon the occurrence of an Event of Default, the entire outstanding principal amount of, and accrued interest on, this Note shall be immediately due and payable.

5. General Provisions.

(a) This Note shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be performed therein, without giving effect to principals of conflicts of laws. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

(b) The Company waives presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, and Holder diligence in collection or bringing suit, and hereby consents to any and all extensions of time, renewals, waivers or modifications as may be granted by Holder with respect to payment or any other provisions of this Note.

(c) Acceptance by Holder of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the Company's failure to pay the entire amount then due shall be and continue to be a default. Upon the occurrence of any Event of Default, neither the failure of Holder promptly to exercise its right to declare the outstanding principal and accrued but unpaid interest hereunder to be immediately due and payable, nor the failure of Holder to demand strict performance of any other obligation of the Company hereunder, shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Company hereunder.

(d) Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Note.

(e) The remedies provided herein to the Holder shall be cumulative.

(f) The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including reasonable attorneys' fees.

The Company has duly executed this Note as of the date first set forth above.

PACIFIC ENTERTAINMENT CORPORATION

By: /s/ Klaus Moeller, Chief Executive Officer
Klaus Moeller, Chief Executive Officer

Exhibit 10.7

AMENDED AND RESTATED SUBORDINATED PROMISSORY NOTE

Amount: $395,377.23

February 14, 2011
San Diego, California

WHEREAS, PACIFIC ENTERTAINMENT CORPORATION, a California corporation, whose address is 5820 Oberlin Drive, Suite 203, San Diego, California 92121 (the ***"Company"***) issued that certain Subordinated Promissory Note dated September 30, 2010 (the ***"Subordinated Note"***) to **LARRY BALABAN,** an individual whose address is 5820 Oberlin Dr., Suite 203, San Diego, California 92121 (the ***"Holder"***) in lieu of paying accrued salary for services rendered to the Company by Holder during the fiscal years 2006 through the date of issue in an aggregate amount of Four Hundred Fifty-seven Thousand Nine Hundred Twenty-seven and Twenty-three One Hundredths Dollars ($457,927.23) (the ***"Accrued Salary"***); and

WHEREAS, the Holder has subsequently agreed to amend Holder's written employment agreement with the Company to reduce Holder's salary for the period from January 1, 2010 through December 31, 2010 from One Hundred Twenty-five Thousand Dollars ($125,000) to Eighty Thousand Dollars ($80,000) per annum inclusive of authorized car allowances, to be applied retroactively throughout the period; and

WHEREAS, the Holder and the Company desire to amend and restate the Subordinated Note by recalculating the principal balance and accrued interest on the Subordinated Note to reflect in full the salary reduction for 2010;

NOW, THEREFORE, FOR VALUE RECEIVED, the Company, promises to pay to the order of Holder, (together with any subsequent holder of this amended and restated note (this ***"Note"***), the principal sum of Three Hundred Ninety-five Thousand Three Hundred Seventy-seven and Twenty-three One Hundredths Dollars ($395,377.23), together with interest thereon at a per annum rate of 6%, calculated on the basis of a 360-day year.

1. Payment. Subject to Section 2 below, the Company shall pay the Holder the principal of, and accrued interest on, this Note on or before 5:00 p.m., California time, on December 31, 2012 (the ***"Maturity Date"***). The Company shall pay this Note in lawful money of the United States at the address of the Holder or at such other address of which the Holder shall have notified the Company in writing. The Company may prepay all or any portion of this Note at any time, with any such prepayment applied first to accrued but unpaid interest and then to principal, with no penalty or charge for prepayment of any kind,

2. Subordination.

(i) To the extent hereinafter provided, this Note is expressly subordinated in right of payment to the prior payment in full of all Company Indebtedness (as hereinafter defined), unless the instrument creating or evidencing Company Indebtedness provides that such Company Indebtedness is *pari passu* or subordinated in right of payment to this Note. For purposes hereof, ***"Company Indebtedness"*** shall be defined as the principal of (and premium, if any) and interest on and fees and other amounts payable with respect to all current or hereafter incurred debt or obligations (other than trade payables incurred as a result of ongoing operations) of the Company. The Holder, for himself and his successors and assigns, expressly for the benefit of the present and future holders of Company Indebtedness, by accepting this Note, agrees to and shall be bound by the subordination provisions of this Section.

(ii) Notwithstanding Section 4, so long as any Company Indebtedness is outstanding, the Holder shall have no right to accelerate this Note or take any other action under such Section until one-hundred and eighty (180) days after the Holder shall have given the Company notice of the occurrence of a Default. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment unless and until full payment of all amounts currently due on Company Indebtedness has been made or duly provided for in money or money's worth. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment, if, at the time of such payment or application or immediately after giving effect thereto (a) there shall exist under any Company Indebtedness any default or any condition, event or act, which with notice or lapse of time, or both, would constitute a default, or (b) such payment would itself constitute a default or an event of default under any Company Indebtedness, unless and until such default or event of default shall have been cured or waived or cease to exist.

(iii) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the Company, whether or not involving insolvency or bankruptcy, the holders of Company Indebtedness shall be entitled to receive payment in full of all principal, premium, if any, and interest on all Company Indebtedness (*pro rata* to such holders on the basis of the respective amounts of Company Indebtedness held by such holders) before the Holder is entitled to receive any payment of principal or interest upon this Note and to receive for application in payment thereof any payment or distribution of any kind or character, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation or other entity provided for by a plan of reorganization or readjustment the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) which may be payable or deliverable in any such proceedings in respect of this Note.

(iv) If, notwithstanding the foregoing, any payment or distribution of assets of the Company, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) shall be received by the Holder contrary to the provisions of this Section before all Company Indebtedness is paid in full, or provision made for its payment in cash, such payment or distribution shall be held in trust for the benefit of, and shall (upon acceleration of the Company Indebtedness) be paid over or delivered to, the holders of such Company Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture under which any instruments evidencing any of such Company Indebtedness may have been issued, for application to the payment of all Company Indebtedness remaining unpaid to the extent necessary to pay all such Company Indebtedness after giving effect to any concurrent payment or distribution, or provision for payment thereof in cash, to the holders of such Company Indebtedness,

(v) Immediately upon repayment in full of this Note, including all principal and accrued interest, as applicable, this Note shall no longer be deemed to be outstanding and all rights with respect to this Note shall immediately cease and terminate as of the date of such repayment.

3. Transfer. THE HOLDER MAY NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF THIS PROMISE, INCLUDING THE UNDERLYING RIGHT TO RECEIVE PAYMENT HEREUNDER, AT ANY TIME WITHOUT OBTAINING THE PRIOR WRITTEN CONSENT OF THE COMPANY.

4. DEFAULT Any of the following events shall, for purposes of this Note, constitute an ***"Event of Default"*:** (a) failure of the Company to pay the principal of, and interest on, this Note when due, (b) violation by the Company of any other covenant, agreement or condition contained in this Note in any material respect, which violation has not been cured to the satisfaction of the Holder within ten (10) days after the Company's receipt of written notice of any such violation, (c) institution of bankruptcy, reorganization, insolvency, assignment for the benefit of creditors, or other similar proceedings by or against the Company; or (d) dissolution or termination of existence of or by the Company. Upon the occurrence of an Event of Default, the entire outstanding principal amount of, and accrued interest on, this Note shall be immediately due and payable.

5. General Provisions.

(a) This Note shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be performed therein, without giving effect to principals of conflicts of laws. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

(b) The Company waives presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, and Holder diligence in collection or bringing suit, and hereby consents to any and all extensions of time, renewals, waivers or modifications as may be granted by Holder with respect to payment or any other provisions of this Note.

(c) Acceptance by Holder of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the Company's failure to pay the entire amount then due shall be and continue to be a default. Upon the occurrence of any Event of Default, neither the failure of Holder promptly to exercise its right to declare the outstanding principal and accrued but unpaid interest hereunder to be immediately due and payable, nor the failure of Holder to demand strict performance of any other obligation of the Company hereunder, shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Company hereunder.

(d) Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Note.

(e) The remedies provided herein to the Holder shall be cumulative.

(f) The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including reasonable attorneys' fees.

The Company has duly executed this Note as of the date first set forth above.

PACIFIC ENTERTAINMENT CORPORATION

By: /s/ Michael G. Meader, President
Michael G. Meader,

Exhibit 10.8

AMENDED AND RESTATED SUBORDINATED PROMISSORY NOTE

Amount: $404,566.82

February 14,2011
San Diego, California

WHEREAS, PACIFIC ENTERTAINMENT CORPORATION, California corporation, whose address is 5820 Oberlin Drive, Suite 203, San Diego, California 92121 (the ***"Company"***) issued, that certain Subordinated Promissory Note dated September 30, 2010 (the ***"Subordinated Note"***) to **HOWARD BALABAN,** an individual whose address is 5820 Oberlin Dr., Suite 203, San Diego, California 92121 (the ***"Holder"***) in lieu of paying accrued salary for services rendered to the Company by Holder during the fiscal years 2006 through the date of issue in an aggregate amount of Four Hundred Sixty-seven Thousand One Hundred Sixteen and Eighty-two One Hundredths Dollars ($467,116.82) (the ***"Accrued Salary"***); and

WHEREAS, the Holder has subsequently agreed to amend Holder's written employment agreement with the Company to reduce Holder's salary for the period from January 1, 2010 through December 31, 2010 from One Hundred Twenty-five Thousand Dollars ($125,000) to Eighty Thousand Dollars ($80,000) per annum inclusive of authorized car allowances, to be applied retroactively throughout the period; and

WHEREAS, the Holder and the Company desire to amend and restate the Subordinated Note by recalculating the principal balance and accrued interest on the Subordinated Note to reflect in full the salary reduction for 2010;

NOW, THEREFORE, FOR VALUE RECEIVED, the Company, promises to pay to the order of Holder, (together with any subsequent holder of this amended and restated note (this ***"Note"***), the principal sum of Four Hundred Four Thousand Five Hundred Sixty-six and Eight-two One Hundredths Dollars ($404,566.82), together with interest thereon at a per annum rate of 6%, calculated on the basis of a 360-day year.

1. Payment. Subject to Section 2 below, the Company shall pay the Holder the principal of, and accrued interest on, this Note on or before 5:00 p.m., California time, on December 31, 2012 (the ***"Maturity Date"***). The Company shall pay this Note in lawful money of the United States at the address of the Holder or at such other address of which the Holder shall have notified the Company in writing. The Company may prepay all or any portion of this Note at any time, with any such prepayment applied first to accrued but unpaid interest and then to principal, with no penalty or charge for prepayment of any kind.

2. Subordination.

(i) To the extent hereinafter provided, this Note is expressly subordinated in right of payment to the prior payment in full of all Company Indebtedness (as hereinafter defined), unless the instrument creating or evidencing Company Indebtedness provides that such Company Indebtedness *is pari passu* or subordinated in right of payment to this Note. For purposes hereof, ***"Company Indebtedness"*** shall be defined as the principal of (and premium, if any) and interest on and fees and other amounts payable with respect to all current or hereafter incurred debt or obligations (other than trade payables incurred as a result of ongoing operations) of the Company. The Holder, for himself and his successors and assigns, expressly for the benefit of the present and future holders of Company Indebtedness, by accepting this Note, agrees to and shall be bound by the subordination provisions of this Section.

(ii) Notwithstanding Section 4, so long as any Company Indebtedness is outstanding, the Holder shall have no right to accelerate this Note or take any other action under such Section until one-hundred and eighty (180) days after the Holder shall have given the Company notice of the occurrence of a Default. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment unless and until full payment of all amounts currently due on Company Indebtedness has been made or duly provided for in money or money's worth. No payment of principal or interest on this Note shall be made, and the Holder shall not be entitled to receive any such payment, if, at the time of such payment or application or immediately after giving effect thereto (a) there shall exist under any Company Indebtedness any default or any condition, event or act, which with notice or lapse of time, or both, would constitute a default, or (b) such payment would itself constitute a default or an event of default under any Company Indebtedness, unless and until such default or event of default shall have been cured or waived or cease to exist.

(iii) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the Company, whether or not involving insolvency or bankruptcy, the holders of Company Indebtedness shall be entitled to receive payment in full of all principal, premium, if any, and interest on all Company Indebtedness *(pro rata* to such holders on the basis of the respective amounts of Company Indebtedness held by such holders) before the Holder is entitled to receive any payment of principal or interest upon this Note and to receive for application in payment thereof any payment or distribution of any kind or character, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation or other entity provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) which may be payable or deliverable in any such proceedings in respect of this Note.

(iv) If, notwithstanding the foregoing, any payment or distribution of assets of the Company, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated to the payment of all Company Indebtedness which may at the time be outstanding) shall be received by the Holder contrary to the provisions of this Section before all Company Indebtedness is paid in full, or provision made for its payment in cash, such payment or distribution shall be held in trust for the benefit of, and shall (upon acceleration of the Company Indebtedness) be paid over or delivered to, the holders of such Company Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture under which any instruments evidencing any of such Company Indebtedness may have been issued, for application to the payment of all Company Indebtedness remaining unpaid to the extent necessary to pay all such Company Indebtedness after giving effect to any concurrent payment or distribution, or provision for payment thereof in cash, to the holders of such Company Indebtedness.

(v) Immediately upon repayment in full of this Note, including all principal and accrued interest, as applicable, this Note shall no longer be deemed to be outstanding and all rights with respect to this Note shall immediately cease and terminate as of the date of such repayment.

3. Transfer. THE HOLDER MAY NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF THIS PROMISE, INCLUDING THE UNDERLYING RIGHT TO RECEIVE PAYMENT HEREUNDER, AT ANY TIME WITHOUT OBTAINING THE PRIOR WRITTEN CONSENT OF THE COMPANY.

4. DEFAULT Any of the following events shall, for purposes of this Note, constitute an ***"Event of Default":*** (a) failure of the Company to pay the principal of, and interest on, this Note when due, (b) violation by the Company of any other covenant, agreement or condition contained in this Note in any material respect, which violation has not been cured to the satisfaction of the Holder within ten (10) days after the Company's receipt of written notice of any such violation, (c) institution of bankruptcy, reorganization, insolvency, assignment for the benefit of creditors, or other similar proceedings by or against the Company; or (d) dissolution or termination of existence of or by the Company. Upon the occurrence of an Event of Default, the entire outstanding principal amount of, and accrued interest on, this Note shall be immediately due and payable.

5. General Provisions.

(a) This Note shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be performed therein, without giving effect to principals of conflicts of laws. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

(b) The Company waives presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, and Holder diligence in collection or bringing suit, and hereby consents to any and all extensions of time, renewals, waivers or modifications as may be granted by Holder with respect to payment or any other provisions of this Note.

(c) Acceptance by Holder of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the Company's failure to pay the entire amount then due shall be and continue to be a default. Upon the occurrence of any Event of Default, neither the failure of Holder promptly to exercise its right to declare the outstanding principal and accrued but unpaid interest hereunder to be immediately due and payable, nor the failure of Holder to demand strict performance of any other obligation of the Company hereunder, shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Company hereunder.

(d) Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Note.

(e) The remedies provided herein to the Holder shall be cumulative.

(f) The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including reasonable attorneys' fees.

The Company has duly executed this Note as of the date first set forth above.

PACIFIC ENTERTAINMENT CORPORATION

By: /s/ Michael G. Meader
Michael G. Meader, President

Exhibit 10.9

PROMISSORY NOTE

September 30, 2010

FOR VALUE RECEIVED, Pacific Entertainment Corporation (PEC), promises to pay to Klaus Moeller (Holder) the principal sum of seventy-four thousand, six hundred eighty-six dollars and twenty-nine cents in U.S. Dollars ($74,686.29) plus accrued interest through September 30, 2010 in the amount of three thousand, nine hundred forty-two dollars and sixty-three cents ($3,942.63). This Note is delivered in complete and full payment of all amounts owed by PEC to Moeller for that certain promissory note issued December 31, 2009. Interest at a rate of six percent (6%) per annum shall accrue on the outstanding principal amount of the Note, along with accrued but unpaid interest, from October 1, 2010 until the Note (principal and interest) has been fully repaid. Interest will be computed on the basis of a 360-day year of twelve (12) 30-day months. PEC shall be required to pay the entire unpaid principal and any accrued interest by midnight, Pacific Time, on December 31, 2012 (Maturity Date).

All payments under this Note shall be made to Holder at 5820 Oberlin Drive, Suite 203, San Diego, California 92121 or at such other address as Holder shall direct PEC in writing.

This Note may be prepaid in whole or in part, without demand and without penalty, at the option of PEC and without consent of Holder.

Should PEC default in the payment of principal and/or interest when due, the whole sum of principal due under this Note shall, at the option of Holder, be immediately due and payable without further demand or notice.

This Note shall be governed by laws of the State of California, excluding its conflict of laws rules. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

PEC waives presentment, protest and demand, notice of protest, notice of demand and dishonor, and notice of nonpayment of this Note. PEC expressly agrees that this Note or any payment under this Note may be extended by Holder from time to time without in any way affecting the liability of PEC.

The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity, or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including attorney fees.

If any provision or any word, term, clause, or part of any provision of this Note shall be invalid for any reason, the same shall be ineffective, but the remainder of this Note and of the provision shall not be affected and shall remain in full force and effect.

Any of the terms or conditions of this Note may be waived by Holder, but no such waiver shall affect or impair the rights of Holder to require observance, performance, or satisfaction, either of that term or condition as it applies on a subsequent occasion or of any other term or condition of this Note.

/s/ Mike Meader
Mike Meader, President
Pacific Entertainment Corporation

/s/ Klaus Moeller
Klaus Moeller

Exhibit 10.10

PROMISSORY NOTE

September 30, 2010

FOR VALUE RECEIVED, Pacific Entertainment Corporation (PEC), promises to pay to Michael Meader (Holder) the principal sum of eighty-five thousand, seven hundred thirty-seven dollars and six cents in U.S. Dollars ($85,737.06) plus accrued interest through September 30,2010 in the amount of four thousand, four hundred forty-three dollars and sixty-five cents ($4,443.65). This Note is delivered in complete and full payment of all amounts owed by PEC to Meader for that certain promissory note issued December 31, 2009. Interest at a rate of six percent (6%) per annum shall accrue on the outstanding principal amount of the Note, along with accrued but unpaid interest, from October 1, 2010 until the Note (principal and interest) has been fully repaid. Interest will be computed on the basis of a 360-day year of twelve (12) 30-day months. PEC shall be required to pay the entire unpaid principal and any accrued interest by midnight, Pacific Time, on December 31, 2012 (Maturity Date).

All payments under this Note shall be made to Holder at 5820 Oberlin Drive, Suite 203, San Diego, California 92121 or at such other address as Holder shall direct PEC in writing.

This Note may be prepaid in whole or in part, without demand and without penalty, at the option of PEC and without consent of Holder.

Should PEC default in the payment of principal and/or interest when due, the whole sum of principal due under this Note shall, at the option of Holder, be immediately due and payable without further demand or notice.

This Note shall be governed by laws of the State of California, excluding its conflict of laws rules. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

PEC waives presentment, protest and demand, notice of protest, notice of demand and dishonor, and notice of nonpayment of this Note. PEC expressly agrees that this Note or any payment under this Note may be extended by Holder from time to time without in any way affecting the liability of PEC.

The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity, or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including attorney fees.

If any provision or any word, term, clause, or part of any provision of this Note shall be invalid for any reason, the same shall be ineffective, but the remainder of this Note and of the provision shall not be affected and shall remain in full force and effect.

Any of the terms or conditions of this Note may be waived by Holder, but no such waiver shall affect or impair the rights of Holder to require observance, performance, or satisfaction, either of that term or condition as it applies on a subsequent occasion or of any other term or condition of this Note.

/s/ Klaus Moeller
Klaus Moeller, Chief Executive Officer
Pacific Entertainment Corporation

/s/ Michael Meader
Michael Meader

Exhibit 10.11

PROMISSORY NOTE

September 30, 2010

FOR VALUE RECEIVED, Pacific Entertainment Corporation (PEC), promises to pay to Larry Balaban (Holder) the principal sum of seventy-six thousand, six hundred seven dollars and thirty cents in U.S. Dollars ($76,607.30) plus accrued interest through September 30, 2010 in the amount of four thousand, twenty-nine dollars and seventy-three cents ($4,029.73). This Note is delivered in complete and full payment of all amounts owed by PEC to Balaban for that certain promissory note issued December 31, 2009. Interest at a rate of six percent (6%) per annum shall accrue on the outstanding principal amount of the Note, along with accrued but unpaid interest, from October 1, 2010 until the Note (principal and interest) has been fully repaid. Interest will be computed on the basis of a 360-day year of twelve (12) 30-day months. PEC shall be required to pay the entire unpaid principal and any accrued interest by midnight Pacific Time, on December 31, 2012 (Maturity Date).

All payments under this Note shall be made to Holder at 5820 Oberlin Drive, Suite 203, San Diego, California 92121 or at such other address as Holder shall direct PEC in writing.

This Note may be prepaid in whole or in part, without demand and without penalty, at the option of PEC and without consent of Holder.

Should PEC default in the payment of principal and/or interest when due, the whole sum of principal due under this Note shall, at the option of Holder, be immediately due and payable without further demand or notice.

This Note shall be governed by laws of the State of California, excluding its conflict of laws rules. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

PEC waives presentment, protest and demand, notice of protest, notice of demand and dishonor, and notice of nonpayment of this Note. PEC expressly agrees that this Note or any payment under this Note may be extended by Holder from time to time without in any way affecting the liability of PEC.

The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity, or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including attorney fees.

If any provision or any word, term, clause, or part of any provision of this Note shall be invalid for any reason, the same shall be ineffective, but the remainder of this Note and of the provision shall not be affected and shall remain in full force and effect.

Any of the terms or conditions of this Note may be waived by Holder, but no such waiver shall affect or impair the rights of Holder to require observance, performance, or satisfaction, either of that term or condition as it applies on a subsequent occasion or of any other term or condition of this Note.

/s/ Mike Meader
Mike Meader, President
Pacific Entertainment Corporation

/s/ Larry Balaban
Larry Balaban

Exhibit 10.12

PROMISSORY NOTE

September 30, 2010

FOR VALUE RECEIVED, Pacific Entertainment Corporation (PEC), promises to pay to Howard Balaban (Holder) the principal sum of ninety-three thousand, eight hundred thirty-nine dollars and fifty-eight cents in U.S. Dollars ($93,839.58) plus accrued interest through September 30, 2010 in the amount of four thousand, eight hundred thirty-seven dollars and forty-two cents ($4,837.42). This Note is delivered in complete and full payment of all amounts owed by PEC to Balaban for that certain promissory note issued December 31, 2009. Interest at a rate of six percent (6%) per annum shall accrue on the outstanding principal amount of the Note, along with accrued but unpaid interest, from October 1, 2010 until the Note (principal and interest) has been fully repaid. Interest will be computed on the basis of a 360-day year of twelve (12) 30-day months. PEC shall be required to pay the entire unpaid principal and any accrued interest by midnight, Pacific Time, on December 31, 2012 (Maturity Date).

All payments under this Note shall be made to Holder at 5820 Oberlin Drive, Suite 203, San Diego, California 92121 or at such other address as Holder shall direct PEC in writing.

This Note may be prepaid in whole or in part, without demand and without penalty, at the option of PEC and without consent of Holder.

Should PEC default in the payment of principal and/or interest when due, the whole sum of principal due under this Note shall, at the option of Holder, be immediately due and payable without further demand or notice.

This Note shall be governed by laws of the State of California, excluding its conflict of laws rules. The exclusive jurisdiction and venue of any legal action instituted by any party to this Note shall be San Diego County, California.

PEC waives presentment, protest and demand, notice of protest, notice of demand and dishonor, and notice of nonpayment of this Note. PEC expressly agrees that this Note or any payment under this Note may be extended by Holder from time to time without in any way affecting the liability of PEC.

The prevailing party in any action (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity, or interpretation, whether or not legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, shall be entitled to all costs and expenses incurred, including attorney fees.

If any provision or any word, term, clause, or part of any provision of this Note shall be invalid for any reason, the same shall be ineffective, but the remainder of this Note and of the provision shall not be affected and shall remain in full force and effect.

Any of the terms or conditions of this Note may be waived by Holder, but no such waiver shall affect or impair the rights of Holder to require observance, performance, or satisfaction, either of that term or condition as it applies on a subsequent occasion or of any other term or condition of this Note.

/s/ Mike Meader
Mike Meader, President
Pacific Entertainment Corporation

/s/ Howard Balaban
Howard Balaban

CONFIDENTIAL TREATMENT REQUESTED BY PACIFIC ENTERTAINMENT CORPORATION

MERCHANDISE LICENSE AGREEMENT
PRIVATE

LICENSE AGREEMENT (the "Agreement"), made and entered into the 1st day of January 2011 (the "Effective Date"), by and between **PACIFIC ENTERTAINMENT CORPORATION** having its registered office at 5820 Oberlin Drive, Suite 203, San Diego, CA 92121 ("Licensor") and **JAKKS PACIFIC, INC.**, a corporation organized under the laws of the state of Delaware, located at 22619 Pacific Coast Hwy, Malibu, CA 90265 ("Licensee").

WHEREAS, Licensor has rights in and to the Property (as defined on Schedule A, attached hereto and incorporated by reference);

WHEREAS, Licensor has appointed The Joester Loria Group, LLC ("Agent") as its exclusive licensing agent with respect to providing certain services to Licensor and collection of all payments and reports hereunder as more particularly set forth herein and on Schedule B, attached hereto and incorporated by reference; and

WHEREAS, Licensee desires to license the Property for use on and/or in connection with certain products (the "Licensed Articles") in certain categories (the "Product Categories") which are more particularly described on Schedule B.

NOW, THEREFORE, in consideration of the performance of the mutual covenants herein contained, it is agreed as follows:

1. LICENSE GRANT. Licensor grants to Licensee, and Licensee hereby accepts, the exclusive and non-exclusive rights (as further defined in Schedule B) to use the Property solely in connection with the design, manufacture, marketing, promotion, advertising, sale and distribution of the Licensed Articles in the Licensed Territory (defined below), in the Channels of Distribution (defined below), during the Term (defined below), in accordance with this Agreement. Licensor grants to Licensee the right to manufacture, have manufactured for it, market, promote, advertise, use, sell and distribute the Licensed Articles subject to the terms and conditions herein. No rights of any kind in or to the Property shall vest in Licensee, and Licensor shall have no obligations to Licensee hereunder, unless and until (i) this Agreement has been fully-executed by an authorized signatory of both parties and (ii) the Advance (defined below) payment due upon signature has been paid in full. This unexecuted Agreement and any oral negotiations are deemed to be a proposal by Licensee to acquire a license, which Licensor is not obligated to consider or accept until the above conditions are met.

2. LICENSED TERRITORY AND CHANNELS OF DISTRIBUTION.

(a) The license hereby granted extends only to the territory set forth on Schedule B ("Licensed Territory(ies)").

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Licensee expressly acknowledges and agrees that it is not licensed or authorized to use the Property, directly or indirectly, outside of the Licensed Territory, and that it is not licensed to and will not sell the Licensed Articles to persons or entities who to Licensee's knowledge intend or are likely to resell them outside of the Licensed Territory. The Licensed Articles may be sold only in or to the channels of distribution set forth on Schedule B ("Channels of Distribution"), and Licensee is not licensed to and will not sell the Licensed Articles to persons or entities who to Licensee's knowledge intend or are likely to resell them outside such Channels of Distribution.

3. TERM. This Agreement shall be effective as of and shall expire on the dates set forth in Schedule B, unless sooner terminated in accordance with the terms and conditions of this Agreement ("Term"). The parties may extend the Term only upon written agreement.

4. EXCLUSIONS. Licensee's rights hereunder shall not include the right to, and Licensee warrants and represents that it will not, use the Property or the Licensed Articles for an endorsement of any product or service. Licensee shall not use or permit the use of any Licensed Articles as a premium except with prior written consent and shall not distribute any Licensed Articles to any entity which Licensee has reason to believe would distribute such Licensed Articles in contravention of the foregoing. "Premium" shall mean any Licensed Article distributed below cost or at no charge for the purpose of increasing the sale of any other article of merchandise or product, or any service, including without limitation, any Licensed Article distributed for publicity purposes, for combination sales, giveaways, traffic-building or any similar scheme or device. It is expressly understood and agreed that Licensee shall not have the right to sublicense the rights granted herein to any third party without Licensor's prior written consent, such consent not to be unreasonably withheld.

5. ROYALTY. Licensee shall pay to Licensor through Agent, simultaneously with the submission of royalty reports referred to below, the royalty at the royalty rate specified in Schedule B ("Royalty"), based upon the Net Sales by Licensee of the Licensed Articles. "Net Sales" shall mean [***]. All allowances, deductions and returns must be documented. Use of corporate averages or similar estimate for returns is expressly forbidden, and may not be used. No other deduction shall be made for any other reason, including, without limitation, cash payments, early payments, uncollectible accounts, or costs incurred in the manufacture, distribution, sale, exploitation or advertisement of the Licensed Articles. Sales to any affiliated or related party shall be deemed to have been made at Licensee's wholesale selling price generally charged by Licensee to third parties. The amount invoiced to customers will reflect the full purchase price to be paid by the applicable customer for the Licensed Articles covered thereby.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

The parties acknowledge and agree that for purposes of Licensee's satisfaction of the Minimum Guarantees hereunder, Royalties will be cross-collateralized from year to year during the Term. For example, if the Royalties for the first year of this Agreement are $1,000,000 or more, no further Minimum Guarantee payments will be due under this Agreement.

6. COMMON MARKETING FUND ("CMF"). As a contribution to Licensor's and Agent's related marketing expenses, each quarter the Licensee may pay Agent a certain percentage of Net Sales, such percentage set forth in Schedule B (CMF Percentage). The amount paid, if any, shall be used in the promotion of the Property. This money, if any, shall be paid in accordance with all of the rules governing payment of Royalties under this Agreement, although the CMF payments, if any, shall not be paid in conjunction with any Royalties payable hereunder, as the accounting and management of the CMF monies shall be separate.

7. ADVANCE; GUARANTEES. Simultaneously with the execution and delivery of this Agreement, Licensee shall pay to Licensor through Agent the advance amount as set forth on Schedule B ("Advance"). The Advance is guaranteed and non-refundable. In addition, Licensee shall timely pay to Licensor through Agent the amount(s) set forth in Schedule B as minimum guarantee(s) ("Minimum Guarantee"). The Advance and Minimum Guarantee are recoupable from Royalties payable to Licensor and shall be attributed to Royalties due for the Term only, and such payments shall not be refunded to Licensee for any reason.

8. INTRODUCTION DATE(S); MARKETING ADVERTISING.

(a) Licensee shall commence the sale of the Licensed Articles to its retail customers by the introduction date(s) ("Introduction Date") set forth on Schedule B. The specific Licensed Articles to be so sold, the quantities of such products to be so sold, and the specific retail customer to whom such products will be so sold, will be determined by Licensee based upon its commercially reasonable assessment of the market demand for the Licensed Articles.

(b) Licensee acknowledges and agrees that proper advertising and promotion of the Licensed Articles is important to the success of this Agreement and the Property. Licensee shall furnish to Licensor, with a copy to Agent, on each March 1 (or as otherwise requested, but no more frequently than once every six months) during the Term of this Agreement commencing on March 1, 2012, a sales, advertising and promotion plan which sets forth the sales and advertising budgets for the next succeeding twelve-month period. "Advertising" as used herein shall mean monies spent in connection with the advertising and promotion of the Licensed Articles at their regular prices.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

9. ACCOUNTING, REPORTS AND PAYMENTS.

(a) Unless stated otherwise in writing by Agent and Licensor, all reports and payments under this Agreement shall be sent and paid to Agent. All payments to be made under this Agreement shall be payable in United States currency.

(b) Licensee shall, within twenty (20) days following the end of each calendar quarter, submit to Licensor an estimate of sales activity and Net Sales for the preceding quarter.

(c) Licensee shall, within thirty (30) days following the end of each calendar quarter, starting with the first quarter during the Term, whether or not sales are made during that quarter, submit to Licensor and Agent electronically as well as in hard copy, a full, complete and accurate report of sales activity, Net Sales and Royalties owed. Such report shall be in the form reasonably acceptable to Licensor (which form may be an electronic Excel spreadsheet), and shall include sales of the Licensed Articles during the applicable quarter. Unless otherwise agreed, each report must show, without limitation, the following: (i) by retailer, the number of units sold of each Licensed Article, (ii) the unit price of each Licensed Article, (iii) the gross sales for each Licensed Article, (iv) the deductions taken from gross sales and the reason(s) therefore, and (v) the Net Sales for each Licensed Article. Each report shall be certified by Licensee's chief financial officer (or other similar corporate officer). With each report Licensee shall transmit to Licensor payment (in United States currency) of the amount due. Royalties on foreign sales shall be remitted in United States currency, net of any withholding taxes imposed by said country (if permitted by applicable law), using the prevailing exchange rate on the last business day of the applicable calendar quarter; provided, however, that if any payment is not made to Licensor when due hereunder, Licensee shall be responsible for any loss to Licensor due to fluctuations in exchange rates between the date payment was due and the date of any late payment. It is understood that timely rendering of all reports required hereunder is essential under the terms of this Agreement.

(d) Licensee shall deliver to Licensor and Agent, not later than sixty (60) days after the close of each Contract Year during the Term of this Agreement (or portion thereof in the event of prior termination for any reason) a statement signed and certified either by its regular certified public accountants or by a financial officer of Licensee relating to said entire Contract Year, setting forth the same information required to be submitted by Licensee in accordance with Paragraph (b) above.

(e) Receipt of reports or payments by Licensor or Agent will not prevent them from questioning or disputing the correctness of the reports and/or payments at any time during the Term and in the two (2) year period following the expiration or termination of the Agreement. Licensee agrees that any inconsistencies or mistakes discovered in the statements and/or payments will be promptly rectified and the appropriate payments made by the Licensee. Licensee hereby waives all claims to return of any Advance, Guarantee or other Royalty payments once made, including but not limited to, claims for refund of payments for returns of Licensed Articles in subsequent reporting periods. For clarity, (a) any returns will be deducted in the period they occur and (b) in the event of a conflict between this Section 9(d) and the definition of Net Sales, the definition of Net Sales will control. The period in which the sales were made is not relevant to the calculation of returns. Interest at the annual rate of one percent (1%) over the prime rate published in the Wall Street Journal from time to time (but in no event more than the maximum amount permitted by law) shall accrue on any amount due, from the date upon which the payment is due until the date of payment.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

10. BOOKS AND RECORDS. Licensee shall keep and maintain complete and accurate records of the transactions underlying the reports to be furnished hereunder, and shall allow representatives of Licensor and/or Agent during the Term of this Agreement and for two (2) years thereafter, upon at least five (5) business days prior written notice, during normal business hours and at reasonable intervals (but no more than once during any 12-month period), to inspect and make extracts or copies of such records for the purpose of ascertaining the correctness of such reports. If any such examination and audit shall disclose any deficiency of five percent (5%) or more, Licensee shall pay, in addition to such deficiency, the actual cost of such examination and audit. All books of accounts and records shall be kept available for two (2) years from the termination or expiration of this Agreement.

11. QUALITY; SAMPLES; APPROVALS AND ARTWORK

(a) Licensee acknowledges that if the Licensed Articles manufactured and sold by it hereunder were of inferior quality in design, material or workmanship, the substantial goodwill which Licensor has established and now possesses in the patents, trademarks, copyrights, names, symbols, likenesses, depictions, designs and logos, would be impaired. Accordingly, Licensee agrees that the Licensed Articles shall be of high standard and of such style, appearance and quality as shall be reasonably adequate and suited to their exploitation to the best advantage and to the protection and enhancement of the Property and the goodwill pertaining thereto. Licensee may not sell damaged or defective Licensed Articles or products considered "seconds" based on industry standards.

(b) If Licensee is ordered to withdraw, discontinue, remove or recall any Licensed Articles from the market by a government or governmental agency, regulatory body, or court, and the Licensee does not promptly remove such Licensed Articles from retail or otherwise promptly cure the situation within thirty (30) days and provide Licensor with written proof of such cure, then in such case and at Licensor's option, termination shall be effective immediately upon written notice from Licensor.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) The quality and style of all Licensed Articles, the manner in which the Property may appear, if at all, on the Licensed Articles, as well as any cartons, containers, tags, labels, other packaging, advertising, publicity and display materials to be used in connection with the Licensed Articles ("Related Materials") shall be subject to the approval of Licensor (and such other parties, including Agent, whose approval Licensor may deem necessary), such approval not to be unreasonably withheld. Prior to the manufacture of any of the foregoing, Licensee shall provide Licensor with not fewer than three (3) samples and/or dummies in the form of proofs, photostats, drawings, manuscripts, layouts, or the like, of the Licensed Articles and Related Materials and all other materials requiring Licensor's approval hereunder, all written material relating or referring thereto at each stage of development and production, including packaging, and any changes and revisions therein or thereof for Licensor's prior written approval, such approval not to be unreasonably withheld. Within ten (10) business days after its receipt of the foregoing, Licensor shall advise Licensee, in writing, of its approval or disapproval of such material, and no items shall be deemed approved by Licensor unless such approval is given. If an item submitted for approval is disapproved, Licensor shall provide Licensee with a written explanation of the reasons for such disapproval within five (5) business days of such disapproval. Once a sample has been approved, Licensee shall not make changes in any material respect without the prior written approval of Licensor. In the event the Licensed Articles or any Related Materials differ from the approved samples, Licensor shall have the right, in its sole discretion, to withdraw its approval of such Licensed Articles unless Licensee cures such breach within thirty (30) days of notice of same. Approval by Licensor and by any other parties designated by Licensor shall not relieve Licensee of any of its agreements or warranties hereunder.

(d) Licensee shall be responsible for all costs incurred by Licensee, Agent and/or Licensor in connection with the development or formatting of artwork, custom audio design (including but not limited to character voices and original music and sound effects) and other materials (collectively, "artwork") related to the Property for the Licensed Articles or Related Materials (including artwork developed by third parties and including any artwork which in Licensor's opinion is necessary to modify artwork initially proposed by Licensee and submitted for approval), if such costs are incurred at the request of Licensee. Licensee shall pay Agent within thirty (30) days of receiving an invoice therefore, at Licensor's then prevailing commercial rates. Estimates of artwork charges will be available upon request. While Licensee is not obligated to utilize the artwork services of Licensor, Licensee is encouraged to do so in order to minimize delays which may occur if outside artists do renditions of Property (particularly third party artists). For clarity, Licensee will only be responsible for charges under this Section 11(d) that it has approved in advance in writing and will not be responsible for any other charges.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(e) Concurrently with the initial shipment of Licensed Articles, Licensee shall furnish to Licensor, at no cost, [***] royalty-free samples of each Licensed Article (five of which are for the purpose of trademark registration). Thereafter Licensee shall furnish to Licensor, [***] royalty-free samples of the Licensed Articles each subsequent year of the Term (subject to availability (i.e., Licensee's inventory on hand) and provided that the provision of such samples does not interfere with Licensee's sales of Licensed Articles to its customers). In addition, upon Licensor's (or Agent's) request, Licensee shall provide, at no cost, a reasonable number of samples of the Licensed Articles in each year of the Term for use in connection with promotions, contests or sweepstakes, not to exceed [***] samples per year (subject to availability (i.e., Licensee's inventory on hand) and provided that the provision of such samples does not interfere with Licensee's sales of Licensed Articles to its customers). [***] Licensee will have no obligation to pay a Royalty on any of the Licensed Articles provided to Licensor under this Section 11(e).

12. LICENSOR'S TITLE AND GOODWILL. Licensee acknowledges that Licensor is the owner of all right, title and interest in and to the Property, and further acknowledges the great value of the goodwill associated with the Property and that the Property has acquired secondary meaning in the mind of the public. Licensee acknowledges that the Property (including all rights therein and goodwill associated therewith) shall be and remain the exclusive and complete property of Licensor, and that all use of the Property, including trademarks and trade dress associated with the Property, will inure to the benefit of the Licensor. Licensee agrees that it shall not, during the Term of this Agreement and at any time thereafter, dispute or contest, directly or indirectly, or do or cause to be done, any act which in any way questions, contests, impairs or tends to impair Licensor's right, title and interest in and to the Property. Licensee will at no time use or authorize the use of any trademark, logo, service mark, trade name or other designation identical with, or confusingly similar to, the Property. Except as otherwise provided in this Agreement for a Sell-Off Period (defined in Paragraph 23), if any, upon the expiration or earlier termination of the Term of this Agreement, all rights to use the Property shall automatically revert to Licensor, and Licensee shall immediately discontinue all use. As between Licensor and Licensee, Licensor shall be deemed to be the owner of all materials created for the Licensed Articles hereunder that include or are derived or adapted from the Property, including but not limited to artwork. Licensee agrees that such materials created and furnished by Licensee, its employees, or contractors shall be considered "works made for hire" pursuant to the Copyright Act of 1976, as amended, and all rights in and to the copyrights to such materials shall be owned by Licensor. If any such materials or elements shall not be deemed a "work made for hire," Licensee hereby assigns and transfers to Licensor, or its designee, all rights, including copyright, title and interest, in and to all such materials and elements. Licensee agrees, without further consideration, to execute documents in connection with such assignment, as reasonably requested to do so. In the event Licensee fails or refuses to do so after a reasonable period of time, Licensee hereby appoints Licensor as its attorney-in-fact to execute such documents. Nothing in this Agreement is intended to give Licensor any rights whatsoever to any trademark, copyright, trade secret, manufacturing process, technology, proprietary technique or patent owned by Licensee, or used by Licensee under license in connection with the Licensed Articles or otherwise, which is not derived or adapted from the Property, or other materials owned by Licensor (or its licensor, as applicable).

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

13. REPRESENTATIONS OF OWNERSHIP. Licensee shall not in any manner represent that it has any ownership in the Property, or in any properties owned by Licensor which are not licensed hereunder, or in any patents, trademarks or copyrights included in the Property (or registrations or applications therefor), but may only, during the Term of this Agreement and only if Licensee has complied with all laws, represent that it is a "licensee" hereunder. Licensee shall not register or attempt to register any patent, trademark or copyright in the Property, or in any properties owned by Licensor which are not licensed hereunder, in its own name or that of any third party, nor shall it assist any third party in doing so.

14. INTELLECTUAL PROPERTY REGISTRATION. At Licensor's cost, Licensee agrees to fully cooperate with and assist Licensor in the prosecution of any patent, copyright, trademark or service mark applications concerning the Property that Licensor may desire to file, and for that purpose, Licensee shall, upon request, supply to Licensor enough samples of the Licensed Articles or other material as may be required in connection with any such application (subject to the availability of such samples (i.e., Licensee's inventory on hand) and provided that the provision of such materials does not interfere with Licensee's sales of Licensed Articles to its customers). Furthermore, Licensee shall execute, at Licensor's sole cost and expense, any instrument Licensor shall reasonably deem necessary or desirable to record or cancel Licensee as a registered user of the trademarks of Licensor included in the Property. It is understood and agreed that Licensee's right to use the Property and the trademarks included therein in any country for which the filing of a registered user application is required under applicable law shall commence only upon the filing of such registered user application, but shall continue only so long as this Agreement remains in effect. Licensor represents that it has registered or applied for registration of each of the trademarks and copyrights listed on Schedule A, Section (b) in the Licensed Territories as specified thereon.

If Licensee is prohibited from exploiting the Property in any portion of the Licensed Territory for which there is a Minimum Net Sales Revenue requirement as indicated on Schedule B because any trademark or copyright registration has not been made and/or any user application has not been filed as required under applicable law, (a) the Minimum Guarantee for the period for which Licensee is so prohibited will be reduced and pro-rated based upon the percentage the affected portion of the Licensed Territory represents of the aggregate Minimum Net Sales Revenue for all Licensed Territories, (b) the Minimum Net Sales requirements for the Licensed Territory in which Licensee was prohibited from exploiting the Property will be waived for such period, , and (c) Licensor shall, at its sole cost and expense, make any and all such filings and applications to obtain the required registrations and user applications as promptly as possible.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

If Licensee is prohibited from exploiting the Property for a period of one year in any portion of the Licensed Territory for which there is no Minimum Net Sales Revenue requirement because any trademark or copyright registration has not been made and/or any user application is required to be filed under applicable law, at Licensee's reasonable request in writing, subject to an approved Distribution Plan, Licensor, at its sole cost and expense, shall promptly make any and all such filings and registrations. For the purposes of this Agreement, "Distribution Plan" shall be defined as a formal plan provided by Licensee to Licensor and Agent for Licensor's written approval (approval not to be unreasonably withheld), for the portion of the Licensed Territory in question including without limitation, (i) a line plan with designated Product Categories, Licensed Article descriptions, suggested retail price, designated Distribution Channel(s) with key retailers, rollout schedule, production schedule, and financial projections, and (ii) a marketing plan as defined herein in Paragraph 8(b).

15. COPYRIGHT AND TRADEMARK NOTICES

(a) Licensee shall print, stamp or mold the Copyright Notice, as specified below, on all Licensed Articles and on each of the Related Materials, all in accordance with reasonable instructions from Licensor, including without limitation, instructions with respect to position and letter size. No Licensed Article or Related Materials upon which the Copyright Notice is printed, stamped or molded pursuant to the preceding sentence shall contain any other copyright notice whatsoever unless Licensor has given Licensee prior written approval thereto (such approval not to be unreasonably withheld). Licensor may, at any time and from time to time, require Licensee to change or add to the Copyright Notice, by giving Licensee not less than thirty (30) days' notice of such change, it being understood and agreed that Licensee shall have the right to continue to distribute any inventory already manufactured or ordered at the time it receives such notice. The Copyright Notice shall be:

Baby Genius® characters and names are copyrighted and trademarked by Pacific Entertainment Corporation. All rights reserved. Used under license by (Licensee's name).

(b) Licensee shall comply with all requirements of the United States Copyright Act, the Universal Copyright Convention, the Berne Convention and any other treaty and convention to which the United States is or becomes a party, as Licensor deems necessary to obtain or maintain copyright protection for the Licensed Articles in the Licensed Territory. Licensee shall cooperate fully with Licensor, at Licensor's expense, in connection with Licensor's obtaining of copyright and trademark protection in the name of Licensor or, if Licensor shall so direct, in the name of a copyright or trademark proprietor other than Licensor or Licensee.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) Licensee shall print, stamp or mold the Trademark Notice, as specified below, in proximity to the Property wherever used, including without limitation on all Licensed Articles and on each of the Related Materials, all in accordance with reasonable instructions from Licensor, including without limitation, instructions with respect to position and letter size. No Licensed Article or Related Materials upon which the Trademark Notice is printed, stamped or molded pursuant to the preceding sentence shall contain any other trademark notice whatsoever unless Licensor has given Licensee prior written approval thereto (such approval not to be unreasonably withheld). Licensor may, at any time and from time to time, require Licensee to change or add to the Trademark Notice by giving Licensee not less than thirty (30) days' notice of such change, it being understood and agreed that Licensee shall have the right to continue to distribute any inventory already manufactured or ordered at the time it receives such notice. The Trademark Notice shall be:

Baby Genius®

(d) Licensee shall be permitted to place its name, mark, or logo on advertising and promotional materials concerning the Licensed Articles, subject to Licensor's prior written approval, such approval not to be unreasonably withheld.

(e) Licensee's name or trade name (or a trademark of Licensee which Licensor has approved in writing) shall appear on permanently affixed labeling on each Licensed Article and, if the Licensed Article is sold to the public in packaging or a container, printed on such packaging or container so that the public can identify the supplier of the Licensed Articles. On soft goods, "permanently affixed" shall mean sewn on. On hard goods, "permanently affixed" shall mean molded into the product. On packaging, "permanently affixed" shall mean printed on the package. Licensee shall advise Licensor in writing of all names or trade names it is using on Licensed Articles being sold under this Agreement if such names or trade names differ from Licensee's corporate name as indicated herein.

(f) Licensee shall affix to the Licensed Articles and/or Related Materials any other legends, markings and notices required by any law or regulation in the Licensed Territory or which Licensor reasonably may request.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

16. TAXES, DUTIES, LEVIES, VAT.

(a) Licensee shall pay all taxes, duties, levies, handling charges and other fees (other than Licensor's income taxes) imposed or levied against or incurred by either Licensee or Licensor under any law now or hereafter in effect, levied or based upon the license, delivery, shipment, import, export, manufacture or Licensee's possession or use of the products licensed hereunder or upon the grant of this license or the exercise thereof or based upon or measured by the license fees or payment thereof or any part thereof. It is understood and agreed that if Licensee is required by any governmental authority to withhold any portion of the license fee prescribed herein and pay over such portion to such governmental authority, then such monies retained by Licensee and paid over to the governmental authority shall be deemed to be a payment by Licensee to Licensor in satisfaction and, to the extent, of that portion of Licensee's obligation under this Agreement; provided, however, that Licensee shall furnish Licensor with official government receipts as evidence of each such payment within fifteen (15) days of the receipt by Licensee thereof.

(b) Licensee hereby declares that, should the authorities of the Licensed Territory during the Term require that Value Added Tax (VAT) is to be levied on payments hereunder, Licensee will be solely responsible for payment of said VAT levies.

17. LICENSEE OBLIGATIONS

(a) Licensee shall manufacture, distribute and sell the Licensed Articles in an ethical manner and in accordance with the provisions and the intent of this Agreement, and shall not engage in unfair or anti-competitive business practices. The Licensed Articles shall be manufactured, distributed and sold in accordance with all applicable international, national, federal, state and local laws, treaties and governmental orders and regulations, including, without limiting the generality of the foregoing, the Federal Food, Drug and Cosmetic Act, the Federal Hazardous Substance Act (FHSA), the Flammable Fabrics Act, the Consumers Products Safety Act, and the ASTM Standard Consumer Safety Specification for Toy Safety (Toy Manufacturers of America Voluntary Toy Safety Standard) or other acts and standards.

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(i) In order to insure that the Licensed Articles meet the above standards, Licensee shall, where appropriate or upon request, prior to the date of first distribution of the Licensed Articles, submit to Agent a "test plan" which lists all of the material applicable acts and standards and which contains a certification by Licensee that no other material acts and standards apply to the Licensed Articles. The test plan shall describe in detail the procedures used to test the Licensed Articles, and Licensee shall submit certificates in writing that the Licensed Articles conform to the applicable acts and standards. Upon request by Agent, Licensee shall provide specific test data and laboratory reports.

(ii) Upon request, Licensee shall submit for approval Licensee's test plan prior to the date of first distribution. Where applicable, tests on Licensed Articles must be performed by a national testing laboratory or an independent laboratory that is nationally approved unless another laboratory is otherwise approved by Licensor. Such testing laboratory or independent laboratory will provide written test reports indicating that the Licensed Articles conform to the applicable acts and standards. Notwithstanding any provision in this Agreement to the contrary, Licensee will have no obligation to test the Licensed Articles beyond its normal testing procedures.

(b) Licensee shall not encumber or cause to be encumbered in any manner the Licensed Articles, or cause or permit any expenses to be charged to Licensor (or Agent) without prior approval in writing in each instance.

(c) Licensee shall exercise commercially reasonable efforts to (i) make sales presentations to its customers in a manner consistent with its normal business practices, but in no event less than for each Spring and Fall season throughout the Term, and (ii) manufacture and distribute sufficient quantities of the Licensed Articles to meet commercially reasonable orders for the Licensed Articles. However, Licensor and Agent make no warranty or representation as to the amount of sales or profits which Licensee may derive from the exercise of any rights licensed under this Agreement.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(d) Licensee shall sell and distribute Licensed Articles only through the Channels of Distribution and only in the Licensed Territory, as set forth on Schedule B. Licensee will use due care to avoid sale of Licensed Articles to jobbers, wholesalers, distributors, mail order, retail stores or merchants whose sales or distribution will be made solely for publicity purposes, combination sales premiums, giveaways or similar methods of merchandising, or whose business methods are questionable.

(e) Licensee shall begin commercial production of Licensed Articles in each exclusive Product Category in order to meet the in-store date set forth in Schedule B ("In-Store Date"), which may be updated from time to time by mutual written consent of the parties.

(f) Licensee shall comply with the national laws of any country in which the Licensed Articles, or any component thereof, are manufactured, any local laws, regulations, or standards applicable to such manufacturing, and any generally accepted industry standards which have been established in said location (hereinafter, collectively, "Local Manufacturing Laws and Standards"). Licensee shall use commercially reasonable efforts to ensure that any and all third party manufacturers of the Licensed Articles or any component thereof comply with the applicable Local Manufacturing Laws and Standards. The Local Manufacturing Laws and Standards should include, but not be limited to, laws concerning import, export, country of origin, safety (including fire code rules), employment standards, wages and benefits, and employee health and safety.

(g) The employment or use by Licensee, or by any third party manufacturer employed by Licensee, of children for the manufacture, assembly, or conversion of the Licensed Articles, or any component thereof, either directly or indirectly, will not be permitted hereunder, except in accordance with Local Manufacturing Laws and Standards with respect to child labor. In countries where there are no existing Local Manufacturing Laws and Standards for child labor a manufacturer's suitability hereunder should be evaluated carefully, taking into account regional and United States standards.

(h) No manufacturer of the Licensed Articles will use forced or prison labor. Manufacturers must maintain a strict policy of employment on a voluntary basis.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(i) All manufacturers of the Licensed Articles shall comply with Local Manufacturing Laws and Standards concerning working hours and compensation. In countries where there are no such existing Local Manufacturing Laws and Standards, a manufacturer's suitability hereunder should be evaluated carefully, taking into account regional and United States standards.

18. THIRD PARTY MANUFACTURER. Licensee may utilize a third party manufacturer in connection with the manufacture and production of the Licensed Articles, provided that such manufacturer is approved by Licensor (such approval not to be unreasonably withheld) and such manufacturer shall execute a Manufacturer's Agreement in the form of Schedule C, attached hereto and incorporated by reference. In such event, Licensee shall remain primarily obligated under all of the provisions of this Agreement. In no event shall any such Manufacturer's Agreement include the right to grant any sublicenses. Copies of executed Manufacturer's Agreement(s) shall be provided promptly upon request.

19. LICENSEE WARRANTIES. Licensee represents, warrants, and undertakes as follows:

(a) Licensee is free to enter into and fully perform this Agreement;

(b) All ideas, creations, designs, music compilations, character voices, sound effects, materials and intellectual property furnished by Licensee in connection with each of the Licensed Articles and Related Materials will be Licensee's own and original creation (except for matters in the public domain or material which Licensee is fully licensed to use);

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) The Licensed Articles and the manufacture, advertisement, distribution and sale thereof hereunder will not infringe upon or violate any rights of any third party of any nature whatsoever, including third party patent rights (with the exception of those claims arising out of the use of the Property as authorized hereunder);

(d) The Licensed Articles and Related Materials will be of high standard in style, appearance and quality, will be safe for use by consumers, and will comply with all applicable governmental rules, guidelines, safety codes and regulations;

(e) Licensee will not manufacture, advertise, distribute or sell and will not authorize the manufacture, advertising, distribution or sale of the Licensed Articles in any manner, at any time or in any place not specifically licensed hereunder.

20. LICENSEE INDEMNITY AND INSURANCE

(a) Licensee shall indemnify, defend and hold harmless Licensor (and its parent, subsidiary and affiliated companies, including each of their respective officers, directors, agents and employees) and their Agent (including each of their respective officers, directors and employees) from and against all third party claims, and all damages, costs, reasonable out of pocket attorney's fees and expenses related thereto, based upon or arising out of (i) breach of any warranty or representation by Licensee, (ii) unauthorized use of the Property by Licensee, or (iii) any actual or alleged defect in the Licensed Articles or their packaging, whether latent or patent, including failure of said Licensed Articles or their packaging, distribution, promotion, sale or exploitation to meet any Federal, State or local laws or standards, or (iv) any other breach of any term of this Agreement; provided, however, that (a) Licensor and/or Agent provide prompt written notice of any claim, (b) Licensee shall have the option to undertake and conduct the defense and/or settlement of any such claim or suit, (c) Licensor shall cooperate, at Licensee's expense, with Licensee in the defense of any such claim or suit, (d) Licensor acts in a commercially reasonable manner to mitigate any damages and (e) no settlement of any claim or suit may be made without prior written consent of both parties. If Licensee undertakes the defense of a claim brought against Licensor, Licensee shall not be responsible for attorney's fees, costs and expenses incurred by Licensor after Licensee undertakes the defense of the claim. Licensee shall not admit any liability or compromise any suit without first obtaining Licensor's consent in writing, such consent not to be unreasonably withheld. The obligation for indemnification shall survive termination of the Agreement.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Licensee shall maintain product liability insurance from a reputable and financially sound insurance company that is rated in A.M. Best's Reports as "A" or "A+" which shall name Licensor, Agent and each of their respective officers, directors, agents and employees (the "Representatives") as additional insureds in an amount of coverage not less than $[***] per claim and $[***] in the aggregate. Product liability coverage must be on "occurrence based" forms with any deductible not to exceed $[***] per occurrence, which deductible will be fully funded by Licensee. Such policy shall provide that the Representatives be named as "additional insureds" and that it may not be canceled without at least thirty (30) days prior written notice. As proof of such insurance, a fully paid certificate of insurance naming these companies as insured parties shall be submitted to Agent within ten (10) days after the execution and delivery of this Agreement and before any Licensed Article is distributed or sold hereunder. Such insurance shall be in effect during the Term, and remain in effect for three (3) years beyond expiration or termination of this Agreement.

21. LICENSOR WARRANTY AND INDEMNIFICATION.

(a) Licensor warrants and represents that (i) Licensor (a) has the legal capacity and authority to enter into this Agreement and perform its obligations hereunder; (b) has all rights required in order to license the rights granted to Licensee hereunder; (c) owns all right, title and interest in and to the Property; and (d) is free to enter into and fully perform the duties and obligations of this Agreement; (ii) Licensee's use of the Property, as authorized hereunder, shall not infringe upon the intellectual property rights of any third party or any other common law right of any third party in the Property; (iii) to Licensor's knowledge no obstacle (legal or otherwise) exists concerning Licensee's use of Property; and (iv) the terms and conditions of this Agreement do not conflict with any other agreement to which Licensor is a party or by which its assets are bound.

(b) Licensor shall indemnify, defend and hold harmless Licensee (and its parent, subsidiary and affiliated companies, including each of their respective officers, directors, agents and employees) from and against all third party claims, and all damages, costs, reasonable out of pocket attorney's fees and expenses related thereto, based upon or arising out of breach of the warranties and representations set forth above; provided, however, that (i) prompt written notice is given to Licensor of such claim, (ii) Licensor shall have the option to undertake and conduct the defense and/or settlement of any such claim or suit, (iii) Licensee shall cooperate, at Licensor's expense, with Licensor in the defense and/or settlement of any such claim or suit, (iv) Licensee acts in a commercially reasonable manner to mitigate any damages, and (v) no settlement of any claim or suit may be made without prior written consent of both parties. If Licensor undertakes the defense of a claim brought against Licensee, Licensor shall not be responsible for attorney's fees, costs and expenses incurred by Licensee after Licensor undertakes the defense of the claim. The obligation for indemnification shall survive termination of the Agreement.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) Notwithstanding any provision herein to the contrary, neither party hereto will be responsible for any consequential, special, punitive or other indirect damages including, without limitation, lost revenue or profits, in any way arising out of or related to this Agreement or such party's performance hereunder, even if such party has been advised of the possibility of such damages; provided that the foregoing limitation will not apply to either party's indemnification obligations hereunder..

22. INFRINGEMENT. Each party shall promptly notify the other, in writing, of any imitations or infringements of the Property or the rights licensed hereunder which may come to such party's attention. Licensor shall have the sole right to determine whether or not any demand, suit or other action shall be taken on account of or with reference to any such infringements or imitations. Licensee shall not institute any suit or take any action on account of any such demands in its own name or in the name of the Licensor or join Licensor as a party thereto. Licensee shall cooperate with Licensor at Licensor's cost and in any manner that Licensor may request in connection with any such demands, suits, claims or other actions. If Licensor elects to bring a suit against a third party, Licensor may name Licensee as a party, upon notice to Licensee. If Licensor elects not to sue, Licensee may request permission to bring suit and, with written permission (at Licensor's sole discretion), may bring suit at its own expense; provided, however, that, subject to Section 20, Licensee shall indemnify Licensor against any loss or damage, including any loss or damage to reputation or goodwill; and, provided, further, that trial counsel is reasonably approved by Licensor; and, provided, further, that Licensee keeps Licensor fully informed. If Licensee brings suit at its own expense, Licensee may use the money recovered to pay the reasonable, out-of-pocket expenses, including attorney fees; provided that any remainder is split between Licensee and Licensor. Licensor shall have the right to assume control of the litigation and settlement thereof, at any time, but is thereupon responsible for its own further litigation expense. Nothing herein shall be construed as imposing any obligation upon Licensor to take action against any alleged infringer, nor to relieve Licensee from full compliance with any of the terms of this Agreement in the event that Licensor does not take such action.

23. TERMINATION

Upon the occurrence of any of the following events (each of which is a "Default"), then in addition and without prejudice to any rights that it may have at law, in equity or otherwise, Licensor (either directly or through its Agent) shall have the right to terminate this Agreement (or exercise such other rights as provided in this Section 23) and/or to require the immediate payment of any Minimum Guarantee and Royalty due or to become due hereunder, provided that, except as otherwise set forth below, Licensee has not cured such Default within thirty (30) days' notice by Licensor or Agent:

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(a) If a voluntary or involuntary petition in bankruptcy is filed by Licensee and is not dismissed within thirty (30) days thereafter, a receiver or trustee of any of Licensee's property is appointed and such appointment is not vacated within thirty (30) days thereafter, Licensee takes advantage of any insolvency law, Licensee makes an assignment for the benefit of its creditors.

In such event this Agreement and exclusive and non-exclusive licenses of the Property hereunder shall be deemed to be an executory contract. Any assignment of Licensee's rights hereunder, whether in bankruptcy or pursuant to Section 26, shall require the assignee to assume all of assignor's obligations hereunder and may not be made to a competitor of Licensor; or

(b) [INTENTIONALLY OMITTED]

(c) Licensee fails to make any payment or furnish any statement in accordance herewith, and such failure continues for fifteen (15) business days after written notice of such failure is received by Licensee from Licensor; or

(d) [INTENTIONALLY OMITTED]; or

(e) Any assignment, transfer or material change in Licensee in violation of Paragraph 26; or

(f) Licensee fails to comply with any other of Licensee's material obligations hereunder or breaches any warranty made by it hereunder.

(g) If Licensee (i) achieves less than [***] percent ([***]%) of the Minimum Net Sales Revenue for the United States of America and Canada in any of Contract Years 2 through 5, then Licensor shall have the option to terminate this Agreement, or (ii) achieves less than [***] percent ([***]%) of the Minimum Net Sales Revenue for another Licensed Territory for which Minimum Net Sales Revenue is required under Schedule B in any such Contract Year, then Licensor shall have the option to terminate this Agreement with respect to such Licensed Territory only; provided in each such case that written notice of Licensor's election to so terminate is delivered to Licensee within thirty (30) days after the end of the Contract Year in which Licensee has failed to maintain the required level of Minimum Net Sales Revenue.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

24. EFFECT OF TERMINATION OR EXPIRATION

Upon expiration or termination of this Agreement, all rights granted to Licensee herein shall forthwith revert to Licensor, with the following consequences:

(a) If this Agreement is terminated by Licensor pursuant to a Default (defined in the previous paragraph), no portion of any prior payments shall be repayable to Licensee, and all payments due or to become due, including, without limitation, the Minimum Guarantee, shall be immediately due and payable.

(b) Upon the expiration or termination of this Agreement, Licensee shall not manufacture, advertise, distribute or sell the Licensed Articles containing or including the Property or any product that may infringe upon Licensor's proprietary rights, or use any name, logo or design that is substantially or confusingly similar to Licensor's trademarks on any product in any place whatsoever, and shall, upon written request from Licensor, promptly deliver to Licensor and Agent a statement indicating the number of Licensed Articles then currently on hand or in the process of being manufactured. Licensor shall have the right to conduct a physical inventory in order to ascertain or verify such inventory and/or statement. In the event Licensee refuses to permit Licensor to conduct such physical inventory, Licensee shall forfeit its right to dispose of such inventory as provided herein. In addition to such forfeiture, Licensor shall have recourse to all other legal remedies available to it. Except as provided, such inventory shall, at Licensor's option, be destroyed by Licensee (in which event a certificate of destruction, certified by an officer of Licensee, shall be delivered to Licensor), or purchased by Licensor at Licensee's cost of manufacture plus 10% plus shipping costs. In the event that Licensor requests Licensee to destroy the Licensed Articles, Licensor may require Licensee to deliver to Licensor an affidavit, signed by an officer of Licensee, attesting to such destruction in such form as Licensor may in its reasonable discretion require.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) Upon expiration or termination of this Agreement, provided that Licensee is not in Default, Licensee may continue to sell any Licensed Articles on a non-exclusive basis specifically for fulfillment of retail orders for the period set forth in Schedule B ("Sell-Off Period") after such expiration or termination in accordance with all of the terms and conditions contained in this Agreement, provided that: (i) Licensee does not sell or dispose of the Licensed Articles in job lots at reduced prices, at prices lower than the prevailing wholesale price, at prices lower than the prices charged by Licensee during the ninety (90) day period immediately preceding such expiration, or other than as is customary in the ordinary course of business; and (ii) Licensee does not manufacture any new Licensed Articles during the Sell-Off Period except to fill on hand orders. It is understood that Royalties are owed for Licensed Articles sold during the Sell-Off Period, and a final report and payment is due within the time period specified in Schedule B. Any Royalties earned during the Sell-Off Period may not be applied to any Minimum Guarantee, such amount being due at the time of termination or expiration.

(d) Licensee acknowledges that (i) any unauthorized use of the Property shall be deemed an infringement, and (ii) such unauthorized use would cause irreparable harm for which monetary damages are insufficient and therefore, Licensor shall be entitled to seek injunctive relief.

(e) Upon termination or expiration, Licensee shall promptly deliver to Agent any and all materials bearing any element of the Property or materials used in the design of the Licensed Articles, including but not limited to style guides, transparencies, digital files, drawings, and, sketches. Additionally, disposition of any plates, molds, forms, lithographs and other material used in the manufacturing of the Licensed Articles (either by Licensee or a third party manufacturer) shall be subject to written instructions from Licensor or Agent to Licensee either to modify or to deliver same to Agent or its designee at fair market value for the tooling. In the event that Licensee is to modify said materials, Licensor or Agent may require Licensee to deliver to Licensor an affidavit, signed by an officer of Licensee, attesting to such modification in such form as Licensor or Agent may in their sole discretion require. For the purposes of this section, "modification" shall be understood to mean that the Property has been removed and any content, as well as unique or distinct design elements that comprise the trade dress of the Licensed Articles and packaging, including but not limited to color scheme, fabric patterns, and Licensed Articles names have been significantly altered or removed.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(f) Nothing in this paragraph shall be construed to limit Licensor's rights or remedies.

25. RESERVATION OF RIGHTS. Licensor hereby reserves all rights not herein specifically granted to Licensee. Such reserved rights are the sole and exclusive property of Licensor.

26. ASSIGNMENT/TRANSFER. The license herein granted is personal to Licensee and except as expressly set forth herein, may not be sublicensed, assigned, transferred, pledged, mortgaged or otherwise encumbered by Licensee in whole or in part except if approved by Licensor in advance in writing, which approval may be given or withheld in Licensor's reasonable discretion. Licensor may not assign this Agreement without the prior written consent of Licensee such consent not to be unreasonably withheld. Licensor may charge a commercially reasonable administration fee upon approval of any requested sale, transfer or assignment of the Agreement.

27. CONFIDENTIALITY.

(a) As used herein, "Confidential Information" means any information regarding the material terms of this Agreement and subject to the exclusions hereunder, any information designated "confidential" in writing by either party at time of disclosure shall be deemed Confidential Information. The party receiving Confidential Information agrees to hold such Confidential Information in trust and confidence and, except as may be authorized by the other Party in writing, will not (a) use such Confidential Information for any purpose other than to exercise its rights or perform its obligations hereunder and/or (b) disclose any Confidential Information to any person or entity, except to those of its employees, professional advisers and agents: (i) who need to know such information in order for the receiving party to exercise its rights and perform its obligations hereunder; and (ii) who have been made aware in writing of the confidential nature of such information and the receiving party's obligations to maintain such confidentiality. Each party shall be responsible for the compliance by each of its employees, professional advisers or agents with the terms of this Section in respect of the Confidential Information of the other party.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Confidential Information does not include, and the foregoing restrictions will not apply to, any information which (i) at the time of disclosure to the receiving party is generally available to the public (other than as a result of a disclosure made in violation of this agreement), (ii) becomes generally available to the public after disclosure to the receiving party (other than as a result of a disclosure made in violation of this agreement), (iii) was known to the receiving party (without obligation to keep such information confidential) at the time of disclosure by the disclosing party, (iv) becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party (provided that such source, to the knowledge of the receiving party, is not or was not bound to maintain the confidentiality of such information) or (v) has been independently developed by the receiving party without access to or use of the confidential information of the disclosing party, or (vi) the rules of any listing authority or stock exchange upon which the receiving party's securities are listed requires disclosure of any confidential information; provided that the receiving party shall use reasonable efforts to limit such disclosure to what is minimally required. If the receiving party or any of its employees or agents become legally compelled (by deposition, interrogatory, request of documents, subpoena, civil investigative demand or similar process) to disclose any of the confidential information of the disclosing party, the receiving party shall provide the disclosing party with prompt prior written notice of such requirement so that the disclosing party may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this agreement. If such protective order or other remedy is not obtained, or the disclosing party waives compliance with the provisions hereof, the receiving party agrees to furnish only such portion of the confidential information that is legally required to be furnished.

28. NOTICES. Notices by either party to the other shall be in writing and given by telefax, if possible, or by registered or certified mail, return receipt requested, by telex/telegram with proof of delivery, all charges prepaid, or by email, with proof of receipt. All statements and notices hereunder shall be given at the respective addresses of Licensor, Agent and Licensee as set forth on the first page of this Agreement and on Schedule B unless written notice of a change of address is given. Licensee shall send all correspondence and direct all inquiries, written or otherwise, in connection with the subject matter of this Agreement to Agent, with a copy, if in writing, to Licensor at their respective addresses as set forth on Schedule B. Unless otherwise indicated herein, notices shall be deemed effective the date the notice is received. Copies of all notices to Agent and/or Licensee shall be sent to Licensor.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

29. RELATIONSHIP OF PARTIES. This Agreement shall not create or be deemed to create any agency, partnership or joint venture between the Licensor, Agent and/or Licensee. Neither of the parties hereto has the authority to bind the other. The Agreement shall inure to the benefit of, and be binding upon and enforceable against, each of the parties hereto and their respective administrators, executors, successors and permitted assigns.

30. ENTIRE AGREEMENT. This Agreement is intended by the parties as a final and complete expression of their agreement with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements and understandings relating to it. This Agreement may be executed in two or more counterparts (including, without limitation, by facsimile), each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The Schedules to this Agreement are a part of this Agreement as if set forth in full herein.

31. MODIFICATION. This Agreement may not be modified and none of its terms may be waived except in writing signed by both parties. The failure of either party to enforce, or the delay by either party in enforcing, any of its rights shall not be deemed a continuing waiver or modification of this Agreement.

32. SEVERABILITY. If any part of this Agreement shall be declared invalid or unenforceable by a court of competent jurisdiction, it shall not affect the validity of the balance of this Agreement.

33. FORCE MAJEURE. In the event of a force majeure event which prevents or hinders performance hereunder, no default or liability for non-compliance occasioned thereby during the continuance thereof shall exist or arise.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

34. GOVERNING LAW. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California applicable to agreements entered into and to be performed wholly in the State of California. The parties consent to the exclusive jurisdiction of the state and federal courts located in the State of California, Los Angeles County, California for the resolution of any dispute arising hereunder.

35. EXECUTION. The submission of this form of license agreement for examination and/or execution does not constitute an option and shall vest no right in either party. This document will become effective as a license agreement only upon execution and delivery thereof by all the parties hereto. If this Agreement is executed by more than one person as Licensee, any liability on the part of such persons shall be joint and several.

36. MISCELLANEOUS. The parties acknowledge and agree that this Agreement is the result of negotiation, and that all parties had opportunity for legal counsel. Therefore, there is no presumption against the drafter with respect to interpretation of any of the provisions.

37. DISPUTE RESOLUTION, ARBITRATION**.** Except with respect to matters pertaining to injunctive relief, in the event of any dispute, the parties shall refer such dispute to the respective Designated Representative for each party for attempted resolution by good faith negotiations within thirty (30) days after such referral is made. During such period of good faith negotiations, any applicable time periods under this Agreement shall be tolled. In the event such individuals are unable to resolve such dispute within such thirty (30) day period, any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in the City of Los Angeles, California. Such arbitration to be conducted by, per the procedures of, and at an office of the Judicial Arbitration and Mediation Service ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The arbitrator may, in the Award, allocate all or part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party. Both parties agree to resolve any disputes without making public statements either verbally or in writing, and both parties agree to protect the reputation and name of the other party.

[SIGNATURE PAGE TO FOLLOW.]

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date written at the beginning of this Agreement.

JAKKS PACIFIC, INC.	**PACIFIC ENTERTAINMENT CORPORATION**
("Licensee")	("Licensor")
By: /s/ Michael Dwyer	By: /s/ Klaus Moeller
[Name] Michael Dwyer	[Name] Klaus Moeller
[Title] SVP, Legal	[Title] CEO

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CONFIDENTIAL TREATMENT REQUESTED BY PACIFIC ENTERTAINMENT CORPORATION

SCHEDULE A

Baby Genius®

a) The term "Property" means the Baby Genius trademark, and all common law and registered trademarks, copyrights, trade dress, names, symbols, likenesses, depictions, characters, logos, images, designs, titles, music compilations, character voices, artwork and/or other creative elements, for, used in connection with, including, derived or adapted from, Baby Genius®, now existing, and any and all future versions developed by Licensor or its affiliates during the Term for the Baby Genius brand. The definition of Property may be amended, from time to time, by written agreement between Licensee and Licensor.

b) Without limiting the foregoing, the Property includes, without limitation, the items set forth below. Notwithstanding any provision in this Agreement to the contrary, with respect to copyrights marked with an asterick below, the Property does not include [***].

United States Copyrights:

*Title: Animal Adventures
Type of Work: Motion Picture

Title: Favorite Nursery Rhymes
Type of Work: Motion Picture

Title: Underwater Adventures
Type of Work: Motion Picture

Title: Baby Genius Mozart and Friends
Type of Work: Motion Picture

Title: Baby Genius Mozart and Friends Sleepytime
Type of Work: Motion Picture

Title: Baby Genius the Four Seasons
Type of Work: Motion Picture

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

*Title: Baby Animals Favorite Sing-a-Longs
Type of Work: Motion Picture

*Title: Baby Animals Favorite Sing-a-Longs
Type of Work: Sound Recording and Music

Title: Favorite Sing-a-Longs
Type of Work: Motion Picture

Title: Favorite Sing-a-Longs
Type of Work: Sound Recording and Music

Title: Favorite Counting Songs
Type of Work: Motion Picture

Title: Favorite Counting Songs
Type of Work: Sound Recording and Music

Title: Favorite Children's Songs
Type of Work: Motion Picture

Title: Favorite Children's Songs
Type of Work: Sound Recording and Music

*Title: A Trip to the San Diego Zoo
Type of Work: Motion Picture

*Title: A Trip to the San Diego Zoo
Type of Work: Sound Recording

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

United States Trademarks:

Mark: Baby Genius
Class: 009
Goods: Musical sound recordings and musical video recordings.

Mark: Baby Genius
Class: 010
Goods: Baby bottles, baby bottle nipples, pacifiers and teething rings.

Mark: Baby Genius
Class: 16
Goods: Printed material in the nature of calendars, a series of baby and children's books, sheet music, photo albums, scrapbook albums, arts and crafts paint kits, stickers, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

Mark: Baby Genius
Class: 25
Goods: Clothing, namely, dresses, jumpers, cardigans, suits, overcoats, trousers, jackets, singlets, socks, belts, knit shirts, sport shirts, sweat shirts, turtle necks, T shirts, pants, sweaters, socks, ties, bow ties, shorts, beach visors, beachwear, swimsuits, hats, caps, beanies, blouses, underwear, jackets, pull overs, overalls, sporting shirts, jerseys, and pajamas.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Baby Genius
Class 28
Goods:

Articles of clothing for toys; Baby multiple activity toys; Balls for games; Balls for sports; Bath toys; Beach balls; Board games; Card games; Cases for toy vehicles; Children's multiple activity toys; Children's multiple activity toys sold as a unit with printed books; Collectable toy figures; Construction toys; Crib toys; Dice games; Doll accessories; Doll cases; Doll furniture; Doll houses; Dolls; Dolls and accessories therefor; Dolls and doll accessories, namely, clothing for dolls, doll rooms, doll beds, doll houses, toy fabrics and linens for dolls and strollers for dolls; Drawing toys; Educational card games; Equipment sold as a unit for playing board games; Equipment sold as a unit for playing card games; Fantasy character toys; Infant development toys; Infant toys; Musical toys; Party games; Pet toys; Play houses and toy accessories therefor; Playground balls; Plush toys; Push toys; Ride-on toys; Rubber character toys; Sand toys; Squeeze toys; Stacking toys; Toy action figures; Toy boats; Toy cars; Toy figures; Toy furniture; Toy vehicles; Toy vehicles and accessories therefor.

Mark: Baby Genius
Class: 41

Services: educational and entertainment services for children, namely, an ongoing series of television programs, motion picture theatrical films, live children's theatrical productions, and personal appearances by costumed characters.

Mark: Frankie the Elephant
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Frankie the Elephant
Class: 16

Goods: Address books, autograph books, book marks, decals, stickers, sticker albums, posters, calendars, trading cards, trading card albums, photo albums, scrapbook albums, greeting cards, pencils, pens, pen and pencil holders, pen and pencil boxes, a series of baby and children's books, sheet music, arts and crafts paint kits, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CONFIDENTIAL TREATMENT REQUESTED BY PACIFIC ENTERTAINMENT CORPORATION

Mark: Frankie the Elephant
Class: 25

Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear.

Mark: Frankie the Elephant
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Mark: Vinko the Dancing Bear
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Vinko the Dancing Bear
Class: 16

Goods: Address books, autograph books, book marks, decals, stickers, sticker albums, posters, calendars, trading cards, trading card albums, photo albums, scrapbook albums, greeting cards, pencils, pens, pen and pencil holders, pen and pencil boxes, a series of baby and children's books, sheet music, arts and crafts paint kits, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: Vinko the Dancing Bear
Class: 25

Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear.

Mark: Vinko the Dancing Bear
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Mark: Oboe the Monkey
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Oboe the Monkey
Class: 16

Goods: Address books, autograph books, book marks, decals, stickers, sticker albums, posters, calendars, trading cards, trading card albums, photo albums, scrapbook albums, greeting cards, pencils, pens, pen and pencil holders, pen and pencil boxes, a series of baby and children's books, sheet music, arts and crafts paint kits, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

Mark: Oboe the Monkey
Class: 25

Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: Oboe the Monkey
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Mark: DJ the Dinosaur
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs and digital video disc featuring music.

Mark: DJ the Dinosaur
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Mark: Lola the Dog
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: Lola the Dog
Class: 16

Goods: Address books, autograph books, book marks, decals, stickers, sticker albums, posters, calendars, trading cards, trading card albums, photo albums, scrapbook albums, greeting cards, pencils, pens, pen and pencil holders, pen and pencil boxes, a series of baby and children's books, sheet music, arts and crafts paint kits, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

Mark: Lola the Dog
Class: 25

Goods: Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear.

Mark: Lola the Dog
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Mark: Rosie the Rabbit
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Rosie the Rabbit
Class: 16

Goods: Address books, autograph books, book marks, decals, stickers, sticker albums, posters, calendars, trading cards, trading card albums, photo albums, scrapbook albums, greeting cards, pencils, pens, pen and pencil holders, pen and pencil boxes, a series of baby and children's books, sheet music, arts and crafts paint kits, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: Rosie the Rabbit
Class: 25

Goods: Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear.

Mark: Rosie the Rabbit
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Mark: Tempo the Tiger
Class: 009

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Tempo the Tiger
Class: 16

Goods: Address books, autograph books, book marks, decals, stickers, sticker albums, posters, calendars, trading cards, trading card albums, photo albums, scrapbook albums, greeting cards, pencils, pens, pen and pencil holders, pen and pencil boxes, a series of baby and children's books, sheet music, arts and crafts paint kits, and printed teaching materials for teaching youth developmental skills, life skills and problem solving.

Mark: Tempo the Tiger
Class: 25

Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear.

Mark: Tempo the Tiger
Class: 28

Goods: Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

European Trademarks:

Mark: Baby Genius
Class: 09

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and seif improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, economics, social studies, studies of society, environment studies, sewing, sports, travel, law, medicine, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Baby Genius
Class: 16

Goods: Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers.

Mark: Baby Genius
Class: 28

Goods: Toys, namely, action toys, bathtub toys, construction toys, pet toys, plush toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, all types of dolls, doll accessories, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, ball hoops and fishing rods.

Mark: Baby Genius
Class: 41

Services: Educational and entertainment services for children, namely, an ongoing series of television programs, motion picture theatrical films, live children's theatrical productions, and personal appearances by costumed characters.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: DJ the Dinosaur
Class: 09

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and seif improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, economics, social studies, studies of society, environment studies, sewing, sports, travel, law, medicine, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: DJ the Dinosaur
Class: 28

Goods: Toys, namely, action toys, bathtub toys, construction toys, pet toys, plush toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, all types of dolls, doll accessories, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, ball hoops and fishing rods.

Mark: DJ the Dinosaur
Class: 41

Services: Educational and entertainment services for children, namely, an ongoing series of television programs, motion picture theatrical films, live children's theatrical productions, and personal appearances by costumed characters.

Mark: Frankie the Elephant
Class: 09

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and seif improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, economics, social studies, studies of society, environment studies, sewing, sports, travel, law, medicine, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: Frankie the Elephant
Class: 28

Goods: Toys, namely, action toys, bathtub toys, construction toys, pet toys, plush toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, all types of dolls, doll accessories, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, ball hoops and fishing rods.

Mark: Frankie the Elephant
Class: 41

Services: Educational and entertainment services for children, namely, an ongoing series of television programs, motion picture theatrical films, live children's theatrical productions, and personal appearances by costumed characters.

Mark: Oboe the Monkey
Class: 09

Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and seif improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, economics, social studies, studies of society, environment studies, sewing, sports, travel, law, medicine, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Oboe the Monkey
Class: 28

Goods: Toys, namely, action toys, bathtub toys, construction toys, pet toys, plush toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, all types of dolls, doll accessories, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, ball hoops and fishing rods.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mark: Oboe the Monkey
Class: 41
Services: Educational and entertainment services for children, namely, an ongoing series of television programs, motion picture theatrical films, live children's theatrical productions, and personal appearances by costumed characters.

Mark: Vinko the Dancing Bear
Class: 09
Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and seif improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, economics, social studies, studies of society, environment studies, sewing, sports, travel, law, medicine, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy.

Mark: Vinko the Dancing Bear
Class: 28
Goods: Toys, namely, action toys, bathtub toys, construction toys, pet toys, plush toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, all types of dolls, doll accessories, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, ball hoops and fishing rods.

Mark: Vinko the Dancing Bear
Class: 41
Services: Educational and entertainment services for children, namely, an ongoing series of television programs, motion picture theatrical films, live children's theatrical productions, and personal appearances by costumed characters.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Canadian Trademarks:

Mark: Baby Genius
Classes: (Canada does not use class system)

Goods: Printed material in the nature of calendars, a series of baby and children's books, sheet music, photo albums, scrapbook albums, arts and crafts paint kits, stickers, and printed teaching materials namely, books and sheets with suggested activities and stories, worksheets, workbooks and colouring books for teaching youth developmental skills, life skills and problem solving; video and sound recordings; clothing, namely, dresses, jumpers, overalls, cardigans, suits, overcoats, trousers, jackets, singlets, socks, belts, knit shirts, sport shirts, sweat shirts, turtle necks, t-shirts, pants, sweaters, ties, bow ties, shorts, beach visors, beachwear, swimsuits, hats, caps, beanies, blouses, underwear, jackets, pull overs, overalls, sporting shirts, jerseys, and pajamas; toys, namely, action toys, bathtub toys, construction toys, pet toys, plush toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, adult's and children's party games, all types of dolls, doll accessories, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, ball hoops and fishing rods

Australian Trademarks (in process):

Mark: Baby Genius
Classes: 09, 16, 25, 28

Goods: Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy; Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers; Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear; Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Mexican Trademarks (in process)**:**

Mark: Baby Genius
Classes: 09, 16, 25, 28

Goods: Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy; Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers; Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear; Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Argentina Trademarks (in process)**:**

Mark: Baby Genius
Classes: 09, 16, 25, 28

Goods: Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy; Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers; Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear; Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Panama Trademarks (in process)**:**

Mark: Baby Genius
Classes: 09, 16, 25, 28

Goods: Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy; Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers; Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear; Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

Brazil Trademarks (in process):

Mark: Baby Genius
Classes: 09, 16, 25, 28

Goods: Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy; Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers; Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear; Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Chile Trademarks (in process)**:**

Mark: Baby Genius

Classes: 09, 16, 25, 28

Goods: Goods: Prerecorded audio cassettes, compact discs, video cassettes, laser discs, and digital video discs, all featuring music, fictional and non fictional stories, activities for play, motivational and self improvement, and covering education topics relating to mathematics, sciences, physical sciences, biological sciences, computer science, humanities, history, geography, social studies, environment studies, sports, poetry, health, physical education, English, English literature, language comprehension, spelling, literacy, and numeracy; Printed material in the nature of calendars, a series of baby and children's books, address books, autograph books, bookmarks, decals, posters, trading cards, trading card albums, greeting cards, sheet music, photo albums, scrapbook albums, sticker albums, pens, pencils, pen and pencil holders, pen and pencil boxes, arts and crafts paint kits, stickers, printed teaching materials for teaching in the fields of youth developmental skills, life skills and problem solving; diapers; Clothing, namely, dresses, jumpers, cardigans, jackets, socks, belts, knit shirts, sport shirts, sweat shirts, t-shirts, pants, sweaters, ties, socks, underwear, shorts, beach visors, beachwear, swimsuits, hats, caps, beanie caps, pullovers, overalls, sporting shirts, jerseys, pajamas, shoes and footwear; Toys, namely, plush toys, action toys, bathtub toys, construction toys, ride-on toys, sandbox toys, squeeze toys, wind-up toys, musical toys, crib toys, crib mobiles, stuffed toy animals, children's multiple activity toys, adults' and children's party games, dolls and doll accessories therefor, climbing units, children's play cosmetics, card games, role playing games, board games and card games for teaching of alphabet, math, music, and language, and, adult and children's sporting goods, namely, playground balls, beach balls, basketballs, baseballs, baseball bats, baseball mitts, and ball hoops.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SCHEDULE B

A. Agent:

The Joester Loria Group, LLC
860 Broadway, 3rd Floor
New York, NY 10003

B. Licensed Articles:

Property-identified merchandise for infants, toddlers and preschoolers in the categories set forth herein (each a "Product Category" and collectively the "Product Categories").

Exclusive:

Category 1.	Learning and developmental toys made of plastic, wood, or fabric; with and without electronic sound, and/or voice, and/or movement and or DVD or CD samplers
Category 2.	Basic non-feature plush toys
Category 3.	Feature plush toys with electronic sound and/or voice and/or movement and/or CD or DVD samplers.
Category 4.	Musical instruments and musical toys with electronic sound and/or voice and/or movement and/or CD or DVD samplers

Non-Exclusive:

Category 5.	Board Games
Category 6.	Puzzles
Category 7.	Electronic learning aids
Category 8.	Amusement plush toys

Licensed Articles shall not include products that utilize third-party hardware or computer systems (e.g. V-smiles Fisher Price Power Touch, Leap Frog's Leap Pad), unless Licensee obtains from the owner of such hardware or systems a license to use such items in connection with the Licensed Articles. Licensed Articles may be packaged with DVD and CD samplers on a non-exclusive basis (i.e., Licensor or its licensees may package DVD and CD samplers with other products that are not exclusively licensed to Licensee hereunder), which may only be distributed as a free or value added component. The content for such DVD and CDs to be provided by Licensor as defined in section O below.

Licensee's use of music compilations included in the Property shall be non-exclusive.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

C. Licensed Territory:
Worldwide.

Licensee has the exclusive worldwide license to use the Property in connection with the design, manufacture, advertising, promotion, distribution and sale of the Licensed Articles in Categories 1-4 above. Licensee has the non-exclusive worldwide license to use the Property in connection with the design, manufacture, advertising, promotion, distribution and sale of the Licensed Articles in Categories 5-8 above. Notwithstanding any provision in this Agreement to the contrary, if Licensee wishes to distribute or sell any Licensed Articles in the Pan-American Territories, [***]. For purposes of this Agreement, the "Pan-American Territories" means Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

[***].

Licensee shall sell to Licensor Licensed Articles for resale on the BabyGenius.com website as set forth in Section O; provided that Licensee's obligation to sell is subject to the availability of the requested items (i.e., Licensee's inventory on hand) and/or any applicable minimum order requirements; and provided further than any such sales to Licensor must not interfere with Licensee's sale of Licensed Articles to Licensee's customers. If any order by Licensor for Licensed Articles cannot be filled due to the terms of the foregoing proviso, Licensee will use commercially reasonable efforts to include such order in Licensee's next manufacturing run.

D. Channels of Distribution:

No restrictions, except that Licensee may not sell to any closeout companies (e.g., Value City, Big Lots, Conway) unless approved in writing by Licensor at Licensor's sole discretion.

Licensee acknowledges and agrees that it shall not manufacture, distribute, sell, advertise, promote, or otherwise offer the Licensed Articles to a retailer(s) on an exclusive basis without the prior written approval of the Licensor.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

E. **Term**: Commences as of the Effective Date and expires on December 31, 2016.

The Term shall be divided into periods of twelve months (each, a "Contract Year") as indicated below:

Contract Year 1: January 1, 2011 – December 31, 2012
Contract Year 2: January 1, 2013 – December 31, 2013
Contract Year 3: January 1, 2014 – December 31, 2014
Contract Year 4: January 1, 2015 – December 31, 2015
Contract Year 5: January 1, 2016 – December 31, 2016

F. **Royalty:**[***]% of Net Sales

The parties acknowledge and agree that:
(1) distribution of Licensed Articles bearing the Property that have not been approved by Licensor pursuant to the Agreement and/or distribution of Licensed Articles bearing the Property outside the Licensed Territory or outside the Channels of Distribution specifically granted hereunder is a material violation of the Agreement and subject to termination under Paragraph 23 hereof; and
(2) such Licensed Articles are still deemed "unauthorized use of the Property" and, therefore, Licensee remains responsible for the indemnification and defense of third party claims, as set forth in the Agreement hereof.

G. **Common Marketing Fund (CMF) Percentage:** [***].

H. **Advance:** US$[***] **Payable In:** United States Dollars

I. **Minimum Guarantee (including Advance):** $[***] payable as follows

Due Dates:	Amounts:	Remarks:
Due upon signing this Agreement	US$[***]	Advance
Due on or before [***]	US$[***]	Guarantee
Due on or before [***]	US$[***]	Guarantee
Due on or before [***]	US$[***]	Guarantee
Due on or before [***]	US$[***]	Guarantee
Due on or before [***]	US$[***]	Guarantee

[***].

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

J. Minimum Net Sales Revenue:

U.S. and Canada: $[***]

$[***]	January 1, 2011 – December 31, 2012
$[***]	January 1, 2013 – December 31, 2013
$[***]	January 1, 2014 – December 31, 2014
$[***]	January 1, 2015 – December 31, 2015
$[***]	January 1, 2016 – December 31, 2016

European Union: $[***]

$[***]	January 1, 2011 – December 31, 2012
$[***]	January 1, 2013 – December 31, 2013
$[***]	January 1, 2014 – December 31, 2014
$[***]	January 1, 2015 – December 31, 2015
$[***]	January 1, 2016 – December 31, 2016

Australia: $[***]

$[***]	January 1, 2011 – December 31, 2012
$[***]	January 1, 2013 – December 31, 2013
$[***]	January 1, 2014 – December 31, 2014
$[***]	January 1, 2015 – December 31, 2015
$[***]	January 1, 2016 – December 31, 2016

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

K. Introduction Date(s)/In-Store Date(s):

Introduction Dates:

[***]:		[***]	
[***]:		[***]	
[***]:		[***]	

In-Store Dates:

[***]:		[***]	
[***]:		[***]	
[***]:		[***]	

L. Approvals/Reporting/Payments shall be sent to:

Agent, at the address below.

M. Notices:

For Licensor and Agent, unless instructed otherwise in writing, all notices are sent to Agent with copy to Licensor.

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Licensor's Address for Notification:

PACIFIC ENTERTAINMENT CORPORATION
5820 Oberlin Drive, Suite 203
San Diego, CA 92121
Attn: Mr. Klaus Moeller
Fax: (858) 450-2907

Agent's Address for Notification:

The Joester Loria Group, LLC
860 Broadway, 3rd Floor
New York, NY 10003
Attn: President
Fax: (212) 689-3300

Licensee's Address for Notification:

Tollytots Limited
10/F Wharf T&T Centre, 7 Canton Road
Tsim Sha Tsui, Kowloon, HK
Attention: President
Tel: +852-2736-0326
Fax: +852-2736-0671

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

With a copy to:

JAKKS PACIFIC, INC.
22619 Pacific Coast Hwy
Malibu, California 90265
Attn: Senior Vice President -- Legal
Fax: (310) 455-6365

N. Sell-Off Period:

One hundred eighty days (180) days from date of expiration or termination of the Term of the Agreement, provided such termination is not for Default, with a final Royalty report and payment within thirty (30) days of the expiration of the Sell-Off Period.

O. Additional Terms:

Advertising Commitment:
[***]

Sales made to Licensor for sale on Licensor's Website:
Licensee's sale of Licensed Articles to Licensor for resale on the BabyGenius.com website shall be made [***]

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

International Distribution:

Licensee shall be obligated to pay all costs associated with the translation and conversion of packaging and with or without sound content.

Value-Added DVD/CD Content:

Should Licensee and Licensor agree in writing to package Licensed Articles with value-added DVD or CD content, all such value-added DVDs and CDs shall be limited to existing Baby Genius content of 20 minutes and under: and the costs shall be allocated as follows:

Licensee shall pay for all costs associated with manufacturing copies of DVDs/CDs including packaging, and packaging design if any, of the DVDs/CDs. Licensee shall be responsible for the cost of (i) custom content or (ii) content exceeding 20 minutes, provided Licensee receives a prior written estimate from Licensor and has approved such estimate.

Designated Representatives:

Each party hereby appoints the following person ("Designated Representative") to represent such person in all disputes between the parties pursuant to Paragraph 38 of the Agreement:

Licensor: Klaus Moeller, CEO

Licensee: Michael G. Dwyer, Senior Vice President -- Legal

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CONFIDENTIAL TREATMENT REQUESTED BY PACIFIC ENTERTAINMENT CORPORATION

SCHEDULE C

MANUFACTURER'S AGREEMENT

LICENSOR:	**PACIFIC ENTERTAINMENT**
LICENSEE:	**JAKKS PACIFIC, INC.**
PROPERTY:	**BABY GENIUS**
UNDERLYING LICENSE AGREEMENT ("Agreement") DATE:	**January 1, 2011**
EXPIRATION DATE FOR THE UNDERLYING LICENSE AGREEMENT (unless sooner terminated or extended):	**December 31, 2016**
LICENSED ARTICLES:	_____
NAME AND ADDRESS OF MANUFACTURER:	_____
	_____
	_____
LICENSED TERRITORY:	_____

The undersigned manufacturer understands that an Agreement exists permitting the Licensee to manufacture the Licensed Articles utilizing certain copyrighted materials and trademarks owned by Licensor or its Grantor(s). In order to induce Licensor to consent to the manufacture of copies of the Licensed Articles by the undersigned for the Licensee, the undersigned agrees that:

(1) It will not manufacture copies of the Licensed Articles for anyone but the Licensee without the prior written consent of Licensor;

(2) It will manufacture only such quantities of the Licensed Articles as are ordered by Licensee and will sell such products only to Licensee;

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(3) It will not manufacture copies of the Licensed Articles for sale or distribution in any territory other than the Licensed Territory without the written consent of Licensor;

(4) It will not authorize any other party to manufacture copies of the Licensed Articles or any components thereof containing copyrighted material and/or trademarks owned by Licensor or its Grantor(s), for its or Licensee's account, without the express written consent of Licensor;

(5) It will ship the duly approved quantities of the Licensed Articles only to Licensee or its designee(s) and only to the Licensed Territory(ies) authorized by the Licensee for shipment;

(6) It will not (unless Licensor otherwise expressly consents in writing) manufacture any merchandise utilizing any of the copyrighted materials and/or trademarks other than as identified above under "Licensed Articles";

(7) It will permit representatives of Licensor at all reasonable hours upon not less than twenty-four (24) hours notice (by facsimile or otherwise) to inspect the operations and facilities involved in the manufacture of the Licensed Articles and to inspect the books and records relating to the production and shipment of the Licensed Articles;

(8) All goodwill associated with the manufacture and sale of the Licensed Articles will inure to the benefit of Licensor;

(9) It will not offer for sale, sell, give away, distribute, or use for any purpose whatsoever any Licensed Articles which are damaged, defective, seconds, or otherwise fail to meet the specifications and/or quality standards and/or trademark and copyright usage and notice requirements of the underlying Agreement;

(10) It will not use any of the copyrighted material and/or trademarks owned by Licensor or its Grantor(s) in any advertisements or promotional materials without the prior written consent of Licensor;

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(11) Upon the expiration or other termination date of the Agreement indicated above, or whenever Licensee ceases to require the undersigned manufacturer to manufacture copies of the said Licensed Articles, or upon notification by the Licensor, the undersigned manufacturer will immediately cease manufacturing Licensed Articles and will either destroy or deliver to Licensor or Agent, upon written notice by Licensor or Agent, that portion of any molds, plates, engravings or other devices used to reproduce the said copyrighted materials and/or trademarks, and will give evidence of destruction thereof satisfactory to the Licensor; and,

(12) The undersigned manufacturer will look solely to the Licensee for payment for products ordered by Licensee, and Licensor shall not be responsible for such payment.

Licensor shall be entitled to invoke any remedy permitted by law for violation of this Manufacturer's Agreement by the undersigned. Without limiting the foregoing: (i) Licensee or Licensor shall have the right, at the sole discretion of each, to terminate the undersigned's right to manufacture, produce and/or sell copies of the Licensed Articles and to use any copyrighted material and/or trademarks owned by the Licensor or its Grantor(s), on twenty-four (24) hours' written notice to the undersigned, and (ii) in the event that any of the conditions or terms of this Manufacturer's Agreement is breached or violated, the undersigned agrees to pay the Licensor as liquidated damages the manufacturer's full invoice price of any items manufactured or shipped in violation of the terms hereof.

DATED:_____ **BY:**_____
Manufacturer

[***] Information has been omitted and filed separately with the Securities & Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Listed below are all subsidiaries of Pacific Entertainment Corporation, with their jurisdictions of organization shown in parentheses.

Circle of Education, LLC (California)