

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
DESA HOLDINGS CORPORATION, et al.,¹)	Case No. 02-11672 (PJW)
)	(Jointly Administered)
Debtors.)	

ORDER UNDER SECTIONS 105(a), 363, 365 AND 1146(c) OF THE BANKRUPTCY CODE (a) AUTHORIZING THE DEBTORS' SALE OF SUBSTANTIALLY ALL OF THEIR ASSETS, FREE AND CLEAR OF LIENS, CLAIMS, AND ENCUMBRANCES, SUBJECT TO HIGHER AND BETTER OFFERS, (b) APPROVING AN ASSET PURCHASE AGREEMENT, AND (c) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH SUCH SALE

Upon the motion of DESA Holdings Corporation and its domestic subsidiary, DESA International, Inc., as Debtors² in the above-captioned cases, seeking entry of an order, (the "Sale Motion") under sections 105(a), 363, 365 and 1146(c) of title 11 of the United States Code (the "Bankruptcy Code") (a) authorizing the Debtors' sale of substantially all of their assets (the "DESA Assets"), in accordance with the terms and conditions of that the Final Asset Purchase Agreement, dated as of _____, 2002, between the Debtors and the Buyer, a copy of which has been filed with the Bankruptcy Court (the "Court") in the above-captioned cases, free and clear of all liens, claims and encumbrances other than the liens created by the Buyer (collectively, "Liens"), with such Liens to transfer, affix, and attach to the proceeds of such sale, all as more fully set forth in the Sale Motion, (b) approving the Final Asset Purchase Agreement, and (c) authorizing the assumption and assignment of certain executory contracts and unexpired leases (the "Assumed Contracts") in connection with such sale (the "Sale Order"); and consideration of the Sale Motion, the relief requested therein, and the responses thereto, if any, being a core proceeding in accordance with 28 U.S.C. § 157(b); and adequate notice of the Sale Motion having been given; and the appearances of all interested parties and all responses and objections to the Sale Motion, if any, having been duly noted in the Sale Hearing; and upon the record of the Sale Hearing, the Sale Motion, said responses and objections, if any; and after due deliberation and sufficient cause appearing therefor, the Court hereby

FOUND AND DETERMINED³ THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to FED. R. BANKR. P. 7052, made applicable to this proceeding pursuant to FED. R. BANKR. P. 9014.

¹ The Debtors consist of the following two entities: DESA Holdings Corporation and DESA International, Inc.

² Capitalized terms used but not defined herein shall have the meaning given in the Sale Motion or the Final Asset Purchase Agreement.

³ Findings of fact shall be construed as, and constitute, conclusions of law and conclusions of law shall be construed as, and constitute, findings of fact when appropriate. See Fed. R. Bankr. P. 7052. Statements made by the Court from the bench at the hearing shall constitute additional conclusions of law and findings of fact as appropriate.

B. Notice of the Sale Motion, the Auction, and the Sale Hearing has been given in accordance with FED. R. BANKR. P. 2002 and 6004 and the Bidding Procedures Order. The foregoing notice constitutes good and sufficient notice of the Sale Motion and the Sale Hearing, and no other or further notice of the Sale Motion and the Sale Hearing or the entry of this Sale Order need be given.

C. A reasonable opportunity has been afforded any interested party to make a higher and better offer for the DESA Assets.

D. Emergent circumstances and sound business reasons exist for the Debtors' sale of the DESA Assets pursuant to the Final Asset Purchase Agreement. Entry into the Final Asset Purchase Agreement and consummation of the transactions contemplated thereby constitute the exercise by the Debtors of sound business judgment and such acts are in the best interests of the Debtors, their estates, and creditors.

E. The Final Asset Purchase Agreement represents the highest and best offer received by the Debtors for the DESA Assets.

F. The sale consideration to be realized by the Debtors pursuant to the Final Asset Purchase Agreement is fair and reasonable.

G. The transactions contemplated by the Final Asset Purchase Agreement are undertaken by the Debtors and the Buyer at arm's length, without collusion and in good faith within the meaning of section 363(m) of the Bankruptcy Code, and such parties are entitled to the protections of section 363(m) of the Bankruptcy Code.

H. A sale of the DESA Assets other than one free and clear of Liens would adversely affect the Debtors' bankruptcy estates and would be of substantially less benefit to the estates of the Debtors.

I. The decision to assume and assign the Assumed Contracts is based on the reasonable exercise of the Debtors' business judgment and is in the best interests of the Debtors' estates.

J. The Buyer has demonstrated adequate assurance of future performance with respect to the Assumed Contracts.

For all of the foregoing and after due deliberation, the Court ORDERS, ADJUDGES, AND DECREES THAT:

1. The Sale Motion, the Final Asset Purchase Agreement and the transactions contemplated thereby are hereby approved.

2. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are authorized to sell the DESA Assets to the Buyer upon the terms and subject to the conditions set forth in the Final Asset Purchase Agreement.

3. Each of the Debtors and the Buyer are hereby authorized to take all actions and execute all documents and instruments that the Debtors and the Buyer deem necessary or appropriate to implement and effect the transactions contemplated by the Final Asset Purchase Agreement.

4. The sale of the DESA Assets to the Buyer shall be free and clear of Liens (other than Liens created by the Buyer) pursuant to section 363(f) of the Bankruptcy Code whether known or unknown, including, but not limited to, any of the Debtors' creditors, vendors, suppliers, employees, executory contract counterparties or lessors, and the Buyer shall not be liable in any way (as successor entity or otherwise) for any claims that any of the foregoing or any other third party may have against any of the Debtors, provided further that, with regard to

employees' claims, the free and clear delivery of the DESA Assets shall include, but not be limited to, all asserted or unasserted, known or unknown, employment related claims, payroll taxes, employee contracts, employee seniority accrued while employed with any of the Debtors and successorship liability, with any and all valid and enforceable Liens thereon, including those asserted by the Lenders, shall be transferred, affixed, and attached to the net proceeds of such sale, with the same validity, priority, force, and effect as such Liens had upon the DESA Assets immediately prior to the Closing.

5. The Net Cash Proceeds (as defined in the \$35 million debtor in possession loan facility dated June 9, 2002 (the "DIP Credit Agreement")) of the Sale shall be applied in accordance with section 2.06(b) of the DIP Credit Agreement.

6. Subject to the payment by the Buyer to the Debtors pursuant to sections 363 and 365(a) of the Bankruptcy Code of the consideration provided for in the Final Asset Purchase Agreement, the sale of the DESA Assets by the Debtors to the Buyer shall constitute a legal, valid, and effective transfer of the DESA Assets and shall vest the Buyer with all right, title, and interest of the Debtors in and to the DESA Assets free and clear of all Liens pursuant to section 363(f) of the Bankruptcy Code, effective as of the Closing.

7. The sale of the DESA Assets to the Buyer under the Final Asset Purchase Agreement will constitute transfers for reasonably equivalent value and fair consideration under the Bankruptcy Code and the laws of Delaware.

8. The Buyer is hereby granted all of the protections provided to a good-faith purchaser under section 363(m) of the Bankruptcy Code.

9. Pursuant to sections 105(a) and 363 of the Bankruptcy Code, all Persons (as defined in section 101(41) of the Bankruptcy Code) are hereby enjoined from taking any action against the Buyer or the Buyer's affiliates (as they existed immediately prior to the Closing) to recover any claim which such Person has solely against the Debtors or the Debtors' affiliates (as they exist immediately following the Closing).

10. The Debtors are authorized to assign and transfer to the Buyer all of the Debtors' rights, title and interest (including common law rights) to all of the Debtors' intangible property to be assigned and transferred to the Buyer under the Final Asset Purchase Agreement.

11. All objections and responses concerning the Sale Motion are resolved in accordance with the terms of this Sale Order and as set forth in the record of the Sale Hearing and to the extent any such objection or response was not otherwise withdrawn, waived, or settled, they are and all reservations and rights therein, are overruled and denied.

12. The Buyer has not assumed or otherwise become obligated for any of the Debtors' liabilities other than as set forth in the Final Asset Purchase Agreement, and the Buyer has not purchased any of the Excluded Assets. Consequently, all holders of liabilities retained by the Debtors are hereby enjoined from asserting or prosecuting any Claim (as defined in section 101(5) of the Bankruptcy Code) or cause of action against the Buyer or the Purchased Assets to recover on account of any liabilities other than Assumed Liabilities pursuant to the Final Asset Purchase Agreement or other than pursuant to this Sale Order. All persons having any interest in the Excluded Assets are hereby enjoined from asserting or prosecuting any claim or cause of action against the Buyer for any liability associated with the Excluded Assets.

13. The assumption and assignment of the Assumed Contracts is approved pursuant to section 365 of the Bankruptcy Code.

14. The counterparties to the Assumed Contracts shall be paid cure amounts payable in the amounts set forth in the Schedule, unless otherwise ordered, in accordance with section 365 of the Bankruptcy Code and the Final Asset Purchase Agreement. The Cure Amounts set forth in the Schedule shall be deemed the entire cure obligation of the Debtors due and owing under section 365 of the Bankruptcy Code.

15. The Buyer shall assume obligations of the Debtors arising from and after the Closing under the Assumed Contracts and shall assume obligations other than the Assumed Contracts accruing thereunder prior to the Closing as provided for in the Final Asset Purchase Agreement. Upon assumption and assignment of any Assumed Contract, the Debtors and the estates shall be relieved of any liability for breach of such Assumed Contract occurring after such assignment pursuant to section 365(k) of the Bankruptcy Code.

16. The Buyer has provided adequate assurance of its future performance under the Assumed Contracts and the proposed assumption and assignment of the Assumed Contracts satisfies the requirements of the Bankruptcy Code including, inter alia, sections 365(b)(1) and (3) and 365(f) of the Bankruptcy Code to the extent applicable.

17. The Assumed Contracts are valid and binding, in full force and effect, and enforceable in accordance with their terms.

18. There shall be no rent accelerations, assignment fees, increases, or any other fees charged to the Buyer as a result of the assignment of the Assumed Contracts.

19. All parties to the Assumed Contracts are forever barred and enjoined from raising or asserting against the Buyer or the Debtors any assignment fee, default or breach under, or any claim or pecuniary loss, or condition to assignment, arising under or related to the Assumed Contracts existing as of the Closing or arising by reason of the Closing.

20. The Assumed Contracts, upon assignment to the Buyer, shall be deemed valid and binding, in full force and effect in accordance with their terms, subject to the provisions of this Sale Order and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability, except for any cure obligations as herein provided.

21. Pursuant to sections 363(b), 363(f) 365(a), 365(b) and 365(f) of the Bankruptcy Code, the assumption, assignment and sale to the Buyer of the Assumed Contracts by the respective Debtor thereto shall be affected by this Sale Order.

22. The Assumed Contracts, together with any amendments and modification of such Assumed Contracts, constitute the Assumed Contracts that are being assumed by and assigned to the Buyer by the Debtor party thereto.

23. This Court shall retain exclusive jurisdiction to interpret and enforce the provisions of the Final Asset Purchase Agreement, the Bidding Procedures Order, and this Order in all respects and further to hear and determine any and all disputes between the Debtors and/or the Buyer, as the case may be, and any non-debtors party to, among other things, any Assumed Contracts concerning, inter alia, the Debtors' assumption and assignment thereof to the Buyer under the Final Asset Purchase Agreement; provided, however, that in the event the Court abstains from exercising or declines to exercise such jurisdiction or is without jurisdiction with respect to the Final Asset Purchase Agreement, Bidding Procedures Order, or this Sale Order, such abstention, refusal, or lack of jurisdiction shall have no effect upon, and shall not control, prohibit, or limit the exercise of jurisdiction of any other court having competent jurisdiction with respect to any such matter.

24. The provisions of this Sale Order are nonseverable and mutually dependent.

25. This Sale Order shall inure to the benefit of the Buyer, the Debtors, and their respective successors and assigns, including but not limited to any chapter 11 or chapter 7 trustee that may be appointed in the Debtors' cases and shall be binding upon any trustee, party, entity or fiduciary that may be appointed in connection with these cases or any other or further cases involving the Debtors, whether under chapter 7 or chapter 11 of the Bankruptcy Code.

26. Pursuant to section 1146(c) of the Bankruptcy Code, the transactions contemplated by the Final Asset Purchase Agreement are determined to be under or in contemplation of a plan to be confirmed under section 1129 of the Bankruptcy Code in that the net proceeds of the sale of the DESA Assets are essential and required to fund a chapter 11 plan for the Debtors, and therefore, are exempt from any transfer, stamp or similar tax or any so-called "bulk-sale" law in all necessary jurisdictions arising as a result of or in connection with the Debtors' sale and transfer of the DESA Assets to the Buyer.

27. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Final Asset Purchase Agreement and this Sale Order.

28. This Order shall be effective and enforceable immediately upon entry and its provisions shall be self-executing, and the automatic stay of orders (i) authorizing the sale, use, or lease of property of the estate, as set forth in Fed. R. Bankr. P. 6004(g) and (ii) authorizing the assignment of an executory contract or unexpired lease, as set forth in Fed. R. Bankr. P. 6006(d), shall not apply to this Order.

29. This Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Sale Order and the Final Asset Purchase Agreement.

Dated: _____, 2002

The Honorable Peter J. Walsh,
United States Bankruptcy Judge