

Exhibit B

Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

by and among

DESA HOLDINGS CORPORATION,

DESA INTERNATIONAL, INC.

and

_____, 2002

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ASSET PURCHASE AGREEMENT

Agreement entered into on _____, 2002, by and among _____, a _____ corporation ("Buyer"), DESA Holdings Corporation, a Delaware corporation ("DESA Holdings"), DESA International, Inc., a Delaware corporation ("DESA International" and together with DESA Holdings, "Sellers"). Buyer and Sellers are referred to collectively herein as the "Parties."

W I T N E S S E T H

WHEREAS, Sellers filed a voluntary petition (the "Petition") for reorganization relief pursuant to Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq., as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on June 8, 2002 (the "Filing Date") and has operated its business as a debtor-in-possession (as defined in §1101 of the Bankruptcy Code) as authorized by §§ 1107 and 1108 of the Bankruptcy Code since the Filing Date; and

WHEREAS, pursuant to §363 of the Bankruptcy Code Sellers are selling any and all of the assets of Sellers in whole or in part (collectively, or in part, the "DESA Assets") free and clear of all Liens, claims and encumbrances.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Accounts Receivable" means accounts receivable relating to Sellers' business(es) sold pursuant to this Agreement or the operation of Sellers' business(es) sold pursuant to this Agreement which are owed to the Sellers (or their Subsidiaries) at the Closing.

"Acquired Assets" means (i) all of the right, title, and interest that Sellers possess and have the right to transfer in and to those certain DESA Assets set forth on Schedule 1 attached hereto or (ii) all of the DESA Assets, other than the Excluded Assets, including all of the Sellers' (a) Owned Real Property and Leased Real Property, (b) tangible personal property (such as machinery, equipment, inventories of raw materials and supplies, manufactured and purchased parts, goods in process and finished goods, furniture, automobiles, trucks, tractors, trailers, tools, jigs, and dyes), (c) intellectual property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof, and rights to protection of interests therein under the laws of all jurisdictions, (d) leases, subleases, and rights thereunder, (e) agreements, contracts, indentures, mortgages, instruments, Security Interests, guaranties, other similar arrangements, and rights thereunder, (f) accounts, notes, and other receivables, (g) securities (such as the capital stock in each Seller's Subsidiaries), (h) Claims, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off, and rights of recoupment (including any such item relating to the payment of taxes), (i) Accounts Receivable, (j) franchises, approvals, permits, licenses,

orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies, (k) books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written materials and (l) rights in and with respect to the assets associated with its Employee Benefit Plans.

“Assumed Liabilities” means (i) those certain liabilities and obligations of Sellers (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due) set forth on Schedule 2 attached hereto or (ii) all liabilities and obligations of Sellers whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), other than the Excluded Liabilities, including (a) all liabilities and obligations of Sellers under their Employee Benefit Plans, (b) all liabilities and obligations of Sellers under the agreements, contracts, leases, licenses, and other arrangements referred to in the definition of Acquired Assets, (c) all liabilities and obligations of or relating to Sellers with respect to environmental matters, including without limitation those arising under Environmental, Health, and Safety Requirements, (d) all obligations of Sellers to indemnify any Person by reason of the fact that such Person was a director, officer, employee, or agent of either Seller or was serving at the request of either Seller as a partner, trustee, director, officer, employee, or agent of another entity (whether such indemnification is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses, or otherwise and whether such indemnification is pursuant to any statute, charter document, bylaw, agreement, or otherwise), and (e) all other liabilities and obligations of Sellers set forth in the Disclosure Schedule.

“Bankruptcy Code” has the meaning set forth in the recitals above.

“Bankruptcy Court” has the meaning set forth in the recitals above.

“Buyer” has the meaning set forth in the preface above.

“Cash” means cash and cash equivalents (including marketable securities and short term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements.

“Claims” means any action, cause of action, demand, claim, Proceeding or investigation.

“Closing” has the meaning set forth in §2(e) below.

“Closing Date” has the meaning set forth in §2(e) below.

“Code” means the Internal Revenue Code of 1986, as amended.

“Confidential Information” means any information concerning the businesses and affairs of Sellers and their Subsidiaries that is not already generally available to the public.

"Confidentiality Agreement" means the confidentiality agreement entered into in connection with the Motion for Sale of DESA Assets, a copy of which is attached hereto as Exhibit A.

"Debtor-In-Possession Credit Agreement" means that certain credit agreement dated June 9, 2002 by and among Sellers, Bank of America, N.A. and the Initial Lenders (as defined therein).

"Deposit" means Buyer's good faith deposit pursuant to §34(b)(vii) of the Motion for Sale of DESA Assets.

"DESA Assets" has the meaning set forth in the recitals above.

"Disclosure Schedule" has the meaning set forth in §3 below.

"Employee Benefit Plan" means any "employee benefit plan" (as such term is defined in ERISA §3(3)) and any other material employee benefit plan, program or arrangement of any kind.

"Environmental, Health, and Safety Requirements" shall mean all federal, state, local and foreign statutes, regulations, and ordinances concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, as such requirements are enacted and in effect on or prior to the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Assets" means (i) as applicable, each Seller's and its Subsidiaries' (a) Cash in excess of the amount referred to in clause (k) of the definition of Acquired Assets, (b) Claims against any Governmental Entity for refund or credit of any type with respect to Taxes accrued with respect to periods ending on or prior to the Closing Date, (c) Claims against any Person with respect to the Excluded Assets, (d) Claims, other than warranty Claims, against any Person with respect to DESA Asset(s), (e) Claims, rebates, refunds and other general intangibles arising from the operation of its business prior to the Closing, (f) corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, blank stock certificates, and other documents relating to the organization, maintenance, and existence of such Seller or Seller's Subsidiary as a corporation, (g) refunds and credits of Taxes and other Tax attributes, (h) except as otherwise provided for herein, casualty insurance, title insurance, liability insurance and other insurance policies and all Claims thereunder and (i) rights under this Agreement (or under any side agreement with Buyer entered into on or after the date of this Agreement) and (ii) if applicable, those certain DESA Assets excluded from Schedule 1 attached hereto.

"Excluded Liabilities" means (i) (a) all liabilities of Sellers for unpaid taxes with respect to periods prior to the Closing, (b) all liabilities of Sellers for income, transfer, sales, use, and other taxes arising in connection with the consummation of the transactions contemplated hereby (other than transfer taxes not exempted pursuant to § 1146(c) of the Bankruptcy Code), (c) all liabilities of Sellers for the unpaid taxes of Persons other than Sellers and their respective Subsidiaries under Reg. §1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise, (d) all liabilities of Sellers for costs and expenses (including legal fees and expenses) Sellers have incurred in connection with this Agreement and the transactions contemplated hereby (other than costs and expenses to be borne by Buyer pursuant to §9(l) hereof) and (e) any liability or obligation of Sellers under this Agreement (or under any side agreement with Buyer entered into on or after the date of this Agreement) and (ii) if applicable, those certain liabilities of the Sellers excluded from Schedule 2 attached hereto.

"Excess Loss Account" has the meaning set forth in Reg. §1.1502-19.

"Filing Date" has the meaning set forth in the recitals above.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Governmental Entity" means any federal, state, municipal or local court, legislature, governmental agency, commission or regulatory authority or instrumentality.

"Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Income Tax" means any federal, state, local, or foreign income tax, including any interest, penalty, or addition thereto, whether disputed or not.

"Inventory Amount" has the meaning set forth in §2(d) below.

"Inventory Calculation" has the meaning set forth in §2(d) below.

"Knowledge" means actual knowledge without independent investigation.

"Leased Real Property" means, as set forth in Schedule 3 attached hereto, all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property which is used in Sellers' or their Subsidiaries' business.

"Liens" means any claim, pledge, option, charge, hypothecation, easement, security interest, right-of-way, encroachment, mortgage, deed of trust, covenant, restriction, reservation, agreement of record or other encumbrance.

"Motion for Sale of DESA Assets" means the Motion For Order (a) Authorizing and Scheduling a Public Auction for the Sale of any and all of the Debtor's Assets Free and Clear of

all Liens, Claims and Encumbrances, (b) Approving Procedures for the Submission of Qualifying Bids, and (c) Approving the Form and Manner of Notice Pursuant to Fed.R.Bankr.P.2002, filed with the Bankruptcy Court on dated June 14, 2002.

"Multiemployer Plan" has the meaning set forth in ERISA §3(37).

"Ordinary Course of Business" means, since the Filing Date, the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Owned Real Property" means, as set forth in Schedule 4 attached hereto, all land, together with all buildings, structures, improvements and fixtures located thereon, and all easements and other rights and interests appurtenant thereto, owned by any of Sellers or their Subsidiaries and used in the business of Sellers and their Subsidiaries.

"Party" has the meaning set forth in the preface above.

"Permitted Encumbrance" means: (a) Liens for Taxes that are not yet due or delinquent or are being contested in good faith by appropriate proceedings; (b) statutory Liens or landlords', carriers', warehousemen's, mechanic's, suppliers', materialmen's, repairmen's or other like Liens arising in the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency); (c) Liens which, individually or in the aggregate, do not interfere with the present uses of or detract from the value of the DESA Assets taken as a whole or that would have a material adverse effect on the financial condition of Sellers and their Subsidiaries taken as a whole or on the ability of the Parties to consummate the transactions contemplated by this Agreement; and (d) as to any lease, any Lien encumbering, attaching to or otherwise affecting solely the interest of the lessor thereunder and not the interest of the lessee thereunder.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Petition" has the meaning set forth in the recitals above.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted, or heard by or before, or otherwise involving any Governmental Entity or arbitrator.

"Purchase Price" has the meaning set forth in §2(c) below.

"Sale Order" means the order of the Bankruptcy Court pursuant to the Bankruptcy Code approving the Motion for Sale of DESA Assets in form and substance satisfactory to the Agent and the Prepetition Agent (each as defined in the Debtor-In-Possession Credit Agreement).

"Security Interest" means any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic's, materialmen's, and similar liens, (b) liens for taxes

not yet due and payable or for taxes that the taxpayer is contesting in good faith through appropriate proceedings, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) and not incurred in connection with the borrowing of money

“Subsidiary” means any entity with respect to which a specified Person (or a Subsidiary thereof) owns or has the power to vote 50% or more of the equity interests in such entity having general voting power to participate in the election of the governing body of such entity.

“Sellers” has the meaning set forth in the preface above.

“Taxes” means any federal, state, county, local, foreign and other income, profits, gains, net worth, sales and use, ad valorem, gross receipts, business and occupation, license, estimated, stamp, custom duties, occupation, property (real or personal), franchise, capital stock, license, excise, value added, payroll, employees, income withholding, social security, unemployment or other tax, any penalty, addition to tax and interest on the foregoing, and any transfer taxes.

“WARN Act” means the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any successor or similar state or local law, and the rules and regulations thereunder and under any successor or similar state or local law.

2. Basic Transaction.

(a) Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, Buyer agrees to purchase from Sellers, and Sellers agree to sell, transfer, convey, and deliver to Buyer, all of the Acquired Assets at the Closing for the consideration specified below in this §2.

(b) Assumption of Liabilities. On and subject to the terms and conditions of this Agreement, Buyer agrees to assume and become responsible for all of the Assumed Liabilities at the Closing. Buyer will not assume or have any responsibility, however, with respect to any other obligation or liability of Sellers not included within the definition of Assumed Liabilities.

(c) Purchase Price. Buyer agrees to pay to Sellers at the Closing cash in the sum of (i) \$_____, plus (ii) the Inventory Amount, less (iii) the Deposit (collectively, the “Purchase Price”). The Purchase Price shall be paid on the Closing Date in immediately available funds by wire transfer to an account designated in writing by the Sellers.

(d) Inventory and Determination of Inventory Amount. Not more than ten days, and not less than five days, prior to the Closing Date, each Seller will, and will cause its Subsidiaries to, determine in accordance with GAAP the value of its physical inventory (each, an “Inventory Calculation”). The aggregate value of the Inventory Calculations shall constitute the “Inventory Amount.”

(e) The Closing. The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of Kirkland & Ellis, in Chicago, Illinois commencing at

9:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other date as the Parties may mutually determine (the "Closing Date"); provided, however, that the Closing Date shall be no later than September 27, 2002.

(f) Deliveries at the Closing. At the Closing, (i) Sellers will deliver to Buyer the various certificates, instruments, and documents referred to in §7(a) below; (ii) Buyer will deliver to Sellers the various certificates, instruments, and documents referred to in §7(b) below; (iii) Sellers will execute, acknowledge (if appropriate), and deliver to Buyer (A) assignments (including real property and intellectual property transfer documents) in the forms attached hereto as Exhibits B-1 through B-_____ and (B) such other instruments of sale, transfer, conveyance, and assignment as Buyer and its counsel reasonably may request; (iv) Buyer will execute, acknowledge (if appropriate), and deliver to Sellers (A) an assumption in the form attached hereto as Exhibit C and (B) such other instruments of assumption as Sellers and their counsel reasonably may request; and (v) Buyer will deliver to Sellers the consideration specified in §2(c) above.

3. Representations and Warranties of Sellers. Each Seller represents and warrants to Buyer that the statements contained in this §3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §3), except as set forth in the disclosure schedule accompanying this Agreement (the "Disclosure Schedule"). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this §3.

(a) Organization of Sellers. Each Seller is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(b) Authorization of Transaction. Subject to the entry of the Sale Order, each Seller has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, subject to the entry of the Sale Order, the board of directors of each Seller has duly authorized the execution, delivery, and performance of this Agreement by such Seller. Subject to the entry of the Sale Order, this Agreement constitutes the valid and legally binding obligation of each Seller, enforceable in accordance with its terms and conditions.

(c) Noncontravention. Assuming the filings required under the Hart-Scott-Rodino Act are made and the waiting period thereunder has been terminated or expired, and subject to the entry of the Sale Order, no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the consummation by each Seller of the transactions contemplated by this Agreement. Subject to the entry of the Sale Order and except as set forth on Schedule 3(c), to the Knowledge of Sellers, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any

government, governmental agency, or court to which any of Sellers and their Subsidiaries is subject or any provision of the charter or bylaws of any of Sellers and their Subsidiaries or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which any of Sellers and their Subsidiaries is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or Security Interest would not have a material adverse effect on the financial condition of Sellers and their Subsidiaries taken as a whole or on the ability of the Parties to consummate the transactions contemplated by this Agreement.

(d) Liens and Encumbrances. As of the Closing Date, the Acquired Assets shall be free and clear of all Liens except Permitted Encumbrances.

(e) Disclaimer of Other Representations and Warranties. Except as expressly set forth in this §3, neither Seller makes any representation or warranty, express or implied, at law or in equity, in respect of any of its assets (including, without limitation, the Acquired Assets), liabilities or operations, including, without limitation, with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed. Buyer hereby acknowledges and agrees that, except to the extent specifically set forth in this §3, Buyer is purchasing the Acquired Assets on an "as-is, where-is" basis. Without limiting the generality of the foregoing, neither Seller makes any representation or warranty regarding any assets other than the Acquired Assets or any liabilities other than the Assumed Liabilities, and none shall be implied at law or in equity.

4. Representations and Warranties of Buyer. Buyer represents and warrants to each Seller that the statements contained in this §4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §4), except as set forth in the Disclosure Schedule. The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this §4.

(a) Organization of Buyer. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(b) Authorization of Transaction. Subject to the entry of the Sale Order, Buyer has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Subject to the entry of the Sale Order, this Agreement constitutes the valid and legally binding obligation of Buyer, enforceable in accordance with its terms and conditions.

(c) Noncontravention. Assuming the filings required under the Hart-Scott-Rodino Act are made and the waiting period thereunder has been terminated or expired, and subject to the entry of the Sale Order, no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the consummation by Buyer of the transactions

contemplated by this Agreement. Subject to the entry of the Sale Order and except as set forth on Schedule 4(c), neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Buyer is subject or any provision of its charter or bylaws or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) Licenses; Permits; Etc. Buyer has, or will have as of the Closing Date, all licenses, permits, franchises and authority, whether from a Governmental Entity or otherwise, necessary to purchase the Acquired Assets and to assume the Assumed Liabilities.

5. Pre-Closing Covenants. The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing.

(a) General. Each of the Parties will use its reasonable best efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in §7 below).

(b) Notices and Consents. Each of the Parties will (and each Seller will cause each of its Subsidiaries to) give any notices to, make any filings with, and use its reasonable best efforts to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the matters referred to in §3(c) and §4(c) above. Without limiting the generality of the foregoing, each of the Parties will file (and each Seller will cause each of its Subsidiaries to file) any Notification and Report Forms and related material that it may be required to file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice under the Hart-Scott-Rodino Act, will use its reasonable best efforts to obtain (and each Seller will cause each of its Subsidiaries to use its reasonable best efforts to obtain) a waiver from the applicable waiting period, and will make (and each Seller will cause each of its Subsidiaries to make) any further filings pursuant thereto that may be necessary in connection therewith.

(c) Operation of Business. Neither Seller will (and will not cause or permit any of its Subsidiaries to) engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business.

(d) Full Access. Each Seller will permit (and will cause each of its Subsidiaries to permit) representatives of Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Sellers and their Subsidiaries, to all books, records (including tax records), contracts, and documents of or pertaining to each of Sellers and their Subsidiaries. For purposes of both this Agreement and the Confidentiality Agreement, Buyer will treat and hold as such any Confidential Information it receives from any of Sellers and

their Subsidiaries in the course of the reviews contemplated by this §5(d), will not use any of the Confidential Information except in connection with this Agreement, and, if this Agreement is terminated for any reason whatsoever, will return to Sellers and their Subsidiaries all tangible embodiments (and all copies) of the Confidential Information which are in its possession.

(e) Notice of Developments. Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties. No disclosure by any Party pursuant to this §5(e), however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation or breach of warranty.

6. Additional Covenants.

(a) Submission for Court Approval. As promptly as practicable after the date hereof, Sellers shall submit (i) this Agreement and (ii) a motion seeking an order from the Bankruptcy Court, with respect to the purchase of the Acquired Assets and the assumption of the Assumed Liabilities. Buyer shall cooperate with Sellers in obtaining such Bankruptcy Court approvals and orders, and each Seller shall use its reasonable best efforts to obtain such approvals and orders and shall deliver to Buyer copies of pleadings, motions, notices, statements, schedules applications, reports and other papers to be filed with the Bankruptcy Court relating to such approvals and orders.

(b) Adequate Assurances. Buyer covenants and agrees to cooperate with Sellers in connection with furnishing information pertaining to the satisfaction of the requirement of adequate assurances of future performances as required under §365(f)(2)(B) of the Bankruptcy Code.

(c) Risk of Loss. Sellers shall bear all risk of loss with respect to the Acquired Assets prior to the Closing Date. Sellers agree to continue to carry or cause to be carried to the Closing Date the insurance coverage which is presently carried relating to the Acquired Assets.

(d) Employees. Buyer agrees that prior to the Closing it shall offer jobs to a sufficient number of current full-time employees of Sellers so as not to trigger any WARN Act liabilities in respect of Sellers. Buyer shall indemnify and hold harmless Sellers from any such liabilities under the WARN Act. Buyer shall provide Sellers with a list of employees receiving job offers at least one week prior to the Closing. Nothing herein shall obligate Buyer to employ any such Sellers' employees for any particular length of time following the Closing. Sellers shall, effective as of the Closing, terminate all of their employees.

(e) Licenses. Buyer shall be responsible for obtaining all licenses, permits, franchises and other documents necessary for the operation and use of the Acquired Assets. Each Seller agrees to use reasonable efforts to assist Buyer in obtaining such documents.

7. Conditions to Obligation to Close.

(a) Conditions to Obligation of Buyer. The obligation of Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties of Sellers set forth in §3 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) Each Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Bankruptcy Court shall have approved and entered the Sale Order, which shall have authorized each Seller to convey to Buyer all of its right, title and interest in and to the Acquired Assets free and clear of all Liens and the Bankruptcy Court shall have approved the assumption and assignment of the Assumed Liabilities;

(v) Each Seller shall have executed and delivered to Buyer the Confidentiality Agreement;

(vi) Each Seller shall have delivered to Buyer a certificate to the effect that each of the conditions specified above in §7(a)(i)-(v) is satisfied in all respects;

(vii) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated and Sellers and their Subsidiaries shall have received all other authorizations, consents, and approvals of governments and governmental agencies referred to in §3(c) above; and

(viii) all actions to be taken by Sellers in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Buyer.

Buyer may waive any condition specified in this §7(a) if it executes a writing so stating at or prior to the Closing.

(b) Conditions to Obligation of Sellers. The obligation of each Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in §4 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Bankruptcy Court shall have approved and entered the Sale Order, which shall have authorized each Seller to convey to Buyer all of its right, title and interest in and to the Acquired Assets free and clear of all Liens and the Bankruptcy Court shall have approved the assumption and assignment of the Assumed Liabilities;

(v) Buyer shall have executed and delivered to Sellers the Confidentiality Agreement;

(vi) Buyer shall have delivered to Sellers a certificate to the effect that each of the conditions specified above in §7(b)(i)-(v) is satisfied in all respects;

(vii) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated and Buyer shall have received all other authorizations, consents, and approvals of governments and governmental agencies referred to in §4(c) above; and

(viii) all actions to be taken by Buyer in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Sellers.

Sellers may waive any condition specified in this §7(b) if it executes a writing so stating at or prior to the Closing.

8. Events of Default.

(a) Defaults by Sellers. In the event of a material breach of any representation, warranty, covenant, agreement or obligation of Sellers set forth in this Agreement, and the failure of Sellers to cure such breach within ten (10) days after being given written notice thereof, Buyer will have the right prior to the Closing Date to terminate this Agreement and seek to recover from Sellers as administrative expense claims pursuant to §503 of the Bankruptcy Code its actual out-of-pocket expenses incurred in connection with this Agreement.

(b) Defaults by Buyer. In the event of a material breach of any representation, warranty, covenant, agreement or obligation of Buyer set forth in this Agreement, and the failure of Buyer to cure such breach within ten (10) days after being given written notice thereof, Sellers will have the right prior to the Closing Date to terminate this Agreement and (x) recover from Buyer their actual out-of-pocket expenses incurred in connection with this Agreement, (y) keep the Deposit and any interest paid thereon and (z) seek all additional appropriate damages from Buyer.

(c) Survival of Confidentiality Obligations. If any Party terminates this Agreement pursuant to this §8 the Confidentiality Agreement and the confidentiality provisions contained in §5(d) above shall survive termination.

9. Miscellaneous.

(a) Survival of Representations and Warranties. All of the representations and warranties of the Parties contained in this Agreement shall terminate as of the Closing Date.

(b) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Party prior to making the disclosure).

(c) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Entire Agreement. This Agreement and the Confidentiality Agreement (including the exhibits, schedules and Disclosure Schedule referred to herein) constitute the entire agreement between the Parties and supersede any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof or thereof.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.

(f) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(g) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller: DESA Holdings Corporation

c/o Berenson Minella & Co.
677 Madison Avenue
New York, NY 10021
Attn: Raymond Minella

Copy to:

Kirkland & Ellis
200 East Randolph
Chicago, IL 60601
Attn: Michael H. Kerr, P.C.
Richard W. Porter, P.C.
James W. Kapp III
Phone: (312) 861-2000
Facsimile: (312) 861-2200

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022-6069
Fredric Sosnick
Andrew Ambruoso
Phone: (212) 848-4000
Facsimile: (212) 848-7179

If to Buyer:

Copy to:

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York without giving effect (to the extent permitted by law) to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(j) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and each Seller. Sellers may consent to any such amendment at any time prior to the Closing with the prior authorization of its board of directors; provided, however, that any amendment effected after Sellers' stockholders have approved this Agreement will be subject to the restrictions contained in §271

of the General Corporation Law of the State of Delaware. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(k) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(l) Expenses. Each of Buyer, Sellers, and each Seller's Subsidiaries will bear his or its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, however, all expenses associated with any filings or other compliance with the Hart-Scott-Rodino Act shall be borne by Buyer.

(m) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(n) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(o) Employee Benefits Matters. Buyer will ensure that the Employee Benefit Plans treat employment with any of Sellers and their Subsidiaries prior to the Closing Date the same as employment with any of Buyer and its Subsidiaries from and after the Closing Date for purposes of eligibility, vesting, and benefit accrual. Each Seller will transfer (or cause the plan administrators to transfer) at and as of the Closing all of the corresponding assets associated with the Employee Benefit Plans that Buyer is adopting and assuming. With respect to each Multiemployer Plan, the Parties shall take all actions necessary to comply with the requirements of ERISA §4204.

(p) Bulk Transfer Laws. Buyer acknowledges that neither Seller will comply with the provisions of any bulk transfer laws of any jurisdiction in connection with the transactions contemplated by this Agreement.

* * * * *

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

[BUYER]

By: _____
Its: _____

DESA HOLDINGS CORPORATION

By: _____
Its: _____

DESA INTERNATIONAL, INC.

By: _____
Its: _____