

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

BROOKSTONE HOLDINGS CORP., *et al.*,¹

Debtors.

Chapter 11

Case No. 14-10752 (BLS)

(Jointly Administered)

Ref. Nos. 241, 350 & 428

NOTICE OF EXECUTED STOCK PURCHASE AGREEMENT
WITH WINNING BIDDER

PLEASE TAKE NOTICE THAT on April 25, 2014 the United States Bankruptcy Court for the District of Delaware (the “Court”) entered an *Order (A) Authorizing the Debtors to Assume the Plan Sponsorship Agreement; (B) Approving Bidding Procedures in Connection with an Auction for Plan Sponsorship; (C) Approving Certain Stalking Horse Protections; and (D) Authorizing and Scheduling a Date and Time for an Auction Pursuant to Such Procedures* (the “Bidding Procedures Order”).²

PLEASE TAKE FURTHER NOTICE that, pursuant to the Bidding Procedures Order, the Debtors conducted an auction (the “Auction”) on June 2, 2014 at the offices of counsel to the Debtors, K&L Gates LLP, State Street Financial Center, One Lincoln Street, Boston, Massachusetts. At the conclusion of the Auction, the Debtors selected **Sailing Innovation (US) Inc.** as the Winning Bidder who submitted the Winning Bid for the right to acquire the Shares of the reorganized Debtors and serve as Plan Sponsor (the “Proposed Transaction”).

¹ The Debtors, along with the last four digits of each Debtor’s tax identification number, are: Brookstone Holdings Corp. (4638), Brookstone, Inc. (2895), Brookstone Company, Inc. (3478), Brookstone Retail Puerto Rico, Inc. (5552), Brookstone International Holdings, Inc. (8382), Brookstone Purchasing, Inc. (2514), Brookstone Stores, Inc. (2513), Gardeners Eden, Inc. (7793), Brookstone Military Sales, Inc. (2029), Big Blue Audio LLC (N/A), Brookstone Holdings, Inc. (2515); and, Brookstone Properties, Inc. (2517). The Debtors’ corporate headquarters and the mailing address for each Debtor is One Innovation Way, Merrimack, NH 03054.

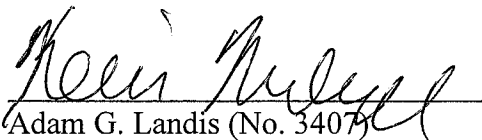
² All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Bidding Procedures Order.



PLEASE TAKE FURTHER NOTICE that attached hereto as **Exhibit A** is an executed copy of the Stock Purchase Agreement by and between the Debtors and the Winning Bidder memorializing the Winning Bid for the Proposed Transaction.

Dated: June 6, 2014
Wilmington, Delaware

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*Counsel to the Debtors and
Debtors-In-Possession*

Exhibit A

STOCK PURCHASE AGREEMENT

Dated as of June 5, 2014

among

Sailing Innovation (US) Inc.

and

Brookstone Holdings Corp., Brookstone, Inc., Brookstone Company, Inc., Brookstone Retail Puerto Rico, Inc., Brookstone International Holdings, Inc., Brookstone Purchasing, Inc., Brookstone Stores, Inc., Gardeners Eden, Inc., Brookstone Military Sales, Inc., Big Blue Audio LLC, Brookstone Holdings, Inc., and Brookstone Properties, Inc.

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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this “Agreement”) is dated as of June 5, 2014 (the “Agreement Date”) among Sailing Innovation (US) Inc., a Delaware corporation (“Buyer”), Brookstone Holdings Corp., a Delaware corporation (“Seller”), and Brookstone, Inc., a Delaware corporation, Brookstone Company, Inc., a New Hampshire corporation, Brookstone Retail Puerto Rico, Inc., a Puerto Rico corporation, Brookstone International Holdings, Inc., a New Hampshire corporation; Brookstone Purchasing, Inc., a New Hampshire corporation, Brookstone Stores, Inc., a New Hampshire corporation, Gardeners Eden, Inc., a New Hampshire corporation, Brookstone Military Sales, Inc., a New Hampshire corporation, Big Blue Audio LLC, a Delaware limited liability company, Brookstone Holdings, Inc., a New Hampshire corporation, and Brookstone Properties, Inc., a New Hampshire corporation (each, with Seller, a “Debtor” and together, the “Debtors”).

WITNESSETH:

WHEREAS, Debtors are presently engaged in the business of innovative product development and the retail and wholesale sale of specialty lifestyle products, featuring unique and state-of-the-art consumer products, through an e-commerce portal, a consumer catalog and a chain of retail stores in the United States and Puerto Rico typically located in high-traffic regional malls and airports, and a select group of wholesale partners (the “Business”);

WHEREAS, each Debtor has commenced a case (each, a “Case” and together, the “Cases”) under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. Sections 101 et seq. (the “Bankruptcy Code”) on April 3, 2014 by filing a voluntary petition with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”);

WHEREAS, pursuant to the Plan (as defined below), all of the outstanding shares of capital stock of Seller are to be cancelled and, in accordance with and subject to the terms of this Agreement, Buyer shall acquire 100% of the newly issued shares (the “Shares”) of the New Common Stock (as defined below) of Reorganized Holdings (the “Transactions”); and

WHEREAS, Debtors and Buyer have determined that it is in their respective best interests to consummate the Transactions and in furtherance thereof, have approved this Agreement and the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereof, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. As used herein, the terms below shall have the following respective meanings:

“Accounts Receivable” shall mean all accounts receivable of the Debtors and all other rights of any Debtor to payment, owed or that may become owed, including Credit Card Receivables and Wholesale Receivables, together with all security or collateral therefor and any interest or unpaid financing charges accrued thereon, to the Debtors with respect to products sold or services performed on or prior to the Effective Date.

“Administrative Expense Claim” shall mean any right to payment constituting a cost or expense of administration of the Cases under sections 503(b) and 507(a)(2) of the Bankruptcy Code including, without limitation, claims under Section 503(b)(9) of the Bankruptcy Code, any actual and necessary costs and expenses of preserving any of the Debtors’ estates, any actual and necessary costs and expenses of operating any of the Debtors’ businesses, any indebtedness or obligations incurred by any of the Debtors after the Petition Date in connection with the conduct of their businesses, all compensation and reimbursement of expenses awarded or otherwise approved for payment by Final Order of the Bankruptcy Court under Section 330, 503(b) or 1129(a)(4) of the Bankruptcy Code, any fees or charges assessed against any of the Debtor’ estates under section 1930 of chapter 123 of title 28 of the United States Code, all wages, salaries and health and other benefits on account of services rendered after the Petition Date and claims under the KEIP and KERP, all post-Petition Date taxes, and all other claims entitled to administrative expense status pursuant to a Final Order of the Bankruptcy Court, in each case relating to the period from the Petition Date to the Effective Date but not beyond (but excluding the DIP Facility Claims and any Intercompany Claims).

“Affiliate” shall have the meaning set forth in Section 101 of the Bankruptcy Code.

“Agreement” shall mean this Agreement (together with all schedules and exhibits referenced herein).

“Agreement Date” shall have the meaning ascribed to such term in the preamble.

“Alternative Transaction” shall mean any transaction or transactions pursuant to which any Debtor or Debtors, in one or a series of transactions, sells the Shares or capital stock or equity interests of any Debtor or sells, transfers, leases or otherwise disposes, directly or indirectly, of all or substantially all of Debtors’ assets (other than the sale of Inventory in the ordinary course of business), other than the Transactions.

“Assumed Equipment Leases” shall mean all automobile and equipment leases set forth in Schedule 1.1(a), (the “Equipment Leases”) that are designated by Buyer in accordance with Section 2.7(a) to be assumed by the applicable Debtor pursuant to the Confirmation Order, together with the applicable Debtor’s interest in all security deposits related thereto.

“Assumed Intellectual Property Licenses” shall mean all licenses for the use by and Debtor of intellectual Property that are designated by Buyer to be assumed by the applicable Debtor in accordance with Section 2.7(a) pursuant to the Confirmation Order (the “Assumed Intellectual Property Licenses”).

“Assumed Non-Real Property Contracts” shall mean the Assumed Equipment Leases, Assumed Intellectual Property Licenses and all other Contracts assumed hereunder or under the Plan at the direction of the Buyer, other than Assumed Real Property Leases.

“Assumed Real Property Leases” shall mean any Real Property Lease that is assumed by the Debtors in accordance with Section 2.7(a).

“Auction” shall mean the auction conducted on the Auction Date.

“Auction Date” shall mean June 2, 2014.

“Balance Sheet” shall have the meaning ascribed to such term in Section 4.11.

“Balance Sheet Date” shall have the meaning ascribed to such term in Section 4.11.

“Bankruptcy Code” shall have the meaning ascribed to such term in the Recitals.

“Bankruptcy Court” shall have the meaning ascribed to such term in the Recitals.

“Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Procedure.

“Benefit Plan” shall mean any “employee benefit plan” (within the meaning of Section 3(3) of ERISA, including multiemployer plans within the meaning of Section 3(37) of ERISA), and all severance, employment, change in control, fringe benefit, bonus, incentive, deferred compensation, and all other employee benefit plans, programs, policies, agreements and other arrangements, whether or not subject to ERISA, including any funding vehicle therefor now in effect or required in the future to be established as a result of the transactions contemplated by this Agreement, whether formal or informal, written or oral, binding or not, under which any present or former employee of any Debtor or any beneficiary or dependent of such employee, has any present or future right to benefits, contingent or otherwise.

“Bidder Designation Order” shall have the meaning ascribed to such term in Section 6.21.

“Bidding Procedures” shall mean the Bidding Procedures attached to the Bidding Procedures Order as Exhibit A.

“Bidding Procedures Motion” shall mean the motion (together with all exhibits thereto) filed by the Debtors with the Bankruptcy Court on the Petition Date, seeking approval of the Bidding Procedures and related relief.

“Bidding Procedures Order” shall mean the order of the Bankruptcy Court entered on April 25, 2014, granting the Bidding Procedures Motion.

“Books and Records” shall mean all files, documents, instruments, papers, books and records relating to the Business of each Debtor, including without limitation financial statements, Tax Returns and related work papers and letters from accountants, budgets, pricing guidelines, ledgers, journals, deeds, title policies, minute books, stock certificates and books, stock transfer ledgers, Contracts, Licenses, customer lists, computer files and programs, retrieval programs, operating data and plans and environmental studies and plans.

“Borrowing Base Support Schedules” shall mean all appropriate exhibits, schedules, supporting documentation, and additional reports historically requested by Wells Fargo Bank, National Association prior to the commencement of the bankruptcy proceedings in conjunction with the weekly borrowing base certificate for the revolving line of credit and term loan to support stock ledger Inventory, Credit Card Receivables, and Wholesale Receivables before the calculation of ineligible.

“Break-Up Fee” shall mean an amount of \$3,700,000, to be paid at Closing by the Debtors to SPB Acquisition LLC, as approved by the Bankruptcy Court pursuant to the Bidding Procedures Order.

“Brookstone Noteholders Representative” shall mean the Brookstone Second Lien Noteholders Trustee.

“Brookstone Second Lien Noteholders” shall mean all of the holders of the Brookstone Second Lien Notes.

“Brookstone Second Lien Noteholders Trustee” shall mean the Indenture Trustee under the Brookstone Second Lien Notes Indenture.

“Brookstone Second Lien Notes” shall mean the 13% Second Lien Senior Secured Notes due 2014 issued by Brookstone Company, Inc. in an original aggregate principal amount of \$125,612,000.

“Brookstone Second Lien Notes Indenture” shall mean that certain Indenture dated October 26, 2010 among Brookstone Company, Inc., the Guarantors (defined therein) and Wells Fargo Bank, N.A., as trustee, pursuant to which the Brookstone Second Lien Notes were issued.

“Business” shall have the meaning ascribed to such term in the Recitals.

“Business Day” shall mean any day other than a Saturday, Sunday or a legal holiday on which banking institutions in Boston, Massachusetts, New York, New York, Shanghai, China or Hong Kong, are authorized or obligated by law or executive order to close.

“Buyer” shall have the meaning ascribed to such term in the preamble.

“Buyer Adjustment Notice” shall have the meaning ascribed to such term in Section 2.5(b).

“Buyer Debt and Equity Commitment Letters” shall mean (i) that certain Equity Commitment Letter, dated May 28, 2014, executed by Sanpower Group Co., Ltd., and (ii) that

certain Debt Commitment Letter, dated June 5, 2014, executed by Sailing Capital Overseas Investments Fund, LP.

“Buyer Exit Credit Facility” shall mean a Senior First Lien Asset Based credit facility from General Electric Capital Corporation, as agent, in the aggregate principal amount of up to \$135,000,000.

“Case” or “Cases” shall have the meaning ascribed to each such term in the Recitals.

“Cash and Cash Equivalents” shall mean cash, third-party checks, wire transfers and any other funds of Debtors, and commercial paper, marketable securities, certificates of deposit and other bank deposits, treasury bills and other cash equivalents of Debtors calculated in accordance with GAAP. Cash and Cash Equivalents shall not include Credit Card Receivables or Wholesale Receivables, and shall be reduced by any outstanding Checks In Transit.

“Checks In Transit” shall mean checks or wires issued by any Debtor prior to the Effective Date that have not been presented for payment or paid prior to the Effective Date.

“Claims” shall mean any rights, demands, claims, actions and causes of action that any Person may have against any third party, including any Governmental Unit.

“Claims and Adjustment Escrow” shall have the meaning set forth in Section 2.3(c).

“Claims and Adjustment Escrow Agent” shall mean U.S. Bank National Association.

“Claims and Adjustment Escrow Agreement” shall mean the Claims and Adjustment Escrow Agreement to be executed on the Effective Date by and among Buyer, Debtors, the Requisite Noteholders Representative and the Claims and Adjustment Escrow Agent in a form mutually reasonably satisfactory to Buyer, Debtors and the Requisite Noteholders Representative.

“Closing” shall have the meaning ascribed to such term in Section 3.1.

“Closing Accounts Receivable” shall have the meaning ascribed to such term in Section 2.5(b).

“Closing Cash Payment” shall have the meaning ascribed to such term in Section 2.3(a).

“Closing Cash Payment Reserve” shall mean an account established and funded at Closing with the payments made into such account pursuant to Section 2.3(b).

“Closing Current Assets” shall have the meaning ascribed to such term in Section 2.5(b).

“Closing Inventory Value” shall have the meaning ascribed to such term in Section 2.5(b).

“COBRA” shall mean Section 4980B of the Code and Part 6 of Title I of ERISA, together in each case, with applicable regulations, in each case, as amended and in effect from time to time.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Confidential Information” shall mean all information in any form or medium that relates to Debtors or the Business, including, without limitation, financial information, projections, pricing structures, technical data, trade secrets, know-how, ideas, inventions, designs, research, development plans, identities of, and arrangements with, customers and suppliers, software and data bases, but shall not include any information that (i) is generally available to, or known by, the public (other than as a result of disclosure in violation of this Agreement or the Confidentiality Agreements), (ii) is already in the recipient's possession or comes into recipient's possession on a non-confidential basis (other than as a result of disclosure in violation of this Agreement or the Confidentiality Agreements), or (iii) is independently developed by the receiving party without reliance in any way on any Confidential Information.

“Confidentiality Agreements” shall mean (i) that certain Confidentiality Agreement dated February 27, 2014 by and between Brookstone Company, Inc. and The Sanpower Group and (ii) that certain Confidentiality Agreement dated April 30, 2014 by and between Brookstone Company, Inc. and Sailing Capital International Fund.

“Confirmation Hearing” shall mean the hearing held by the Bankruptcy Court pursuant to Section 1128 of the Bankruptcy Code for the purpose of confirming the Plan.

“Confirmation Order” shall mean a Final Order of the Bankruptcy Court approving this Agreement and the Transactions and confirming the Plan pursuant to Section 1129 of Bankruptcy Code, which order (and any exhibits, appendices and related documents) shall be in form and substance acceptable to the Buyer and the Debtors.

“Consent” shall mean any approval, consent, notification, permission, waiver or authorization.

“Continuing Employees” means all of the employees of the Debtors as of the Effective Date who continue employment with a Reorganized Debtor following the Closing pursuant to Section 6.9(a). For the avoidance of doubt, such term shall not include such employees working in any Store operated by Debtors subject to a Real Property Lease that is not being assumed by the Debtors at direction of Buyer; provided, however, Buyer acknowledges that with respect to any such terminated employees, it is responsible for any Identified Employees PTO Payables with respect to such employees.

“Contract” shall mean any lease, license, agreement, contract, contract right, purchase order, obligation, trust, instrument and other similar arrangements, whether or not in written form, that is binding upon a Person or its property.

“Copyrights” shall have the meaning ascribed to it in the definition of the term Intellectual Property.

“Credit Card Receivables” shall mean all Accounts Receivables and other amounts owed to any of the Debtors (whether current or non-current) in connection with any customer purchases, returns or exchanges from any of the Debtors or Stores operated thereby that are made

with credit cards or any other amounts owing (including deposits or holdbacks to secure chargebacks, offsets or otherwise) from the credit card processors to the Debtors, and all cash or other property on deposit at such credit card processors, in each case which are not subject to offset, chargeback or other reduction, and any claim, remedy or other right of the Debtors related to any of the foregoing.

“Critical Vendors” shall mean certain discrete vendors that are critical to the Debtors’ Business which, generally, (a) provide either (i) “single source” or (ii) other goods and services that are indispensable to the Debtors’ operations and cannot be obtained elsewhere or cannot be replaced except at very high additional cost or excessive delay, and (b) do not have long-term written supply contracts or other relationships with the Debtors such that they could be compelled to continue providing goods or services to the Debtors post-petition, a list of which is attached as Schedule 1.1(b).

“Critical Vendors Payable Liability” shall mean the amounts payable to Critical Vendors pursuant to the Critical Vendors Orders as set forth on Schedule 1.1(b), not to exceed the Critical Vendors Payment Cap.

“Critical Vendors Payment Cap” shall mean \$1,750,000.

“Critical Vendors Payment Order” shall mean the Order of the Bankruptcy Court authorizing the Debtors to pay certain pre-petition claims of Critical Vendors in amounts in the aggregate not exceeding the Critical Vendors Payment Cap.

“Cure Amounts” shall mean all pre- and post-petition amounts payable pursuant to Section 365(b)(1)(A) or (B) of the Bankruptcy Code as determined by an Order of the Bankruptcy Court or agreed to between the applicable parties in order to effectuate the Debtors’ assumption of Assumed Non-Real Property Contracts and Assumed Real Property Leases pursuant to the Confirmation Order.

“Cure Notice” shall have the meaning ascribed to such term in Section 6.2(e).

“Current Assets Differential” shall have the meaning ascribed to such term in Section 2.5(b).

“Customer Program Obligation” shall mean the accrued liability for Customer Programs (other than customer loyalty incentives) determined in accordance with GAAP.

“Customer Programs” shall mean all customer gift cards, customer gift certificates, customer merchandise credits, customer return obligations, product warranty obligations, and customer loyalty incentives of Debtors.

“Debtor” or “Debtors” shall have the meaning ascribed to such terms in the Recitals.

“Debtors Defined Benefit Pension Plan” shall mean the Brookstone Pension Plan, Amended and Restated Effective January 1, 2008, as amended.

“Debtors’ Disclosure Schedule” shall have the meaning ascribed to such term in the opening paragraph of ARTICLE IV.

“Debtors Real Estate Letters of Credit” shall mean the Debtors’ outstanding letters of credit issued as security deposits under the Real Property Leases in an aggregate amount of \$1,865,000.

“Debtors Other Letters of Credit” shall mean the Debtors’ outstanding letters of credit issued for any purpose, other than the Debtors Real Estate Letters of Credit.

“Deposit Escrow” shall have the meaning ascribed to such term in Section 2.2(a).

“Deposit Escrow Account” means the escrow account established under the Deposit Escrow Agreement to hold the Deposit Escrow.

“Deposit Escrow Agent” shall mean Wells Fargo Bank, National Association.

“Deposit Escrow Agreement” shall mean the Deposit Escrow Agreement executed by and among Buyer, Debtors and the Deposit Escrow Agent on May 22, 2014.

“DIP Budget” shall mean the budget approved by the Final DIP Order.

“DIP Credit Facility” shall mean the Senior Secured Super Priority Debtor-in-Possession Credit Agreement among Brookstone Holdings Corp., as Borrower, the Guarantors named therein, Wilmington Savings Fund Society, FSB, as Administrative Agent and Collateral Agent and the Lenders Party thereto entered into pursuant to the Final DIP Order, as the same may be amended, modified or supplemented from time to time.

“DIP Credit Facility Claims” means all allowed amounts due and payable under the DIP Credit Facility.

“Disclosure Statement” shall mean the Debtors’ disclosure statement, including any exhibits, appendices, related documents, ballots and procedures related to the Solicitation, in each case, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof, in respect of the Plan and that is prepared and distributed in accordance with, among other things, sections 1125, 1126(b), and 1145 of the Bankruptcy Code, Rule 3018 of the Bankruptcy Rules and other applicable law, which was approved by the Bankruptcy Court on May 19, 2014.

“Disclosure Statement Order” means the order of the Bankruptcy Court approving the Disclosure Statement and the Solicitation.

“Dispute Notice” shall have the meaning ascribed to such term in Section 2.5(c).

“Distribution Center” shall mean the land and all improvements located in Mexico, Missouri subject to the Distribution Center Lease.

“Distribution Center Lease” shall mean the Amended and Restated Lease Agreement with Option to Purchase dated as of March 1, 2004 between the City of Mexico, Missouri and Brookstone Stores, Inc. with respect to the Distribution Center.

“Distribution Trust” shall mean a trust established pursuant to the Plan on the Effective Date into which the Closing Cash Payment Reserve shall be funded and which shall have the rights, duties and obligations, through a Distribution Trustee, as set forth in the Distribution Trust Agreement and in the Plan which shall be in form and substance acceptable to the Debtors and the Buyer.

“Distribution Trust Agreement” shall mean the agreement governing the administration of the Distribution Trust.

“Distribution Trustee” shall be the Person appointed under the Plan to administer the Distribution Trust.

“Effective Date” shall mean the earlier of July 8, 2014 or the date that is one (1) Business Day (or such later Business Day mutually agreed to by Buyer and Debtors) after all conditions specified in Article VII have been satisfied or waived.

“Effective Date Net Distributable Cash” shall have the meaning ascribed to such term in Section 2.3(b).

“Effective Time” shall have the meaning ascribed to such term in Section 3.1.

“Employee Benefit Plan” shall have the meaning ascribed to such term in Section 4.15(a).

“Employee Health Insurance Liabilities” shall mean the aggregate amount of Liabilities of Debtors arising from the Continuing Employees’ health insurance claims that have been incurred but not paid prior to the Effective Date.

“Environmental Laws” means all federal, state and local laws, regulations, rules and ordinances, and common law, relating to pollution or protection of human health, safety, or the environment from pollution, including, without limitation, laws relating to releases or threatened releases of Hazardous Substances into the environment (including, without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata).

“Equity Interests” shall have the meaning ascribed to such term in Section 4.4.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“ERISA Affiliate” shall have the meaning ascribed to such term in Section 4.15(a).

“Escrow Disbursement Dispute Notice” shall have the meaning ascribed to such term in Section 2.6(d)

“Escrow Disbursement Request” shall have the meaning ascribed to such term in Section 2.6(c).

“Escrow Disbursement Review Period” shall have the meaning ascribed to such term in Section 2.6(d).

“Estimated Accounts Receivable” shall have the meaning ascribed to such term in Section 2.5(a).

“Estimated Administrative and Priority Claims Amount” shall have the meaning ascribed to such term in Section 2.3(b)(ii)(A).

“Estimated Current Assets” shall have the meaning ascribed to such term in Section 2.5(a).

“Estimated Current Assets Differential” shall have the meaning ascribed to such term in Section 2.5(a).

“Estimated Inventory Value” shall have the meaning ascribed to such term in Section 2.5(a).

“Expense Reimbursement” shall mean reimbursement of the actual and documented out-of-pocket fees and expenses of SPB Acquisition LLC, up to a maximum of \$500,000, as approved by the Bankruptcy Court pursuant to the Bidding Procedures Order.

“Final Calculations” shall have the meaning ascribed to such term in Section 2.5(d).

“Final DIP Order” shall mean the order of the Bankruptcy Court entered on April 25, 2014 approving the DIP Facility on a final basis.

“Final Disbursement Calculations” shall have the meaning ascribed to such term in Section 2.6(e).

“Final Order” shall mean an Order of the Bankruptcy Court or other court of competent jurisdiction (i) that is not the subject of a pending appeal, petition for certiorari, motion for reconsideration or other proceeding for review, rehearing or reargument, (ii) that has not been reversed, vacated, modified or amended, is not stayed and remains in full force and effect, and (iii) respecting which the time to appeal, to petition for certiorari, to move for reconsideration or to seek review, rehearing or reargument shall have expired, as a result of which such order shall have become final in accordance with Rule 8002 of the Bankruptcy Rules.

“Financial Statements” shall have the meaning ascribed to such term in Section 4.11.

“Financing” shall mean the financing under (i) the Buyer Exit Credit Facility and (ii) the Buyer Debt and Equity Commitment Letters.

“First Administrative Expense Claim Bar Date” means the bar date fixed by Order of the Bankruptcy Court, by which the holders of certain Administrative Expense Claims that are incurred or arise during the period from and after the Petition Date through and including June 1, 2014, are required to have filed a Proof of Claim therefor.

“GAAP” shall mean United States generally accepted accounting principles.

“General Unsecured Claims” shall mean any claim against the Debtors that is not any of the following claims: (i) an Other Secured Claim and/or a claim that is otherwise secured

pursuant to section 506(a) of the Bankruptcy Code, (ii) a claim that is subordinated pursuant to Section 510 of the Bankruptcy Code, (iii) an Administrative Expense Claim, Priority Tax Claim, Other Priority Claim and/or a claim that is otherwise entitled to priority under section 503(b) or section 507(a) of the Bankruptcy Code, (iv) a Brookstone Second Lien Noteholder Claim, to the extent secured, or (v) an Intercompany Claims.

“General Unsecured Claims Payment Cap” shall mean the dollar amount set forth in the definition of “General Unsecured Claim Fund” in the Plan.

“Governmental Unit” shall mean any (i) federal, state, local, municipal, foreign or other government; (ii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court, arbitrator or other tribunal); or (iii) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitral tribunal.

“Governmental Unit Bar Date” means the bar date fixed by Order of the Bankruptcy Court pursuant to Bankruptcy Rule 3002(c)(1).

“GUC Escrow” means the escrow fund established for the purposes of holding the GUC Excess Amount (not to exceed \$1,500,000).

“GUC Excess Amount” means fifteen percent (15%) of the increase in the Effective Date Net Distributable Cash as a result of the Winning Bid, after payment of the Break-Up Fee and the Expense Reimbursement (in each case as defined in the Bidding Procedures), exceeding the Purchase Price under that certain Stock Purchase Agreement dated April 3, 2014 between SPB Acquisition LLC and the Debtors, as of the start of the Auction, subject to a cap of \$1,500,000 (if any).

“Hazardous Substances” means any chemical, mixture, waste, substance, material, pollutant, or contaminant, including without limitation petroleum, asbestos and asbestos-containing materials, with respect to which liability or standards of conduct are imposed under any Environmental Laws.

“Holder” shall have the meaning ascribed to such term in Section 4.4.

“Identified Employees” shall mean all employees listed on Schedule 4.15(b).

“Identified Employees PTO Payables” shall mean the PTO as of the Effective Date of the Identified Employees listed with respect to each such Identified Employee on Schedule 4.15(b) and who become Continuing Employees.

“Independent Accounting Firm” shall mean an independent nationally recognized accounting firm that has not previously provided services to the Buyer or the Debtors and is mutually agreeable to Buyer, Debtors and the Required Noteholders Representative, or if such parties cannot agree, then as determined by the Bankruptcy Court.

“Initial Consenting Noteholders” shall mean each of the beneficial owners (or investment managers or advisors for the beneficial owners) of the Brookstone Second Lien Notes who are signatories to the RSA.

“Intellectual Property” shall mean all intellectual property rights owned or licensed by Debtors in connection with the Business and arising from or in respect of the following: (i) all patents and applications therefor, including continuations, divisionals, continuations-in-part, or reissues of patent applications and patents issuing thereon (collectively, “Patents”), (ii) know-how, manufacturing and production processes and techniques, (iii) license rights with respect to Intellectual Property; (iv) all trademarks, service marks, trade names, service names, brand names, all trade dress rights, logos, Internet domain names and corporate names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, all applications, registrations and renewals thereof, and material unregistered trademarks (collectively, “Trademarks”), (v) copyrights and registrations and applications therefor, works of authorship, and mask work rights and, material unregistered copyrights, in each case used primarily in connection with the Business, (collectively, “Copyrights”), (vi) all Software and Technology of Debtors used in connection with the Business and (vii) all Websites and all Content contained therein.

“Intellectual Property Licenses” shall mean all licenses or other agreements pursuant to which a Debtor has licensed the right to use any Intellectual Property or pursuant to which it has licensed to another Person the right to use any Intellectual Property owned or licensed by such Debtor.

“Intercompany Claims” shall mean any financial or similar obligations and fund transfers between or among any of the Debtors that are evidenced through book entries on the Debtors’ books and records or otherwise.

“Inventory” shall mean all merchandise or other goods owned by Debtor and which are held, or intended for sale at wholesale or retail, whether in the possession or under the control of Debtor or any third party bailees or in transit that has been paid by Debtors.

“IP Contracts” shall have the meaning ascribed to such term in Section 4.10(a).

“Joint Venture Agreements” shall mean with respect to each Joint Venture, the Joint Venture limited liability company or similar agreement, employment services agreement, management services agreement, license agreement and any other agreement between the Joint Venture and any of the Debtors with respect to the Business as conducted by the Joint Venture.

“Joint Venture Interests” means Debtors’ legal, equitable and other rights and interests in and to the following joint ventures: (i) Brookstone/National Concessions Management Joint Venture; (ii) National Concessions Management Brookstone Stores Georgia, LLC; (iii) Brookstone Charlotte, LLC; (iv) Areas Brookstone Atlanta JV, LLC; (v) Brookstone Stores DTW, LLC; (vi) Brookstone Dallas Fort Worth, LLC; (vii) Brookstone Stores SAT, LLC; (viii) Brookstone O’Hare II, LLC; (ix) Brookstone O’Hare T-5, LLC; (x) National Concessions Management Brookstone Stores Georgia II, LLC; (xi) Brookstone Houston T-B, LLC; and (xii) Brookstone O’Hare, LLC.

“Joint Ventures” shall mean each limited liability company or other entity in which any Debtor owns any Joint Venture Interests.

“KEIP” shall mean any Key Employee Incentive Plan approved by Order of the Bankruptcy Court on May 12, 2014

“KERP” shall mean any Key Employee Retention Program approved by Order of the Bankruptcy Court on May 12, 2014.

“Knowledge” with respect to any individual, shall mean the actual knowledge of such individual. The “Knowledge of Debtors” shall mean the Knowledge of Jim Speltz, Tom Moynihan, Stephen Schwartz and Stephen Gould, respectively, the Debtor’s President and Chief Executive Officer, Chief Financial Officer, Vice President of Merchandising and Vice President and General Counsel.

“Law” means any federal, state, local or foreign statute, law, ordinance, regulation, rule, code, order, principle of common law, judgment enacted, promulgated, issued, enforced or entered by any Governmental Unit, or other requirement or rule of law.

“Leased Real Properties” shall have the meaning set forth in Section 4.8(a).

“Liabilities” shall mean, as to any Person, all debts, adverse claims, liabilities, commitments, responsibilities, and obligations of any kind or nature whatsoever, direct, indirect, absolute or contingent, of such Person, whether accrued, vested or otherwise, whether known or unknown, and whether or not actually reflected, or required to be reflected, in such Person's balance sheets or other books and records.

“Lien” shall mean any claim, pledge, option, charge, hypothecation, easement, security interest, right-of-way, encroachment, mortgage, and deed of trust or other encumbrance.

“Material Adverse Effect” shall mean any event, effect, occurrence, development, circumstance or change of fact occurring after June 2, 2014 (either individually or together with other events, effects, occurrences, developments, circumstances or changes of fact occurring after the date hereof) has had, or would reasonably be expected to have, a material adverse effect on the business, operations, results of operations, financial condition, assets or liabilities of the Debtors taken as a whole, or which would materially impair the Debtors’ ability to perform their obligations under this Agreement or the Plan, or have a materially adverse effect on or prevent or materially delay the consummation of the Transactions and consummation of the Plan; provided, however, that “Material Adverse Effect” shall not include any event, effect, occurrence, development, circumstance or change of fact arising out of, resulting from or attributable to (a) general economic conditions affecting the United States or those countries within which the Debtors operate, (b) a change in GAAP or regulatory accounting principles or interpretations thereof after the date hereof, or a change in applicable law or interpretations thereof by any Governmental Unit after the date hereof, (c) the commencement of the Cases by the Debtors, the announcement by the Debtors or the pendency of the Transactions, or compliance by any Party with the covenants and agreements contained herein or in the Plan, (d) any act of war or terrorism (or, in each case, escalation thereof) or declaration of a national emergency, or (e) any natural disaster, except in each case covered by clauses (a) through (e) to the extent such event,

effect, occurrence, development, circumstance or change of fact disproportionately affects the Debtors as compared to other companies in the specialty retail business. Any failure by the Debtors to meet internal or other financial projections or forecasts for any period shall not, by itself, be deemed a Material Adverse Effect (it being understood, however, that the facts or occurrences giving rise to or contributing to such failure may be taken into account in determining whether there has been a Material Adverse Effect).

“Material Contracts” shall mean all Real Property Leases, the Distribution Center Lease, Equipment Leases, Joint Venture Agreements, Intellectual Property Licenses and such other Contracts that are listed on Schedule 4.9(a).

“Milestones” shall mean the milestones set forth on Exhibit B hereto.

“Minimum Current Assets” shall mean \$64,100,000.

“Multiemployer Plan” shall have the meaning ascribed to such term in Section 4.15(a).

“Necessary Consents” shall have the meaning ascribed to such term in Section 2.7(d).

“New Common Stock” shall mean the common equity in Reorganized Holdings to be authorized and issued on the Effective Date pursuant to the Plan, which shall constitute all of the common or other capital stock of Reorganized Holdings.

“Non-Real Property Contract” shall mean any Material Contract other than any Real Property Lease.

“Notices” shall have the meaning ascribed to that term in Section 9.5.

“Order” shall mean any judgment, order, injunction, writ, ruling, verdict, decree, stipulation or award of any Governmental Unit or private arbitration tribunal.

“Other Secured Claims” shall mean any prepetition secured claims (other than the Brookstone Second Lien Noteholder Claims or any leases treated as a capital lease in accordance with GAAP).

“Overbid Amount” shall mean \$11,500,000.

“Owned Real Property” shall mean that certain improved real estate known as and located at One Innovation Way, Merrimack, NH 03054.

“Patents” shall have the meaning ascribed to it in the definition of the term Intellectual Property.

“PBGC” shall mean the Pension Benefit Guaranty Corporation.

“Pension Plan Liability” shall mean all Liabilities with respect to the Debtors Defined Benefit Pension Plan, including the amount of any underfunding payment or termination liability (including fees and costs associated therewith) payable in connection with the termination of the Debtors Defined Benefit Pension Plan at the direction of the Buyer.

“Pension Plans” shall have the meaning ascribed to such term in Section 4.15(c).

“Permits” shall mean all licenses, permits, franchises and other authorizations of any Governmental Unit relating to the operation of the Business and all pending applications therefor.

“Permitted Dispositions” shall mean (i) sales or forgiveness of Accounts Receivable in the ordinary course of business in connection with the collection or compromise thereof; (ii) any taking of any property of a Debtor or any portion thereof, in or by condemnation or other eminent domain proceedings pursuant to any law, general or special, or by reason of the temporary requisition or use of any property of a Debtor or any portion thereof, by any Governmental Entity; (iii) non-exclusive licenses and sublicenses of Intellectual Property of Debtors in the ordinary course of business which are not detrimental to the value of such Intellectual Property; and (iv) dispositions of assets, other than Inventory, in the ordinary course of business that are used, worn, damaged, obsolete or, in the judgment of a Debtor, no longer useful or necessary in its business; provided that with respect to dispositions made in accordance with clauses (i) through (iv) above, taken as a whole, such dispositions would not have a Material Adverse Effect.

“Permitted Liens” shall mean (i) statutory Liens for current Taxes, assessments or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith; (ii) zoning, entitlement and other land use and environmental regulations or designations by any Governmental Unit provided that such regulations or designations have not been violated, which in each case do not materially interfere with the operation of the Business as currently conducted, (iii) those Liens set forth on Schedule 1.1(c).

“Person” shall mean an individual, partnership, joint venture, corporation, business trust, limited liability company, trust, unincorporated organization, joint stock company, labor union, estate, Governmental Unit or other entity.

“Petition Date” shall mean April 3, 2014.

“Plan” shall mean the plan of reorganization under chapter 11 of the Bankruptcy Code described in the Disclosure Statement, either in its present form or as it may be altered, amended, modified, or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules or the terms thereof, as the case may be, and the Plan Supplement, including, without limitation, all exhibits and schedules hereto and thereto, and which shall be consistent in all material respects with this Agreement and otherwise in form and substance acceptable to Buyer.

“Plan Supplement” shall mean the compilation of documents and forms of documents, schedules, and exhibits to be filed on the Plan Supplement Filing Date pursuant to and as contemplated in the Plan, as amended, modified or supplemented from time to time in accordance with the terms hereof and in accordance with the Bankruptcy Code and the Bankruptcy Rules, which shall be in form and substance acceptable to the Buyer.

“Plan Supplement Filing Date” shall mean the date that is ten (10) days prior to the Confirmation Hearing.

“Pre-Closing Period” shall have the meaning ascribed to such term in Section 6.7.

“Priority Claim Bar Date” shall mean the bar date fixed by Order of the Bankruptcy Court as the last date by which all Persons asserting a Priority Claim must file a Proof of Claim therefor.

“Priority Claims” shall mean any claims entitled to priority in right of payment under Section 507(a) of the Bankruptcy Code, other than Priority Tax Claims.

“Priority Tax Claims” shall mean any claims entitled to priority in right of payment under Section 507(a)(8) of the Bankruptcy Code.

“Proceeding” shall mean 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 Unit or arbitrator.

“Proof of Claim” shall mean any proof of claim filed or required to be filed with the Bankruptcy Court in connection with the Cases.

“PTO” shall mean as to the Debtors’ employees awarded and unused vacation pay, sick pay, personal or other “paid time off” type benefits.

“Purchase Price” shall have the meaning ascribed to such term in Section 2.3(a).

“Qualified Bid” shall have the meaning ascribed to such term in the Bidding Procedures.

“Qualified Plan” shall have the meaning ascribed to such term in Section 4.15(d).

“Real Property Leases” shall have the meaning ascribed to such term in Section 4.8(a).

“Reorganized Debtor” or “Reorganized Debtors” shall mean each Debtor or the Debtors, as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

“Reorganized Holdings” shall mean Brookstone Holdings Corp., as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

“Reorganized Holdings Notes” shall mean the secured promissory notes to be issued by Reorganized Holdings to the Brookstone Second Lien Noteholders pursuant to the Reorganized Holdings Notes Indenture, which shall have the terms set forth on Exhibit D, in an original principal amount of \$10,000,000, subject to adjustment pursuant to Sections 2.5 and 2.6.

“Reorganized Holdings Notes Indenture” shall mean that certain Indenture to be dated as of the Effective Date pursuant to which the Reorganized Holdings Notes shall be issued.

“Representative” shall mean, with respect to any Person, such Person's officers, directors, employees, agents and representatives (including any investment banker, financial advisor,

accountant, legal counsel, agent, representative or expert retained by or acting on behalf of such Person or its Subsidiaries).

“Requisite Noteholders” shall mean, at any time in question, the Initial Consenting Noteholders who collectively hold at least 70% in principal amount of the Brookstone Second Lien Notes then held by the Initial Consenting Noteholders in the aggregate.

“Requisite Noteholders Representative” shall mean a representative to be designated in writing by the Requisite Noteholders at least five (5) Business Days prior to the Effective Date.

“Retiree Health Plan” shall mean the Brookstone Company, Inc. Comprehensive Medical Benefits Retiree Plan, effective July 1, 2013 as amended, modified or supplemented.

“Retiree Health Plan Liabilities” shall mean any amounts payable after the Effective Date under the Retiree Health Plan.

“RSA” shall mean the Restructuring Support Agreement dated as of April 3, 2014, by and among the Debtors and Initial Consenting Noteholders.

“Second Administrative Expense Claim Bar Date” shall mean the bar date fixed in the Confirmation Order, but, in no event, later than sixty (60) days after the Effective Date (or the first Business Day following such day), by which the holders of Administrative Expense Claims that are incurred or arise during the period from and after June 1, 2014 through the Effective Date are required to file a Proof of Claim therefor.

“Seller” shall have the meaning ascribed to such term in the preamble.

“Shares” shall have the meaning ascribed to such terms in the Recitals.

“Significant Suppliers” shall have the meaning ascribed to such term in Section 4.22.

“Software” means, except to the extent generally available for purchase from a third Person, any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (iv) all documentation including user manuals and other training documentation related to any of the foregoing.

“Store Cash” shall mean all Cash and Cash Equivalents as of the Effective Time, located at any of the Stores for cash register operations and on deposit in each Store’s local operating bank account as of the Effective Time in an aggregate amount of up to \$850,000.

“Stores” shall have the meaning ascribed to such term in Section 4.8(a).

“Tax” or “Taxes” shall mean any current, deferred, federal, state, county, local, foreign and other taxes, assessments, duties or charges of any kind whatsoever, including, without limitation, income, profits, gains, net worth, sales and use, *ad valorem*, gross receipts, business

and occupation, license, minimum, alternative minimum, environmental, 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, together with any penalty, addition to tax or interest on the foregoing.

“Tax Authority” shall mean any state or local government or agency, instrumentality or employee thereof, charged with the administration of any law or regulation relating to Taxes.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Technology” means, collectively, all designs, formulae, algorithms, procedures, methods, techniques, ideas, know-how, research and development, technical data, programs, subroutines, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology, that are used in, incorporated in, embodied in, displayed by or relate to, or are used or useful in the Business, other than any in the form of Software.

“Title IV Plans” shall have the meaning ascribed to such term in Section 4.15(a).

“Trademarks” shall have the meaning ascribed to such term in the definition of Intellectual Property. Without limitation, such “Trademarks” include the designations “Brookstone” and all variants thereof and composite marks formed therefrom, and all trademarks, service marks and trade names and the registrations and applications therefor listed on Schedule 4.10(a).

“Transactions” shall have the meaning set forth in the Recitals.

“Transfer Tax” or “Transfer Taxes” shall mean any federal, state, county, local, foreign and other sales, excise, use, transfer, conveyance, documentary transfer, recording or other similar Tax, fee or charge imposed upon the sale, transfer or assignment of property or any interest therein or the recording thereof, and any penalty, addition to Tax or interest with respect thereto, but such term shall not include any Tax on, based upon or measured by, the net income, gains or profits from such sale, transfer or assignment of the property or any interest therein.

“Unaudited Interim Financial Statements” shall have the meaning ascribed to such term in Section 4.11.

“Unaudited Year End Financial Statements” shall have the meaning ascribed to such term in Section 4.11.

“WARN Act” shall mean the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any successor Law, and the rules and regulations thereunder and under any successor Law, and any comparable law under the laws of any state.

“Website” shall mean (i) the website currently located at the URL <http://www.brookstone.com>, (ii) all other websites owned or controlled by Debtors, and all Content and pages contained within each of those websites, hosted anywhere in the world, and (iii) all website user information and data collected by Debtors, including email addresses and domain names, website logs, clickstream data and cookies, but, in each case, excluding freely available graphic or text content, such as clip art or graphic images licensed from commercial media vendors. For each Website, the Content and pages shall include all computer files and documentation for the current version of the Website and all archived Content and pages in Debtors' possession or control. As used herein, the term “Content” means any literary, audio, video, and other information, including editorial content, data, animation, graphics, photographs and artwork, and combinations of any or all of the foregoing, in any tangible or digital formats.

“Wholesale Receivables” shall mean all wholesale customer related Accounts Receivable of the Debtors and all other rights of any Debtor to payment, owed or that may become owed, together with all security or collateral therefor and any interest or unpaid financing charges accrued thereon, to the Debtors with respect to products sold or services performed on or prior to the Effective Date.

“Wind Down Budget” shall mean the budget mutually agreed to by the Buyer and Debtors, which shall include, but not be limited to, the amount of fees and costs associated with the termination of the Debtors Defined Benefit Pension Plan.

“Wind Down Budget Cap” shall mean \$800,000.

“Wind Down Costs” shall mean the fees, costs and expenses reasonably required for winding down the Cases and the Debtors' estate after the Effective Date, as reflected in the Wind Down Budget.

“Winning Bid” shall have the meaning ascribed to it in the Bidding Procedures.

“Workers Compensation and General Liability Obligations” shall mean the Liabilities of the Debtors related to workers compensation and general liability.

1.2 Other Definitional Provisions.

(a) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both singular and plural forms of such terms.

(c) Whenever the words “include,” “includes” or “including” are used in this Agreement they shall be deemed to be followed by the words “without limitation.”

(d) Words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) All references to "\$" and dollars shall be deemed to refer to the currency of the United States of America.

(h) All references to any financial or accounting terms shall be defined in accordance with GAAP except as otherwise specifically defined herein.

ARTICLE II

PURCHASE AND SALE OF SHARES

2.1 Purchase and Sale of the Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing, Reorganized Holdings shall issue, sell, assign, transfer, convey and deliver the Shares to the Buyer, free and clear of all Liens, and the Buyer, in reliance of the representations, warranties, and covenants of the Debtors contained herein, shall purchase the Shares from Reorganized Holdings.

2.2 Deposit.

(a) Buyer, Debtors and Deposit Escrow Agent have executed and delivered the Deposit Escrow Agreement and Buyer, has deposited with the Deposit Escrow Agent an amount equal to Fifteen Million Seventy One Thousand Five Hundred (\$15,071,500.00) dollars as an earnest money deposit (the "Deposit" together with all interest earned thereon, the "Deposit Escrow"). The Deposit Escrow shall be held in the Deposit Escrow Account and disbursed by the Deposit Escrow Agent pursuant to the terms of the Deposit Escrow Agreement.

(b) [Intentionally Omitted]

2.3 Purchase Price.

(a) The consideration for the Shares shall equal One Hundred Seventy-Three Million Three Hundred Sixty-Five Thousand (\$173,365,000.00) dollars consisting of the sum of the following amounts (i) the Closing Cash Payment, (ii) the Cure Amounts payable pursuant to Section 6.8 (approximately \$2,600,000), (iii) the principal amount of the Reorganized Holdings' Note (\$10,000,000), (iv) the Customer Program Obligations (approximately \$13,000,000), (v) the Employee Health Insurance Liabilities (approximately \$700,000), (vi) the Retiree Health Plan Liabilities (approximately \$1,100,000), (vii) the Identified Employees PTO Liabilities (approximately \$1,000,000), (viii) the Debtors Real Estate Letters of Credit (approximately \$1,865,000), (ix) the Workers Compensation and General Liability Obligations (approximately \$3,000,000), (x) the Pension Plan Liability (approximately \$3,400,000), and (xi) the outstanding amount of the total lease payments under the Distribution Center Lease (approximately \$1,000,000) (collectively, the "Purchase Price"). At the Closing, the Buyer shall (i) as provided for in Section 2.3(b), make a cash payment of One Hundred Thirty-Five Million Seven Hundred Thousand Dollars (\$135,700,000.00), subject to adjustment pursuant to Sections 2.5 and 6.11, inclusive of the Deposit Amount, the Break-Up Fee and the Expense Reimbursement (the "Closing Cash Payment"); (ii) make the payment of Cure Amounts pursuant to Section 6.8, (iii) cause Reorganized Holdings to issue the Reorganized Holding Notes and (iv) cause the Debtors Real Estate Letters of Credit and the letters of credit securing the Workers Compensation and General Liability Obligations to be replaced, assumed or cash collateralized under the Buyer Exit Credit Facility.

(b) From the Closing Cash Payment:

(i) The DIP Credit Facility Claims shall be paid in full;

(ii) Each of the following amounts shall be deposited into the Closing Cash Payment Reserve and thereafter disbursed in accordance with the terms of the Plan and Distribution Trust Agreement:

(A) To the extent not paid during the pendency of the Cases, an estimated amount for Other Secured Claims, Administrative Expense Claims, Priority Claims and Priority Tax Claims (the "Estimated Administrative and Priority Claims Amount"¹);

(B) [Intentionally Omitted.]

(C) The amount of the Wind Down Budget Cap;

(D) The amount of the GUC Escrow; and

¹ The Debtors and Buyer shall negotiate in good faith to determine the amount of the Estimated Administrative and Priority Claims Amount not later than three (3) Business Days prior to the Confirmation Hearing. If the Debtors and Buyer are unable to agree upon such amounts, then the amount of the Estimated Administrative and Priority Claims Amount shall be determined by the Bankruptcy Court at the Confirmation Hearing.

(E) The amount equal to the General Unsecured Claims Payment Cap (without duplication of the GUC Escrow); and

(F) The Break-Up Fee and the Expense Reimbursement shall be paid by the Debtors to SPB Acquisition LLC in accordance with the Bidding Procedures Order.

At least five (5) Business Days prior to the anticipated date of the Closing, the Seller shall prepare, or cause to be prepared, and deliver to the Buyer, bank wire transfer instructions for all payments to be made at Closing, including the Break-Up Fee and the Expense Reimbursement.

(G) The Closing Cash Payment minus the amounts payable under this Section 2.3(b) is hereinafter referred to as the “Effective Date Net Distributable Cash.”

(c) At the Closing, Effective Date Net Distributable Cash shall be distributed as follows: (i) an amount equal to fifty percent (50%) of the result of the Effective Date Net Distributable Cash *less* the Overbid Amount shall be deposited with the Claims and Adjustment Escrow Agent as the “Claims and Adjustment Escrow” by bank wire transfer of immediately available funds and held pursuant to the Claims and Adjustment Escrow Agreement, and (ii) the amount of the Effective Date Net Distributable Cash remaining (plus Debtors’ Cash and Cash Equivalents, other than Store Cash) shall be paid to the Brookstone Noteholders Representative by bank wire transfer of immediately available funds for distribution pursuant to the Plan and the Brookstone Second Lien Notes Indenture.

(d) The Claims and Adjustment Escrow shall be released to the Brookstone Noteholders Representative for distribution pursuant to the Plan and the Brookstone Second Lien Notes Indenture as follows:

(i) upon the date that is the later of ninety (90) days after the Effective Date and the Governmental Unit Bar Date, an amount equal to the lesser of (A) 40% of the amount initially deposited into the Claims and Adjustment Escrow, and (B) the then remaining amount of the Claims and Adjustment Escrow; and

(ii) upon the date that is one hundred eighty (180) days after the Effective Date, an amount equal to the then remaining amount of the Claims and Adjustment Escrow.

With respect to any release of any portion of the Claims and Adjustment Escrow pursuant to this Section 2.3(d), the amount remaining available for release from the Claims and Adjustment Escrow shall not include any amount subject to any pending Escrow Disbursement Request. At such time that any such claims subject to a pending Escrow Disbursement Request are resolved, the amount that is subject to such Escrow Disbursement Request remaining after payment to Buyer shall be released to the Brookstone Noteholders Representative for distribution pursuant to the Plan and the Brookstone Second Lien Notes Indenture.

As soon as practicable following the claims bar date, but no later than five (5) Business Days prior to the anticipated date of the Closing, the Seller shall prepare, or cause to be prepared, and deliver to the Buyer a calculation in good faith of each of the Closing Cash Payment, Effective Date Net Distributable Cash, the Claims and Adjustment Escrow and the Cure Amounts. Without limiting any of the Buyer's other rights or remedies, the Buyer may object that any of the foregoing has not been calculated in good faith or in a manner consistent with the terms hereof prior to the anticipated date of the Closing. The Seller and the Buyer in good faith shall seek to resolve in writing any objections by the Buyer prior to the Closing, and the Seller shall make such revisions to the disputed items as may be mutually agreed between the Seller and the Buyer.

(e) [Intentionally Omitted]

2.4 Closing Current Assets Purchase Price Adjustment; Customer Program Obligation Audit.

(a) No later than three (3) Business Days prior to the Effective Date, the Debtors (i) shall provide to Buyer with an estimate of the value of the Inventory as of the Effective Date (the "Estimated Inventory Value"), along with support for such valuation, and the estimated values for Credit Card Receivables and Wholesale Receivables as of the Effective Date (the "Estimated Accounts Receivable"). The methodology and support provided for the Estimated Inventory Value and Estimated Accounts Receivable Value is to be consistent with the Borrowing Base Support Schedules and the DIP Budget. The sum of the Estimated Inventory Value and Estimated Accounts Receivable, is hereinafter referred to as the "Estimated Current Assets." The Closing Cash Payment shall be adjusted upward or downward dollar for dollar by the amount by which the Estimated Current Assets is greater than or less than the Minimum Current Assets (the "Estimated Current Assets Differential").

(b) No later than forty five (45) Business Days after the Effective Date, the Buyer (i) utilizing an independent inventory taking service provider (the "Inventory Service"), shall cause to be determined the value of the Inventory as of the Effective Date in accordance with the valuation procedures set forth in Schedule 2.5(b) (the "Closing Inventory Value"), the cost of which shall be shared equally by the Buyer and the Debtors (by payment from the Claims and Adjustment Escrow), (ii) shall determine the aggregate amount of Credit Card and Wholesale Receivables as of the Effective Date (the "Closing Accounts Receivable"). The sum of the Closing Inventory Value and Closing Accounts Receivable, is hereinafter referred to as the "Closing Current Assets." The amount, if any, by which the Closing Current Assets is less than or greater than the Minimum Current Assets is hereinafter referred to as the "Current Assets Differential." Buyer shall provide written notice to the Debtors and the Requisite Noteholders Representative of the calculation of the amount of the Closing Current Assets and any Current Assets Differential (the "Buyer Adjustment Notice"). If the Closing Current Assets are less than the Estimated Current Assets, the amount of such difference shall be paid to the Buyer solely from the Claims and Adjustments Escrow by bank wire transfer of immediately available funds, without duplication for any amount by which the Cash Purchase Price was previously adjusted pursuant to Section 2.5(a). If the Closing Current Assets are more than the Estimated Current Assets, the amount of such difference shall be paid to the Brookstone Noteholders Representative by bank wire transfer of immediately available funds for distribution pursuant to

the Plan and the Brookstone Second Lien Notes Indenture, without duplication for any amount by which the Cash Purchase Price was previously adjusted pursuant to Section 2.5(a).

(c) If the Debtors and/or the Requisite Noteholders Representative dispute the calculations set forth in the Buyer Adjustment Notice, then the Debtors and/or the Requisite Noteholders Representative shall deliver a written notice setting forth their disagreement with the any such calculations (a "Dispute Notice") to the Buyer at any time during the thirty (30) day period commencing upon receipt by the Debtors of the Buyer Adjustment Notice (the "Review Period"). The Dispute Notice shall set forth the basis for the dispute and any related calculations, to the extent applicable, in reasonable detail. If the Debtors and/or the Requisite Noteholders Representative do not deliver a Dispute Notice to the Buyer prior to the expiration of the Review Period, the Buyer's calculations as set forth in the Buyer Adjustment Notice and the adjustment to the Purchase Price, the Reorganized Holdings Note and the payments to be made pursuant to Sections 2.5(b) and (c) shall be deemed final and binding on the Debtors, the Brookstone Second Lien Noteholders and Buyer for all purposes, except to the extent otherwise agreed in writing by Debtors, the Requisite Noteholders Representative and Buyer.

(d) If the Debtors and/or Requisite Noteholders Representative deliver a Dispute Notice to the Buyer prior to the expiration of the Review Period, then the Debtors and/or Requisite Noteholders Representative and the Buyer shall use commercially reasonable efforts to reach agreement on the Closing Inventory Value, the Closing Accounts Receivable Amount and the adjustment to the Purchase Price. If the Debtors and/or Requisite Noteholders Representative and the Buyer are unable to reach agreement on the adjustments to the Purchase Price, Reorganized Holdings Note and other payments to be made under this Section 2.5 within thirty (30) days after the end of the delivery of the Dispute Notice, the Debtors, and/or Requisite Noteholders Representative and the Buyer shall refer such dispute to the Independent Accounting Firm for resolution and (A) each of the Debtors and/or Requisite Noteholders Representative and Buyer shall have a reasonable opportunity to meet with the Independent Accounting Firm to provide their views as to any disputed issues with respect to the calculation of any of the, adjustments to the Reorganized Holdings Note and other payments to be made under this Section 2.5, (B) the Independent Accounting Firm shall determine the final adjustments to the Purchase Price, Reorganized Holdings Note and other payments to be made under this Section 2.5, as applicable, in accordance with the terms of this Agreement within thirty (30) days of such referral and upon reaching such determination shall deliver a copy of its calculations (the "Final Calculations") to the Debtors, and/or Requisite Noteholders Representative and (C) the determination made by the Independent Accounting Firm shall be final and binding on the Debtors, the Brookstone Second Lien Noteholders and the Buyer for all purposes of this Agreement. In making the Final Calculations, the Independent Accounting Firm (x) shall be limited to addressing any particular disputes referred to in the Dispute Notice and (y) any such calculation of the adjustments to the Purchase Price, Reorganized Holdings Note and other payments to be made under this Section 2.5 shall, with respect to any disputed item, be no greater than the higher amount calculated by the Debtors and/or Requisite Noteholders Representative or the Buyer, and no less than the lower amount calculated by the Debtors, and/or Requisite Noteholders Representative or the Buyer, as the case may be. The Final Calculations shall reflect in detail the differences, if any, from the calculations of the adjustments to the Purchase Price, Reorganized Holdings Note and other payments to be made under this Section 2.5 made by the Buyer and Debtors. The cost of the Independent Accounting Firm's

review and report shall be borne by the losing Party. For example, should the disputed portions total in amount to \$1,000 and the Independent Accounting Firm awards \$600 in favor of the Debtors' position, all of the costs of its review and report would be borne by the Buyer.

(e) The Buyer and the Debtors and Requisite Noteholders Representative shall cooperate and assist in the calculation of the adjustments to the Purchase Price, Reorganized Holdings Note and other payments to be made under this Section 2.5. Without limiting the foregoing, from and after the Effective Date until the end of the Review Period, Buyer shall provide the Debtors and Requisite Noteholders Representative with full access to the books, records and employees of the Buyer, including any applicable work papers of Representatives of Buyer, upon reasonable notice and during regular business hours for the purposes of enabling the Debtors and Requisite Noteholders Representative to calculate, and to review the calculation of, the adjustments to the Purchase Price, Reorganized Holdings Note and other payments to be made under this Section 2.5.

2.5 Certain Liabilities of Debtors and Payments from Claims and Adjustment Escrow.

(a) Buyer agrees that through its purchase of the Shares that the following Liabilities shall become the responsibility of the Buyer:

- (i) Cure Amounts;
- (ii) Customer Program Obligations;
- (iii) Employee Health Insurance Liabilities;
- (iv) Retiree Health Plan Liabilities;
- (v) Pension Plan Liability;
- (vi) Workers Compensation and General Liability Obligations;
- (vii) Critical Vendors Payable Liability up to the Critical Vendors Payment Cap solely in the event that the Bankruptcy Court enters a Critical Vendors Payment Order; and
- (viii) Identified Employees PTO Liabilities as provided for in Section 6.9.

(b) From the Claims and Adjustment Escrow, subject to the provisions of this Section 2.6, the Buyer shall be entitled to payment of the following amounts:

- (i) any amount for Wind Down Costs in excess of the Wind Down Budget Cap;
- (ii) any amount for any Other Secured Claims, Administrative Expense Claims, Priority Claims and Priority Tax Claims in excess of the Estimated Administrative and Priority Claims Amount; and

(iii) the amount of (A) any other Claims for Taxes of Debtors with respect to any Tax period prior to the Effective Date, (B) any deductible with respect to any third party Claims, arising prior to or with respect to events arising prior to the Effective Date, covered by any insurance policies of Debtors, (C) any other Claims that are determined by a Final Order not to have been discharged pursuant to the Plan and/or the Confirmation Order or otherwise payable pursuant to the Plan.

(c) In order for Buyer to make a claim for payment of any amount from the Claims and Adjustment Escrow, the Buyer shall deliver to the Claims and Adjustment Escrow Agent and the Debtors and the Requisite Noteholders Representative a written request setting forth the amount and the basis of the request for a disbursement from the Claims and Adjustment Escrow in reasonable detail with appropriate supporting information (an “Escrow Disbursement Request”).

(d) If the Debtors and/or Requisite Noteholders Representative dispute the request set forth in the Escrow Disbursement Request, then the Debtors and/or Requisite Noteholders Representative shall deliver a written notice setting forth Debtor’s and/or Requisite Noteholders Representative’s disagreement with the Escrow Disbursement Request and the basis therefor (an “Escrow Disbursement Dispute Notice”) to the Buyer at any time during the thirty (30) day period commencing upon receipt by the Debtors and Requisite Noteholders Representative of the Escrow Disbursement Request (the “Escrow Disbursement Review Period”). The Escrow Disbursement Dispute Notice shall set forth the basis for the dispute in reasonable detail with appropriate supporting information. If the Debtors and/or Requisite Noteholders Representative do not deliver an Escrow Disbursement Dispute Notice to the Buyer prior to the expiration of the Escrow Disbursement Review Period, the Buyer’s Escrow Disbursement Request shall be deemed accepted by the Debtors and Requisite Noteholders Representative and the Claims and Adjustment Escrow Agent shall make payment to the Buyer from the Claims and Adjustment Escrow in the amount set forth in the Escrow Disbursement Request.

(e) If the Debtors and/or Requisite Noteholders Representative deliver an Escrow Disbursement Dispute Notice to the Buyer prior to the expiration of the Escrow Disbursement Review Period, then the Debtors and Requisite Noteholders Representative and the Buyer shall use commercially reasonable efforts to reach agreement on the amount to be disbursed to Buyer from the Claims and Adjustment Escrow. If the Debtors and Requisite Noteholders Representative and the Buyer are unable to reach agreement on the on the amount to be disbursed to Buyer from the Claims and Adjustment Escrow within thirty (30) days after the end of the delivery of the Escrow Disbursement Dispute Notice, the Debtors and Requisite Noteholders Representative and the Buyer shall refer such dispute to the Independent Accounting Firm for resolution and (A) each of the Buyer and the Debtors and Requisite Noteholders Representative shall have a reasonable opportunity to meet with the Independent Accounting Firm to provide their views as to any disputed issues with respect to the amount to be disbursed to Buyer from the Claims and Adjustment Escrow, (B) the Independent Accounting Firm shall determine the final amount to be disbursed to Buyer from the Claims and Adjustment Escrow within thirty (30) days of such referral and upon reaching such determination shall deliver a copy of its calculations (the “Final Disbursement Calculations”) to the Buyer, the Debtors, the Requisite Noteholders Representative and the Claims and Adjustment Escrow

Agent, and (C) the determination made by the Independent Accounting Firm shall be final and binding on the Debtors, the Brookstone Second Lien Noteholders and the Buyer for all purposes of this Agreement. In making the Final Disbursement Calculations, the Independent Accounting Firm (x) shall be limited to addressing any particular disputes referred to in the Dispute Notice and (y) any such calculation of the adjustments to amount to be disbursed to Buyer from the Claims and Adjustment Escrow shall, with respect to any disputed item, be no greater than the higher amount calculated by the Debtors and/or Requisite Noteholders Representative or the Buyer, and no less than the lower amount calculated by the Debtors or the Buyer, as the case may be. The Final Disbursement Calculations shall reflect in detail the differences, if any, from the calculations of the adjustments to the amount to be disbursed to Buyer from the Claims and Adjustment Escrow from those made under this Section 2.6 by the Buyer and Debtors and Requisite Noteholders Representative. The cost of the Independent Accounting Firm's review and report shall be borne by the losing Party. For example, should the disputed portions total in amount to \$1,000 and the Independent Accounting Firm awards \$600 in favor of the Debtors' position, all of the costs of its review and report would be borne by the Buyer.

2.6 Assumption of Non-Real Property Contracts and Real Property Leases.

(a) Other than as set forth on Schedule 2.7(b)(i) and Schedule 2.7(b)(ii) and the Debtors' obligation to reject the Non-Real Property Contracts and Real Property Leases identified on those Schedules, the Debtors shall assume all Real Property Leases identified on Schedule 4.8(a), all Material Contracts identified on Schedule 4.9(a) and any other Contracts designated by Buyer for assumption pursuant to the Plan. The Confirmation Order shall approve, among other things, the Debtors' (i) assumption of the Assumed Non-Real Property Contracts and the Assumed Real Property Leases and (ii) rejection of the Non-Real Property Contracts and Real Property Leases that are not to be assumed hereunder or under the Plan, to the extent not previously rejected by an Order of the Bankruptcy Court at the Buyer's direction. At the Buyer's request, and at the Buyer's cost and expense, the Debtors shall cooperate with the Buyer from the Agreement Date as reasonably requested by the Buyer (i) to allow the Buyer to enter into an amendment of any Real Property Lease upon assumption of such Real Property Lease by the Buyer, and in negotiations with the landlords thereof, or (ii) to otherwise amend any Real Property Lease; provided that the Debtors shall not be required to enter into any such amendment if such amendment would result in an assumption by any Debtors of such Real Property Lease, unless such Real Property Lease will be an Assumed Real Property Lease. The Debtors hereby authorize the Buyer to (i) negotiate with the landlords under the Real Property Leases with respect to any amendments thereof and (ii) execute and deliver amendments to Real Property Leases, provided that such amendments will only become effective and binding on the applicable Reorganized Debtor upon the occurrence of the Closing. At the Buyer's request and cost and expense, the Debtors shall cooperate with the Buyer from the Agreement Date with respect to any amendments the Buyer shall seek to any Real Property Lease. The Debtors further agree, at Buyer's request and cost and expense, to enter into any amendment to any Real Property Lease, the effectiveness of which shall be contingent upon the occurrence of the closing Date under the Agreement; provided that such amendment would not result in an assumption by any of the Debtors of such Real Property Lease unless such Real Property Lease will be an Assumed Real Property Lease and the Closing shall have occurred.

(b) Schedule 2.7(b)(i) sets forth Non-Real Property Contracts to be rejected on the Effective Date, and Schedule 2.7(b)(ii), sets forth the Real Property Leases to be rejected on the Effective Date. The Debtors shall provide sufficient notice under the Bankruptcy Rules and local rules of the Bankruptcy Court to all counterparties to the Non-Real Property Contracts and the Real Property Leases of their assumption or rejection and, with respect to the Non-Real Property Contracts and Real Property Leases to be assumed, also provide a schedule of Cure Amounts.

(c) In connection with the assumption of any Assumed Non-Real Property Contract or Assumed Real Property Lease pursuant to this Section 2.7, Buyer and Debtors will pay their respective portion of the Cure Amounts in accordance with Section 6.8.

(d) In the event the Debtors are unable to assume any Non-Real Property Contract or Real Property Lease because any required consent is not obviated by an Order of the Bankruptcy Court, then the Parties shall use their commercially reasonable efforts to obtain, and to cooperate in obtaining, all Consents from any third parties or Governmental Units necessary to assume such Non-Real Property Contracts or Assumed Real Property Lease (the "Necessary Consents"), including, making payment of any applicable Cure Amounts required under Section 6.8.

2.7 Debtors Other Letters of Credit. At the Closing, the Debtors Other Letters of Credit shall remain outstanding and the reimbursement obligations to the issuers thereof shall be cash collateralized from the Debtors' Cash and Cash Equivalents. Each of the Debtors Other Letters of Credit shall be maintained until such time as no further claims for which such Debtors Other Letters of Credit serve as security exist or may arise. Thereafter, any cash collateral remaining with respect to such Debtors Other Letter of Credit shall be released and paid to the Brookstone Noteholder Representative for distribution pursuant to the Plan and the Brookstone Second Lien Notes Indenture. Any annual letter of credit fees for the Debtors Other Letters of Credit shall be paid by the Distribution Trustee from the Wind Down Budget.

ARTICLE III

CLOSING AND PURCHASE PRICE

3.1 Closing. Unless this Agreement shall have been terminated or the transactions herein contemplated shall have been abandoned pursuant to Article VIII hereof, the closing of the transactions contemplated herein (the "Closing") shall take place at 10:00 a.m. (eastern daylight time) on the Effective Date, unless another time or date is agreed to in writing by the parties. The Closing shall be held at the offices of Gibson Dunn & Crutcher LLP, 200 Park Avenue, NY, NY, 10166, unless otherwise mutually agreed to by the parties. The Closing shall be effective as of 12:01 a.m. (eastern daylight time) on the Effective Date (the "Effective Time").

3.2 Closing Deliveries.

(a) At the Closing, Debtors shall deliver, or shall cause to be delivered, to Buyer the following:

(i) An executed Stock Certificate from Seller with respect to the Shares;

(ii) Affidavits in support of any title insurance on the Owned Real Property and the Distribution Center;

(iii) A certificate of each Debtor, dated as of the Effective Date, signed by the President or Chief Financial Officer of each Debtor, certifying that conditions specified in Section 7.1(a) and Section 7.1(b) hereof have been fulfilled;

(iv) A copy of the resolutions adopted by the Board of Directors (or other governing body of each Debtor authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, certified by the Secretary or an Assistant Secretary, or the Clerk or an Assistant Clerk, as the case may be, of each Debtor as of the Effective Date;

(v) An updated Identified Employees PTO Schedule;

(vi) An executed copy of the Claims and Adjustment Escrow Agreement;

(vii) The executed consents listed on Schedule 4.5, provided, however, written consents from third parties shall not be required to the extent that the Confirmation Order authorizes and approves the assumption of the Assumed Real Property Leases, Assumed Non-Real Property Contracts and Joint Venture Agreements;

(viii) A certified copy of the Bidder Designation Order and the Confirmation Order;

(ix) All other instruments reasonably requested by Buyer of conveyance and transfer, in form and substance reasonably acceptable to Buyer; and

(x) Such other closing instruments and certificates as may be reasonably requested by Buyer.

(b) At the Closing, Buyer shall deliver, or shall cause to be delivered, the following:

(i) By wire transfer of immediately available funds, Buyer shall make all payments from the Closing Cash Payment required to be made pursuant to Section 2.3(b) less the Deposit Escrow (including interest earned thereon);

(ii) A wire transfer of immediately available funds to the account designated by the Claims and Adjustment Escrow Agent in the amount of the Claims and Adjustment Escrow;

(iii) Letters of credit in replacement of Debtors Real Estate Letters of Credit and the letters of credit securing the Workers Compensation and General Liability Obligations;

(iv) Written instructions from the Debtors and the Buyer to the Deposit Escrow Agent directing the release of the Deposit Escrow for use and application to the payments to be made pursuant to Section 2.3(b);

(v) Cause Reorganized Holdings to execute and deliver the Reorganized Holdings Notes Indenture and the related security documents and issue the Reorganized Holdings Notes;

(vi) A certificate of Buyer, dated as of the Effective Date, signed by the President or Chief Financial Officer of Buyer, certifying that conditions specified in Section 7.2(a) and Section 7.2(b) hereof have been fulfilled;

(vii) a copy of the resolutions adopted by the Board of Directors of Buyer authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, certified by the Secretary or an Assistant Secretary of each Buyer as of the Effective Date; and

(viii) Such other closing instruments and certificates as may be reasonably requested by the Debtors.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF DEBTORS

Except as set forth in Debtors' Disclosure Schedule delivered to Buyer in accordance with Section 2.2 (the "Debtors' Disclosure Schedule"), each Debtor, jointly and severally, hereby represents and warrants to Buyer as follows (Debtors' Disclosure Schedule shall be arranged in paragraphs corresponding to the section numbers contained in this Article IV, but, regardless of the existence of cross-references or the lack thereof, the disclosure in any paragraph shall qualify as disclosure for any other section of this Article IV so long as such disclosure contains sufficient information so that it is readily and reasonably determinable and apparent that such disclosure qualifies or otherwise applies to other sections of this Article IV):

4.1 Organization and Good Standing. Such Debtor (a) is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and (b) subject to any necessary authorizations from the Bankruptcy Court, has full corporate power and authority to own, lease and operate its properties, to perform all of its obligations under the Assumed Non-Real Property Contracts and Assumed Real Property Leases to which it is a party, and carry on the Business as it is now being conducted.

4.2 Execution and Effect of Agreement. Subject to obtaining Bankruptcy Court approval pursuant to the Confirmation Order, such Debtor has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder, and the execution and delivery of this Agreement by such Debtor and the consummation by such Debtor of the Transactions and the performance of such Debtor's obligations hereunder have been duly authorized by all requisite corporate or other action on the part of such Debtor. This Agreement has been duly executed and delivered by such Debtor and (assuming the due and valid authorization, execution and delivery thereof by the other parties thereto), following the approval of this Agreement and the Transactions by the Bankruptcy Court pursuant to the Confirmation Order, will constitute the legal, valid and binding obligation of such Debtor, enforceable against such Debtor in accordance with its terms.

4.3 No Contravention. Subject to obtaining the approval of the Bankruptcy Court pursuant to the Confirmation Order, neither the execution and delivery of this Agreement nor the consummation of the Transactions will (a) violate or conflict with any provision of such Debtor's certificate of incorporation or bylaws, certificate of partnership, partnership agreement, or certificate of formation or operating agreement or other organizational documents, (b) (with or without the giving of notice or the lapse of time or both) violate, or result in a breach of, or constitute a default under, or conflict with, or accelerate the performance required by, any of the terms of any Assumed Non-Real Property Contract or Assumed Real Property Lease (c) violate or conflict with any Order of any court, Governmental Unit or arbitrator, or any Law applicable to such Debtor, or (d) result in the creation of any Lien upon any of the Debtor's assets.

4.4 Debtor Capitalization. Schedule 4.4 lists: (i) the number of authorized shares of capital stock or membership interests of Seller and each of the Debtors; (ii) the number of issued and outstanding shares of stock or membership interests issued and outstanding as of the date hereof with respect to Seller and each other Debtor (collectively, the "Equity Interests"); and (iii) the holder of such Equity Interests (each, a "Holder"). Each of the Equity Interests are duly authorized, validly issued, outstanding, fully paid and nonassessable. Each Holder of the Equity Interests owns the Equity Interests, beneficially and of record, free and clear of all Liens except for Liens that as of the Effective Date will be released and discharged and no longer enforceable by virtue of the Confirmation Order.

4.5 Third Party Approvals. Except for (a) entry of the Confirmation Order, and (b) any third party consents or approvals as are reflected on Schedule 4.5 hereto, the execution, delivery and performance by each Debtor of this Agreement and the transactions contemplated hereby do not require any other material consents, waivers, authorizations or approvals of, or filings with, any third Persons which will not be obtained by Debtors prior to Closing.

4.6 Subsidiaries. Other than any interest in any other Debtor, and the Joint Venture Interests, and those additional interests listed on Schedule 4.6, no Debtor has any Subsidiaries or owns, directly or indirectly, any capital stock or subordinated debt of, or other equity interests in, any Person, or is a member of or participant in any Person.

4.7 Title to Debtors Assets.

(a) The Debtors have good and valid title to, or, in the case of leased assets have good and valid leasehold interests in, all Inventory and other material tangible personal property that is used in or necessary for the operation of the Business as currently conducted and as anticipated to be conducted as of the Closing, free and clear of all Liens (other than Permitted Liens or Liens that will be released and discharged as of, and that will not be enforceable from and after, the Closing by virtue of the Confirmation Order, or Liens solely affecting the Excluded Assets).

(b) Debtor has valid leasehold interests in the Real Property Leases to which it is a party, free and clear, as of the Closing, of all Liens (other than Permitted Liens or Liens that will be released and discharged as of, and that will not be enforceable from and after, the Closing by virtue of the Confirmation Order), assuming the entry of the Confirmation Order and timely discharge of all Cure Payments and other obligations of the Debtors owing under or related to any Leased Real Property.

4.8 Real Property.

(a) Schedule 4.8(a) lists all of the stores (the “Stores” or the “Leased Real Properties”) that are operated by Debtors and all leases for the Leased Real Properties (the “Real Property Leases”) with respect thereto. True and complete copies of all such Real Property Leases have been provided or made available by Debtors to Buyer.

(b) Upon entry of the Confirmation Order and payment of the Cure Amounts at Closing, no Debtor will be in breach or default of its material obligations under the Assumed Real Property Leases.

(c) Other than the Owned Real Property, no Debtor owns in fee any real property. Brookstone Company, Inc. has good, valid and marketable fee title to the Owned Real Property, free and clear of all Liens of any nature whatsoever except (A) Liens set forth on Schedule 4.8(c), (B) Liens that will be released and discharged and will no longer be enforceable from and after the Closing by virtue of the Confirmation Order and (C) Permitted Liens.

(d) Except as set forth on Schedule 4.8(d), there are no pending or, to the Knowledge of Debtors, threatened condemnation of the Owned Real Property or Leased Real Property or any part thereof or of any plans for improvements which might result in a special assessment against the Owned Real Property or Leased Real Property.

(e) Debtors have received no written notices of violations of any material law or municipal ordinances, Environmental Laws, or other orders or requirements issued by any Governmental Unit or department with respect to any of the Leased Real Properties or the Owned Real Property.

(f) Debtors have not received any written notice from the holder of any mortgage on the Owned Real Property or Leased Real Properties or any insurance company insuring the Owned Real Property or the Leased Real Properties requiring material repairs, alterations or maintenance to be done on the Owned Real Property or the Leased Real Properties. Any such notice received by Debtors prior to the Closing shall be complied with by Debtors prior to the Closing.

(g) There are no actions, suits or proceedings pending or, to the Knowledge of Debtors, threatened, against or affecting Debtors or the Owned Real Property or the Leased Real Properties at law or in equity, before any Governmental Unit, which, if determined adversely to Debtors, would in any way materially and adversely affect the Owned Properties or the Leased Real Properties or the operation thereof.

(h) To the Knowledge of Debtors, the Owned Real Property and the Leased Real Properties and the present use and condition thereof do not materially violate any applicable deed restrictions or other covenants, restrictions or agreements, site plan approvals, zoning or subdivision regulations applicable to the Owned Real Property or the Leased Real Properties.

(i) There have been no material casualties or condemnations with respect to Owned Real Property or, to the Knowledge of the Debtors, the Leased Real Properties within the past twelve (12) months, except as set forth on Schedule 4.8(i).

4.9 Contracts.

(a) Schedule 4.9(a) sets forth a true and complete list of all Material Contracts. For purposes hereof, Material Contracts shall include all Real Property Leases, any equipment leases, the Distribution Center Lease, the Joint Venture Agreements and any other Non-Real Property Contract that provides for payments of more than \$10,000 per annum or with a value to one or more Debtors in excess of such amount. Copies of all Material Contracts in effect as of the date hereof have been provided or made available by Debtors to Buyer.

(b) Except as set forth on Schedule 4.9(b), subject to payment of the Cure Amounts, each of the Material Contracts to which a Debtor is a Party is in full force and effect and is the legal, valid and binding obligation of such Debtor, enforceable against such Debtor in accordance with the terms, subject to applicable rights and remedies generally and subject, as to enforceability, to general principals of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). Except as set forth on Schedule 4.9(b), and after giving effect to the payment of any Cure Amounts with respect to any Material Contract, no Debtor is in default under any Material Contract that would result in termination of such Material Contract or has received any written notice of any default or event that with notice or lapse of time or both would constitute a material default by any Debtor under any Material Contract.

4.10 Intellectual Property.

(a) Schedule 4.10(a) hereto identifies all: (i) registered Trademarks, including applications therefor; (ii) material unregistered Trademarks; (iii) Patents, including applications therefor; (iv) registered Copyrights, including applications therefor; (v) material Software (other than "off-the-shelf," non-customized third-party software licensed to any Debtor for internal use on a non-exclusive basis); (vi) domain names; and (vii) Intellectual Property Licenses and other Material Contracts concerning Intellectual Property (the "IP Contracts"); in each of the above cases, used or held for use in the Business by Debtors.

(b) Debtors are the owners of, or have sufficient right to use, all Intellectual Property necessary for the operation of the Business as presently conducted.

(c) Except as set forth on Schedule 4.10(c), to the Knowledge of Debtors, (i) none of the Intellectual Property of Debtors is the subject of any challenge received by any of the Debtors in writing, except as would not have a Material Adverse Effect and (ii) none of Debtors has received any written notice of any default or any event that with notice or lapse of time, or both, would constitute a default under any Intellectual Property License to which any Debtor is a party or by which it is bound, nor, to the Knowledge of Debtors, is there a basis for any such default, except, in each case, as would not have a Material Adverse Effect.

4.11 Financial Statements. Debtors have delivered to Purchaser copies of (i) the unaudited consolidated balance sheet of Debtors as of December 31, 2013, the related unaudited consolidated statements of operations, consolidated statements of comprehensive loss and consolidated statements of cash flows of Debtors for the year ended December 31, 2013 (the "Unaudited Year End Financial Statements"), and (ii) the unaudited consolidated balance sheets as of January 31, 2014 and the related unaudited consolidated statements of operations, consolidated statements of comprehensive loss and consolidated statements of cash flows of

Debtors for the period ended January 31, 2014, (the “Unaudited Interim Financial Statements” and together with the Unaudited Year End Financial Statements, the “Financial Statements”). Each of the Financial Statements has been prepared in accordance with GAAP consistently applied without modification of the accounting principles used in the preparation thereof throughout the periods presented and presents fairly in all material respects the consolidated financial position, results of operations and cash flows of Debtors as at the dates and for the periods indicated therein, subject to normal year-end adjustments and the absence of notes.

For the purposes hereof, the consolidated balance sheet of Debtors as at January 31, 2014 is referred to as the “Balance Sheet” and January 31, 2014 is referred to as the “Balance Sheet Date”.

4.12 No Undisclosed Liabilities. Except as set forth on Schedule 4.12, none of Debtors has any material Liabilities of any kind that would have been required to be reflected in, reserved against or otherwise described in the Balance Sheet in accordance with GAAP other than (i) Liabilities incurred in the ordinary course of business since the Balance Sheet Date that would not have a Material Adverse Effect and (ii) Liabilities incurred in connection with the Transaction and (iii) Excluded Liabilities.

4.13 Absence of Certain Developments. Except as expressly contemplated by this Agreement or as set forth on Schedule 4.13, since June 2, 2014, (i) Debtors have conducted the Business only in the ordinary course of business and (ii) there has not been any event, change, occurrence or circumstance that has had a Material Adverse Effect.

4.14 Taxes. Except as set forth on Schedule 4.14:

(a) All federal, state and local income and franchise and all other material Tax Returns required to be filed by or with respect to Debtors have been timely filed with the appropriate Tax Authority in all jurisdictions in which such Tax Returns are required to be filed (taking into account any extension of time to file granted or to be obtained on behalf of Debtors), except those which are being contested in good faith by appropriate proceedings being diligently conducted, for which adequate reserves have been provided for in accordance with GAAP, and each Tax Returns are true, correct and complete in all material respects; and (ii) all material Taxes due and payable by or with respect to Debtors, whether or not shown on such Tax Returns have been timely paid in full, except those which are being contested in good faith by appropriate proceedings being diligently conducted, for which adequate reserves have been provided for in accordance with GAAP.

(b) Except for Brookstone Retail Puerto Rico, Inc., no Debtor is a Foreign Person with the meaning of Section 1445 of the Code.

(c) All material Taxes required to be withheld by Debtors have been withheld and have been (or will be) duly and timely paid to the proper Tax Authority, except those which are being contested in good faith by appropriate proceedings being diligently conducted, for which adequate reserves have been provided for in accordance with GAAP.

(d) Except as set forth on Schedule 4.14(d), no written agreement or other document extending, or having the effect of extending, the period of assessment or collection of any material Taxes of any Debtor is still in effect with any Tax Authority.

(e) No deficiencies with respect to material Taxes of any Debtor have been asserted in writing by any Tax Authority that have not been fully paid, except those which are being contested in good faith by appropriate proceedings being diligently conducted, for which adequate reserves have been provided for in accordance with GAAP.

(f) Except as set forth on Schedule 4.14(f), there are no audits or investigations by any Tax Authority of any Debtor in progress with respect to any material Tax and no written notice has been received that a Tax Authority intends to commence any such audit or investigation.

(g) No claim has been made in writing within the past five (5) years by a Tax Authority in a jurisdiction where any of Debtors does not file Tax Returns that it is or may be subject in that jurisdiction to a material Tax.

(h) Except as set forth on Schedule 4.14(h), none of Debtor is a party to any Tax allocation, indemnity or sharing agreement or arrangement with respect to a material Tax that could apply to the any of the Debtors after the Effective Date.

4.15 Employee Benefits.

(a) Schedule 4.15(a) lists: (i) all material “employee benefit plans”, as defined in Section 3(3) of ERISA, and all other material employee benefit arrangements or payroll practices, including, without limitation, bonus plans, consulting or other compensation agreements, incentive, equity or equity-based compensation, or deferred compensation arrangements, stock purchase, severance pay, sick leave, vacation pay, salary continuation, disability, hospitalization, medical insurance, life insurance, scholarship programs maintained by Debtors or to which Debtors contributed or are obligated to contribute thereunder for current or former employees of Debtors (the “Employee Benefit Plan”), and (ii) all “employee pension plans”, as defined in Section 3(2) of ERISA, subject to Title IV of ERISA or Section 412 of the Code, maintained by Debtors and any trade or business (whether or not incorporated) which are or have been under common control, or which are or have ever been treated as a single employer, with Debtors under Section 4.14(b), (c), (m) or (o) of the Code (“ERISA Affiliate”) or to which Debtors and any ERISA Affiliate contributed or has ever been obligated to contribute thereunder (the “Title IV Plans”). None of the Title IV Plans is a multiemployer plan as defined in Section 3(37) of ERISA (“Multiemployer Plan”), or has been subject to Sections 4063 or 4064 of ERISA.

(b) Schedule 4.15(b) is a true, correct and complete schedule as to each of the Debtors’ employees setting forth as to each employee, the employee’s title, salary, amount of any accrued and unpaid PTO (the “Identified Employees PTO Payables”) and date of hire.

(c) True, correct and complete copies of the following documents, with respect to each of the Employee Benefit Plans and Title IV Plans (as applicable), have been made available to Purchaser (A) any plans an related trust documents, and all amendments

thereto, (B) the most recent Forms 5500 for the past three (3) years and schedules thereto, (C) the most recent financial statements and actuarial valuations for the past three (3) years, (D) the most recent IRS determination letter, (E) the most recent summary plan descriptions (including letters or other documents updating such descriptions) and (F) written descriptions of all non-written agreements relating to the Employee Benefit Plans and Title IV Plans (collectively, the “Pension Plans”).

(d) Except as set forth on Schedule 4.15(d), each of the Employee Benefit Plans and Title IV Plans intended to qualify under Section 401 of the Code (“Qualified Plans”) has been determined by the IRS to be so qualified, and, to the Knowledge of Debtors, nothing has occurred with respect to the operation of any such plan which could reasonably be expected to result in the revocation of such favorable determination.

(e) All contributions and premiums required by law or by the terms of any Employee Benefit Plan or Title IV Plan or any agreement relating thereto have been timely made (taking into account any waivers gained with respect thereto) to any funds or trusts established thereunder or in connection therewith in all material respects.

(f) Except as set forth on Schedule 4.15(f), none of the Employee Benefit Plans which are “welfare benefit plans” within the meaning of Section 3(1) of ERISA provide for continuing benefits or coverage of any participant or any beneficiary of a participant post-termination of employment except as may be required under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”) and except as may be required under the Retiree Health Plan.

(g) Except as set forth on Schedule 4.15(g), each of the Employee Benefit Plans and Title IV Plans has been maintained, in all material respects, in accordance with the terms and all provisions of applicable Law, including but not limited to ERISA and the Code.

(h) Except as set forth on Schedule 4.15(h), and as required by the KERP, the KEIP and the Debtors’ Defined Benefit Pension Plan, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment being due to any employee of any Debtor, (ii) increase any benefits otherwise payable under any Employee Benefit Plan or Title IV Plan, or (iii) result in the acceleration of the time of payment or vesting of any such benefits.

4.16 Labor Matters.

(a) Except for the agreements identified on Schedule 4.16(a), no Debtor is a party to any labor or collective bargaining agreement with respect to its employees. None of the Identified Employees is represented by a union or other labor organization and, to the Knowledge of Debtors, there is not presently and has not been at any time during the preceding six (6) months any union organizing activity or written demand or petition for recognition by or on behalf of any union or other labor organization, with respect to any of the Identified Employees.

(b) There are no unfair labor practice charges, grievances or complaints pending or, to the Knowledge of Debtors, threatened by or on behalf of any employee or group of employees of Debtors, except as would not have a Material Adverse Effect.

(c) Except as set forth on Schedule 4.16(c), Debtors are not delinquent in payments to any Identified Employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed by Debtors as of the date hereof or amounts required to be reimbursed to the Identified Employees.

(d) Prior to the date hereof, Debtors have not taken any action relating to the Business at any single site of employment in the 90-day period prior to the Closing Time that would constitute a “mass layoff” or “plant closing” within the meaning of the WARN Act, or any similar applicable state or local Law.

4.17 Litigation. Except with respect to the Cases and as set forth in Schedule 4.17, there are no Proceedings pending or, to the Knowledge of Debtors, threatened against any Debtor before any Governmental Unit, which, (a) if adversely determined, would have a Material Adverse Effect, or (b) that would reasonably be expected to materially and adversely affect the ownership, operation or management of the Business by the Buyer from and after the Closing or materially impair Buyer’s rights in and to, or use of, the assets of the Debtors from and after the Closing. As of the date of this Agreement and except as described on Schedule 4.17 of the Debtors’ Disclosure Schedule, there is no Order to which any of the Debtors are subject.

4.18 Compliance with Laws; Permits.

(a) Except as set forth on Schedule 4.18(a), Debtors are in compliance with all Laws of any Governmental Unit, applicable to their respective operations or assets or the Business, except where the failure to be in compliance would not have a Material Adverse Effect and except with respect to Environmental Laws, which are represented and warranted to in Section 4.19. Except as set forth on Schedule 4.18 (a), none of Debtors has received any written notice of or been charged with the violation of any Laws, except where such violation would not have a Material Adverse Effect.

(b) Debtors currently have all material Permits which are required for the operation of the Business at each of the Owned Real Property and Leased Real Properties as presently conducted. Except as set forth on Schedule 4.18(b), none of Debtors is in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) of any terms, condition or provision of any Permit to which it is a party, except where such default or violation would not have a Material Adverse Effect and except with respect to Environmental Laws, which are represented and warranted to in Section 4.20.

(c) Except as set forth on Schedule 4.18(c), and except with respect to Environmental Laws, which are represented and warranted to in Section 4.19, Debtors, within the previous five (5) years, have not received, and to the Knowledge of Debtors there is no basis for any Debtor to receive a notice from any Governmental Unit of any violation or alleged violation of any applicable statutes, ordinances, orders, rules and regulations promulgated by any U.S. federal, state, municipal, non-U.S. or other Governmental Unit which apply to the conduct

of its business except where such violation or alleged violation would not have a Material Adverse Effect.

4.19 Environmental Matters. Except as set forth on Schedule 4.19 hereto and except in each case as would not have a Material Adverse Effect:

(a) the operations of each Debtor are in compliance with all applicable Environmental Laws and all material Permits issued pursuant to Environmental Laws or otherwise;

(b) each Debtor has obtained all material Permits required under all applicable Environmental Laws necessary to operate its business and shall provide Buyer with a list of all such Permits prior to Closing;

(c) none of Debtors is the subject of any outstanding written order or Contract with any Governmental Unit or person respecting Environmental Laws.

(d) none of Debtors has received any written communication alleging either or both that any Debtor may be in violation of any Environmental Laws, or any Permit issued pursuant to Environmental Laws, or may have any liability under any Environmental Laws;

(e) to the Knowledge of Debtors, there are no investigations of the Business, or currently or previously owned, operated or leased property of any Debtor or of any property to which any Debtor sent Hazardous Materials for disposal pending or threatened which would reasonable be expected to result in the imposition of any material liability pursuant to any Environmental Laws; and

(f) there are no Hazardous Materials on, at, under or migrating from the Owned Real Property or the Distribution Center except as in material compliance with Environmental Laws.

4.20 Accounts Receivable. All of Debtors' Accounts Receivable arising since the Balance Sheet Date arose from bona fide transactions in the ordinary course of business, and the goods and services involved have been sold, delivered and performed to the account obligors, and no further filings (with Governmental Units, insurers or others) are required to be made, no further goods are required to be provided and no further services are required to be rendered in order to complete the sales and fully render the services and to entitle Debtors to collect the Accounts Receivable in full. Except as set forth on Schedule 4.20, no Accounts Receivable have been assigned or pledged to any other Person, firm or corporation, and, except only to the extent fully reserved against as set forth in the Balance Sheet, no defense or set-off to any such account has been asserted by the account obligor or exists.

4.21 Inventory. As of the Effective Date, the Inventory shall consist of items of a quality, mix, condition and quantity consistent with normal seasonally adjusted Inventory levels of Debtors and be usable and saleable in the ordinary an usual course of business for the purposes for which intended. Each of Debtor's inventory is valued on its books of account in accordance with GAAP (using the retail inventory method) at the lower of cost or market, and the value of obsolete materials, materials below standard quality and slow-moving materials

have been written down in accordance with GAAP net of amounts due to/from exchange partners.

4.22 Significant Suppliers. Schedule 4.22 sets forth the 75 top merchandise suppliers of Debtors during the fiscal year ended December 31, 2013 (the “Significant Suppliers”), together with the dollar amount of products purchased by such Debtor from each such supplier during such period. Except as otherwise set forth in Schedule 4.22 and as may be affected by the filing of the Cases, and except as otherwise would not have a Material Adverse Effect, Debtors maintain good relations with all Significant Suppliers, joint venture partners, landlords, vendors and other parties with whom Debtors have significant relations, and no such party has canceled, terminated or, to the Knowledge of Debtors, made any threat to any Debtor to cancel or otherwise terminate or materially adversely modify the terms of its contracts or relationships with such Debtor or to materially decrease its services or supply of merchandise to such Debtor that will result in a Materially Adverse Effect.

4.23 Insurance. Schedule 4.23 hereto is a complete and correct list of all insurance policies (including, without limitation, fire, liability, product liability, workers’ compensation and vehicular) presently in effect that relate to Debtors or their respective properties, all of which have been in full force and effect from and after the inception date(s) set forth on Schedule 4.23. Such policies are sufficient for compliance by Debtors with all applicable material Laws and all Material Contracts. Except as set forth on Schedule 4.23, none of the insurance carriers, to the Knowledge of Debtors, has indicated to any of Debtors an intention to cancel any such policy or to materially increase any insurance premiums (including workers’ compensation premiums). Except as set forth on Schedule 4.23, during the prior two (2) years, all notices required to have been given by Debtors to any insurance company have been timely and duly given, except where the failure to do so would have a Material Adverse Effect, and no insurance company has asserted that any claim by or against Debtor is not covered by the applicable policy relating to such claim.

4.24 Banks. Schedule 4.24 contains a complete and correct list of the names and locations of all banks in which any Debtor has accounts or safe deposit boxes and the names of all persons authorized to draw thereon or to have access thereto. Except as set forth in Schedule 4.24, no Person holds a power of attorney to act on behalf of any Debtor with respect to any such accounts or safe deposit boxes.

4.25 Brokers. Except as set forth on Schedule 4.25, Debtors do not have any obligation to pay any fees, commissions or other similar compensation to any broker, finder, investment banker, financial advisor or other similar Person in connection with the Transactions.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Debtors as follows:

5.1 Organization and Good Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and has full

corporate power and authority to own, lease and operate its properties and carry on its business as it is now being conducted.

5.2 Execution and Effect of Agreement. Buyer has the requisite corporate power and authority to enter into this Agreement and the Escrow Agreement and to perform its obligations hereunder, and the execution and delivery of this Agreement and the consummation of the Transactions and the performance of Buyer's obligations hereunder have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and constitutes (assuming the due and valid authorization, execution and delivery thereof by the other parties thereto and the entry of approval of this Agreement and the Transactions by the Bankruptcy Court pursuant to the Confirmation Order) the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

5.3 No Contravention. Neither the execution and delivery of this Agreement nor the consummation of the Transactions will (i) violate or conflict with any provision of Buyer's certificate of formation or limited liability agreement, (ii) (with or without the giving of notice or the lapse of time or both) violate, or result in a breach of, or constitute a default under, or conflict with, or accelerate the performance required by, any of the terms of any material Contract to which Buyer is a party or by which it is bound, or (iii) violate or conflict with any Order of any Governmental Unit or arbitrator, or any Law applicable to Buyer.

5.4 Third Party Approvals. The execution, delivery and performance by Buyer of this Agreement and the Transactions do not require any consents, waivers, authorizations or approvals of, or filings with, any third Persons which have not been obtained by Buyer.

5.5 Funds. Buyer, as of the Closing, will have sufficient unrestricted funds to consummate the transactions contemplated by this Agreement.

5.6 As Is Transaction. BUYER HEREBY ACKNOWLEDGES AND AGREES THAT EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT, (i) THE SHARES AND ASSETS BEING ACQUIRED THROUGH THE PURCHASE OF THE SHARES PURSUANT TO THIS AGREEMENT ARE BEING SOLD ON AN "AS IS", "WHERE IS" BASIS WITH RESPECT TO DEBTORS AND (ii) NO DEBTOR MAKES ANY OTHER REPRESENTATIONS OR WARRANTIES, INCLUDING MERCHANTABILITY, FITNESS OR OTHERWISE WITH RESPECT TO ANY OF SUCH SHARES OR ASSETS.

ARTICLE VI

COVENANTS OF THE PARTIES

6.1 Conduct of Business Pending the Closing.

Except as required pursuant to an Order of the Bankruptcy Court, during the period from the Agreement Date and continuing until the earlier of the termination of this Agreement in accordance with its terms or the Closing,

(a) each of the Debtors shall use its commercially reasonable efforts to: (i) operate the Business in the ordinary course of business, including ordering and purchasing of Inventory, entering into contracts, incurring capital, sales and marketing expenditures each in the ordinary course of business consistent with past practice and in accordance with the DIP Budget, and operating the Debtors' gift card program in the ordinary course of business, consistent with past practice, (ii) preserve in all material respects the assets of the Debtors (excluding sales of Inventory in the ordinary course of business and Permitted Dispositions), and (iii) preserve its current relationships with Governmental Units, customers, suppliers, partners, landlords, lessors, licensors, licensees, vendors, contractors, distributors, agents, officers and employees and others having business dealings with the Business; provided that each of clauses (i) through (iii) above shall take into account, in each case, the commencement of the Cases and the fact that the Business is operating while in bankruptcy; and

(b) without limiting the generality of Section 6.1(a), the Debtors shall not:

(i) sell, lease (as lessor), transfer or otherwise dispose of any assets (or permit to become subject to any Lien, other than Permitted Liens), Liens arising under any Bankruptcy Court orders relating to the use of cash collateral (as defined in the Bankruptcy Code), Liens arising pursuant to the DIP Credit Facility and Liens that will be discharged and removed and not be enforceable against any asset of the Debtors following the Closing in accordance with the Confirmation Order, other than (A) the sale of Inventory in the ordinary course of business, (B) the collection of receivables, (C) the use of prepaid assets in the conduct of the Business in the ordinary course of business, (D) Permitted Dispositions, (E) making adequate protection payments required by the Bankruptcy Code and approved by the Bankruptcy Court;

(ii) initiate any Store closing sales or closures on or after the date hereof (other than to relocate any Store within any mall or airport location contemporaneously with such closure, with prior written notice to Buyer);

(iii) increase the compensation payable or benefits provided to any director of any Debtors or any of their Affiliates or to any Identified Employee, or adopt, modify or amend any Debtor Benefit Plan (which for purposes of this section shall include any non-competition or similar agreement), other than (A) as required by the terms of any Contract or Debtor Benefit Plan in effect on the date of this Agreement, (B) as provided in the KEIP and KERP approved by the Bankruptcy Court on May 12, 2014, (C) increases for nonexecutive management Identified Employees in the ordinary course of business that are not material in the aggregate, or (D) any termination of, or reduction in benefits payable under, a Debtor Benefit Plan prior to the Closing with the written consent of Buyer;

(iv) solely with respect to any action which could have an adverse effect on Buyer, or its operation, management or ownership of the Business following the Closing, make or rescind any material election relating to Taxes, settle or compromise any material claim, action, suit, litigation, Proceeding, arbitration, investigation, audit or controversy relating to Taxes, or, except as required by applicable Law or GAAP, make any material change to any of its methods of Tax accounting, methods of reporting

income or deductions for Tax or Tax accounting practice or policy from those employed in the preparation of its most recent Tax Returns;

(v) acquire any material assets or properties or make any other material investment in each case outside the ordinary course of business, except as may otherwise be required by the terms of any Contract in effect as of the Agreement Date as set forth on Schedule 6.1(v);

(vi) enter into or agree to enter into any merger or consolidation with any corporation or other entity;

(vii) except in the ordinary course of business, cancel or compromise any material debt or claim or waive or release any material right, in each case, that is a debt, claim or right that of any Debtor;

(viii) introduce and/or implement any material change with respect to the operation of the Business, including any material change in the types, nature, composition or quality of products or services sold in the Business or the Customer Programs;

(ix) enter into, amend or terminate any Non-Real Property Contract (other than in the ordinary course of business consistent with past practice and that in the aggregate will not result in a Material Adverse Effect) or Real Property Lease without the prior written consent of Buyer;

(x) materially alter the Inventory allocation, quality and mix from that maintained by the Business in the ordinary course of business consistent with past practice prior to the commencement of the Case;

(xi) [Intentionally Omitted];

(xii) make any payments with respect to any KEIP or KERP in an amount in excess of \$2,640,000;

(xiii) make any payments or incur any indebtedness not otherwise provided for in the DIP Credit Facility or the DIP Budget;

(xiv) issue any discounted gift cards or similar promotional certificates, except in the case of any promotional certificates issued in the ordinary course of business consistent with past practice;

(xv) implement any employee layoffs that would reasonably be expected to implicate the WARN Act;

(xvi) maintain Store Cash otherwise than in a manner and at levels in the ordinary course of business consistent with past practice;

(xvii) file any motion, application or pleading with the Bankruptcy Court (including any modifications or amendments thereof) that, in whole or in part, is not

consistent in any material respect with this Agreement, the RSA, or the Plan agree or commit to do any of the foregoing; or

(xviii) agree or commit to do any of the foregoing.

6.2 Bankruptcy Court Orders.

(a) [Intentionally Omitted].

(b) [Intentionally Omitted].

(c) Each Debtor shall use commercially reasonable efforts to comply with all the Milestones.

(d) The Debtors shall give notice under the Bankruptcy Code of the request for the relief specified in the Disclosure Statement Motion, of the Confirmation Hearing and the Effective Date, any request to assume or reject all Contracts, and any bar date motions, to all creditors and parties in interest entitled to notice thereof pursuant to the Bankruptcy Code, the Bankruptcy Rules, the local rules of the Bankruptcy Court, and orders of the Bankruptcy Court, including all Persons that have asserted Liens in of the Debtors' assets, and all non-debtor parties to the Assumed Non-Real Property Contracts and the Assumed Real Property Leases, and other appropriate notice, including such additional notice as the Bankruptcy Court shall direct or as the Buyer may reasonably request, and provide appropriate opportunity for hearing, to all parties entitled thereto, of all motions, orders, hearings, or other Proceedings in the Bankruptcy Court relating to this Agreement, the Transactions, the Disclosure Statement Motion, and confirmation of the Plan.

(e) The Debtors have served or will serve a cure notice (the "Cure Notice") by first class mail on all non-debtor counterparties to Non-Real Property Contracts and Real Property Leases. The Cure Notice will inform each recipient that its respective Non-Real Property Contract or Real Property Lease may be designated by Buyer as either assumed or rejected, and the timing and procedures relating to such designation, and, to the extent applicable (i) the title of the Non-Real Property Contract or Real Property Lease, (ii) the name of the counterparty to the Non-Real Property Contract or Real Property Lease, (iii) the Debtors' good faith estimates of the cure amounts required in connection with such Non-Real Property Contract or Real Property Lease, (iv) the identity of Buyer, (v) the deadline by which any such Non-Real Property Contract or Real Property Lease counterparty must file an objection to the proposed assumption and assignment and/or cure, and the procedures relating thereto, and (vi) that such Non-Real Property Contract or Real Property Lease counterparty's failure to object timely to the proposed assumption or cure amount will be deemed to be consent to such assumption and to the Debtor's scheduled cure amount.

(f) Each Debtor shall use commercially reasonable efforts to provide draft copies of all documents, motions, orders, procedures, agreements and other papers the Debtors intend to file with the Bankruptcy Court to the Buyer and its counsel no later than three (3) days prior to the date the Debtors intend to file any such document, motion, order, procedure, agreement or other paper, other than the Disclosure Statement, the Plan and the Plan Supplement, which shall be provided within a longer reasonable time, and shall use

commercially reasonable efforts to consult in advance in good faith with the Buyer regarding the form and substance of any such proposed filings with the Bankruptcy Court.

(g) If the Disclosure Statement Order, the Confirmation Order or any other orders of the Bankruptcy Court relating to this Agreement, the Transactions or confirmation of the Plan shall be appealed by any Person (or if any petition for certiorari or motion for reconsideration, amendment, clarification, modification, vacation, stay, rehearing or reargument shall be filed with respect to the Bidding Procedures Order, the Disclosure Statement Order, the Confirmation Order, or other such order), subject to rights otherwise arising from this Agreement, the Debtors, at their cost and expense, shall use their commercially reasonable efforts to prosecute such appeal, petition or motion and obtain an expedited resolution of any such appeal, petition or motion.

(h) The Debtors have or shall cause to be served a notice of the First Administrative Expense Claim Bar Date and Priority Claim Bar Date to all applicable creditors and parties in interest.

6.3 Access.

(a) From the date hereof until the Closing, Debtors (i) shall give Buyer and its Representatives reasonable access during normal business hours to certain specified office space and to the offices, properties, officers, employees, accountants, auditors, counsel (other than counsel to Debtors in connection with the Cases) and other representatives, books and records of Debtors, (ii) shall furnish to Buyer and its Representatives all management, financial, sales, inventory and other reports generated on a monthly or weekly basis, financial projections and other reports provided to senior management and to any lender under any DIP Credit Facility, (iii) shall instruct any lender under any DIP Credit Facility to provide to the Buyer any reports or other information that such lender provides to the Debtors, (iv) shall furnish to Buyer and its Representatives such other financial, operating and property related data of the Debtors and the Business and such and other information as such persons reasonably request, and (v) provide regular access to Debtors' senior management, counsel, financial advisors and other Representatives and shall cause Debtors' employees, counsel, financial advisors and other Representatives to cooperate reasonably with Buyer in its investigation of the Business. All such information shall be provided subject to the provisions of the Confidentiality Agreements.

(b) From and after the Closing, Buyer shall give Debtors and Debtors' Representative and the Brookstone Noteholders Representative, for a period not to exceed one hundred twenty (120) days (or with respect to the wind down of the Cases, such other reasonably additional time period to complete such wind down activities) with reasonable access to certain specified office space during normal business hours to provide Debtors and the Brookstone Noteholders Representative with access to the books and records pertaining to the Business; provided that, the Debtors and the Brookstone Noteholders Representative and each of their respective Advisors shall use their commercially reasonable efforts to minimize any disruption to the Buyer's operation of the Business and the foregoing activities shall be subject to the restrictions and conditions commensurate with those set forth in Section 6.3(a). Buyer shall, and shall cause each of its Affiliates to, cooperate with Debtors as may reasonably be requested by Debtors for such purposes. Any other provision of this Agreement notwithstanding, Debtors' rights under this Section 6.3(b) are fully assignable by Debtors to any estate representative,

including without limitation an official committee, trustee, litigation trust or similar Person empowered by the Bankruptcy Court or applicable law to discharge any administrative rights or duties in the Cases. The Debtors will reimburse the Buyer for the cost of any of its employee's time in providing the foregoing services to the Debtors and its Representatives and for any out-of-pocket costs and expenses that the Buyer may incur in providing such services.

6.4 Certain Expenses. Except for Cure Amounts payable by Buyer pursuant to Section 6.8, all costs and expenses payable in connection with obtaining any Consents necessary to transfer, convey and assign to Buyer the Shares, the assumption of any of the Assumed Real Property Leases, the Assumed Non-Real Property Contracts or with respect to any Joint Ventures shall be paid by the Debtors. Promptly following the date hereof, the Debtors shall use their commercially reasonable efforts to obtain, and Buyer shall reasonably cooperate in obtaining, prior to the Effective Date all such Consents and authorizations from Governmental Units including payment of any applicable Cure Amounts (other than payment of any Cure Amounts payable by Buyer pursuant to Section 6.8); provided, that Buyer's reasonable cooperation shall not require Buyer to (a) pay or reimburse any fees, costs, expenses requested or required by any third party or Governmental Unit in connection with obtaining such Consents and authorizations (other than payments of Cure Amounts otherwise payable by Buyer pursuant to Section 6.8), and (b) not require Buyer to consent to or approve any material changes to the Assumed Non-Real Property Contracts and the Assumed Real Property Leases that are requested or required by any third party or Governmental Unit in connection with obtaining such Consents and authorizations of any Governmental Unit.

6.5 Confidentiality; Privacy.

(a) From and after the Closing, Debtors will treat and hold as confidential all of the Confidential Information and will not, directly or indirectly, without the prior written consent of Buyer, disclose or use any Confidential Information except in connection with this Agreement and as provided in paragraphs (i), (ii) and (iii) below:

(i) Each Debtor's obligation not to disclose Confidential Information shall not apply to Confidential Information that it shall be required or requested to disclose by Law; provided, however, that such Debtor shall notify Buyer promptly to the extent legally permissible and practical (and, if possible, prior to making such disclosure) so that Buyer may seek confidential treatment or protection of such Confidential Information at Buyer's sole cost and expense.

(ii) Each Debtor's obligation not to disclose Confidential Information shall be suspended for the duration of its applicable Case with respect to Confidential Information that such Debtor is required to disclose in such Case.

(b) In the event that any Debtor is requested or required (by oral question or request for information or documents) in any Proceeding to disclose any Confidential Information, Debtors will notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order at Buyer's sole cost and expense or waive compliance with the provisions of this Section 6.5.

(c) Notwithstanding anything else in this Agreement, from and after the Closing, all parties to this Agreement hereby agree and acknowledge that each of them (and each of their employees, representatives or other agents) is authorized to disclose to any and all Persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the United States federal income tax treatment and tax structure of the transactions contemplated by this Agreement, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such United States federal income tax treatment and tax structure, except to the extent that such disclosure is subject to restrictions reasonably necessary to comply with securities laws.

(d) From and after the Closing, Buyer shall use all data of the Debtors that is in a format that allows such data to be identified to the recognizable name, address or other recognizable attributes of a natural person in accordance with the terms and conditions of any applicable privacy policy or statement published by Debtors prior to the commencement of the Cases or as otherwise permitted by Law.

6.6 Public Announcements. From the Agreement Date until the earlier of the Closing or the termination of this Agreement, Buyer and the Company will consult with each other before issuing, and provide each other the reasonable opportunity to review and comment upon, any press release, any court filing or pleading filed with the Bankruptcy Court relating primarily to this Agreement or the transactions contemplated hereby, or other public statements with respect to the transactions contemplated by this Agreement, and no Debtor shall issue any such press release or make any such public statement without the prior written approval of the Buyer, in each case except as may be required by Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or the posting by the Debtors on its website or its claim agent's website of a Current Report on Form 8-K or comparable disclosure statement reporting the occurrence of, among other things, the filing of the Cases and the Debtors entering into this Agreement. Buyer and each Debtor shall use its commercially reasonable efforts to cause its Affiliates, employees, officers and directors to comply with this Section 6.6.

6.7 Property Leases and Other Material Contracts. All obligations and liabilities arising under or in connection with each of the Real Property Leases and Non-Real Property Contracts including, but not limited to, any and all mortgage payments, base rent, percentage rent, additional rent, common area maintenance, utilities, real estate and other taxes, maintenance and repairs, and any other charges arising or accruing thereunder, shall be the responsibility of Debtors for the period commencing on the Petition Date through the Closing (the period between the Petition Date and the Closing being the "Pre-Closing Period"). Debtors shall pay when due any and all amounts, liabilities and other obligations due and owing with respect to the Real Property Leases and Non-Real Property Contracts allocable to the Pre-Closing Period at such times and in such amounts as are required under the Property Leases. Without the consent of Buyer, Debtors shall not enter into, extend, modify, amend, reject or otherwise terminate any Real Property Leases or enter into any material modification to any material Non-Real Property Contract not in the ordinary course of business, or grant any party a lien (other than Permitted Liens) or security interest in any Leased Real Properties, Owned Real Property or Distribution Center other than pursuant to the DIP Credit Facility.

6.8 Cure of Defaults. Schedule 6.8 sets forth the estimated amount of Cure Amounts for each Real Property Lease and Non-Real Property Contract. On the Effective Date or as soon thereafter as is practicable, with respect to Cure Amounts not disputed as of the Confirmation Date, Buyer shall pay all Cure Amounts to the applicable counter-party. With respect to Cure Amounts that are disputed by the Debtors or the Buyer as of the Confirmation Date, the parties shall cooperate and diligently pursue resolution of such disputes through the Effective Date. From and after the Effective Date, upon resolution of any such dispute as to the Cure Amount payable to any counter-party, such Cure Amount shall be paid by Buyer. Upon payment by the Buyer of the aforesaid Cure Amounts, all defaults under the Assumed Non-Real Property Contracts and Assumed Real Property Leases (monetary or otherwise) and all actual or pecuniary losses that have or may have resulted from such defaults shall be deemed cured, including but not limited to any tax, rental obligation, common area maintenance, percentage rent, base rent or utility payments, whether or not such obligation became due, or accrued, after the effective date of the assignment of such Assumed Non-Real Property Contracts and Assumed Real Property Leases, as the case may be.

6.9 Employment Matters.

(a) Effective as of the Closing, the employment of the Continuing Employees shall continue on such terms as Buyer shall determine in its sole discretion, but which terms initially shall be substantially comparable to the salary and wages existing on the Agreement Date and shall provide for health care insurance and other benefits substantially comparable to the health care insurance and other benefits provided by the Debtors as of the Agreement Date. The Continuing Employees shall carry over as of the Effective Date their respective Identified Employees PTO Payable. From and after the Effective Date, any Continuing Employee shall thereafter be granted any paid time off, sick and personal time solely in accordance with Buyer's Affiliates plans and policies prorated for calendar year 2014 to reflect the date on which the Closing occurs. The Debtors shall not enforce against any Continuing Employee any confidentiality, non-compete, non-solicit or similar contractual obligations, or otherwise assert with respect to any such Continuing Employee or Buyer or any of its Affiliates claims that would otherwise prohibit or place conditions on any such Continuing Employee's employment by Buyer with a Reorganized Debtor, any such Continuing Employee's continued employment as aforesaid, or any actions taken by any such Continuing Employee as an employee of a Reorganized Debtor.

(b) The Debtors shall process the payroll and shall be liable for, and shall pay, or cause to be paid, all base wages and base salary and employee/employment related Liabilities that accrued prior to the Effective Date with respect to all Identified Employees.

(c) Prior to the Effective Time, the Debtors shall terminate the employment of all employees working in any Store operated by Debtors subject to a Real Property Lease that is not being assumed by the Debtors at direction of Buyer. The Debtors shall pay all amounts owed to such employees in connection with their terminations of employment (including all amounts owed pursuant to the KERP and the KEIP), other than Identified Employees PTO Payables (which are the responsibility of Buyer). For the avoidance of doubt, such individuals are not Continuing Employees hereunder.

(d) Prior to the Effective Time, the Debtors shall reject all employment agreements, offer letters and similar agreements with any Continuing Employee.

(e) Nothing contained herein shall be construed as requiring, and neither the Debtors nor any of their Affiliates shall take any affirmative action that would have the effect of requiring Buyer to continue any specific employee benefit plan of the Debtors or to continue the employment of any specific person. Nothing in this Agreement is intended to establish, create or amend, nor shall anything in this Agreement be construed as establishing, creating or amending, any employee benefit plan, practice or program of Buyer, any of its Affiliates or any Debtor Benefit Plan, nor shall anything in this Agreement create or be construed as creating any contract of employment or as conferring upon any Continuing Employee or upon any other person, other than the Parties to this Agreement in accordance with its terms, any rights to enforce any provisions of this Agreement under ERISA or otherwise. No provision of this Agreement shall create any third party beneficiary rights in any Continuing Employee, any beneficiary or dependents thereof, or any collective bargaining representative thereof, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any Continuing Employee by a Reorganized Debtor or under any benefit plan which any Affiliate of Buyer may maintain, or otherwise.

6.10 Payment of Transfer Taxes and Tax Filings.

(a) The Plan and the Confirmation Order shall provide, pursuant to Section 1146(a) of the Bankruptcy Code, that any transfers of property under the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or similar tax or governmental assessment. Upon entry of the Confirmation Order, the appropriate state or local government officials or agents shall forego the collection of any such tax, fee or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without payment of any such tax, recordation fee or governmental assessment.

(b) If the Confirmation Order does not provide for an exemption under Section 1146(a) of the Bankruptcy Code, then all Transfer Taxes arising out of the transfer of the Shares and any Transfer Taxes required to effect any recording or filing with respect thereto shall be borne by Debtors. The Transfer Taxes shall be calculated assuming that no exemption from Transfer Taxes is available, unless otherwise indicated in the Confirmation Order or, at Closing, Debtors or Buyer, as appropriate, provides an appropriate resale exemption certificate or other evidence acceptable to Buyer or Debtors, as appropriate, of exemption from such Transfer Taxes. Debtors and Buyer shall cooperate to timely prepare and file any Tax Returns relating to such Transfer Taxes, including any claim for exemption or exclusion from the application or imposition of any Transfer Taxes. Debtors shall pay all Transfer Taxes and shall file all necessary documentation and returns with respect to such Transfer Taxes when due, and shall promptly, following the filing thereof, furnish a copy of such return or other filing and a copy of a receipt showing payment of any such Transfer Tax to Buyer. Each party hereto shall furnish or cause to be furnished to the other, upon request, as promptly as practicable, such information and assistance relating to the assets of the Debtors and the Business as is reasonably necessary for filing of all Tax Returns, including any claim for exemption or exclusion from the application or imposition of any Taxes or making of any election related to Taxes, the

preparation for any audit by any taxing authority and the prosecution or defense of any claim, suit or proceeding relating to any Tax Return.

6.11 Proration of Taxes and Certain Charges.

(a) All real property Taxes, personal property Taxes or similar *ad valorem* obligations (and no other Taxes) levied with respect to the assets of Debtors for any taxable period that includes a day before the Effective Date and ends after the Effective Date, whether imposed or assessed before or after the Effective Date, shall be prorated between Debtors and Buyer as of the Effective Date and credited or debited against the Closing Cash Payment as appropriate. Debtors shall be responsible for the payment of all Taxes incurred or accrued through the Effective Date and Buyer shall be responsible for the payment of all Taxes incurred or accrued after the Effective Date. If any such Taxes subject to proration are paid by Buyer, on the one hand, or Debtors, on the other hand, the proportionate amount of such Taxes paid (or in the event a refund of any portion of such Taxes previously paid is received, such refund) shall be paid promptly by (or to) the other after the payment of such Taxes (or promptly following the receipt of any such refund).

(b) Except as otherwise expressly provided herein, all rental payments, installments of special assessments or other charges on or with respect to the assets of Debtors payable by Debtors for any period in which the Effective Date shall occur, including base rent, percentage rents, common area maintenance, all municipal, utility or authority charges for water, sewer, electric or gas charges, garbage or waste removal, and cost of fuel, shall be apportioned as of the Effective Date and each party shall pay its proportionate share promptly upon the receipt of any bill, statement or other charge with respect thereto. Debtors shall be responsible for the payment of all such charges incurred or accrued through the Effective Date. With respect to such charges for the month of July, paid by the Debtors prior to the Effective Date, Buyer shall reimburse Debtors for such charges for such payments made with respect to the period from the Effective Date to the end of July, 2014. If such charges or rates are assessed either based upon time or for a specified period, such charges or rates shall be prorated as of the Effective Date. If such charges or rates are assessed based upon usage of utility or similar services, such charges shall be prorated based upon meter readings taken on the Effective Date.

6.12 Reasonable Efforts; Notification.

(a) Each of the parties will use reasonable efforts to take, or cause to be taken, all actions and use reasonable efforts to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things which to its Knowledge are necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, including: (i) the obtaining of all other necessary actions, non-actions, waivers, and Permits from Governmental Units and the making of all other necessary registrations and filings, (ii) the obtaining of all Necessary Consents, approvals or waivers from third parties (which in the case of Buyer shall not require Buyer to assume any Liability or incur any expense), and (iii) the execution and delivery of any additional certificates, agreements, instruments, reports, schedules, statements, consents, documents and information necessary to consummate the transactions contemplated by this Agreement.

(b) Except as required by Law, each party hereto shall promptly inform the other of any communication from any Governmental Unit regarding any of the transactions contemplated by this Agreement. If any party hereto or Affiliate thereof receives a request for additional information or documentary material from any such Government Unit with respect to the transactions contemplated by this Agreement, then such party will use its reasonable efforts to make, or cause to be made, as soon as reasonably practicable and after consultation with the other party, an appropriate response in compliance with such request.

6.13 Rejected Contracts. No Debtor shall reject or permit to be deemed rejected any Non-Real Property Contract or Real Property Leases without the prior written consent of Buyer.

6.14 Adequate Assurances. Buyer will cooperate with the Debtors in communicating with third parties to the Assumed Non-Real Property Contracts and Assumed Real Property Leases as may be reasonably necessary to satisfy the requirement of adequate assurance of future performance contained in sections 365(b)(1)(C) of the Bankruptcy Code.

6.15 Further Assurances. Subject to the terms and conditions herein provided, following the Closing, Debtors shall execute and deliver to Buyer such bills of sale, endorsements, assignments and other good and sufficient instruments of assignment, transfer and conveyance, in form and substance reasonably satisfactory to Buyer, as shall be reasonably necessary to vest in Buyer all of Debtors' right, title and interest in and to the Shares or to otherwise carry out and give effect to the Transactions. Debtors shall provide copies or otherwise make available to Buyer and Buyer's Representatives, all information and records (financial and otherwise) relating to, or otherwise used or useful in the Business.

6.16 Regulatory Approval.

(a) Each of Debtors and Buyer will use commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all federal, state and foreign regulatory bodies and officials that may be or become necessary for the performance of its obligations pursuant to this Agreement or the Assumption Agreement and will cooperate fully with the other party in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(b) If, in order to properly prepare documents required to be filed with governmental authorities or its financial statements, it is necessary that either Debtors or Buyer be furnished with additional information relating to the Debtors, their assets or Business, and such information is in the possession of the other party, such party agrees to use commercially reasonable efforts to furnish such information in a timely manner to such other party, at the cost and expense of the party being furnished such information.

(c) No party hereto shall independently participate in any formal meeting with any Governmental Unit in respect of any such filings, investigation, or other inquiry without giving the other parties hereto prior notice of the meeting and, to the extent permitted by such Governmental Unit, the opportunity to attend and/or participate. Subject to applicable Law, the parties hereto will consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party hereto relating such proceedings. Debtors and Purchaser

may, as each deems advisable and necessary in good faith, reasonably designate any competitively sensitive material provided to the other under this Section 6.16 as “outside counsel only.” Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials from Debtors or Buyer, as the case may be.

(d) Each of Buyer and Debtors shall use its commercially reasonable efforts to resolve any objections, if any, as may be asserted by any Governmental Unit with respect to the Transactions and any United States federal or state or foreign statutes, rules, regulations, orders, decrees, administrative or judicial doctrines or other laws. In connection therewith, if any Proceeding is instituted (or threatened to be instituted) challenging the Transactions as is in violation of any Law, each of Buyer and Debtors shall cooperate and use its commercially reasonable efforts to contest and resist any such Proceeding, and to have vacated, lifted, reversed, or overturned any decree, judgment, injunction or other order whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, or restricts consummation of the Transaction, including by pursuing all available avenues of administrative and judicial appeal and all available legislative action, unless, by mutual agreement, Buyer and Debtors decide that litigation is not in their respective best interests.

6.17 COBRA. Prior to the Closing, Debtors will provide continuation coverage as required by COBRA to each employee or former employee of Debtors and to each M&A Qualified Beneficiary (as defined in Treasury Regulation Section 54.4970B-9) of any such employee or former employee. From and after the Closing, Buyer shall provide (or cause to be provided by an Affiliate) coverage under a group health plan to each M&A Qualified Beneficiary for the period required by COBRA.

6.18 Title Insurance and Surveys. As promptly as practicable hereafter, Debtor shall provide to Buyer all title insurance, commitments, policies and riders in Debtors’ possession with respect to all Owned Real Property and the Distribution Center.

6.19 Assignment of Contracts and Rights. Notwithstanding any other provision of this Agreement to the contrary, if the purchase of the Shares is deemed to be an assignment of any agreement requiring the consent of a third party that has not been obtained, it will not constitute an assignment of such agreement until such consent is obtained or obviated by an Order of the Bankruptcy Court. In such case, then Debtor and Buyer will cooperate in a mutually agreeable arrangement, to the extent feasible and at no cost or expense to Debtors, under which Buyer or Reorganized Debtors would obtain the benefits and assume the obligations under any such agreement in accordance with this Agreement, including subcontracting, sublicensing or subleasing to Buyer or any Reorganized Debtor, or under which Debtors would enforce for the benefit of, and at the direction of, Buyer or any Reorganized Debtor, the Debtor’s rights and obligations under such contract.

6.20 Collection of Accounts Receivable.

(a) As of the Effective Date, each Debtor hereby (i) authorizes Buyer to open any and all mail addressed to any Debtor relating to the Business or the assets of the Debtors and delivered to the offices of the Business or otherwise to Buyer if received on or after the Effective

Date and (ii) appoints Buyer or its attorney-in-fact to endorse, cash and deposit any monies, checks or negotiable instruments received by Buyer after the Effective Date with respect to Accounts Receivable of the Debtors or the Reorganized Debtors, as the case may be, made payable or endorsed to any Debtor, for Buyer's own account.

(b) As of the Effective Date, each Debtor agrees that any monies, checks or negotiable instruments received by any Debtor after the Effective Date with respect to Accounts Receivable (including, without limitation, Credit Card Receivables) of the Debtors or the Reorganized Debtors, as the case may be, shall be held in trust by such Debtor or Reorganized Debtor for Buyer's benefits and accounts, and promptly upon receipt by a Debtor of any such payment (but in any event within five (5) Business Days of such receipt), such Debtor shall pay over to Buyer, the Reorganized Debtor or its designee the amount of such payments.

6.21 Exclusivity. Following the conclusion of the Auction, the Debtors shall file a notice with the Bankruptcy Court designating Buyer as the "Winning Bidder" (as such term is defined in the Bidding Procedures Order) and seeking an order designating the Buyer as the Winning Bidder. Within five (5) Business Days of the Auction, the Bankruptcy Court shall enter an order ("Bidder Designation Order") which shall, among other things (a) designate Buyer as the "Winning Bidder"; (b) authorize and direct the Debtors to reasonably cooperate with Buyer in furtherance of the Transactions contemplated hereby and (c) provide that from the date of the conclusion of the Auction through and including the date on which the Bankruptcy Court enters the Confirmation Order, the Debtors shall not accept any other bid.

6.22 Automatic Stay. The Debtors acknowledge and agree and shall not dispute that the giving of notice of termination by any party pursuant to this Agreement shall not be a violation of the automatic stay of Section 362 of the Bankruptcy Code (and the Debtors hereby waive, to the greatest extent possible, the applicability of the automatic stay to the giving of such notice).

6.23 Notice of Events. During the period from the date of this Agreement until the Effective Date or the earlier termination of this Agreement, each party hereto shall promptly notify the other party hereto in writing as soon as such party becomes aware of the occurrence, or non-occurrence, of any event, condition or circumstance occurring at any time (whether before or after the date of this Agreement) which (a) has caused, or would reasonably be expected to cause, any representation or warranty made by such party in this Agreement to become untrue; provided, that, for purposes of this clause (a) any reference to the "Knowledge of Debtors" or similar qualification set forth in such representation or warranty shall be disregarded, (b) would constitute a violation or breach of this Agreement or cause any failure by such party to comply with or satisfy any covenant, Closing condition or agreement to be complied with or satisfied by such party hereunder or (c) would reasonably be expected to delay or otherwise materially affect the consummation of the Transactions.

6.24 Capitalization of Reorganized Holdings and other Reorganized Debtors as of the Effective Date. As of the Effective Date (a) the authorized capital stock of Reorganized Holdings will be as set forth in the certificate of incorporation of Reorganized Holdings, as amended to reflect the terms set forth on the applicable exhibit to the Plan, (b) the only shares of capital stock of that shall be issued and outstanding shall be the Shares, which shall have been issued in accordance with this Agreement and the Plan and all of which will be duly authorized,

validly issued, fully paid and nonassessable, (c) the Shares will be offered, issued, sold and delivered by the Company in compliance with all applicable Laws governing the issuance of securities, (d) there will be no (i) outstanding securities convertible or exchangeable into shares of capital stock or Equity Interests of Reorganized Holdings or any other Debtor; (ii) options, warrants, calls, subscriptions or other rights, agreements or commitments obligating Reorganized Holdings or any other Debtor to issue, transfer, repurchase, redeem, acquire or sell any shares of its capital stock or other equity securities; (iii) voting trusts or other agreements or understandings to which any Debtor is a party or by which any Debtor is bound with respect to the voting, transfer or other disposition of its shares of capital stock or other equity securities; or (iv) outstanding or authorized equity appreciation, phantom equity or similar rights with respect to any Debtor, and (e) no registration rights will be outstanding with respect to Reorganized Holdings' or any other Debtor's securities. Immediately following the Effective Date, Buyer and Reorganized Holdings shall file a certificate of merger with the Secretary of State of the State of Delaware, executed in accordance with the relevant provisions of Delaware Law, providing for the merger of Buyer with and into Reorganized Holdings pursuant to which (a) the separate corporate existence of Buyer shall cease, (b) Reorganized Holdings shall be the surviving corporation in the merger and shall continue its corporate existence under the laws of the State of Delaware and (c) all of the properties, rights, privileges, powers and franchises of Buyer will vest in Reorganized Holdings and all of the debts, liabilities, obligations, and duties of buyer will become the debts, liabilities, obligations and duties of Reorganized Holdings.

6.25 Potential Termination of Debtors Defined Benefit Pension Plan. At the written direction of the Buyer, and at Buyer's sole election, Debtors shall undertake the termination of the Debtors Defined Benefit Pension Plan. Immediately upon entry of the Bidder Designation Order, Buyer shall be entitled to participate with Debtors in all discussions concerning the termination of the Defined Benefit Pension Plan with all consultants, accountants and other professionals and the PBGC and Buyer's prior written consent shall be required with respect all agreements and contracts that may be entered into in connection with the termination of the Defined Benefit Pension Plan, including, without limitation, the amount of the payment for the Pension Plan Liability.

6.26 DIP Credit Facility Modification. Buyer covenants and agrees to enter into such consents, documents or agreements reasonably necessary or desirable as requested by the Debtors to modify or amend the DIP Credit Facility to reflect the matters previously outlined and discussed and set forth on Exhibit C hereto.

6.27 Estimated Administrative and Priority Claims Amount. Buyer and Debtors not later than three (3) Business Days prior to the Confirmation Hearing shall have mutually agreed upon the amount of the Estimated Administrative and Priority Claims Amount. If the Buyer and Debtors are unable to agree upon the amount of the Estimated Administrative and Priority Claims Amount by such date, such amount shall be adjudicated by the Bankruptcy Court at the Confirmation Hearing.

6.28 Critical Vendor Payment Motion. Debtors agree that they shall not file any motion or motions seeking any Critical Vendors Payment Orders to pay pre-petition claims of Critical Vendors in an aggregate amount exceeding the Critical Vendors Payment Cap. Any such Critical Vendor Payment Motions shall be subject to the prior written approval of Buyer.

6.29 Cooperation with Financing. Following entry of the Bidder Designation Order, the Debtors shall provide the Buyer, its financing providers, and each of their respective representatives with such cooperation, documentation and assistance in connection with the arrangement of the Financing as may be reasonably requested by the Buyer or its financing providers, including (i) participating in meetings, presentations and due diligence sessions, (ii) assisting with the preparation of materials for bank information memorandum or similar document(s) required in connection with the Financing and (iii) furnishing the Buyer and its financing sources with financial statements, financial books and records, appraisals, reports, projections and other information regarding the Debtors, its Subsidiaries and their respective businesses and operations; provided that (A) such requested cooperation does not unreasonably interfere with the ongoing operations of the Debtors and their Subsidiaries and (B) the Debtors shall not be required to pay any commitment or other similar fee or incur any other liability in connection with the Financing prior to the Closing.

ARTICLE VII

CONDITIONS TO OBLIGATIONS OF THE PARTIES

7.1 Conditions Precedent to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or waiver by Buyer in Buyer's sole discretion) at or prior to the Effective Time of each of the following conditions:

(a) Accuracy of Representations and Warranties. Each of the representations and warranties of Debtors contained herein shall be true and correct in all material respects on the date hereof and shall be true and correct in all material respects on and as of the Effective Time, with the same force and effect as though such representations and warranties had been made on and as of the Effective Time except to the extent that any such representations or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date; provided, however, that the failure of any such representations or warranties to be true and correct on and as of the Effective Time shall not constitute a basis for Buyer to refuse to consummate the transactions contemplated hereby unless such failure, either individually or in the aggregate, has resulted in or would reasonably be expected to result in a Material Adverse Effect.

(b) Performance of Obligations. Debtors shall have performed in all material respects all obligations and agreements contained in this Agreement required to be performed by them on or prior to the Effective Date.

(c) Bankruptcy Court Approval. The Bankruptcy Court shall have timely entered the Bidder Designation Order and the Confirmation Order which, among other things, (i) confirms the Plan pursuant to Section 1129 of the Bankruptcy Code, (ii) approves and directs, as applicable: (A) the execution, delivery and performance by Debtors of this Agreement, including each and every term and condition hereof, and the other instruments and agreements contemplated hereby, (B) the Transactions, (C) the sale of the Shares to Buyer on the terms set forth herein, and (D) the performance by Debtors of their obligations under this Agreement; (iii) authorizes Debtors to assume the Assumed Non-Real Property Contracts and Assumed Real Property Leases; (iv) fixes the Second Administrative Expense Claim Bar Date; and (v) finds

that (A) Buyer is a “good faith” buyer within the meaning of Section 363(m) of the Bankruptcy Code, (B) as of the Effective Date, the Transactions effect a legal, valid, enforceable and effective sale and transfer of the Shares and shall vest Buyer with title to such Shares free and clear of all Liens, Claims and encumbrances pursuant to Sections 363(b) and (f) of the Bankruptcy Code, (C) the consideration provided to the Debtors constitutes reasonably equivalent value and fair consideration for the Shares, and (D) the Debtors gave due and proper notice of this Agreement, the Transactions, the Disclosure Statement, the Plan and the Confirmation Hearing and the Plan to each party entitled thereto, (v) enjoins and forever bars the non-debtor party or parties to each Assumed Non-Real Property Contract and Assumed Real Property Lease Agreement from asserting against Buyer or any of the Reorganized Debtors any objection to the assumption of such non-debtor party’s Assumed Agreement and any pre-Effective Date claim, and (vi) contains such other customary terms and provisions as are required by the Buyer. The Bidder Designation Order and the Confirmation Order shall be in full force and effect and shall not be stayed, enjoined or modified.

(d) No Violation of Law or Orders. No provisions of any applicable Law or Order enacted, entered, promulgated, enforced or issued by any Governmental Unit shall be in effect that (i) prevents, renders illegal or otherwise prohibits the sale and purchase of the Shares or any of the other transactions contemplated by this Agreement or (ii) would adversely affect or interfere with the operation of the Business in a manner that would constitute a Material Adverse Effect.

(e) Material Adverse Effect. No Material Adverse Effect shall have occurred.

(f) [Intentionally Omitted].

(g) [Intentionally Omitted].

(h) Consents. The consents set forth on Schedule 4.5 in form and substance and on terms satisfactory to the Buyer shall have been obtained and shall be in full force and effect.

7.2 Conditions Precedent to the Obligations of Debtors. The obligation of Debtors to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or waiver by Debtors) at or prior to the Effective Time of each of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Buyer contained herein shall be true and correct in all material respects on the date hereof in and shall be true and correct in all respects on and as of the Effective Time, with the same force and effect as though such representations and warranties had been made on and as of the Effective Time, except to the extent that any such representations or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date; provided, however, that the failure of any such representations or warranties to be true and correct on and as of the Effective Time shall not constitute a basis for Debtors to refuse to consummate the transactions contemplated hereby unless such failure, either individually or in the aggregate, has or would reasonably be expected to have a material and adverse effect on Buyer's ability to perform its obligations under this Agreement.

(b) Performance of Obligations. Buyer shall have performed in all material respects all obligations and agreements contained in this Agreement required to be performed by it prior to or on the Effective Time.

(c) Confirmation Order. The Bidder Designation Order and the Confirmation Order shall be in full force and effect and as of the Effective Date shall not be stayed, enjoined or modified.

(d) No Violation of Law or Orders. No provisions of any applicable Law or Order enacted, entered, promulgated, enforced or issued by any Governmental Unit shall be in effect that prevents, renders illegal or otherwise prohibits the sale and purchase of the Shares or any of the other transactions contemplated by this Agreement.

ARTICLE VIII

TERMINATION

8.1 Termination of Agreement. This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) By written agreement of Debtors and Buyer;

(b) By Buyer:

(i) at any time after July 31, 2014, if the Closing shall not have occurred; provided, however, that Buyer is not in material breach of any of its representations and warranties contained in this Agreement and has not failed in any material respect to perform any of its obligations hereunder;

(ii) if any Order restraining, prohibiting or enjoining Buyer or Debtors from consummating the transactions contemplated hereby or any of the other transactions contemplated by the Plan is entered and such Order shall have become a Final Order;

(iii) if there shall have been a material breach by any Debtor of any of its representations, warranties, covenants or agreements contained in this Agreement, which breach would result in the failure to satisfy one or more of the conditions set forth in Section 7.1, and such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured within fifteen (15) days after written Notice thereof shall have been received by such Debtor;

(iv) [Intentionally Omitted];

(v) upon the termination of the RSA or if there shall have been a material breach by any Debtor and the Initial Consenting Noteholders or any joinder parties thereto of any of its representations, warranties, covenants or agreements contained in the RSA, which breach would result in the failure to satisfy one or more of the conditions set forth in Section 7.1, and such breach shall be incapable of being cured or, if capable of

being cured, shall not have been cured within fifteen (15) days after written Notice thereof shall have been received by such Debtor;

(vi) If the Bidder Designation Order is not entered within five (5) Business Days of the Auction;

(vii) [Reserved];

(viii) At any time after June 2, 2014, the occurrence of a Material Adverse Effect;

(ix) [Intentionally Omitted];

(x) If the Bidding Procedures are amended, modified or supplemented without the prior written consent of the Buyer; or

(xi) (A) The occurrence of (i) an Event of Default (as defined in the DIP Credit Facility) under the DIP Credit Facility that has resulted in the acceleration of the amounts due and payable under the DIP Credit Facility or the termination of the DIP Credit Facility or, (ii) any other Event of Default under the DIP Credit Facility that has not been waived by the required lenders under the DIP Credit Facility within three (3) Business Days after the required lenders obtain knowledge of the occurrence of such Event of Default, or that is the subject of a waiver provided within such three (3) Business Day period that changes the economic terms of the DIP Credit Facility, (B) modification of the DIP Budget in a manner not reasonably acceptable to the Buyer, or (C) the termination or modification of the Final DIP Order in a manner that is not reasonably acceptable to the Buyer; provided, however, that Buyer acknowledges and agrees that, notwithstanding anything to the contrary in this Agreement, that certain Events of Default were waived pursuant to that certain Waiver and Consent to Senior Secured Super-priority DIP Credit Agreement May 22, 2014, and that such events shall not constitute and Event of Default or grounds, individually or in the aggregate with any other matter, for termination of this Agreement.

(c) By Debtors:

(i) at any time after July 31, 2014, if the Closing shall not have occurred; provided, however, that no Debtor is in material breach of any of its representations and warranties contained in this Agreement, or has failed in any material respect to perform any of its obligations hereunder;

(ii) if any Order restraining, prohibiting or enjoining Buyer or Debtors from consummating the transactions contemplated hereby is entered and such Order shall have become a Final Order;

(iii) if there shall have been a material breach by Buyer of any of its representations, warranties, covenants or agreements contained in this Agreement, which breach would result in the failure to satisfy one or more of the conditions set forth in Section 7.2, and such breach shall be incapable of being cured or, if capable of being

cured, shall not have been cured within fifteen (15) days after written Notice thereof shall have been received by Buyer; or

8.2 Consequences of Termination. If this Agreement is terminated under Section 8.1, written notice thereof will forthwith be given to the other party and this Agreement will thereafter become void and have no further force and effect and all further obligations of Debtors and Buyer to each other under this Agreement will terminate without further obligation or liability of Debtors or Buyer to the other, except that:

(a) each party will return or destroy all documents, workpapers and other material of any other party relating to the transactions contemplated by this Agreement, whether so obtained before or after the execution of this Agreement, to the party furnishing the same;

(b) if this Agreement is terminated by Buyer and Debtor pursuant to Section 8.1(a), Buyer pursuant to Section 8.1(b) or by Debtors pursuant to Section 8.1(c), other than a termination pursuant to Section 8.1(c)(iii), Buyer shall be entitled to receive, and, to the extent necessary Debtors shall cause the Deposit Escrow Agent to return to Buyer, the Deposit Escrow within two (2) Business Days of the date of termination of this Agreement;

(c) if this Agreement is terminated by Debtors pursuant to Section 8.1(c)(iii), Debtors shall be entitled to receive, and, to the extent necessary Buyer shall cause the Deposit Escrow Agent to deliver to Debtors, the Deposit Escrow within two (2) Business Days of the date of termination of this Agreement;

(d) Notwithstanding the foregoing, this Section 8.2 and Section 6.6 (Public Announcements), Section 9.1 (Expenses), Section 9.5 (Notices), Section 9.6 (Choice of Law), Section 9.11 (Exclusive Jurisdiction), Section 9.12 (Waiver of Right to Trial by Jury) and Section 9.13 (Beneficiaries) shall survive any such termination of this Agreement.

(e) In the event this Agreement is terminated by Debtors pursuant to Section 8.1(c)(iii), then Debtors' sole and exclusive remedy against Buyer with respect to any claims relating to this Agreement or the transactions contemplated hereby shall be the payment of the Deposit Escrow to the Debtors and the Buyer shall have no further liability of any kind whatsoever to the Debtors.

ARTICLE IX

MISCELLANEOUS

9.1 Expenses. Except as otherwise set forth in this Agreement and whether or not the transactions contemplated hereby are consummated, each party hereto shall bear all costs and expenses incurred or to be incurred by such party in connection with this Agreement and the consummation of the transactions contemplated hereby. As between Buyer and Debtors, Debtors shall bear all costs of any Persons (other than Buyer, its agents or Affiliates) entitled to reimbursement by the Bankruptcy Court.

9.2 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by Debtors without the prior written consent of Buyer, or by Buyer

without the prior written consent of Debtors; provided, that Buyer may assign its rights and liabilities hereunder to one or more Affiliates of the Buyer, which assignment shall not relieve Buyer of its obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

9.3 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of Debtors and Buyer, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement except as expressly set forth herein. Without limiting the foregoing, no direct or indirect holder of any equity interests or securities of either Debtors or Buyer (whether such holder is a limited or general partner, member, stockholder or otherwise), nor any Affiliate of either Debtors or Buyer, nor any Representative, or controlling Person of each of the parties hereto and their respective Affiliates, shall have any liability or obligation arising under this Agreement or the transactions contemplated hereby.

9.4 Risk of Loss.

(a) Casualty. Debtors will bear all risk of loss occurring to or upon any portion of the assets of the Debtors prior to the Effective Time. In the event that any material portion of any such assets is damaged or destroyed prior to Effective Time, then with respect to such assets Buyer may, at Buyer's option, either (i) proceed to close notwithstanding the damage or destruction of such assets; or (ii) exclude such assets, in which event Buyer shall have no obligation to close if as a consequence of the exclusion of such assets any condition to Closing in Section 7.1 would not be satisfied. If Buyer closes notwithstanding an unrepaired or unrestored loss to an asset, Debtors will deliver and/or assign to Buyer any insurance proceeds with respect to such damage or destruction, and all claims against third parties relating thereto, and the adjustment to the Purchase Price shall be limited to the amount of any deductible or self-insured retention under the applicable policies of insurance.

(b) Condemnation. In the event that any portion of the Debtors assets is taken by eminent domain or condemnation prior to the Effective Time and such taking materially and adversely affects the use or utility of the Business, Buyer may within the later of (x) ten (10) days after it receives written notice of such taking or (y) two (2) days after the Auction Date either (i) proceed to close notwithstanding the eminent domain or condemnation proceeding, in which event Debtors will assign to Buyer their entire right, title and interest in and to any award; or (ii) exclude such asset, in which event Buyer shall have no obligation to close if as a consequence of the exclusion of such asset any condition to Closing in Section 7.1 is not satisfied. If Buyer closes notwithstanding a condemnation of an asset of any Debtor, Debtors will deliver and/or assign to Buyer any proceeds with respect to such condemnation and there will be no adjustment to the Purchase Price.

9.5 Notices. All notices, demands, requests, consents, approvals or other communications (collectively, "Notices") required or permitted to be given hereunder or that are given with respect to this Agreement shall be in writing and shall be personally served, delivered by a nationally recognized overnight delivery service with charges prepaid, or transmitted by hand delivery, electronic mail, or facsimile, addressed as set forth below, or to such other address as such party shall have specified most recently by written Notice. Notice shall be deemed given on the date of service or transmission if personally served, transmitted by electronic mail or

transmitted by facsimile with confirmation of receipt; provided, that if delivered or transmitted on a day other than a Business Day or after normal business hours, notice shall be deemed given on the next Business Day. Notice otherwise sent as provided herein shall be deemed given on the next Business Day following timely deposit of such Notice with an overnight delivery service:

If to Debtors: Brookstone Company, Inc.
One Innovation Way
Merrimack, NH 03054
Attention: General Counsel
Fax: (603) 577-8004
Email: legaldepartment@brookstone.com

With a copy to: K&L Gates LLP
State Street Financial Center
One Lincoln Street
Boston, MA 02111
Attention: Charles A. Dale III
Attention: Mackenzie L. Shea
Fax: (617) 261-3175
Email: chad.dale@klgates.com
Email: mackenzie.shea@klgates.com

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
Attention: Erez Gilad
Jeffrey Lowenthal
Fax: (212) 806-6006
Email: egilad@stroock.com
jlowenthal@stroock.com

If to Buyer: Sanpower Group Co. Ltd.
No 68. Ruanjian Avenue
Yuhua District Nanjing, Jiangsu, P.R.China
Attention: Mr. Chen Xiaoyang, General Counsel
Facsimile No.: +86 25 84791666
Telephone No.: +25 86 83274839
Email: chenxy@sanpowergroup.com

and: Sailing Capital Advisors (Hong Kong) Limited
Unit 2006-08, 20-F, Harbour Centre
25 Harbour Road, Wan Chai
Hong Kong
Attention: Chris Roling and Michael Weiss
Facsimile No.: +852 2630 2011
Telephone No.: +852 2630 2037
Email: chrisroling@sailing-capital.com
mweiss@sailing-capital.com

With a copy to: Gibson Dunn
200 Park Avenue
New York, NY 10166-0193
Attention: Matt J. Williams, Esq. and
Rashida La Lande, Esq.
Tel: (212) 351-4000
Email: mjwilliams@gibsondunn.com
rlalande@gibsondunn.com

Rejection of or refusal to accept any Notice, or the inability to deliver any Notice because of changed address of which no Notice was given, shall be deemed to be receipt of the Notice as of the date of such rejection, refusal or inability to deliver.

9.6 Choice of Law. This Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive laws of the State of Delaware, without giving effect to any provision thereof that would require the application of the substantive laws of any other jurisdiction, except to the extent that such laws are superseded by the Bankruptcy Code.

9.7 Entire Agreement; Amendments and Waivers. This Agreement, the Escrow Agreement, the Confidentiality Agreements and all agreements entered into pursuant hereto and all certificates and instruments delivered pursuant hereto and thereto constitute the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all other prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties. This Agreement may be amended, supplemented or modified, and any of the terms, covenants, representations, warranties or conditions may be waived, only by a written instrument executed by Buyer and the Debtors, or in the case of a waiver, by the party waiving compliance. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), and no such waiver shall constitute a continuing waiver unless otherwise expressly provided. Without limiting the rights of the Requisite Noteholders under the RSA, after the Effective Date, this Agreement may not be amended in a manner that would adversely affect the rights of the Brookstone Second Lien Noteholders or amounts distributable to them hereunder without the prior written consent of the Requisite Noteholders Representative.

9.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Counterparts to this Agreement may be delivered via facsimile. In proving

this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

9.9 Invalidity. If any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, the parties shall use their reasonable efforts, including the amendment of this Agreement, to ensure that this Agreement shall reflect as closely as practicable the intent of the parties hereto on the date hereof.

9.10 Headings. The table of contents and the headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

9.11 Exclusive Jurisdiction. Without limiting any party's right to appeal any order of the Bankruptcy Court, during the Cases: (a) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide (insofar as they relate to Debtors) any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (b) any and all claims, actions, causes of action, suits and proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive Notices at such locations as indicated in Section 9.5.

9.12 WAIVER OF RIGHT TO TRIAL BY JURY. DEBTORS AND BUYER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

9.13 Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature under or by reason of this Agreement, except as expressly provided herein.

9.14 Governing Terms. In the event that any of the terms and provisions in the RSA shall conflict with or are inconsistent with the terms of this Agreement, the terms of this Agreement shall govern.

9.15 Counting. If the due date for any action to be taken under this Agreement (including the delivery of Notices) is not a Business Day, then such action shall be considered timely taken if performed on or prior to the next Business Day following such due date.

9.16 Preparation of this Agreement. Buyer and Debtors hereby acknowledge that (i) Buyer and Debtors jointly and equally participated in the drafting of this Agreement and all other agreements contemplated hereby, (ii) Buyer and Debtors have been adequately represented and advised by legal counsel with respect to this Agreement and the transactions contemplated hereby, and (iii) no presumption shall be made that any provision of this Agreement shall be

construed against either party by reason of such role in the drafting of this Agreement and any other agreement contemplated hereby.


9.17 Termination of Representations, Warranties and Covenants. The representations, warranties and covenants (other than any covenant that by its express terms requires performance after the Closing, which shall survive until the performance in full thereof) made by Debtors and Buyer in this Agreement or pursuant to any other document delivered by such parties in connection herewith shall terminate on the Effective Date.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Stock Purchase Agreement has been duly executed and delivered by the duly authorized officers of Debtors and Buyer as of the date first above written.

BUYER:

SAILING INNOVATION (US) INC.

By: 
Name: Jason Liu
Title: Treasurer

DEBTORS:

BROOKSTONE, INC.

By: _____
Name:
Title:

BROOKSTONE COMPANY, INC.

By: _____
Name:
Title:

BROOKSTONE RETAIL PUERTO RICO, INC.

By: _____
Name:
Title:

BROOKSTONE INTERNATIONAL HOLDINGS,
INC.

By: _____
Name:
Title:

BROOKSTONE PURCHASING, INC.

By: _____
Name:
Title:

BROOKSTONE STORES, INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, this Stock Purchase Agreement has been duly executed and delivered by the duly authorized officers of Debtors and Buyer as of the date first above written.


BUYER:

SAILING INNOVATION (US) INC.


By: _____
Name:
Title:

DEBTORS:

BROOKSTONE, INC.

By:  _____
Name: James Speltz
Title: CEO


BROOKSTONE COMPANY, INC.

By:  _____
Name: James Speltz
Title: CEO


BROOKSTONE RETAIL PUERTO RICO, INC.

By:  _____
Name: James Speltz
Title: CEO

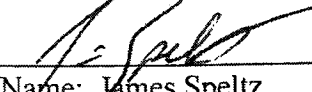
BROOKSTONE INTERNATIONAL HOLDINGS, INC.

By:  _____
Name: James Speltz
Title: CEO


BROOKSTONE PURCHASING, INC.

By:  _____
Name: James Speltz
Title: CEO


BROOKSTONE STORES, INC.

By: 
Name: James Speltz
Title: CEO


GARDENERS EDEN, INC.

By: 
Name: James Speltz
Title: CEO


BROOKSTONE MILITARY SALES, INC.

By: 
Name: James Speltz
Title: CEO


BIG BLUE AUDIO LLC

By: 
Name: James Speltz
Title: Manager

BROOKSTONE HOLDINGS, INC.

By: 
Name: James Speltz
Title: CEO

BROOKSTONE PROPERTIES, INC.

By: 
Name: James Speltz
Title: CEO

BROOKSTONE HOLDINGS CORP.

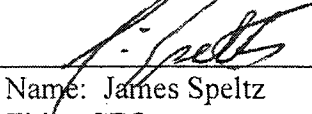
By: 
Name: James Speltz
Title: CEO

Exhibit B

Chapter 11 Milestones

- (i) Within five (5) Business Days of the Auction, the Bankruptcy Court shall have entered the Bidder Designation Order;
- (ii) On or before July 8, 2014, the Confirmation Order and the Effective Date of the Plan shall have occurred;
- (iii) The Confirmation Order shall be in a form and substance acceptable to the Debtors, the Buyer and the Requisite Noteholders.

Exhibit E

Reorganized Holdings Notes Term Sheet

TERM SHEET SUMMARY OF NEW SUBORDINATED, SECOND LIEN NOTES

Facility:	New subordinated, second lien notes (the " <u>New Subordinated Notes</u> ").
Issuer:	Reorganized HoldCo.
Guarantors:	Guaranteed, on a joint and several basis, by all present and future direct and indirect subsidiaries of Issuer that from time to time provide a guaranty with respect to the Senior Exit Facilities (as defined below).
Principal Amount:	\$10,000,000; subject to adjustment as of the Effective Date in accordance with the terms of the SPA.
Maturity:	The later of (i) 7 years after the Effective Date and (ii) 180 days following the payment in full of the Senior Exit Facilities (such date, the " <u>Maturity Date</u> ").
Coupon:	10% per annum, payable semi-annually in arrears, payable-in-kind (or cash at the option of the Issuer, but solely to the extent not prohibited by the Senior Exit Facilities). <u>Default rate of interest</u> ; additional 2.0%.
Security:	Secured by perfected second-priority liens on all assets of Issuer and its Subsidiaries that secure the Senior Exit Facilities, in each case, solely to the extent such security interest may be perfected by the filing of a UCC financing statement. In no event shall any control agreements, access agreements, bailee agreements, landlord waiver agreements or any similar collateral protection or perfection actions be required for the benefit of the holders of the New Subordinated Notes (notwithstanding that such agreements may exist in favor of the lenders under the Senior Exit Facilities).
Priority/Intercreditor Terms:	<p>The New Subordinated Notes will be deeply subordinated, silent, second-lien and junior in right and time of payment to the first lien revolving and term loan facilities (collectively, including any refinancings thereof, the "<u>Senior Exit Facilities</u>") and will rank senior to all equity holders of the Issuer. The holders of the New Subordinated Notes (the "<u>Noteholders</u>") will enter into such subordination agreements as may be requested by the senior lenders to evidence such subordination, which subordination agreements shall be in form and substance satisfactory to senior lenders in their sole and absolute discretion.</p> <p>Intercreditor terms will include, but are not limited to, the following terms:</p> <ul style="list-style-type: none"> • Except to the extent not prohibited by the Senior Exit Facilities, no payments or other distributions whatsoever shall be made with respect to the New Subordinated Notes until the Maturity Date • If a payment is made prior to the Maturity Date, such proceeds will be held in trust for the benefit of the senior lenders and promptly delivered to the senior lenders • Senior lenders may consent to the use of cash collateral or provide financing (including debtor-in-possession financing) to the Issuer on terms and conditions (including amounts) as determined in their sole discretion and the Issuer may grant liens and security interests to the senior lenders all without notice or consent to the Noteholders • The Noteholders agree not to <ul style="list-style-type: none"> ○ take any enforcement action with respect to the New Subordinated Notes until the Maturity Date ○ participate or seek to participate or vote in any bankruptcy claim or

	<p>other proceeding (such provision shall not affect the ability of the senior lenders to consent to any such proceeding or action in their sole discretion or to vote the Noteholders' claim)</p> <ul style="list-style-type: none"> ○ object to a sale under Section 363 of the Bankruptcy Code ○ seek or assert any right they may have to "adequate protection" ○ seek to lift any stay ○ otherwise interfere, contest, inhibit or encourage any other party to interfere, contest or inhibit the rights, remedies or any action of the Senior lenders <ul style="list-style-type: none"> • the Noteholders waive all notification rights from the senior lenders and waive all rights to direct or object or consent to any dispositions of collateral (including the time and manner of sale) • The Noteholders agree to deliver and file any proofs of claim as requested by the senior lenders; provided that, the senior lenders have no obligation to so direct the Noteholders • The New Subordinated Notes will include a subordination legend • No amendments or modifications to the terms of the New Subordinated Notes will be permitted without the consent of the senior lenders (no consent of Noteholders will be necessary to amend the terms of the Senior Exit Facilities) • Until the Maturity Date, no Noteholder shall take any action with respect to any collateral or any other assets of the company. If any collateral or proceeds are received will be held in trust for the benefit of the senior lenders and promptly delivered to the senior lenders • Noteholders will not exercise any right of set off against any collateral and will waive all right of subrogation against the Issuer until the Maturity Date. • All guaranties and collateral will automatically be released upon a release of such guaranties and collateral under the Senior Exit Facilities.
Call Protection / Change of Control:	101% of then-current principal amount (including any interest previously paid by increasing the principal amount) plus accrued and unpaid interest, if any.
Covenants:	<ul style="list-style-type: none"> • The Issuer will provide quarterly and annual financial statements at such times as they are provided to the lenders under the Senior Exit Facilities and will agree to limitations on the payment of distributions to equity holders prior to the payment in full of the New Subordinated Notes (other than tax distributions and other customary provisions to be agreed, including exceptions for any management agreement fees and expenses from time to time permitted to be paid to Spencer and its affiliates under the Senior Exit Facilities). The New Subordinated Notes will not otherwise contain issuer covenants, including covenants associated with the incurrence or modification of indebtedness or liens, or the consummation of acquisitions, investments or dispositions.
Events of Default:	Events of Default will be limited to payment and bankruptcy defaults. The New Subordinated Notes will not contain any cross-defaults to any of the Issuer's other indebtedness.
Governing Law:	New York.
Definitive Documentation:	The definitive documentation governing the New Subordinated Notes shall be consistent with the terms hereof and satisfactory in all respects to the lenders under the Senior Exit Facilities. The New Subordinated Notes shall not be qualified under the Trust Indenture Act.