

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

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In re: : **Chapter 11**
:
SHARPER IMAGE CORPORATION,¹ : **Case No. 08-10322 (KG)**
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Debtor. : **Re: Docket No. 469**
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**ORDER APPROVING ASSET PURCHASE AGREEMENT,
AGENCY AGREEMENT, STORE CLOSING SALES, AND RELATED RELIEF**

Upon the motion, dated April 25, 2008 (the "Sale Motion"),² of Sharper Image Corporation, as debtor and debtor in possession ("Sharper Image" or the "Debtor"), pursuant to sections 105, 363, and 365 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules") seeking approval of the sale of Sharper Image's assets (the "Sale") and other related relief, all as more fully set forth in the Sale Motion; and the Court having entered an order on May 14, 2008 (the "Procedures Order") approving, among other things, certain proposed procedures in connection with the auction (the "Auction") and Sale of Sharper Image's assets; and a hearing on the Sale Motion having been held before the Court on May 30, 2008 (the "Sale Hearing"); and such relief being in the best interests of the Debtor, its estate, creditors, and all parties in interest:

¹ The address of the Debtor's principal executive offices is 350 The Embarcadero, 6th Floor, San Francisco, California 94105. The Debtor's EIN is 94-2493558.

² Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Sale Motion.

NOW, THEREFORE, upon the entire record of the Sale Hearing and this case; and after due deliberation thereon; and good cause appearing therefore, IT IS HEREBY FOUND AND DETERMINED THAT:³

A. This Court has jurisdiction to hear and determine the Sale Motion pursuant to 28 U.S.C. §§ 157 and 1334.

B. Determination of the Sale Motion is a core proceeding under 28 U.S.C. §§ 157(b) (2) (A), (N), and (O). Venue of this case and the Sale Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

C. As evidenced by the affidavits of service previously filed with the Court, and based on the representations of the attorneys at the Sale Hearing, (i) proper, timely, adequate, and sufficient notice of the Sale Motion, the Auction, the Sale Hearing, the Sale, the assumption and assignment of the Core IP Contracts (as defined in the Asset Purchase Agreement, which is defined below) and the Cure Amounts has been provided in accordance with section 102(1) of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, and 6006, and the provisions of the Procedures Order, (ii) such notice was good and sufficient and appropriate under the circumstances of this case, and (iii) no other or further notice of the Sale Motion, the Auction, the Sale Hearing, the Sale, the assumption and assignment of the Core IP Contracts, or the entry of this Order is required.

D. In accordance with the Cure Procedures, Sharper Image has served notice of the Cure Amounts (the "Cure Notice") upon each non-Debtor counterparty to a pre-petition contract that the Debtor may be seeking to assume and assign. The service of such Cure Notice

³ Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Bankruptcy Rule 7052.

was good, sufficient, and appropriate under the circumstances and no further notice need be given in respect of establishing a Cure Amount for the pre-petition contracts. Non-debtor counterparties to the pre-petition contracts have had a reasonable opportunity to object to the Cure Amount and the possible assumption and assignment of such pre-petition contracts.

E. The statutory predicates for the relief sought in the Sale Motion are sections 105(a), 363(b), (f), (k), (m), (n), and 365 of the Bankruptcy Code and Rules 2002, 6004, and 6006 of the Federal Rules of Bankruptcy Procedure.

F. As demonstrated by (i) the testimony and other evidence proffered or adduced at the Sale Hearing and (ii) the representations of the attorneys made on the record at the Sale Hearing, Sharper Image has marketed the Purchased Assets (as defined in the Asset Purchase Agreement, which is defined below) and conducted the Sale process in compliance with the Procedures Order, fairly, and with adequate opportunity for interested parties to submit bids.

G. A reasonable opportunity to object or be heard regarding the relief requested in the Sale Motion has been afforded to all interested persons and entities, including, among others, (i) all Interested Parties, (ii) the U.S. Trustee, (iii) the Committee, (iv) the Secured Lender, (v) Sharper Image's secured creditors, (vi) all parties who have requested notice pursuant to Bankruptcy Rule 2002, (vii) all parties to the Core IP Contracts, (viii) all appropriate federal, state, and local taxing authorities, (ix) all government agencies entitled to receive notice of the proceedings, (x) all parties known to have expressed an interest in acquiring the Purchased Assets, and (xi) the attorneys general of all states in which the Purchased Assets are located.

H. Sharper Image and a joint venture formed among (i) Gordon Brothers Retail Partners, L.L.C, (ii) GB Brands, LLC, (iii) Hilco Merchant Resources, LLC, and (iv) Hilco

Consumer Capital, LLC (collectively, the "Purchaser" or the "Agent") entered into that certain Asset Purchase Agreement (the "Asset Purchase Agreement"), a copy of which is annexed hereto as Exhibit A, following good-faith, arm's length negotiations.

I. Sharper Image and the Purchaser entered into that certain Agency Agreement (the "Agency Agreement"), a copy of which is annexed hereto as Exhibit B, following good-faith, arm's length negotiations.

J. The transfer of the Purchased Assets pursuant to the Asset Purchase Agreement and Agency Agreement (i) are or will be legal, valid, and effective transfers of property or rights of or to the Purchased Assets to the Purchaser, (ii) except as set forth herein, vest or will vest the Purchasers with good and valid title, and all the right, title, and interest of Sharper Image in and to the Purchased Assets, free and clear of all adverse interests of any kind or nature whatsoever and all debts arising under or out of, in connection with, or in any way relating to, any acts of the Debtor, liens, claims and encumbrances, rights, causes of action (whether in law or in equity), obligations, demands, guaranties, contractual commitments, restrictions, interests and matters of any kind or nature whatsoever, whether arising prior to or subsequent to the commencement of this case, and whether imposed by agreement, understanding, law, equity or otherwise, except as expressly provided in the Asset Purchase Agreement (all collectively "Adverse Interests"), and (iii) constitute transfers for reasonably equivalent value and fair consideration under the Bankruptcy Code, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act, and similar laws of any state, territory, possession or the District of Columbia.

K. The Sale and all transactions related thereto, including, without limitation, the assumption and assignment of the Purchased Assets, reflects the exercise of Sharper Image's

sound business judgment. There are compelling circumstances for the Sale other than in the ordinary course of business under 11 U.S.C. § 363(b) because, among other things, there is uncertainty about Sharper Image's liquidity and its ability to obtain needed inventory, the immediate consummation of the Sale is necessary and appropriate to maximize the value of Sharper Image's estate, and the Sale will provide the means for Sharper Image to maximize distributions to creditors.

L. The Debtor (i) has full corporate power and authority to execute and deliver the Asset Purchase Agreement and all other documents contemplated thereby, and the sale of the Purchased Assets by the Debtor has been duly and validly authorized by all necessary corporate action of the Debtor, (ii) has all of the corporate power and authority necessary to consummate the transactions contemplated by the Asset Purchase Agreement, and (iii) has taken all corporate action necessary to authorize and approve the Asset Purchase Agreement and the consummation of the transactions contemplated thereby. No consents or approvals, other than those expressly provided for in the Asset Purchase Agreement, are required for the Debtor to consummate such transactions.

M. Approval of the Asset Purchase Agreement and the Agency Agreement and the consummation of the Sale and other transactions contemplated thereby are in the best interests of Sharper Image, its estate, creditors, and other parties in interest. Good and sufficient business justification for consummating the Sale pursuant to sections 105(a) and 363 of the Bankruptcy Code has been established because, among other things:

a. Sharper Image, in its sound business judgment, determined that the sale of the Purchased Assets is necessary to maximize the value of its estate; and

b. Unless a sale to the Purchaser is concluded expeditiously as provided for in the Sale Motion and pursuant to the Asset Purchase Agreement and the Agency Agreement, creditors' recoveries may be diminished.

N. The terms and conditions of the Asset Purchase Agreement and the Agency Agreement are fair and reasonable. The purchase price (the "Purchase Price") of the Purchased Assets under the Asset Purchase Agreement and the Agency Agreement (i) represents the highest and best offer for the Purchased Assets, (ii) is fair and reasonable, and (iii) will provide a greater recovery for creditors than would be provided by any other practical available alternative.

O. The holders of liens on the Purchased Assets and non-Debtor parties to Core IP Contracts that did not object, or that withdrew their objections, to the Sale or the Sale Motion are deemed to have consented pursuant to 11 U.S.C. §§ 105 and 363(f)(2).

P. The Debtor may sell the Purchased Assets free and clear of all Adverse Interests because, in each case, one or more of the standards set forth in sections 363(f)(1)-(5) of the Bankruptcy Code has been satisfied.

Q. The Purchaser would not have entered into the Asset Purchase Agreement and would not consummate the transactions contemplated thereby, thus adversely affecting the Debtor, its estate, and its creditors, if the sale of the Purchased Assets and the assignment of the Core IP Contracts to it were not free and clear of all Adverse Interests, or if the Purchaser would, or in the future could, be liable for any of the Adverse Interests.

R. The Purchaser has demonstrated adequate assurance of its future performance under the Core IP Contracts within the meaning of sections 365(b)(1)(C) and (f)(2)(B) of the Bankruptcy Code.

S. The Core IP Contracts being assigned to the Purchaser are an integral part of the value of the Purchased Assets and, accordingly, the assumption and assignment of the Core IP Contracts is reasonable, enhances the value of the Debtor's estate, and does not constitute unfair discrimination.

T. Other than as set forth in the Asset Purchase Agreement and the Agency Agreement, the (i) transfer of the Purchased Assets to the Purchaser and (ii) the assumption by the Purchasers of the Assumed Liabilities (as defined in the Asset Purchase Agreement) do not and will not subject the Purchaser or the Purchased Assets to any claims or liabilities arising under or out of, in connection with or in any way relating to the ownership or operation of Sharper Image or the Purchased Assets prior to the Closing Date (as defined in the Asset Purchase Agreement).

U. The Asset Purchase Agreement and the Agency Agreement were negotiated, proposed, and entered into by Sharper Image and the Purchaser without collusion, in good faith, and from arm's length bargaining positions. Each Purchaser is a purchaser in good faith under section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded by section 363(m) of the Bankruptcy Code. Each Purchaser will be acting in good faith within the meaning of section 363(m) of the Bankruptcy Code in closing the transaction contemplated by the Asset Purchase Agreement at any time after the entry of this Order. Based upon the record before the Court, neither Sharper Image nor the Purchaser has engaged in any conduct that would cause or permit the Asset Purchase Agreement, the Agency Agreement, or the transactions contemplated thereby to be avoided under section 363(n) of the Bankruptcy Code. The Purchaser are not "insiders" as that term is defined in section 101(31) of the Bankruptcy Code.

V. Time is of the essence in closing the Sale and Sharper Image and the Purchaser intend to close the Sale as soon as possible.

W. The relief requested in the Sale Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest.

NOW THEREFORE, IT IS HEREBY:

ORDERED that the Sale Motion is granted to the extent provided herein; and it is further

ORDERED that all objections to the Sale Motion or the relief requested therein or the Sale of the Purchased Assets that have not been withdrawn, waived, settled, or specifically addressed in this Order, and all reservations of rights included in such objections, are overruled in all respects on the merits; and it is further

ORDERED that the Asset Purchase Agreement (and each of the transactions contemplated thereby) is approved in its entirety subject to the provisions of this Order; and it is further

ORDERED that the Agency Agreement (and each of the transactions contemplated thereby), is approved in its entirety subject to the provisions of this Order; and it is further

ORDERED that, pursuant to section 363(b) of the Bankruptcy Code, Sharper Image is authorized to sell the Purchased Assets under the terms of the Asset Purchase Agreement and the Agency Agreement to the Purchaser; and it is further

ORDERED, that the Debtor, its officers, employees, and agents and the Purchaser are authorized and directed to execute and deliver, and empowered to perform under, consummate and implement, the Sale, together with all additional instruments and documents

that may be reasonably necessary or desirable to implement the Asset Purchase Agreement and the Agency Agreement, and to take all further actions as may be requested by the Purchaser for the purpose of assigning, transferring, granting, conveying, conferring or reducing to possession the Purchased Assets to the Purchaser, or as may be necessary or appropriate to the performance of the obligations as contemplated by the Asset Purchase Agreement and the Agency Agreement. The Purchaser and the Debtor are hereby authorized to take or refrain from taking any and all steps necessary to effectuate, consummate and/or implement the terms of this Order and to take or refrain from taking such acts as are incident to carrying out the Store Closing Sales (as hereinafter defined); and it is further

ORDERED that Sharper Image is authorized in accordance with section 365 of the Bankruptcy Code, and subject to the terms of the Asset Purchase Agreement, to (i) assume and assign to the Purchaser, and have Purchaser accept such assignment, each of the Core IP Contracts identified on Schedule 2.6(b) of the Asset Purchase Agreement free and clear of all Adverse Interests of any kind or nature whatsoever, such Adverse Interests deemed unconditionally released, discharged and terminated, and (ii) execute and deliver to the Purchaser such documents or other instruments as may be necessary to assign and transfer to Purchaser, and have Purchaser assume, the Core IP Contracts, and the requirements of section 365(b)(1) of the Bankruptcy Code with respect thereto are hereby deemed satisfied; and it is further

ORDERED that, pursuant to the terms of the Asset Purchase Agreement and consistent with the requirements of the Bankruptcy Code, any amount determined by the Court to be necessary to the cure defaults, if any, under the Core IP Contracts (including, to the extent allowed by the Court, all actual or pecuniary losses that have resulted from such defaults under the Core IP Contracts) shall be paid by the Purchaser, on or before the Closing Date, and not by

Sharper Image, and Sharper Image shall have no liability therefore, *provided, however*, that Purchaser shall not be required to pay any cure amount that is in dispute as of the Closing Date if Purchaser has set aside such amount in an escrow or other commercially reasonable arrangement with respect thereto established by agreement among the parties or pursuant to an order of the Court and such cure amount shall be paid to Sharper Image or the counterparty to the Core IP Contract, as the case may be, from such escrow or other account upon resolution of the dispute; *provided further, however*, that Purchaser shall not be obligated to cure any such default that is (i) greater than 110% of the total amount set forth in Schedule 2.6(a) to the Asset Purchase Agreement or (ii) in excess of the total amount set forth in the cure amount schedule, dated May 21, 2008, whichever is greater (with such excess being Sharper Image's sole responsibility) (this paragraph being referred to as the "Cure Provisions"); and it is further

ORDERED that upon Purchaser's compliance with the Cure Provisions, all defaults or other obligations of the Debtor under the Core IP Contracts arising or accruing prior to the date of this Order without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code, if any, shall be deemed cured on the Closing Date or as soon thereafter as practicable, and the Purchaser shall have no further liability for any such default or obligation, except as otherwise expressly provided in the Asset Purchase Agreement; and it is further

ORDERED that the Purchaser shall have the right to a reduction of the Purchase Price (by an amount agreed to by Sharper Image, in consultation with the Committee, the Secured Lender, and Purchaser or as determined by the Court) as a result of the failure by Sharper Image to assume and assign to Purchaser any Core IP Contract (as defined in the Asset

Purchase Agreement), but Purchaser shall not have the right to terminate the Asset Purchase Agreement in such event; and it is further

ORDERED that the Core IP Contracts shall, upon assignment to the Purchaser, be deemed to be valid and binding and in full force and effect and enforceable in accordance with their terms, and the counterparties to the Core IP Contracts shall not (x) offset amounts owed by Sharper Image pre-petition against post-petition royalties due under the respective Core IP Contracts, or (y) reduce such royalties based upon the closing by Sharper Image of some or all of its retail stores, and, pursuant to section 365(k) of the Bankruptcy Code, Sharper Image shall be relieved from any liability under the Core IP Contracts occurring after such assignment, including any liability for any breach thereof occurring after such assignment; and it is further

ORDERED that the Core IP Contracts shall be transferred to, and remain in full force and effect for the benefit of, the Purchaser in accordance with their respective terms, notwithstanding any provision in any such Core IP Contract (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer; and it is further

ORDERED that the failure of the Debtor or the Purchaser to enforce at any time one or more terms or conditions of any Core IP Contract shall not be a waiver of such terms or conditions, or of the Debtor's and Purchaser's rights to enforce every term and condition of the Core IP Contracts; and it is further

ORDERED that this Order shall not apply to Sharper Image's assumption and assignment of that certain License Agreement, dated September 1, 2007, between Sharper Image and Pure Hi-Tech, Inc. and the assumption and assignment of such License Agreement, if necessary shall be subject to further Court order; and it is further

ORDERED that at Closing, the Purchaser shall (a) identify certain executory contracts (including, without limitation, any Core IP Contracts and/or IP Contracts) and/or leases (other than non-residential real property leases), and (b) direct Seller to reject such contracts and/or leases; and

ORDERED that following the Closing Date, except as expressly provided for herein, no holder of an Adverse Interest against the Debtor shall interfere with the Purchaser's title to or use and enjoyment of the Purchased Assets based on or related to such Adverse Interests, or any actions that the Debtor may take in its Chapter 11 case; and it is further

ORDERED that the Asset Purchase Agreement and the Agency Agreement, and any related agreements, documents, or other instruments may be modified, amended, or supplemented by the parties thereto after consultation with the Secured Lender and the Committee in accordance with the terms thereof without further order of this Court, provided that any such modification, amendment, or supplement (i) is filed with this Court, (ii) is not material and adverse to Sharper Image or any other party in interest, and/or (iii) is to reflect the terms and provisions of this Order, and provided further that no such modification will impair the rights otherwise accorded to any governmental unit in this Order; and it is further

ORDERED that to the extent the Purchaser purchases an interest in a consumer credit transaction that is subject to the Truth in Lending Act or any interest in a consumer credit contract (as defined in section 433.1 of title 16 of the Code of Federal Regulations (January 1, 2004), as amended from time to time), the Purchaser shall remain subject to all claims and defenses that are related to such consumer credit transaction or such consumer credit contract, to the same extent the Purchaser would be subject to such claims and defenses of the consumer had

such interest been purchased at a sale not under section 363 of the Bankruptcy Code; and it is further

ORDERED that, pursuant to section 363(f) of the Bankruptcy Code, the Agent shall be entitled to sell all of the Merchandise (as defined in the Agency Agreement) free and clear of all Adverse Interests, with any Adverse Interest on all or any portion of the Merchandise or the Proceeds attaching only to the Guaranteed Amount and other amounts to be received by Sharper Image under the Asset Purchase Agreement and Agency Agreement; and it is further

ORDERED that Sharper Image and the Agent are authorized and empowered, pursuant to section 363(b) of the Bankruptcy Code, to conduct "going-out-of-business," "store closing," "bankruptcy," or similarly themed sales (the "Store Closing Sales") at the Stores (as defined in the Agency Agreement), effective as of the Sale Commencement Date (as defined in the Agency Agreement), in the manner and on the terms and conditions described in the Agency Agreement and the Store Closing Sales Procedures annexed hereto as Exhibit C; and it is further

ORDERED that the Store Closing Sales Procedures are approved; provided, that written agreements between the Agent and any landlord or overlandlord of the Stores modifying the terms of the Store Closing Sales Procedures at applicable locations shall govern the conduct of the Store Closing Sales at such closing locations; and it is further

ORDERED that the Agent shall have the right to use the Stores and all related Store services, furniture, fixtures, equipment and other assets of Sharper Image as designated in the Agency Agreement for the purpose of conducting the Sale, free of any interference from any entity or person subject to compliance with this Order; and it is further

ORDERED that the Agent shall be granted a limited license and right to use until the Sale Termination Date (as defined in the Agency Agreement) the trade names, logos and

customer and mailing lists relating to and used in connection with the operation of the Stores, solely for the purpose of advertising the Store Closing Sales in accordance with the terms of the Agency Agreement and the Store Closing Sales Procedures; and it is further

ORDERED that Sharper Image and the Agent shall jointly employ a mutually acceptable independent inventory taking service (the "Inventory Taking Service") to conduct a SKU and retail physical inventory (the "Inventory Taking") of the Merchandise, consistent with the Agency Agreement; and it is further

ORDERED that the Inventory Taking Service shall be paid in the ordinary course of business in accordance with the Agency Agreement for all services specified in the Agency Agreement provided to Sharper Image and the Agent with respect to the Inventory Taking; and it is further

ORDERED that Sharper Image is authorized to pay promptly store closing expenses to third parties as administrative expenses, subject to the terms of the Agency Agreement and this Order; and it is further

ORDERED that, subject to the terms of the Agency Agreement, any amounts due to the Agent pursuant to the Agency Agreement shall be free and clear of all Adverse Interests and shall be payable to the Agent out of the Sale proceeds without further order of the Court and without the filing of fee applications; and it is further

ORDERED that upon the Closing (as defined in the Asset Purchase Agreement), the proceeds of the Sale shall be applied in accordance with the order approving the DIP Credit Agreement (the "Final DIP Order") such that all Obligations (as defined in the DIP Credit Agreement) of whatever kind, including overadvance fees and overadvance interest shall be paid (subject to the Creditors' Committee's right to challenge such amounts) and the Secured Lender

shall have no further obligations to make any loans or advances to, or issue any letters of credit for, Sharper Image and all commitments of the Secured Lender are terminated; and it is further

ORDERED that Sharper Image shall cash collateralize in the amount required under the DIP Credit Agreement outstanding letters of credit under the DIP Credit Agreement, which cash collateral promptly shall be returned to the Debtor upon expiration, termination or other cancellation of such letters of credit; and it is further

ORDERED that the Secured Lender is granted relief from the automatic stay to apply cash collateral held to backstop letters of credit under the DIP Credit Agreement if and to the extent such letters of credit are drawn and for any letter of credit fees that have accrued without further Court order; and it is further

ORDERED that, to the extent necessary, Secured Lender is granted relief from the automatic stay to draw under the Guaranteed L/C and Expense I./C as and when set forth in the Agency Agreement and such funds, if drawn, shall be applied in accordance with the Final DIP Order; and it is further

ORDERED that Sharper Image will pay into the Pre-Petition Indemnity Account (as defined in the Final DIP Order) \$150,000 from the proceeds of the sale to be held in accordance with the Final DIP Order; and it is further

ORDERED that, without limiting the Agent's setoff rights, if any, as set forth in the Agency Agreement, subject to payment of the Guaranteed Amount Expenses, the Agent is hereby granted pursuant to Bankruptcy Code § 364(d) a valid and perfected first priority security interest in and lien upon the Merchandise and any proceeds to which the Agent is entitled under the Agency Agreement (the "Security Interest"). Until the payment of the Guaranteed Amount and Expenses in full (to the extent owed after consideration of Agent's offset rights under the

Agency Agreement, if any), the Security Interest granted to the Agent hereunder shall remain junior to the security interest of the Secured Lender to the extent of the unpaid portion of the Guaranteed Amount and Expenses. Upon entry of this Order and payment of the Initial Guaranty Payment and the issuance of the Guaranty L/C and the Expense L/C, the Security Interest granted to the Agent shall be deemed properly perfected without the need for further filings or documentation; and it is further

ORDERED that Agent is authorized to conduct, advertise, post signs and otherwise promote the Store Closing Sales (including, without limitation, by means of media advertising, A-frame, interior and exterior banners and similar signage and use of sign walkers), without further consent of any person, in accordance with the terms and conditions of the Agency Agreement and this Order (as the same may be modified and approved by this Court), and without further compliance with applicable federal, state or local laws governing, *inter alia*, the conduct of store closing sales (the "Liquidation Sale Laws"). The term "Liquidation Sale Laws" shall be deemed not to include any public health or safety laws (or any state or local laws, regulations or police powers of general applicability, including but not limited to environmental protection, sales and payroll tax, labor and employment, privacy, consumer protection, deceptive practices and false advertising laws) (the "General Laws"), and Sharper Image and the Agent shall continue to be required to comply, as applicable, with all such General Laws, including specifically the obligation of Sharper Image to pay sales taxes on all Merchandise sold in the Stores. Except as to a Reserved Dispute (as defined below), nothing herein shall preclude any governmental unit from enforcing such General Laws in the appropriate non-bankruptcy forum, subject to any applicable provision of the Bankruptcy Code and federal law; and it is further

ORDERED that all utilities, landlords, creditors and all persons acting for or on their behalf shall not interfere with or otherwise impede the conduct of the Store Closing Sales, institute any action in any court (other than in this Court) or before any administrative body which in any way directly or indirectly interferes with or obstructs or impedes the conduct of the Store Closing Sales; and it is further

ORDERED that, notwithstanding any restrictions in the Agency Agreement on the Agent's ability to conduct Store Closing Sales in compliance with applicable laws or Store leases and except as otherwise provided in this Order, each and every federal, state or local agency, department, or governmental unit with regulatory authority over the Store Closing Sales and all newspapers and other advertising media in which the Store Closing Sales are advertised shall consider this Order as binding authority that no further approval, license, or permit of any governmental unit shall be required for the conduct of the Store Closing Sales, unless and until there is a further order of this Court; and it is further

ORDERED that state and/or local authorities shall not fine, assess, or otherwise penalize the Agent or any of the Landlords of the Stores for conducting or advertising the Store Closing Sales in a manner inconsistent with local law; *provided, however*, that the Store Closing Sales are conducted and advertised in the manner contemplated by this Order, the Store Closing Sales Procedures, and the Agency Agreement; and it is further

ORDERED that, to the extent not inconsistent with the Store Closing Sales Procedures, Sharper Image and the Agent shall comply with all provisions of the leases of the Stores; and it is further

ORDERED that this Court shall retain jurisdiction to resolve any dispute arising from or relating to the Store Closing Sales, the Agency Agreement, the Asset Purchase

Agreement, or this Order including any dispute (a "Reserved Dispute") over the enforceability of a Liquidation Law (including a dispute whether a law is a Liquidation Law or a General Law), but that nothing herein shall preclude any governmental unit from enforcing General Laws in the appropriate nonbankruptcy forum. Resolution of any Reserved Dispute will take place before this Court as provided herein. In furtherance of this paragraph, within five business days of its entry, Sharper Image shall serve this Order (including all exhibits) on (i) the Attorney General's office for each state where a Sale will be held; (ii) the consumer protection agency or similar agency for each county, city or municipality where a Sale will be held; and (iii) the division of consumer protection for each state where a Sale will be held. Any time before 30 days following the Sale Commencement Date (as defined in the Agency Agreement), any governmental unit may assert a Reserved Dispute by sending a notice explaining the nature of the dispute to the attorneys for Sharper Image, the Committee, the Secured Lender, and the Agent at the addresses set forth in the Agency Agreement. If Sharper Image, the Committee, the Secured Lender, the Agent and such governmental unit are unable to resolve the Reserved Dispute or believe that the Reserved Dispute concerns a dispute whether a law is a Liquidation Law or a General Law and so notifies the governmental unit within 15 days of receipt of the governmental unit's notice, the governmental unit may file a motion with the Court requesting the Court to resolve the Reserved Dispute, including, but not limited to, determining that the governmental unit may enforce the law that is the subject of the Reserved Dispute. The determination of the Reserved Dispute shall be made without reliance on the initial presumption of compliance with such laws set forth above, and the Court shall determine *de novo* whether the law in dispute (if any) is a General Law or Liquidation Law. Filing a motion as set forth in this paragraph shall not be deemed to affect the finality of this Order or to limit or interfere with

Sharper Image's or the Agent's ability to conduct or to continue to conduct the Store Closing Sales pursuant to this Order and the Agency Agreement, absent further order of this Court. Nothing herein shall preclude Sharper Image, the Committee, the Secured Lender, or the Agent from asserting that the provisions of any such Liquidation Law is preempted or otherwise rendered unenforceable by the Bankruptcy Code or applicable federal law, in whole or in part, and any other parties' ability to present a contrary position; and it is further

ORDERED that all entities that are presently, or on the Closing Date may be, in possession of some or all of the Purchased Assets are hereby directed to surrender possession of the Purchased Assets to the Purchaser on the Closing Date; and it is further

ORDERED that Sharper Image will discontinue its ecommerce on the Closing Date or such earlier date as agreed by Sharper Image; and it is further

ORDERED that all parties and persons of every nature and description, including but not limited to creditors, newspapers, other advertising mediums, and all those acting for or on their behalf, are prohibited and enjoined from charging advertising rates in excess of the rates charged pursuant to Sharper Image's prepetition advertising agreements or, if no such agreements exist, charging advertising rates in excess of rates regularly and customarily charged in the ordinary course of business to non-bankrupt customers; and it is further

ORDERED that any and all bulk sales laws, to the extent applicable, are waived because creditors are protected by the notice provided by the Sale Motion and the jurisdiction of this Court; and it is further

ORDERED that, except as provided in the Agency Agreement, the Store Closing Sales will not subject the Agent to any liability for any claims against Sharper Image based, in

whole or in part, directly or indirectly, on any theory of law or equity including, without limitation, any theory of equitable law or successor liability; and it is further

ORDERED that the Agent shall not be liable for sales taxes except as expressly provided in the Agency Agreement; and it is further

ORDERED that the Agent is hereby authorized to exercise its setoff rights without further order of the Court; and it is further

ORDERED that the Agent shall not be permitted to include in the Store Closing Sales inventory owned by persons or entities other than Sharper Image; and it is further

ORDERED that this Order, the Asset Purchase Agreement, and Agency Agreement shall be binding on any subsequent chapter 11 or chapter 7 trustee who may be appointed in this case or any succeeding chapter 7 case; and it is further

ORDERED that the stay provided under Bankruptcy Rule 6004(h) is waived and no stay shall apply to any transaction contemplated under the Asset Purchase Agreement or the Agency Agreement; and it is further

ORDERED that the transactions contemplated by the Asset Purchase Agreement are undertaken by the Purchaser and the Debtor in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale to the Purchaser, unless such authorization is duly stayed pending such appeal. The Purchaser is a purchaser in good faith of the Purchased Assets and the Core IP Contracts and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code; and it is further

ORDERED that in the event of a conflict between the Asset Purchase Agreement, Agency Agreement, the Store Closing Sales Procedures, and this Order, this Order shall control; and it is further

ORDERED that the Court shall retain jurisdiction over the parties to enforce this Order, the Asset Purchase Agreement, the Agency Agreement, and the Store Closing Sales Procedures, all amendments or modifications to any of the foregoing, any waivers and consents thereunder, and of each of the agreements executed in connection therewith in all respects, and to determine disputes thereunder, and protect the Purchaser against any Adverse Interests upon the Assets; and it is further

ORDERED that nothing contained in any plan of reorganization or liquidation confirmed in the Debtor's chapter 11 case or any order of this Court confirming such plan shall conflict with or derogate from the provisions of the Asset Purchase Agreement, the Agency Agreement or the terms of this Order; and it is further

ORDERED that the failure specifically to include any particular provisions of the Asset Purchase Agreement or the Agency Agreement in this Order shall not diminish or impair the effectiveness of such provisions, it being the intent of the Court that the Asset Purchase Agreement and the Agency Agreement be authorized and approved in their entirety.

ORDERED that upon closing, Sharper Image and the Creditors' Committee shall release all claims arising under the prepetition credit facility in a form acceptable to Sharper Image, the Creditors' Committee and Secured Lender.

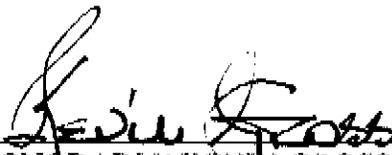
ORDERED that Agent is authorized to commence the Sale under the terms of the Agency Agreement on Saturday May 31, 2008 so long as, upon entry of this Order or as soon as practicable thereafter (but in any event, no later than one business day after entry of this Order) (i)

the Deposit shall be released to the Seller and (ii) Purchaser shall pay to Seller the sum of \$14,150,000 (the "Advance"), provided that the Deposit and the Advance shall be credited dollar for dollar to reduce the Purchase Price for the Purchased Assets upon the Closing. The Sale and all other matters contemplated under the Agency Agreement will be governed in all respects by the terms and conditions of the Agency Agreement. In the event that the Closing does not occur with respect to the Purchased Intellectual Property, the Agency Agreement shall remain in full force and effect according to its terms, except that the Guaranteed Amount shall be deemed to be \$18,500,000.

ORDERED that Furthermore, from the proceeds of the sale of any of the Debtor's assets located in the state of Texas, the amount of \$130,000 shall be set aside by the Debtor in a segregated account as adequate protection for the secured claims of the objecting Local Texas Tax Authorities prior to the distribution of any proceeds to any other creditor. The liens of the Local Texas Tax Authorities shall attach to these proceeds to the same extent and with the same priority as the liens they now hold against the property of the Debtor. These funds shall be on the order of adequate protection and shall constitute neither the allowance of the claims of the Local Texas Tax Authorities, nor a cap on the amounts they may be entitled to receive. Furthermore, the claims and liens of the Local Texas Tax Authorities shall remain subject to any objections any party would otherwise be entitled to raise as to the priority, validity or extent of such liens. These funds may be distributed upon agreement between the Local Texas Tax Authorities and the debtor, and upon such agreement funds may be distributed in payment of their tax claims with any remaining funds after satisfaction of all the tax claims distributed according to the terms of this Order, or upon motion of the Debtor and subsequent order of the Court, duly noticed to

the Local Texas Tax Authorities. After payment to the Local Texas Tax Authorities, any excess funds will be returned to the Estate.

Dated: May 30, 2008



HONORABLE KEVIN GROSS
UNITED STATES BANKRUPTCY JUDGE