ORIGINAL

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CLERK U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY Deputy Clerk

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re: CENTIS INC., a California corporation, CENTIS DIRECT MARKETING INC., a Delaware corporation,CENTIS CONSUMER PRODUCTS INC., a Delaware corporation, G.NEIL DIRECT MAIL, INC., a Delaware corporation, G. NEIL DIRECT MAIL INTERNATIONAL, INC., a Delaware corporation, and NEW CENTURY DIRECT MARKETING, INC., a Delaware corporation
Debtor(s).

CASE NO.:
SA 02-15865 JB
(Jointly administered with Case Nos. SA02-15867 JB, SA02-15868 JB, SA02-15869 JB, SA02-15870 JB, and SA02-15872 JB, for procedural purposes only)

NOTICE OF SALE OF ESTATE PROPERTY

Auction Sale: February 5, 2003	**Time:** 10:00 a.m.
Location: Kirkland & Ellis, 777 S. Figueroa Street, Los Angeles, CA 90017	

Type of Sale: [X] Public: [ ] Private: Last date to file objections: January 28, 2003

Description of Property to be Sold: See attached notice.

Terms and Conditions of Sale: See attached notice.

Proposed Sale Price: See attached notice.

Overbid Procedure (If Any): See attached notice.

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:
February 7, 2003, 10:00 a.m., Chapman University School of Law, 370 North Glassell Street, 2nd Floor Courtroom, Orange, CA 92866-1023.

Contact Person for Potential Bidders (include name, address, telephone, fax and/or e:mail address):

Kelly K. Frazier, Esq.
777 S. Figueroa Street
Los Angeles, CA 90017
Tele: (213) 680-8230; Fax: (213) 680-8500
kelly_frazier@la.kirkland.com

Date: January 10, 2003

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Reorganization Counsel for the
Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

SANTA ANA DIVISION

In re

CENTIS INC., a California corporation, CENTIS DIRECT MARKETING INC., a Delaware corporation, CENTIS CONSUMER PRODUCTS INC., a Delaware corporation, G. NEIL DIRECT MAIL, INC., a Delaware corporation, G. NEIL DIRECT MAIL INTERNATIONAL, INC., a Delaware corporation, and NEW CENTURY DIRECT MARKETING, INC., a Delaware corporation,

Debtors.

Case No. SA02-15865 JB

(Jointly administered with Case Nos. SA02-15867 JB, SA02-15868 JB, SA02-15869 JB, SA02-15870 JB and SA02-15872 JB for procedural purposes only)

Chapter 11

NOTICE OF: (I) HEARING ON MOTION FOR ORDER AUTHORIZING AND APPROVING THE DEBTORS' PROPOSED SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THEIR CONSUMER BUSINESS; AND (II) CERTAIN COURT APPROVED BIDDING PROCEDURES WITH RESPECT TO AN AUCTION

Hearing on Sale Motion

Date: February 7, 2003
Time: 10:00 a.m.
Place: Chapman University School of Law
370 North Glassell Street
2nd Floor Courtroom
Orange, California 92866-1032

PLEASE TAKE NOTICE OF THE FOLLOWING:

NOTICE OF HEARING ON SALE MOTION: On **February 7, 2003, at 10:00 a.m.** (prevailing Pacific Time), or as soon thereafter as counsel may be heard, before the Honorable James N. Barr, United States Bankruptcy Judge (the "Court"), a hearing (the "Sale Hearing") will be held in the **Courtroom located on the 2nd Floor at the Chapman University School of Law, 370 North Glassell Street, Orange, California 92866-1032,** on the motion by Centis Inc. and its affiliated debtors and debtors in possession (collectively, the "Debtors") to, *inter alia*, sell certain assets of Centis Consumer Products Inc. pursuant to 11 U.S.C. §§ 362 and 363, free and clear of all liens, claims, encumbrances and interests and exempt from any stamp, transfer, recording or similar tax, together with certain assets of the Debtors non-debtor, foreign affiliates, Centis (Canada), Inc. and Siglo Productos de Mexico (together with Centis Consumer Products, Inc., the "Consumer Business"), and to assume and assign certain identified executory contracts and unexpired leases (collectively, the "Assigned Contracts") pursuant to 11 U.S.C. § 365 (the "Sale Motion") to either: (i) Esselte AB, through its acquisition entity ("Esselte") for approximately $26 million in cash, subject to certain adjustments (which the Debtors estimate will reduce the actual cash received at closing by approximately $2 million) and the holdback on account of such adjustments discussed in further detail below, plus the assumption of other specified liabilities (which the Debtors estimate will be approximately $4 million as of the closing), all as set forth in that certain letter of intent, dated December 11, 2002 (the "LOI"), between the Debtors and Esselte; or (ii) the party submitting the highest and/or otherwise best bid for the Consumer Business pursuant to the bidding procedures (the "Bidding Procedures") described below and approved by this Court on January 8, 2003.

The Debtors and Esselte intend to finalize and execute a definitive asset purchase agreement (the "Definitive Agreement") on or before January 10, 2003. Once the Definitive Agreement is executed, the Debtors intend to promptly file the Sale Motion. If you receive this Notice and have not received the Sale Motion or the Definitive Agreement, you may receive a complete copy of either or both documents free of charge from the Debtors' counsel through Denise Wymore at Kirkland & Ellis, 777 South Figueroa Street, Los Angeles, California 90017,

Telephone: (213) 680-8400, Facsimile: (213) 680-8500. All parties receiving this Notice are encouraged to obtain copies of the Sale Motion and the Definitive Agreement, and to review their terms carefully.

DEADLINE FOR OBJECTIONS TO THE SALE MOTION: Any opposition to the Sale Motion must be in writing, filed with the Bankruptcy Court, and served upon the following parties:

(i) The Office of the United States Trustee, Attn: Nancy Shapiro, Esq., 411 West Fourth Street, Suite 9041, Santa Ana, CA 92701-8000;

(ii) Robert E. Annas, Centis Inc., 205 South Puente Street, Brea, CA 92821;

(iii) Kirkland & Ellis, Attn: Kelly K. Frazier, Esq., 777 South Figueroa Street, Los Angeles, CA 90017;

(iv) Allyson F. Dematteo, SSG Capital Advisors, L.P. ("SSG"), 445 Park Avenue, Suite 1901, New York, NY 10022;

(v) Tavi Claire Flanagan, Irell & Manella LLP, 840 Newport Center Drive, Suite 400, Newport Beach, CA 92660-6324;

(vi) Fred Neufeld, Esq., Milbank, Tweed, Hadley & McCloy, 601 South Figueroa Street, 30th Floor, Los Angeles, CA 90017;

(vii) Christopher Rose, Skadden, Arps, Slate, Meagher & Slom LLP, One Beacon Street, Boston, Massachusetts 02108; and

(viii) Peter Clapp, Esq., Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071.

by no later than 4:00 p.m., January 28, 2003 (prevailing Pacific Time). Pursuant to Local Bankruptcy Rule 9013-1, any failure to file and serve a timely response and request for hearing may be deemed by the Court to constitute consent to the relief requested by the Sale Motion, including, without limitation, the assumption and assignment of certain executory contracts and/or unexpired leases and the determination of cure payments, if any, owing under such contracts and/or leases.

Any replies to objections to the relief requested in the Sale Motion must be filed and served on the objecting party and the parties identified above, with a copy delivered directly to the Court's chambers, **by no later than 4:00 p.m., February 5, 2003 (prevailing Pacific Time)**.

THE TERMS AND CONDITIONS OF THE PROPOSED SALE TO ESSELTE: After receiving several indications of interest for the purchase of substantially all of the assets of the Consumer Business, the Debtors have determined that a sale to Esselte, subject to a competitive bidding process, is the best way to maximize value received by the bankruptcy estates for those assets. The following is a summary of certain key terms and conditions of the proposed sale to Esselte. Because the following description is only a summary, and is subject to final execution of the Definitive Agreement, parties are referred to the Definitive Agreement for a complete understanding of the proposed sale terms. In the event of any inconsistencies between the Definitive Agreement and the following summary, the terms of the Definitive Agreement shall control.

a. Assets to be Sold: Esselte will purchase certain of the assets utilized in the domestic Consumer Business, free and clear of all claims, liens, security interests, encumbrances and other similar burdens. Concurrently with the purchase of the aforementioned assets, Esselte also will purchase: (A) either (i) all of the shares of stock of Centis (Canada) Inc., free and clear of all claims, liens, security interests, encumbrances and other similar burdens, or (ii) certain assets of Centis (Canada) Inc. (the form of such related transaction to be determined by mutual agreement of the parties); and (B) either (i) all of the shares of stock of Siglo Productos de Mexico, free and clear of all claims, liens, security interests, encumbrances and other similar burdens, or (ii) certain assets of Siglo Productos de Mexico (the form of such related transaction to be determined by mutual agreement of the parties) (such shares or assets, together with the assets of the Consumer Business referred to in the preceding sentence, collectively referred to herein as the "Assets"). Esselte will not assume any liabilities of the Debtors except for: (i) those pre-closing liabilities and obligations specifically identified in the Definitive Agreement; and (ii) all liabilities incurred post-closing relating to and arising from the Assets. The Assets shall include, but not be limited to, all inventory, accounts receivable, work in process, raw materials, prepaid expenses, intellectual property, books and records, transferable permits, equipment and other items presently utilized in the Consumer Business (and not materially utilized by other divisions of the Debtors unless agreed to by the Debtors), which Assets shall be acquired by Esselte on an "as is, where is" basis without representation or warranty. The Assets shall not include, among other things: (i) cash on hand; (ii) avoidance claims and causes of action referenced in section 550(a) of the Bankruptcy Code or the proceeds thereof (Esselte, the Debtors and the Official Committee of Unsecured Creditors (the "Committee") shall further discuss the excluded assets referenced in this clause (ii)); (iii) the corporate minute books of the Debtors or any subsidiary; (iv) any leases and executory contracts not identified in the Definitive Agreement by Esselte (and agreed to by

the Debtors) for assumption; and (v) such other assets as may be subsequently mutually agreed upon by Esselte and the Debtors.

b. The Aggregate Purchase Price: The purchase price for the Assets is as follows:

1. Twenty Six Million Dollars ($26,000,000), payable in immediately available funds at the Closing (the "Cash Purchase Price"), subject to a holdback of $700,000 (the "Escrow Account") to secure the post-closing adjustments described below and the following adjustments:

a. minus the amount by which all liabilities and obligations relating to customer merchandise credits (including those obligations under the customer financial incentive agreements) and other customer accommodation practices utilized by the Consumer Business in the ordinary course (collectively, the "Customer Liabilities") exceed $2,500,000, or, in the event that such Customer Liabilities are less than $2,500,000, then plus the amount of such difference (such post-closing adjustment to take place no later than one hundred twenty (120) days after the closing date, with such adjustment to be satisfied initially from the Escrow Account);

b. plus the amount by which Accounts Receivable (defined as net accounts receivable no more than 30 days overdue for payment) and Inventory (defined as inventory in an amount no more than the last twelve month's sales for any particular item) exceed $17,500,000, or in the event Accounts Receivable and Inventory are less than $17,500,000, then minus the amount of such difference (such post-closing adjustment to take place no later than one hundred twenty (120) days after the closing date, with such adjustment to be satisfied initially from the Escrow Account);

2. Assumption by Esselte of all post-petition accounts payable to trade vendors relating to Centis Consumer Products Inc. and all accounts payable to trade vendors relating to the businesses of Centis (Canada) Inc. and Siglo Productos de Mexico (collectively, such assumption shall not exceed $1,300,000);

3. Assumption by Esselte of all (A) severance payments and (B) accrued vacation, applicable payroll taxes and other liabilities payable to employees to be retained by Esselte following the Closing (such assumption under clause (B) hereof shall not exceed $250,000); and

4. Assumption of any other liabilities agreed to by the parties.

c. Payment of the Purchase Price: For purposes of the Closing, the Debtors shall make a good faith estimate of the purchase price (subject to review and acceptance by Esselte), taking into account an estimate of the Customer Liabilities, Accounts Receivable and Inventory at the close of business the day preceding the Closing Date. At the Closing, Esselte shall pay the mutually agreed upon estimated purchase price, minus the holdback amount. Within 120 days

following the Closing, an initial determination of the final purchase price and the appropriate post-Closing adjustments as described above will be made, subject to an agreed upon dispute resolution procedure.

d. Assignment of Executory Contracts and Leases: Esselte also will acquire, by way of assumption and assignment under section 365 of the Bankruptcy Code, certain leases and executory contracts as specified by Esselte (and agreed to by the Debtors) prior to the execution of the Definitive Agreement (a final list of which shall be attached as a schedule to the Definitive Agreement). Subject to confirmatory due diligence (prior to the execution of the Definitive Agreement) by Esselte of the amounts, cure amounts for such assumed and assigned contracts and leases will be assumed and paid by Esselte on or before the closing in such amounts as determined by order of the Bankruptcy Court.

e. As-Is, Where Is Sale: The Assets shall be acquired by Esselte on an "as is, where is" basis without representation or warranty.

f. Deposit: Upon execution of the Definitive Agreement, Esselte will pay to the Debtors a deposit in an amount equal to seven and a half percent (7.5%) of the Cash Purchase Price (the "Deposit"), which shall be held in a segregated account by the Debtors.

g. Retention of Employees: At its option, Esselte may retain selected personnel currently employed by the Debtors in connection with the Consumer Business. Esselte currently anticipates providing continuous employment to a significant number of the Debtors' employees that are currently employed in the Mexico and Canadian facilities that are associated with the production of products.

h. Conditions: Consummation of the proposed sale under the Definitive Agreement is conditioned upon, *inter alia*, an auction and a hearing on the Sale Motion occurring on or before February 10, 2003, and a final order approving the sale to Esselte to be entered by no later than February 21, 2003.

i. Higher and Better Offers: As set forth in further detail below, the Definitive Agreement is subject to the submission by third parties of higher and better offers, as well as approval by the Court.

PROCEDURES FOR SUBMITTING COMPETING BIDS:

The proposed sale to Esselte is subject to the Debtors' consideration of higher and better offers. The Debtors will hold an auction (the "Auction") to determine if the Debtors may receive higher or better bids for the Consumer Business. On January 8, 2003, the Court entered an order establishing certain bidding procedures and approving certain buyer protections (the "Bidding Procedures") in connection with the Sale Motion and proposed Auction. The Court approved

Bidding Procedures are set forth below, and contain numerous deadlines and requirements that should be read in their entirety:

a. Overbid Procedures: An entity (other than Esselte) that is interested in purchasing the Assets of the Consumer Business (including the Debtors' senior secured lenders (the "Senior Lenders") if they intend to credit bid) must submit an "Initial Overbid" in conformance with this paragraph **by no later than 4:00 p.m. (prevailing Pacific Time) on February 3, 2003** (which is two (2) business days prior to the Auction) (the "Overbid Deadline"). Any entity that fails to submit a timely, conforming Initial Overbid, as set forth herein, shall be disqualified from bidding for the assets at the Sale Hearing. Any, such Initial Overbid must:

(i) Be served upon SSG, the Debtors' reorganization counsel, counsel for the Committee, counsel for the Senior Lenders and each of the parties to the Assigned Contracts in a manner such that the Initial Overbid actually is received on or before the Overbid Deadline;[1]

(ii) Contain a signed definitive written agreement, acceptable to the Debtors and the Committee in their sole discretion: (i) having substantially similar terms and conditions as the Definitive Agreement; (ii) containing terms and conditions no less favorable to the estates than the terms and conditions in the Definitive Agreement (including with respect to adjustments to the purchase price); and (iii) providing for a purchase price of at least four percent (4%) greater than the Cash Purchase Price offered by Esselte in the LOI. Further, the overbidder must provide the above-described parties a separate version of its agreement redlined or otherwise marked to show any and all deviations from the Definitive Agreement (the Definitive Agreement will be provided to prospective overbidders in electronic format upon request);

(iii) Except with respect to a credit bid from the Senior Lenders, include a cashiers' or certified check in the amount of the Deposit provided by Esselte (i.e., 7.5% of the Cash Purchase Price, or $1.95 million), which deposit will be returned to the overbidder following the conclusion of the Sale Hearing unless the overbidder ultimately submits the successful bid for the Assets, in which case the deposit will be applied against the purchase price and held by the Debtors to collateralize any damages they may suffer in the event the overbidder is the prevailing bidder and fails to consummate the sale;

(iv) Be accompanied by evidence satisfactory to the Debtors establishing the overbidder's good faith, within the meaning of section 363(m) of the Bankruptcy Code, and its "adequate assurance of future performance" of

[1] Upon request, the Debtors will provide potential overbidders with a service list of each of the aforementioned notice parties.

the Assigned Contracts, within the meaning of section 365(f)(2)(B) of the Bankruptcy Code;

(v) Be accompanied by evidence satisfactory to the Debtors in their sole discretion that the overbidder is willing, authorized, capable and qualified financially, legally and otherwise, of unconditionally performing all obligations under the Definitive Agreement (or its equivalent) in the event that it submits the prevailing overbid at the Sale Hearing; and

(vi) Remain open and irrevocable until the earlier of the entry of an order by the Court approving a definitive agreement or March 31, 2003. Competing bids shall not be conditioned or contingent on the outcome of unperformed due diligence by the overbidder, any financing contingency, or any board of directors', shareholders' or other corporate approval.

b. No Initial Overbids: If no timely, conforming Initial Overbids are submitted, the Debtors will request at the Sale Hearing that the Court approve the proposed sale of the assets to Esselte.

c. Auction: In the event that the Debtors timely receive a conforming Initial Overbid from a prospective purchaser as described above (a "Qualified Bidder"), then the Debtors will conduct an Auction with respect to the sale of the Assets. The Auction will take place **on February 5, 2003, beginning at 10:00 a.m. (prevailing Pacific Time)** (which is two (2) business day prior to the Sale Hearing) at the offices of Kirkland & Ellis, 777 South Figueroa Street, Los Angeles, California 90017, or at such other place, date and time as may be designated in writing by the Debtors. The Auction shall be governed by the following procedures:

(i) All Qualified Bidders shall appear in person at the Auction, or through a duly authorized representative;

(ii) Bidding will commence at an amount of the highest bid or otherwise best offer submitted by a Qualified Bidder as to the Assets, as determined by the Debtors in their sole and absolute discretion;

(iii) Qualified Bidders and/or Esselte may then submit successive bids in increments of at least $250,000 greater than the prior bid (the "Incremental Bid Amount") for the purchase of the Assets at the Sale Hearing until there is only one offer that the Debtors and the Committee determine, subject to Court approval, is the highest and best offer (the "Prevailing Bid"); provided, however, that the Senior Lenders reserve their rights, under 11 U.S.C. § 363(k), to credit bid for the Assets at the Sale Hearing (subject to the terms of the settlement between the Debtors, the Senior Lenders and the Committee, which will be filed with the Court shortly, relative to the treatment of such credit bid as a cash bid for purposes of calculating the Committee carve-out).

e. Jurisdiction of the Bankruptcy: All bidders shall be deemed to have consented to the core jurisdiction of the Court and to have waived any right to jury trial in

connection with any disputes relating to the auction and/or the sale of the assets. Esselte and all Qualified Bidders shall be bound by their bids until such time as a definitive sale agreement is executed by the prevailing bidder (as approved by the Court at the Sale Hearing) and the Court has entered an order approving the sale to the prevailing bidder, or March 31, 2003 (whichever is earlier). If, for any reason, such prevailing bidder is unable or unwilling to execute a definitive sale agreement or to perform its obligations thereunder, the Debtors, in the exercise of their business judgment, (i) may retain and cash the deposit of that prevailing bidder as partial payment of any damages resulting from the bidder's failure to perform, and (ii) may sell the assets to the next highest bidder at the auction (as approved by the Court), upon an *ex parte* application to the Court and without further notice or a hearing, provided that such bidder submits a new deposit and otherwise is authorized, capable, and qualified to proceed with the sale.

f. Breakup Fee Arrangement: The Debtors have agreed that in the event Esselte does not submit the Prevailing Bid and the Debtors enter into an alternative sale transaction, the Debtors, subject to this Court's approval, will pay Esselte a breakup fee in an amount equal to three percent (3%) of the Cash Purchase Price (i.e., $780,000) (the "Breakup Fee"); provided, however, that such Breakup Fee shall be payable only in the event that: (i) if the Debtors and Esselte have not entered into a Definitive Agreement, (a) if Esselte is able and willing to enter into a Definitive Agreement on the same material terms and conditions set forth in the LOI by January 10, 2003 and to perform said agreement, is not exercising any contingency out provided in the LOI, and is not otherwise in breach of the LOI, and (b) the Debtors consummate a sale of more than 50% of the value of the Assets (based on the Assets' book value on the Debtors' interim financials as of October 31, 2002) to one or more parties (other than Esselte) by December 31, 2003; or (ii) if the Debtors and Esselte enter into a Definitive Agreement and (a) Esselte is not in material default of the Definitive Agreement and is ready, willing and able to perform said agreement, and (b) the Debtors consummate a sale of more than 50% of the value of the Assets (based on the Assets' book value on the Debtors' interim financials as of October 31, 2002) to one or more parties (other than Esselte) by December 31, 2003. The Breakup Fee shall serve to reimburse Esselte for the cost and expense incurred by it in connection with the negotiation of the Definitive Agreement, as well as for the risk associated with acting as the stalking horse. No other Qualified Bidder in the Auction, if any, shall be entitled to any termination or Breakup Fee.

g. Successful Credit Bid: In the event that the Senior Lenders credit bid, and such bid is the Prevailing Bid, such Prevailing Bid shall have a cash component equal to the Breakup Fee. In addition, in the event that there are insufficient funds in the estates to satisfy the Debtors' (i) success fee obligations to certain of their professionals (as approved by the Court), (ii) obligations under the key employee retention plan (as approved by the Court), (iii) obligations owing to unsecured creditors pursuant to the pending settlement agreement between the Debtors, the Committee and the Senior Lenders (the "Settlement Agreement"), and (iv) a budget for the expenses of confirmation and implementation of a liquidating chapter 11 plan, then the Senior Lenders shall enhance the cash component of their credit bid to provide adequate funds for the foregoing requirements.

Moreover, for purposes of calculating the Committee carve-out, such credit bid shall be treated as if it was wholly made in cash.

h. Payment of Net Proceeds to Senior Lenders: In accordance with the contemplated Settlement Agreement and subject to finalization and Court approval of the Settlement Agreement, the Sale Motion will provide for relief from the automatic stay to allow for the payment of the sales proceeds to the Senior Lenders on account of their secured claims, minus certain carve-outs to: (i) pay the costs of the sale, including (a) success fee amounts to Casas, Benjamin & White LLC (the Debtors' financial advisors) and SSG, (b) amounts owing to certain of the Debtors' employees pursuant to a retention plan to be approved by the Court, and (c) the fees and expenses of the Debtors' bankruptcy counsel, Kirkland & Ellis, and counsel for the Committee, Irell & Manella LLP; (ii) fund, from amounts paid to the Senior Lenders, a carve-out based on the net proceeds from the sales of the Debtors' assets for the benefit of general unsecured creditors; and (iii) fund a budget for the expenses associated with the confirmation and implementation of a liquidating chapter 11 plan.

WHERE TO FILE DOCUMENTS: All documents required to be filed with the Bankruptcy Court in these cases must be filed at the following address: 411 West Fourth Street, Santa Ana, California 92701.

DATED: January 8, 2002

Respectfully submitted,

KIRKLAND & ELLIS

Kelly K. Frazier

KELLY K. FRAZIER
Reorganization Counsel for the
Debtors and Debtors in Possession