IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	**Chapter 11**
AIO US, INC., *et al*.	:	**Case No. 24–11836 ( )**
Debtors.[1]	:	**(Joint Administration Requested)**

DECLARATION OF PHILIP J. GUND IN SUPPORT
OF DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, Philip J. Gund, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer and Treasurer of AIO US Inc. ("**AIO**")[2], Avon Products, Inc. ("**API**"), MI Holdings, Inc. ("**MIH**"), and Avon Capital Corporation ("**ACC**"), as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "**Debtors**"), and have served in those capacities since August 9, 2024, and July 30, 2024, respectively. I am also a Senior Managing Director with Ankura Consulting Group, LLC ("**Ankura**"), a global consulting and financial advisory firm with over 35 offices around the world, which has been providing services to the Debtors since May 31, 2024. In this capacity and in my capacities as Chief Restructuring Officer and Treasurer of the Debtors, I am familiar with the Debtors' day-to-day operations, books and records, and business and financial affairs, and the circumstances leading to the commencement of these chapter 11 cases.

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: AIO US, Inc. (9872), Avon Products, Inc. (4597), MI Holdings, Inc. (6450), and Avon Capital Corporation (2219). The Debtors' mailing and service address is 4 International Drive Suite 100, Rye Brook, New York 10573.

[2] On August 6, 2024, Avon International Operations, Inc. changed its name to AIO US, Inc.

2. Before joining Ankura in 2016, I was a founding partner at Marotta Gund Budd & Dzera, LLC from January of 2001 until Ankura acquired the firm in March of 2016. I have more than 40 years of professional experience, including 35 years of experience advising boards of directors and senior management of troubled companies and creditor constituencies in both operational and financial restructurings, providing interim management services to both non-distressed and distressed companies, and serving as Responsible Officer for the wind down and liquidation of company assets. I hold a B.B.A. from Pace University and am a Certified Public Accountant and Certified Insolvency and Restructuring Advisor.

3. I have worked in a wide variety of industries including retail, manufacturing and wholesale distribution, healthcare, import/export, co-op purchasing and distribution, marine transportation, marine construction, automotive parts, hotel development and management, daily publications, printing, real estate and construction, specialty chemicals, coke and electrode production, alternative energy development, construction and management, telecommunications, golf courses and practice facilities, and family entertainment centers. My prior experience includes a wide range of services and activities targeted at restructuring, stabilizing, and improving a company's financial position, including developing and implementing business plans, developing and executing turnaround strategies, planning and implementing financial and operational restructurings and debt reorganizations, financial modeling, managing negotiations with stakeholders, forensic accounting, and stabilizing business and liquidity.

4. On the date hereof (the "**Petition Date**"), the Debtors commenced with this Court (the "**Bankruptcy Court**") voluntary cases under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). Except as otherwise indicated herein, the facts set forth

in this Declaration are based upon my personal knowledge, my review of relevant documents and the Debtors' books and records, information provided to me by the Debtors or advisors to the Debtors, or my opinion based upon my experience and knowledge concerning the Debtors. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

5. I submit this Declaration to apprise the Bankruptcy Court and parties in interest of the circumstances that compelled the commencement of these chapter 11 cases and in support of the motions and applications the Debtors have filed with the Bankruptcy Court, including the "first day pleadings" (the "**First Day Pleadings**").[3] This Declaration is divided into four sections:

(a) Section I describes the Debtors' business, their history, and their current operations and corporate structure;

(b) Section II summarizes the Debtors' prepetition capital structure;

(c) Section III describes the circumstances that led to the commencement of these chapter 11 cases; and

(d) Section IV provides a summary of the First Day Pleadings and the factual bases for the relief requested therein.

6. I am familiar with the contents of each First Day Pleading, and I believe the relief sought therein is necessary to enable the Debtors to effectuate a seamless transition into these chapter 11 cases. I further believe the relief requested in the First Day Pleadings will preserve the value of the Debtors' estates and, therefore, maximize value for all creditors.

Preliminary Statement

7. The Debtors, through their non-Debtor foreign subsidiaries (collectively, "**Avon Non-U.S.**" and together with the Debtors, "**Avon**" or the "**Company**"), are a leading manufacturer and marketer of beauty, fashion, and home products with operations and

[3] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the respective First Day Pleadings.

customers across the globe (not including the United States). API and the other Debtors, which are all U.S. entities,[4] serve as the holding companies for Avon's international operations in Europe, the Middle East, and Africa, Asia Pacific, and certain markets in Latin America.[5] The Debtors' primary assets are the equity interests they hold in the Company's international operating entities, as well as certain intellectual property. Avon's operating businesses, which are all under the scope of Avon Non-U.S., are not part of these chapter 11 cases.

8. The Company has not sold products in the United States since 2016, when, as described in further detail below, it sold its North American business and began exclusively focusing on markets and operations outside of the United States. To be clear, the Debtors are not affiliated with "The Avon Company" ("**Avon North America**"), which was spun off in 2016 and is today owned by LG Household & Health Care Ltd.

9. As of the Petition Date, the Company conducts operations in approximately 50 countries and territories and licenses its products in approximately 10 other countries and territories. The Company's sales and marketing efforts are supported internationally by approximately three million representatives and more than five thousand employees around the world.

10. As described in further detail below, since its acquisition by Brazilian company Natura &Co Holding S.A. ("**Natura**" and, collectively, with its subsidiaries other than the Debtors and their subsidiaries, the "**Natura Group**") through the Natura Acquisition (as defined below) in 2020, Avon has negotiated and implemented a series of strategic actions to

[4] At this time, AIO, API, MIH, and ACC are the only Debtors in these chapter 11 cases. However, additional U.S.-based subsidiaries of API and the other Debtors, most of which are dormant entities from Avon's previously sold U.S. operations, may commence chapter 11 cases in the coming days and weeks.

[5] As described in further detail below, the Company has in recent years sold the majority of its Latin America operations to Natura.

execute on its Integration Plan (as defined below), which is premised on optimizing the Company's global distribution channels, modernizing and enhancing the Avon brand, and reducing the Company's overhead costs and streamlining its operations and business processes. All of these efforts share the objectives of reducing costs, maximizing productivity, and improving profitability, cash flows, and liquidity. The Company is continuing to advance these strategic initiatives that were already underway prior to the Petition Date.

11. Notwithstanding these efforts, the Company has, in recent years, experienced a significant decline in revenues and increased liquidity constraints as a result of several economic factors and operational challenges, including, among other things, increased market competition, the COVID-19 pandemic, and the Russia-Ukraine war. In addition, the Debtors face mounting liquidity pressures related to legacy talc liabilities arising out of their former U.S. operations. Although the Debtors have resolved many of these cases, which the Debtors view as without merit, two recent negative verdicts have further strained the Debtors' liquidity and resources. The Debtors have limited insurance coverage with respect to their legacy talc liabilities due to, among other reasons, insurer insolvencies and certain asbestos coverage exclusions. In a typical case, the Debtors recover between zero to fifteen percent of their talc-related liabilities and costs from insurance, depending on the nature of the claim and the year in which the alleged exposure began.

12. As a result, the Debtors have had to finance Avon's operations almost entirely through the incurrence of funded debt. Over the last few years, the Debtors have incurred substantial debt to fund operations, pay for talc litigation, and refinance third party debt that existed at the time of the Natura Acquisition (as defined below).[6] As described below in

[6] At the time of the Natura Acquisition, the Debtors had approximately $1.6 billion in third party debt outstanding. Since then, the Debtors used the Natura funding to pay off all but approximately $22.7 million of

more detail, the Debtors' current funded debt, including guaranties of their subsidiaries' funded debt, consists of approximately $1.294 billion in secured and unsecured debt (including principal plus accrued interest as of the Petition Date), which the Debtors are no longer able to continue to service. These debt obligations consist of (i) approximately $1.271 billion in secured and unsecured debt owed to the Natura Group and (ii) approximately $22.7 million in third party unsecured bonds. The amounts owed to the Natura Group can further be categorized as (x) approximately $273.2 million of secured debt incurred by API as borrower under certain credit facilities (which are also guaranteed by other Debtor and non-Debtor Avon subsidiaries), (y) approximately $530.7 million of secured debt guaranteed by API and certain other Debtors for the benefit of their primary non-Debtor operating subsidiary, Avon Cosmetics Limited ("**ACL**"),[7] and (z) approximately $467.6 million of unsecured debt in the form of a promissory note issued by API to Natura. This debt is described below in further detail.

13. In early 2023, as the Debtors and Natura began engaging in financing discussions, Natura established an independent Board of Directors for API (the "**Board**") to ensure an appropriate level of separation between the Natura Group and the Debtors. As discussions progressed and the parties began to explore various restructuring alternatives to address the Debtors' liquidity and other issues, the Board engaged restructuring professionals to advise them on a course of action for the Debtors, including the engagement of (i) Weil, Gotshal & Manges LLP ("**Weil**"), as counsel, in October 2023, (ii) Ankura, as financial advisor, in June 2024, and (iii) Rothschild & Co ("**Rothschild**"), as investment banker, in July 2024. In addition,

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that pre-merger debt. To be clear, Natura did not place any new debt on Avon at the time of the Natura Acquisition (in other words, the Natura Acquisition was not a "leveraged buyout").

[7] In addition, (i) ACL has approximately $399.5 million in additional unsecured debt owed to the Natura Group, which is not guaranteed by the Debtors, and (ii) ACL's direct subsidiary, Avon Beauty Limited ("**ABL**"), has approximately $725.3 million in unsecured debt owed to the Natura Group, which is not guaranteed by the Debtors.

the Board appointed a special committee (the "**Special Committee**"), consisting of John Dubel, on June 11, 2024 to, among other things, assist in the evaluation and negotiation of the Debtors' various restructuring alternatives and make recommendations to the Board.

14. After months of internal discussions and exploring various alternatives, the Board, on the recommendation of the Special Committee and the advice of its restructuring professionals, determined the most appropriate path forward to maximize value of the Debtors' estates for creditors and other stakeholders, including potential talc claimants, was to commence these chapter 11 cases to pursue a sale of all or substantially all of the Debtors' assets (the "**Sale**").

15. In furtherance of this goal, the Debtors have obtained a binding commitment from Natura to serve as a stalking horse bidder for the Sale pursuant to a signed stock and asset purchase agreement, dated August 12, 2024 (the "**Stalking Horse Agreement**" and the bid represented therein, the "**Stalking Horse Bid**"). The Stalking Horse Agreement provides for the purchase by Natura of substantially all of the Debtors' assets, including all of the Debtors' equity interests in Avon Non-U.S., for the aggregate purchase consideration of $125 million in the form of a credit bid against the Debtors' outstanding secured obligations to Natura. Of particular note, the Stalking Horse Agreement does not include any break-up fee, expense reimbursement, or other traditional bid protections for Natura. With the assistance of Rothschild and their other restructuring advisors, the Debtors are commencing a comprehensive and robust marketing process with respect to the Sale and are seeking Court approval of related bid procedures to implement a process to solicit potential higher or better offers for the Debtors' assets.[8]

[8] Contemporaneously herewith, the Debtors have filed a motion seeking Court-approval of, among other things, bid procedures and deadlines in connection with the Sale (the "**Bid Procedures Motion**").

16. Natura has further agreed to provide the Debtors with up to $43 million in additional financing pursuant to a superpriority senior secured debtor-in-possession credit agreement, with an initial draw of $12 million (the "**DIP Credit Agreement**") to fund the Debtors' operations and the administration of these chapter 11 cases during the sale process.

17. In addition, following a lengthy internal investigation and review by the Special Committee and the Debtors' advisors, the Debtors commenced discussions with Natura regarding potential claims and causes of action the estates may assert against the Natura Group with respect to, among other things, various prepetition sale and financing transactions, including potential avoidance actions under the Bankruptcy Code. Those discussions ultimately culminated in the execution of a settlement agreement (the "**Natura Settlement Agreement**"), pursuant to which, and subject to Court approval, Natura has agreed, in full and final satisfaction of any and all potential claims and causes action the Debtors may assert against the Natura Group, to provide the following consideration:

(a) provide the Debtors a cash payment in the amount of $30 million in immediately available funds;

(b) leave behind certain valuable assets under the Stalking Horse Agreement, including an insurance receivable expected to be worth approximately $4.2 million;

(c) assume sponsorship of, and all responsibility and liability for API's defined benefit plan, which is underfunded by approximately $5.68 million;

(d) timely reimburse API for attorneys' fees and other costs incurred postpetition in connection with API's prosecution of the appeal from the verdict in *Chapman, et al. v. Avon Products, Inc., et al*., Case No. 22STCV05968;

(e) irrevocably waive approximately $530 million in secured debt principal due and owing to Natura under the API 2023 Credit Facility, the ACL 2023 Credit Facility, and the 2024 Credit Facilities (each as defined below), leaving the following remaining claims (i) $225 million in Retained Secured Claims (as defined in the Natura Settlement Agreement)

and (ii) approximately $400 million in Retained Unsecured Claims (as defined in the Natura Settlement Agreement); and

(f) release certain claims against the Debtors.

18. The cash payments and other consideration to be funded or contributed by Natura under the Natura Settlement Agreement will be used to fund the administration of the chapter 11 cases following the closing of the Sale, as well as distributions to creditors in the chapter 11 cases. In addition, the significant amount of secured claims Natura has agreed to waive will further increase recoveries to unsecured creditors in these chapter 11 cases, including potential talc claimants. Contemporaneously herewith, the Debtors have filed a motion seeking Court approval of the Natura Settlement Agreement pursuant to Bankruptcy Rule 9019 (the "**9019 Motion**").[9]

19. Accordingly, the Debtors intend to use their time in chapter 11 to market their assets and, following the conclusion of the marketing period, seek Court approval of the Stalking Horse Bid or any higher or better offer they receive in connection with the Sale and to close on a value-maximizing transaction in accordance with the various case milestones set forth under the DIP Credit Agreement, the proposed Bid Procedures (as defined in the Bid Procedures Motion), and the Stalking Horse Agreement. This will ensure the value of the Company's business is preserved for the benefit of the Debtors' stakeholders and the employees, representatives, customers, and suppliers who have a stake in Avon's continued success. In parallel, the Debtors intend to seek Court approval of the Natura Settlement Agreement, commence negotiations on a chapter 11 plan, and work cooperatively with the representatives of

[9] As set forth below, the Debtors have filed the 9019 Motion on the Petition Date but intend to seek a hearing date on the 9019 Motion several months after the Petition Date to allow sufficient time for an official committee of unsecured creditors to be appointed and review the motion and proposed Natura Settlement Agreement.

the talc claimants and other creditors for the equitable resolution of their legacy talc claims and other prepetition claims to maximize value for the benefit of all creditors.

20. The Debtors believe moving expeditiously in these chapter 11 cases is in the best interest of all stakeholders, as doing so will minimize administrative expenses, maximize recoveries for creditors, and enable creditors to receive distributions of estate assets more quickly.

I. The Debtors' Business

A. Overview and Corporate History

21. Although, as noted above, the Debtors do not conduct any operations – with all such operations being conducted through their non-Debtor foreign subsidiaries (Avon Non-U.S.) – this Declaration provides a description of the business of such non-Debtor subsidiaries, as the Debtors' primary asset is their equity interests in Avon Non-U.S.

22. Avon is a global distributer and marketer of cosmetics, beauty, fashion, home, and related products and is one of the largest direct selling companies in the world. In addition to being a household name, Avon champions accessibility and inclusion in the beauty sector and has provided countless opportunities for women and men to develop their own businesses and achieve their financial goals.

23. Avon was founded in 1886 by David H. McConnell, a traveling door-to-door book salesman who had a practice of gifting samples of perfume to potential customers. After noticing his perfume samples were more popular than his books, McConnell capitalized on the opportunity and created Avon to sell perfume full time. In short order, the Company expanded to providing a wide range of beauty and cosmetic products. On January 27, 1916, API was incorporated in the State of New York. Thereafter, in 1946, API

became a public company and its stock was subsequently listed on the New York Stock Exchange in 1964. API remained a publicly traded company until January 3, 2020.

24. Although the Company originally sold only perfume, as its preeminence in the beauty industry grew, its product line expanded into an extensive array of beauty offerings, including color cosmetics, skincare, hair color, hair care, beauty tools, men's grooming products, deodorants, and a variety of other fragrances and beauty care products. In addition to its beauty industry, in 1971, the Company branched into the fashion and home industry and began selling fashion jewelry, watches, apparel, footwear, accessories, gift and decorative products, housewares, entertainment and leisure products, children's products, and nutritional products.

25. Since its founding, one of the Company's primary initiatives has been to empower women by providing opportunities for them to develop their own businesses and achieve economic independence. Early on, Avon reached this goal by utilizing a unique business model—recruiting women as sales representatives (the "**Representatives**") to sell the Avon products door-to-door directly to consumers rather than through traditional retail stores.

26. Unlike many of the Company's competitors, which sell their products through third-party retail establishments, the Company's sales are made to the ultimate consumer principally through direct selling by Representatives. A Representative contacts customers directly, selling primarily through the Company's brochure (whether paper or online), which highlights new products and special promotions or incentives for each sales campaign. In this sense, the Representative, together with the brochure, are the "store" through which the Company's products are sold. A brochure introducing a new sales campaign is typically generated every three to four weeks. Once a Representative submits a purchase order, the Company processes the order and distributes the purchased products from one of its distribution

centers, typically through a combination of local and national delivery companies. Generally, the Representative then delivers the merchandise and collects payment from the customer for her own account.

27. No single Representative accounts for more than 10% of the Company's net sales globally and, in 2023, 87% of the Company's net revenue was derived from direct sales through Representatives. Although the Company's business is primarily conducted through a direct selling channel by Representatives, in recent years the Company expanded its sales channels to retail, online sales, and other sales channels and began to offer direct shipping to Avon customers in certain markets. To date, the Company generates the majority of its revenue through the sale of its beauty products, which make up approximately 86% of the Company's total revenue. The remainder of the Company's revenue is generated through Representative fees, primarily for the sale of brochures and other contract related fees, and licensing royalties.

28. The Company's principal properties worldwide consist of manufacturing facilities for the production of beauty products and distribution centers where administrative offices are located and where finished products are packaged and shipped to Representatives. Since January of 2017, the principal executive offices for Avon Non-U.S. have been located in the United Kingdom. In addition, on November 3, 2022, the Board of API approved a plan to ramp down the Company's research and development functions from Suffern, New York to leverage the R&D of the Brazil and Poland operations, which were two of the Company's largest markets at that time. In March of 2024, the Company closed its R&D facility and corporate offices located in Suffern. The Debtors do not currently own any property. However, they lease three (3) properties and sublease one of those properties to multiple tenants.

B. Assets and Operations

29. As set forth above, the Debtors are U.S. holding companies. Avon does not operate in the United States and has not sold products in the United States since 2016. The Debtors' primary assets consist of (i) their equity interests in Avon Non-U.S. and (ii) their intellectual property rights, including their trademarks and the rights they hold as owner and licensor under certain intellectual property licensing agreements for the marketing, distribution, and sale of Avon products and the use of their trademarks in various global markets as well as the North America market.

30. API is the owner of the legal title to the majority of Avon's intellectual property assets, while, by virtue of certain intercompany assignment agreements, certain other Debtor and non-Debtor subsidiaries own economic title to the intellectual property assets. In addition, certain intellectual property rights used in the North America market are licensed by the Debtors to Avon North America, while other non-Debtor subsidiaries have licensed certain intellectual property to third parties for use in various markets. The Debtors also have an interest in the assets of a "rabbi trust" established prior to the Petition Date to fund specific obligations in connection with certain of their employee retirement plans.[10]

31. The Debtors are each, directly or indirectly, wholly owned subsidiaries of Natura, a corporation organized under the Brazilian Corporation Law.[11] All of the Debtors' consolidated revenue is derived from the global operations of their non-Debtor subsidiaries. In 2023, the Company (excluding Latin America markets) generated approximately $1.259 billion

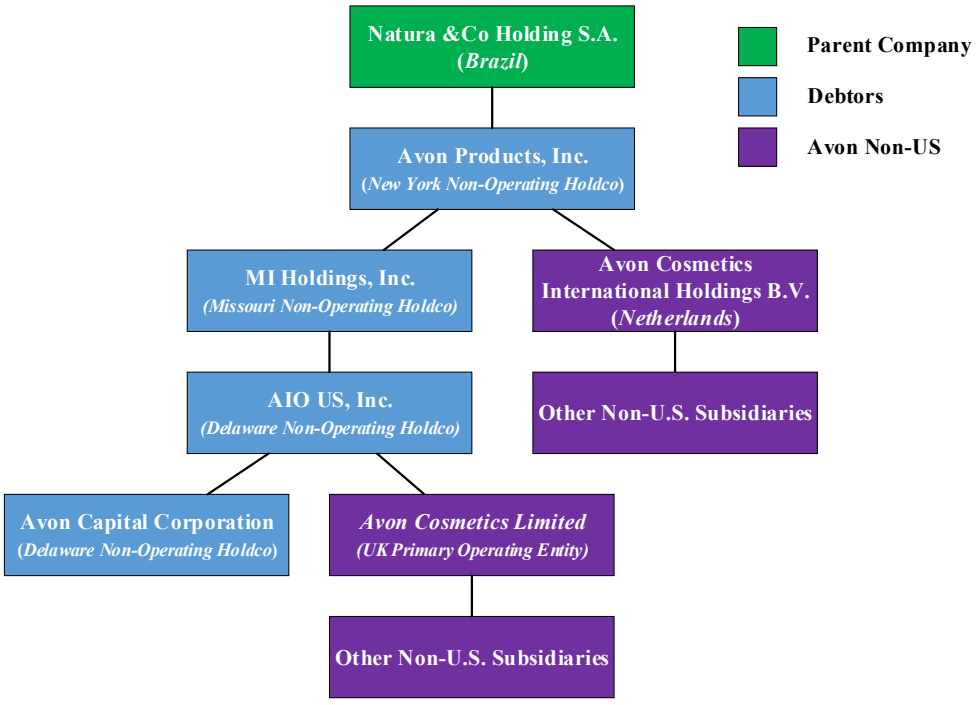
[10] Pursuant to the terms of the trust documents, the assets in the rabbi trust are available for general creditors in the event of an insolvency. As of the Petition Date, the value of the trust assets was approximately $25.8 million.

[11] Natura's shares are publicly traded in Brazil on the "Novo Mercado" listing segment of the B3 exchange, identified by the ticker symbol "NTCO3." Natura is not a debtor in these chapter 11 cases.

of gross revenue and approximately $377 million of net losses while the Debtors generated $0 of gross sales revenue and $206 million in net losses.

32. The entities that comprise Avon Non-U.S., none of which are debtors in these chapter 11 cases, primarily operate through one non-Debtor operating subsidiary, ACL, a United Kingdom corporation. Debtors API, a New York corporation, MIH, a Missouri corporation, and AIO, a Delaware corporation, directly and indirectly hold the equity interests in ACL. In addition, several Avon Non-U.S. operating entities (primarily servicing the Company's Philippines and South African markets) are subsidiaries of Avon Cosmetics International Holdings B.V. ("**ACIH**"), a Dutch corporation that is a subsidiary of API (and not under ACL).

33. The following corporate structure chart summarizes, at a high level, the Company's ownership structure and operational entities:



34. The API Board consists of three members: Mr. John Dubel, Ms. Angela Cretu, and Mr. Hristo Manov. Mr. Dubel has more than 30 years of experience in board

representation, turnaround and crisis management, and restructurings with respect to distressed companies. Ms. Cretu is the former CEO of Avon International[12] and had been employed by the Company for more than 24 years in various positions before retiring on January 31, 2024. Lastly, Mr. Manov is an experienced board director who has served as independent director on numerous other boards and has more than 30 years of experience working with international companies.

35. As of the Petition Date, the Debtors employed twenty-one employees, all of whom are API employees. API currently has two officers. As noted above, I was appointed as Treasurer of each of the Debtors on July 30, 2024 and as Chief Restructuring Officer of each of the Debtors on August 9, 2024, to assist the Debtors with their chapter 11 planning and provide certain management services. Ms. Lisa Siders has served as General Counsel and Corporate Secretary of API since February of 2024 and has been with the Company since 2013.[13] In addition, my colleague, Chris Hebard, was appointed as Assistant Treasurer on July 30, 2024 to assist me in my duties as Treasurer of the Debtors.

36. Kristof Neirynck is the current Chief Executive Officer of Avon International and Marcin Kopa is the current Principal Financial Officer of Avon International. Mssrs. Neirynck and Kopa previously held the same titles at API. However, prior to the Petition Date, on August 1, 2024, they each resigned their positions with API, along with certain of the Debtors' other officers and personnel, to allow those individuals to focus entirely on running Avon Non-U.S.'s business and operations.

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[12] "Avon International" means the business unit including all Avon Non-US operations, with the exception of the markets in Latin America where Natura was granted the rights to distribute the Avon brand.

[13] Ms. Siders also serves as the global head of tax for Natura. Since Ms. Siders became General Counsel of API, Natura has been responsible for, and has paid, fifty percent of Ms. Siders's salary, with API being responsible for the remaining fifty percent.

C. Separation of the North American Business

37. In December 2015, the Company entered into definitive agreements with affiliates of Cerberus Capital Management L.P. ("**Cerberus**") to separate from its North American business, which included (i) a $435 million investment in the Company by an affiliate of Cerberus through the purchase of the Company's convertible preferred stock and (ii) the separation (the "**Separation**") of the Company's North American business, which represented the Company's operations in the United States, Canada, and Puerto Rico, into Avon North America. On March 1, 2016, (i) the Company completed the Separation and (ii) Avon North America became a privately held company, majority owned and managed by Cerberus NA Investor LLC, an affiliate of Cerberus.

38. The Company retained an approximately 20% ownership interest in Avon North America until August 2019 when the Company and Cerberus finalized the sale of their respective interests in Avon North America to LG Household & Health Care Ltd. As a result of the Separation, all of the Company's consolidated revenue is derived outside of the United States from the operations of Avon Non-U.S.

D. Natura Acquisition

39. On May 22, 2019, API entered into an agreement and plan of merger with Natura Cosméticos S.A. ("**Natura Cosméticos**"), Natura, and two subsidiaries of Natura, pursuant to which, in a series of transactions, API became a direct wholly owned subsidiary of Natura (the "**Natura Acquisition**"). Upon consummation of the Natura Acquisition on January 3, 2020, API's common stock was converted to Natura common stock and Natura subsequently paid an accrued dividend of $91.5 million to Cerberus. That same day, API notified the New York Stock Exchange that trading of its stock should be suspended. API's common stock was

subsequently delisted and deregistered. API remained a public reporting company through the second quarter of 2023 due to its publicly traded bonds.

40. Under the terms of the Natura Acquisition,[14] the Company received approximately $2 billion of Natura's common stock along with Natura's commitment to assist the Debtors with refinancing their pre-merger funded debt obligations owed to various third parties, including Cerberus. In addition, Natura paid approximately $530 million to holders of Avon's Class C preferred shares.

41. Since the Natura Acquisition, the Natura Group has provided substantial funding to the Company through a combination of loans and sale transactions. The parties' financing transactions over the course of their relationship have allowed the Debtors to refinance their outstanding third party debt and deleverage their balance sheets. In 2019, before the Natura Acquisition, the Debtors had outstanding debt of approximately $1.606 billion.[15] By comparison, immediately prior to the Petition Date, the Debtors' outstanding prepetition funded debt, including guaranties of their subsidiaries' funded debt, amounted to approximately $1.290 billion.

42. On November 2, 2020, Natura &Co International S.à.r.l. provided approximately $960 million in financing to AIO on an unsecured basis, which was used to repay (i) approximately $500 million of secured third party debt owed by AIO and (ii) approximately $400 million of secured third party debt owed by Avon International Capital PLC ("**AIC PLC**"), (now Natura &Co UK Holdings Limited ("**Natura UK**")), which is a United Kingdom entity

[14] Memorialized pursuant to the *Agreement and Plan of Mergers*, dated as of May 22, 2019, among API, Natura Cosméticos, Nectarine Merger Sub I, Inc., Nectarine Merger Sub II, Inc., and Natura.

[15] This figure includes the Debtors' secured guaranty debt for their non-Debtor subsidiary, ACL.

formed by ACL to issue bonds under United Kingdom law. AIO repaid the Natura loan in 2021 and 2022.[16]

43. After the consummation of the Natura Acquisition, the Company established an integration plan (the "**Integration Plan**") to support the future vision of Natura and the Company, while also identifying synergies to leverage the combined strength, scale, and reach of the two companies. The synergies under the Integration Plan were primarily between Avon's Latin America markets and the Natura Group's Latin America markets.[17] As described below, the parties ultimately developed a plan to sell Avon's Latin America entities to Natura to realize cost efficiencies and fully integrate their Latin America markets. The parties named this component of their Integration Plan "Project Elo."

44. As part of its Integration Plan, in 2020, the Company sold (i) its Hungary distribution center and China Wellness Plant to various third parties and (ii) AIC PLC and Avon Management (Shanghai) Company Limited (now Natura Investment (Shanghai) Company Ltd.) to subsidiaries of Natura. The following year, the Company completed the sale of a branch of its Italian business, its Spanish distribution center, its manufacturing business in India, and its business in Saudi Arabia to various third parties. In 2022, the Company transferred its operations in India to a third party distributor, and in 2024 the Company sold its United Kingdom distribution center to a third party.

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[16] AIO repaid this loan in full through the following transactions: (i) on July 1, 2021, AIO paid approximately $771 million by assigning to Natura its note receivable in the principal amount of €642 million due from ABL; (ii) on May 25, 2022, AIO paid $135 million with funds received from API in satisfaction of an intercompany balance; and (iii) on June 30, 2022, AIO paid the outstanding $75 million, including unpaid interest, with approximately $55 million AIO received as a dividend payment from Avon Cosmetics Netherlands Holdings B.V. ("**Avon Netherlands**") and $19 million received from API in satisfaction of an intercompany balance.

[17] In connection with the Natura Acquisition and the Integration Plan, the Company and Natura entered into various agreements to further their goal of integration between the two companies, including a royalty-bearing trademark license agreement between ACL and Natura pursuant to which Natura is a licensee of the Avon brand in certain Latin American markets as well as a marketing and R&D collaboration agreement.

45. The Company has been working toward the complete integration of its Latin America market since 2021 and, over a series of transactions, has been progressing its Project Elo initiative. On July 1, 2021, ACL sold Avon Luxembourg Holdings S.à.r.l. ("**Avon Luxembourg**") (now Natura &Co Luxembourg Holdings S.à.r.l. ("**Natura Luxembourg**")), including its Mexican business, to Natura UK for $150 million. ACL used the sale proceeds to fund ACL's deficit under the Pooling Agreement (as defined below).

46. In 2023, API, AIO, ACL, and Avon Netherlands (a subsidiary of AIO) sold their subsidiaries in Peru, Colombia, and Brazil to Natura subsidiaries for a total amount of $118.4 million. Thereafter, in 2024, (i) AIO and Avon Americas, Ltd (a subsidiary of API) sold their Chile market to Natura subsidiaries and (ii) Beauty Products Latin America Holdings S.L.U (an indirect subsidiary of ACL) sold three additional Latin America markets (Argentina, Ecuador, and Uruguay) to Natura subsidiaries in exchange for approximately $23.776 million in cash.[18]

47. As of the Petition Date, Natura owns approximately 99% of the equity of API. The remaining approximately 1% of API's equity interests is owned by its indirect Debtor subsidiary AIO. API directly or indirectly owns 100% of the equity of the other Debtors, which are all guarantors under the Debtors' funded debt obligations. A detailed chart setting forth the Debtors' corporate structure as of the Petition Date is attached hereto as **Exhibit A**.

II. Capital Structure

i. *Funded Debt Obligations*

48. As of the Petition Date, the Debtors had outstanding secured and unsecured funded debt obligations (including in respect of guarantees) in the aggregate principal

[18] Natura paid an additional $424,000 to API on account of its two percent stake in Avon's Argentina subsidiary.

amount (plus accrued interest) of approximately $1.294 billion, including approximately $1.271 billion in secured and unsecured debt owed to the Natura Group and approximately $22.7 million in unsecured bonds held by third parties.

49. A summary of the Debtors' debt obligations to the Natura Group is as follows:

- approximately $273.2 million is secured debt for which API was the borrower or issuer (and for which certain other Debtors and non-Debtors were guarantors);
- approximately $490.3 million is unsecured debt for which API was the borrower or issuer; and
- approximately $530.7 million is secured guaranty debt for which API, AIO and, in some cases, other Debtors were the guarantors of debt of their non-Debtor foreign subsidiaries.

50. The Debtors' various funded debt obligations are summarized in the chart and paragraphs below.

Debt Instrument	**Outstanding Amount as of Petition Date**[19]	**Maturity Date**	**Borrower/ Issuer**	**Guarantor**	**Lender/Noteholder**[20]
Secured Credit Facilities					
API 2023 Secured Credit Agreement	$236.9 million	8/8/2043	API	AIO ACL ABL	Natura UK
ACL 2023 Secured Credit Agreement	$249.0 million	8/8/2029	ACL	API AIO ABL	Natura Luxembourg
2024 Secured Credit Agreement	$317.9 million, consisting of: Tranche A ($35 million); Tranche B ($200 million);	10/20/2025	ACL (Tranches A & B) API and ACL (Tranches C, D & E)	*Debtors:* i. API (*Tranches A and B*) ii. MIH iii. AIO iv. ACC	Natura Natura Cosméticos Natura Luxembourg

[19] Includes principal plus accrued interest as of the Petition Date.

[20] The entities not previously defined are defined below.

Debt Instrument	Outstanding Amount as of Petition Date[19]	Maturity Date	Borrower/ Issuer	Guarantor	Lender/Noteholder[20]
	Tranche C ($50 million); Tranche D ($15 million); and Tranche E ($15 million)			*Non-Debtors*: i. ACIH ii. ABL iii. Avon Netherlands iv. Beauty Products Latin America Holdings S.L. v. Avon Cosmetics Polska Spółka Z.O.O. vi. Avon Holdings Vagyonkezelo KFT vii. Avon Cosmetics Hungary KFT	
Total Secured Debt	**$803.8 million**				
Unsecured Promissory Note	$467.6 million	5/17/2029	API	N/A	Natura UK
Unsecured Bonds	$22.7 million	3/15/2043	API	N/A	N/A
Total Unsecured Funded Debt	**$490.3 million**				
Total Funded Debt	**$1.294 billion**				

51. *API 2023 Credit Facility*. API entered into that certain *Secured Credit and Guaranty Agreement*, dated as of December 13, 2023 (as amended, restated, amended and restated, or supplemented from time to time, the "**API 2023 Secured Credit Agreement**"), by and among API as borrower, ABL, AIO, and ACL as guarantors, and Natura UK as lender, pursuant to which Natura UK agreed to provide API with a 8.5% per annum loan in an aggregate principal amount of approximately $217.6 million (the "**API 2023 Credit Facility**"). Each of API, AIO, ABL, and ACL granted a security interest in their intellectual property and related licensing agreements to secure its obligations under the API 2023 Secured Credit Agreement. As discussed in greater detail below, pursuant to the 2024 Secured Credit Agreement (as defined

below), API, AIO, ABL, and ACL subsequently granted liens on additional collateral to secure the API 2023 Credit Facility. The liquidity provided by the API 2023 Secured Credit Agreement was used to refinance a note Natura issued to API several months earlier under the same terms. The proceeds of that note were used for API's early repayment of a significant portion of the Unsecured Bonds (as defined below), of which $216 million was outstanding at that time. As of the Petition Date, the aggregate principal amount outstanding under the API 2023 Credit Facility is approximately $236.9 million.

52. *ACL 2023 Credit Facility*. ACL entered into that certain *Secured Credit and Guaranty Agreement*, dated as of December 13, 2023 (as amended, restated, amended and restated, or supplemented from time to time, the "**ACL 2023 Secured Credit Agreement**"), by and among ACL as borrower, API, AIO, and ABL as guarantors, and Natura Luxembourg as lender, pursuant to which Natura Luxembourg agreed to provide ACL with a 6.71% per annum loan in an aggregate principal amount of $233 million (the "**ACL 2023 Credit Facility**"). Each of ACL, API, AIO, and ABL granted a security interest in its intellectual property and related licensing agreements to secure its obligations under the ACL 2023 Secured Credit Agreement. As discussed in greater detail below, pursuant to the 2024 Secured Credit Agreement, ACL, API, AIO, and ABL subsequently granted liens on additional collateral under the ACL 2023 Credit Facility. The liquidity provided by the ACL 2023 Secured Credit Agreement was used for ACL's repayment of unsecured debt owed to Natura. The ACL 2023 Credit Facility matures on August 8, 2029. As of the Petition Date, the aggregate principal amount outstanding under the ACL 2023 Credit Facility is approximately $249 million.

53. *2024 Credit Facilities*. On April 20, 2024, certain entities of Avon and Natura entered into that certain *Secured Credit and Guaranty Agreement*, dated as of

April 20, 2024 (as amended by that certain *Amendment No. 1 to Secured Credit and Guaranty Agreement*, dated as of June 17, 2024, and as further amended, restated, amended and restated, or supplemented from time to time, the "**2024 Secured Credit Agreement**"), by and among (i) ACL as initial borrower; (ii) Natura, Natura Cosméticos, and Natura Luxembourg as lenders (collectively, the "**2024 Natura Lenders**" and together with the lenders under the API 2023 Secured Credit Agreement and the ACL 2023 Secured Credit Agreement, the "**Natura Lenders**"); and (iii) Debtors API, MIH AIO, and ACC and non-Debtors ACIH and ABL as guarantors of ACL's secured debt provided under such agreement (collectively, the "**2024 Avon Guarantors**") (in addition to various other non-Debtor Avon entities that are identified as guarantors in the above chart).

54. Pursuant to the original 2024 Secured Credit Agreement, the 2024 Natura Lenders agreed to provide ACL with (i) a tranche A committed facility in an aggregate principal amount equal to $35 million (the "**Tranche A Facility**"), (ii) a tranche B uncommitted facility in an aggregate principal amount equal to $200 million (the "**Tranche B Facility**"), and (iii) a tranche C committed facility in an aggregate principal amount equal to $15 million (the "**Tranche C Facility**").

55. On June 17, 2024, ACL, the 2024 Avon Guarantors, and the 2024 Natura Lenders amended the 2024 Secured Credit Agreement. The 2024 Secured Credit Agreement, as amended, effectively added API as a borrower under the Tranche C Facility and increased the Tranche C Facility from $15 million to $50 million, for which ACL and API are jointly and severally liable.

56. On July 19, 2024, ACL, API, the 2024 Avon Guarantors, and the 2024 Natura Lenders entered into a second amended 2024 Secured Credit Agreement pursuant to

which the parties agreed to add (i) a tranche D committed facility in an aggregate principal amount equal to $15 million (the "**Tranche D Facility**") and a tranche E uncommitted facility in an aggregate principal amount equal to $15 million (the "**Tranche E Facility**" and, together with the Tranche A Facility, Tranche B Facility, Tranche C Facility, and Tranche D Facility, the "**2024 Credit Facilities**"), for which both ACL and API are jointly and severally liable. The liquidity provided by the 2024 Secured Credit Agreement allowed the Company (including both ACL and API) to continue its ordinary course operations for the months leading up to the Petition Date. The 2024 Credit Facilities mature on October 20, 2025.

57. Each of API, ACL and the 2024 Avon Guarantors granted a security interest in substantially all of its assets (other than certain excluded assets) to secure its obligations under the 2024 Secured Credit Agreement. As part of the security grant, 100% of the equity of ACL and the 2024 Avon Guarantors, with the exception of API, was pledged to the 2024 Natura Lenders. In addition, as part of the 2024 Secured Credit Agreement transaction, API, AIO, ACL, and ABL granted additional liens on certain collateral securing the 2024 Secured Credit Agreement to secure their obligations under the API 2023 Secured Credit Agreement and the ACL 2023 Secured Credit Agreement (in addition to the liens on intellectual property rights previously granted); however, ACL and ABL did not grant additional liens in the form of non-U.S. share pledges.

58. As of the Petition Date, the aggregate principal amount outstanding under the 2024 Credit Facilities is approximately $313.9 million which consists of (i) approximately $237.2 million under Tranche A and Tranche B provided to ACL as borrower and guaranteed by Debtors API, MIH, AIO, and ACC, (ii) approximately $50.7 million under Tranche C provided to API and ACL as borrowers and guaranteed by MIH, AIO, and ACC, (iii) approximately

$15 million under Tranche D provided to API and ACL as borrowers and guaranteed by MIH, AIO, and ACC, and (iv) approximately $15 million under Tranche E provided to API and ACL as borrowers and guaranteed by MIH, AIO, and ACC. Accordingly, the Debtors have a total of approximately $317.9 million in outstanding prepetition secured debt under the 2024 Credit Facilities, either as borrower or guarantor.

59. *Non-Debtor Forbearance.* On August 12, 2024, the Debtors and ACL entered into a Forbearance Agreement pursuant to which the Natura Lenders agreed to not exercise their available remedies against certain non-Debtor Avon guarantor parties (specifically, ACL, ABL, Avon Netherlands, ACIH, Beauty Products Latin America Holdings, S.L., Avon Cosmetics Polska Spólka Z.O.O., Avon Holdings Vagyonkezelo KFT, and Avon Cosmetics Hungary KFT collectively, the "**Avon Guarantors**") under the API 2023 Secured Credit Agreement, the ACL 2023 Secured Credit Agreement, and/or the 2024 Secured Credit Agreement as a result of the Debtors' chapter 11 filings. In connection with the Forbearance Agreement, the Debtors and ACL agreed that, within five (5) business days after the execution of the Forbearance Agreement, the Debtors and ACL would cause certain Specified Foreign Loan Parties (as defined in the Forbearance Agreement) to execute a supplemental agreement pursuant to which the Specified Foreign Loan Parties would consent to and agree to be bound by the terms of the Forbearance Agreement. Additionally, the DIP Lenders agreed that (i) nothing in the Forbearance Agreement would prohibit ACL from borrowing any loans under the ACL 2023 Secured Credit Agreement or the 2024 Secured Credit Agreement, (ii) interest would not accrue on the loans borrowed by API under the API 2023 Secured Credit Agreement or the 2024 Secured Credit Agreement, and (iii) the Guaranteed Obligations (as defined in the Forbearance Agreement) would not increase with respect to any Debtors that are guarantors under the API

2023 Secured Credit Agreement, the ACL 2023 Secured Credit Agreement, or the 2024 Secured Credit Agreement.

60. *Unsecured Promissory Note.* On May 17, 2022, API issued an unsecured promissory note (the "**Unsecured Promissory Note**") to Natura UK in the aggregate principal amount of $405 million. The Unsecured Promissory Note bears interest at 6.71% per annum and is scheduled to mature on May 17, 2029. The liquidity provided by the Unsecured Promissory Note was used to repurchase certain notes that API had previously issued in a public offering that were maturing on March 15, 2023.

61. *Unsecured Bonds.* In March 2013, API issued in a public offering unsecured bonds in the aggregate principal amount of $250 million (the "**Unsecured Bonds**"). The Unsecured Bonds bear interest at 6.95% to 8.95% per annum (depending on the credit rating), payable semi-annually on March 15 and September 15 of each year. The Unsecured Bonds are scheduled to mature on March 15, 2043.

62. In December 2016, API repurchased $6.2 million of its Unsecured Bonds as well as $11.1 million of the 5.00% notes it had previously issued.[21] In September 2020, API repurchased $27.8 million of its Unsecured Bonds.[22] As of March 31, 2023, approximately $216 million in aggregate principal amount of the Unsecured Bonds remained outstanding. On July 11, 2023, the Company announced the commencement of a tender offer to purchase for cash any and all of its outstanding Unsecured Bonds. At the time the tender offer expired on August 7, 2023, a total of approximately $194 million in aggregate principal amount of the Unsecured Bonds were validly tendered pursuant to the tender offer.

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[21] The aggregate repurchase price for the Unsecured Bonds and the 5.00% notes was equal to the principal amount of the combined securities, less a discount received of $1.3 million plus accrued interest.

[22] The aggregate repurchase price was equal to the principal amount of the bonds, plus a premium of $3.8 million and accrued interest.

63. As of the Petition Date, the Debtors owe approximately $22.7 million aggregate principal plus accrued interest on the Unsecured Bonds.

ii. *Other Intercompany Claims*

64. *Pooling Agreement.* On April 23, 2014, Avon European Financial Services Limited, the pool leader and a subsidiary of ACL, and Avon Luxembourg (now Natura Luxembourg) entered into that certain *Multi-Party Cross Currency Account Pooling Agreement*, dated as of April 23, 2014 (the "**Pooling Agreement**") with Bank of America, pursuant to which Bank of America pools all cash from certain Company subsidiaries, including AIO, and Natura Luxembourg and allows such parties to withdraw funds based on cash deposits from other subsidiaries.

65. On May 19, 2014, AIO became a party to the Pooling Agreement by virtue of executing an Accession Instrument. Under the terms of the Pooling Agreement, AIO is a guarantor of each other party to the Pooling Agreement for any overdrafts and debt balances provided by Bank of America. In addition, AIO is jointly and severally liable to Bank of America for any overdrawn amount, with a maximum liability equal to its credit balance with Bank of America.

66. Natura historically provided a guarantee to Bank of America of overdraft amounts under the Pooling Agreement. My understanding is that shortly prior to the Petition Date, Natura sought to eliminate its guarantee under the Pooling Agreement, which, if effectuated, would result in the Pooling Agreement parties being unable to enter into a negative balance position vis-à-vis Bank of America.

67. As of the Petition Date, there were no overdraft amounts under the Pooling Agreement; however, AIO had outstanding liability under the Pooling Agreement of approximately $47.9 million.

68. *General Intercompany Claims*. As of the Petition Date, there are various additional intercompany claims (i) between Debtors and (ii) between a Debtor and its non-Debtor affiliates.

iii. *Trade Payables and Other Non-Talc General Unsecured Claims*

69. As of the Petition Date, the Debtors had outstanding trade payables of approximately $5.5 million in total aggregate amount. In addition, the Debtors had approximately $535,000 in unsettled tax liabilities and approximately $5.5 million in other unsettled non-talc liabilities. The numbers include disputed liabilities.

iv. *Talc Claims*

70. As of the Petition Date, the Debtors had outstanding liabilities of approximately $78.1 million for unsecured liquidated Talc Claims, consisting of approximately (i) $7.6 million in outstanding settlement payments, (ii) the jury verdict in favor of the Illinois Plaintiffs (as defined and described below) in the amount of approximately $24.5 million, and (iii) the jury verdict in favor of the California Plaintiffs (as defined and described below) in the amount of approximately $46 million, which is currently on appeal. The California Plaintiffs' claim is fully covered through a surety bond, as discussed below in more detail.

III. Circumstances Leading to Commencement of the Chapter 11 Cases

71. As discussed in further detail below, certain macroeconomic and operational challenges have led to a steady decline in the revenues the Debtors realize from the operations of Avon Non-U.S. In addition, the Debtors face mounting liquidity pressures related to legacy talc litigation and liabilities arising out of the Company's former operations in the United States. As a result, the Debtors and Avon Non-U.S. have each had to finance their operations and the Debtors' litigation almost entirely through the incurrence of secured and unsecured funded debt, primarily from Natura.

72. Accordingly, prior to the Petition Date, the Board took steps to evaluate and assess the viability of various strategic options for the Debtors in the face of these challenges, including, without limitation, the appointment of the Special Committee, my appointment as Chief Restructuring Officer and Treasurer, and the Debtors' engagement of their other restructuring advisors, including Weil, Ankura, and Rothschild. Following months of internal deliberations and considerations, the Debtors determined the best path forward for maximizing value for the Debtors' estates and their creditors, including potential talc claimants, was to commence these chapter 11 cases to pursue the Sale of the Debtors' interests in Avon Non-U.S. This strategy culminated in the Debtors decision to enter into the Stalking Horse Agreement and the Natura Settlement Agreement as described below.

A. Operational and Financial Challenges

73. Notwithstanding the cost savings and other operational efficiencies achieved in connection with the Integration Plan, like many other companies in the industry, the Debtors in recent years have been severely impacted by an unprecedented and unforeseen combination of negative macroeconomic and industry factors. These challenges include, among others, continuing economic disruption caused by the COVID-19 pandemic and Russia-Ukraine war, inflationary pressures on the cost of certain raw materials used in the production of the Company's products, increased competition for the recruitment and enrollment of the Company's Representatives, manufacturing and supply chain issues, and a significant increase in the number and amount of claims and resulting liabilities and defense costs arising from litigation related to legacy talc claims arising out of the Debtors' former U.S. operations. Each of these challenges is discussed in further detail below.

i. *Impact of the COVID-19 Pandemic*

74. Similar to many other companies in the beauty and cosmetics industry, the Company has experienced a decline in sales and revenue in recent years, which was exacerbated by the COVID-19 pandemic. Beginning in early 2020, the worldwide impact of the pandemic, including governmental lockdowns, caused the Company's markets to shut down. The shutdowns, restrictions on travel, import and export restrictions, and supply chain issues the pandemic created impacted the Company's ability to recruit and enroll Representatives, operate manufacturing facilities and distribution centers, and process and deliver orders. The combination of these economic challenges had a significant negative impact on the Company's overall liquidity. As the pandemic continued for the next two years, the associated economic disruption resulted in increased inflationary pressures on the cost of certain raw materials. Unfortunately, as the COVID-19 pandemic subsided, many of the costs of materials that soared during its peak did not descend and demand abated generally in the beauty and cosmetics sector due to a weakening global economy and rising inflation.

75. For example, for the 2022 fiscal year, the Company's annual gross revenue was approximately $2.8 billion and annual net loss was approximately $428 million, which represented a 19% decrease in total revenue compared to the prior-year period. In contrast, in 2018, the Company's annual gross revenue was approximately $5.6 billion and annual net loss was approximately $20 million.

ii. *Impact of the Russia-Ukraine War*

76. The inflationary pressures the Company experienced from the COVID-19 pandemic were compounded starting in 2022 when Russia launched a military incursion and invaded parts of Ukraine. The ongoing military conflict between Russia and the Ukraine provoked strong reactions from the United States, the United Kingdom, the European Union, and

various other countries around the world, including the imposition of broad financial and economic sanctions against Russia. The conflict, related economic sanctions, and foreign policy directives interrupted the Company's Russian factory operations, which supports the Company's businesses in Russia and Eastern Europe generally, and has resulted in the Company's inability to repatriate profits and cash held in Russia. The confluence of the macroeconomic factors relating to the pandemic and Russia-Ukraine conflict meant that while the Company's operations and sales were declining, it simultaneously had to shoulder the burden of paying increased costs for materials essential in the production of its products, which has had a significant impact on the Company's financial position to date.

iii. ***Market Competition***

77. Competition in the beauty and cosmetics industry has increased significantly over the past several years resulting in increased pressure on the Company, which must compete against products sold to consumers through a number of distribution methods, including direct selling, the internet, and mass market retail and prestige retail channels. Moreover, due to the nature of the Company's direct-selling model, unlike a typical retail company which operates within a broad-based consumer pool, the Company must compete for representative and entrepreneurial talent by providing a more competitive earnings opportunity for its Representatives than that offered by other non-direct selling companies. Because the Company's Representatives are the lifeblood of the Company's operations, increased competition to recruit and retain talent directly affects the Company's ability to generate revenue and, as a result, the Debtor's liquidity.

iv. ***Talc Claims Litigation***

78. Similar to many other large companies in the beauty sphere, the Debtors have been named as defendants in numerous personal injury lawsuits filed in United States

courts, alleging that certain talc products the Debtors sold prior to the divestment of their U.S. operations to Avon North America were contaminated with asbestos (each, a "**Talc Claim**" and collectively, the "**Talc Claims**"). Many of these actions involve a number of co-defendants from a variety of different industries, including manufacturers of cosmetics and manufacturers of other products that, unlike the Debtors' products, were designed to contain asbestos. The Debtors strongly believe this litigation is without merit and their strategy has consistently been to mount a vigorous defense to all such claims.

79. The first Talc Claim against the Debtors was filed in 2010. At the time of the Natura Acquisition, 124 Talc Claims were pending against the Debtors. However, in 2020, there was an influx of additional cases filed against the Debtors, with a total of 164 talc-related lawsuits pending against the Debtors as of December 31, 2020. Over the next several years, the number of Talc Claim filings accelerated, with a total of 372 talc-related lawsuits pending against the Debtors as of December 31, 2023. As of the Petition Date, despite a significant effort to resolve cases, there were approximately 386 individual talc-related cases pending against the Debtors.

80. Prior to the commencement of these chapter 11 cases, the Debtors used their best efforts to manage the liabilities related to the Talc Claims. The Debtors have incurred more than $225 million in defending personal injury lawsuits and settlement payments in connection with Talc Claims.

81. In December 2022, a trial in one of the cases related to the Talc Claims, *Chapman, et al. v. Avon Products, Inc., et al*., Case No. 22STCV05968, resulted in an adverse jury verdict against API, with the jury awarding the plaintiffs (the "**California Plaintiffs**") a total of approximately $36 million in compensatory damages and approximately $10 million in

punitive damages. The Debtors believe they have strong grounds for overturning the *Chapman* verdict and in January 2023, the Debtors obtained an approximately $75.5 million appeal bond (the "**Surety Bond**") and began the process of appealing the verdict by seeking relief from the trial court. The California Plaintiffs' judgment claim is fully guaranteed by the Surety Bond, as the bond exceeds the amount of the claim by nearly $30 million.[23]

82. On March 1, 2023, following post-trial arguments, the trial court issued a conditional order reducing the compensatory damages award against API to approximately $29 million. The California Plaintiffs subsequently challenged the reduction of the award as to API and asserted the reduction should only apply to API's co-defendant. The trial court resolved this issue in the California Plaintiffs' favor and the case is currently proceeding on appeal.[24]

83. In addition, in July 2024, another talc case, *Cipriano Ramirez and Maria Ramirez v. Avon Products, Inc., et al*., Case No. 2023L004386, resulted in an adverse jury verdict against API after a trial, with the jury awarding the plaintiffs (the "**Illinois Plaintiffs**") a total of $24.5 million in damages. The Debtors believe they have strong grounds to overturn this award and will likely appeal this verdict as well. However, unlike the *Chapman* verdict, the Debtors did not post a bond with respect to this verdict because these chapter 11 cases were filed before the appeal period expired.

84. Although the Debtors believe the Talc Claims are without merit, the Debtors do not have sufficient liquidity to litigate and/or settle hundreds of cases and expect that

[23] Aon, the provider of the Surety Bond, is entitled to assert a reimbursement and/or indemnification claim for any loss sustained; however, Natura is a guarantor of the Surety Bond in addition to certain of the Debtors. In the event Natura pays the surety provider for such loss, it may assert a claim against API for such amounts.

[24] Briefing on the appeal is currently scheduled to begin this month. The Debtors are considering their options with respect to their pending appeal, including potentially seeking to lift the automatic stay with respect to the California Plaintiffs to pursue their appeal.

the number of cases filed against the Debtors will only continue to increase absent a permanent solution.

B. Prepetition Funding from Natura

85. As market conditions failed to improve and litigation expenses relating to the Talc Claims increased, it became evident the Debtors would need a source of immediate capital to continue to meet their obligations while they explored their restructuring options. Accordingly, the Debtors engaged with Natura and its advisors, including, (i) Davis Polk & Wardell LLP, as counsel, (ii) FTI Consulting Inc., as financial advisor, and (iii) PJT Partners, as investment banker, regarding a potential financing facility. Following negotiations among Natura, the Debtors, and their respective advisors, on April 20, 2024, the Debtors and Natura entered into the 2024 Secured Credit Agreement, pursuant to which Natura agreed to provide approximately $250 million to ACL to fund operations. On June 17, 2024, the parties agreed to amend the 2024 Secured Credit Agreement to provide ACL with approximately $235 million of secured financing and API with approximately $50 million of secured financing. The liquidity provided by the 2024 Secured Credit Agreement allowed the Company to continue its ordinary course operations for the months leading up to the Petition Date. A detailed discussion of the financing provided under the 2024 Secured Credit Agreement is set forth in Section II above.

C. Restructuring Initiatives

86. Starting in late 2023, the Debtors' pressing liquidity challenges and the significant and increasing liabilities arising from the Talc Claims prompted the need to explore certain restructuring initiatives to address the Debtors' strained liquidity position, secure the long-term viability of the Company, and develop a pathway for the equitable resolution of the Talc Claims.

87. In connection with these efforts, on June 11, 2024, the Board established the Special Committee, composed of John Dubel as the sole member. The Special Committee has full, sole, and exclusive authority of the Board to, among other things, (i) oversee, direct, and participate in negotiations concerning various strategic alternatives, including an in-court or out-of-court restructuring or other transaction to maximize the value of API and its assets, (ii) conduct and oversee the investigation of transactions or events that could give rise to claims and/or causes of action held by API, (iii) determine, act on behalf of, and bind API and its subsidiaries with respect to any proposed disposition of the investigation, and (iv) prosecute, compromise, settle, exculpate, release, or otherwise dispose of any potential claim and/or causes of action in connection with the investigation or a potential transaction.

88. In June and July of 2024, the Debtors engaged advisors to assist the Debtors in evaluating and negotiating the Debtors' strategic alternatives.

i. Sale Process and Stalking Horse Agreement

89. As discussed above, the Debtors came to the decision, with the advice of their advisors and the Special Committee, that pursuing a marketing and sale process for all or substantially all of their assets under section 363 of the Bankruptcy Code was the best path forward for the Debtors and their stakeholders. Contemporaneous with their chapter 11 filings, the Debtors have filed the Bid Procedures Motion, which proposes a reasonable and appropriate timeline for their postpetition marketing and sale process.

90. The Debtors did not have sufficient time to market their assets before filing these chapter 11 cases given their liquidity constraints. Therefore, in light of Natura's substantial amount of prepetition debt secured by liens in the Debtors' assets and Natura's

experience with, and knowledge of, the Debtors' international operations, the Debtors determined Natura was the most logical option to serve as a stalking horse bidder for the Sale.

91. Beginning in the second quarter of 2024, the Debtors engaged with Natura on potential sale transaction structures and ultimately settled on the current structure embodied in the Stalking Horse Agreement, pursuant to which Natura would be the purchaser of all of Avon Non-U.S. in the event a higher or better offer is not received. The Debtors subsequently engaged Rothschild to assist the Debtors in conducting diligence and marketing their assets. Following a lengthy diligence process, in July of 2024, the Debtors and Natura commenced negotiations on the terms of their proposed transaction, which culminated in the execution of the Stalking Horse Agreement.

92. The Debtors' selection of Natura as their stalking horse bidder was further supported by the fact that Natura was willing to enter into an agreement for the purchase of the Debtors' equity interests in all of the foreign subsidiaries that make up the Debtors' global operations rather than selecting certain markets or assets to purchase or requiring a more traditional asset purchase agreement, which would have resulted in a longer sale process and significantly increased the transaction costs and operational risks to the Company's business. The Debtors believe the selection of Natura as their stalking horse bidder will lead to a more efficient and cost-effective marketing process. A summary of the key terms of the Stalking Horse Agreement and related bid procedures are set forth below:

- Natura's commitment to a binding bid for its purchase of substantially all of the Debtors' Assets, including the Debtors' equity interests in all of Avon Non-US, for the aggregate purchase consideration of $125 million in the form of a credit against the Debtors' outstanding secured obligations to Natura.

- Natura's commitment to act as a "Back Up Bidder" and, as such, if selected as a Back Up Bidder, hold open its binding offer to purchase

the Assets for a period of time after the Auction in case the winning bid is not consummated.

- A sixty-seven (67) day postpetition marketing process to allow the Debtors' investment banker, Rothschild, to solicit higher or otherwise better offers.

- Natura's assumption of the Debtors' liabilities except where specifically identified as an excluded liability under the Stalking Horse Agreement.

- Natura's commitment to consummate the Sale by November 5, 2024 in the event the Debtors do not receive a higher or otherwise better offer for their Assets by the Bid Deadline (as defined below).

93. Of particular note, the Stalking Horse Agreement does not include any break-up fee, expense reimbursement or other traditional bid protections for Natura.

94. As further described in the Bid Procedures Motion, prior to the Petition Date, Rothschild drafted a confidential information memorandum and other marketing materials, established a virtual data room, and prepared a form non-disclosure agreement to be ready to promptly commence the postpetition marketing of the Debtors' assets immediately, while the Debtors seek approval of the Bid Procedures (as defined in the Bid Procedures Motion) in parallel.

ii. Debtor-In-Possession Financing Negotiations

95. Once the Debtors resolved that filing these chapter 11 cases would be in the best interests of the Debtors and all of their stakeholders, the Debtors determined, with the advice of their advisors, they would require debtor-in-possession financing to fund their marketing and sale process as well as their administrative expenses while in chapter 11.

96. On or about August 5, 2024, Rothschild, on behalf of the Debtors, began soliciting potential debtor-in-possession financing offers from eleven sources, including bulge-bracket banks and assets management funds with substantial expertise providing financing

in these types of situations. None of the sources approached by Rothschild were willing to lend to the Debtors on a junior basis.

97. Given Natura's substantial amount of existing prepetition secured debt and the Debtors' need to quickly obtain additional funding, Natura was a natural source to approach for such financing. As a result, the Debtors approached Natura in June of 2024 to request potential debtor-in-possession financing and subsequently engaged in negotiations with Natura which ultimately resulted in an initial term sheet provided by Natura on June 25, 2024, and a formal term sheet provided by Natura on July 30, 2024. Following receipt of Natura's term sheet, the parties engaged in further discussions and, after extensive diligence and negotiations, the parties reached an agreement on the terms of a superpriority senior secured debtor-in-possession term loan credit facility (the "**DIP Facility**") on August 12, 2024, which, if approved, will provide the Debtors with the sufficient liquidity to fund the chapter 11 cases during the Sale process. Of particular note, the proposed DIP Credit Facility does not contemplate a "roll-up" of any of Natura's prepetition secured loans. The proposed DIP Credit Facility also does not include any exit or unused commitment fees and permits the Debtors to pay interest and other fees in kind during the chapter 11 cases.

98. Key milestones contemplated by the DIP Credit Agreement for the chapter 11 and Sale process include, among others:

- **No later than August 12, 2024**: Commencement of the chapter 11 cases;
- **1 day after the Petition Date**: Filing of the Bid Procedures Motion and the 9019 Motion;
- **3 days after the Petition Date**: Court approval of the DIP Facility on an interim basis;

- **35 days after the Petition Date**: Court approval of the DIP Facility on a final basis and Court approval of the Bid Procedures (as defined in the Bid Procedures Motion);

- **62 days after the Petition Date**: Court approval of the 9019 Motion; *provided, however*, in the event the Bankruptcy Court declines to hold a hearing on the 9019 Motion prior to the expiration of the Challenge Period (as defined in the DIP Credit Agreement), such milestone shall be extended to no later than the date that is seventy-five (75) calendar days after the entry of the Interim Order or such earlier date as permitted by the Bankruptcy Court;

- **67 days after the Petition Date**: Expiration of the Bid Deadline (as defined in the Bid Procedures Motion);

- **77 days after the Petition Date**: Court approval of the Sale (as contemplated by the Bid Procedures Motion); and

- **85 days after the Petition Date**: consummation of the Sale.

iii. Prepetition Investigation and the Natura Settlement

99. Upon its appointment, the Special Committee immediately launched an independent investigation of certain claims or causes of action that may be held by the Debtors' estates, including but not limited to, those that might be asserted by the Company arising from its prepetition transactions with Natura, as well as potential avoidance actions under the Bankruptcy Code. The Special Committee retained Weil to assist the Special Committee with conducting such investigation. Beginning in July of 2024, Weil initiated an extensive diligence process into the Company's businesses and pre-bankruptcy transactions with Natura. The Debtors and Natura have worked constructively with the Special Committee and Weil throughout this process by providing access to a fulsome data room and responses to numerous information requests, as well as by attending multiple in-person interviews with Avon and Natura personnel, among other things.

100. In connection with the investigation, Weil conducted numerous interviews with the Company's current and former employees, reviewed public filings and thousands of

pages of documents, reviewed numerous loan agreements and other transaction documents, and engaged with Ankura and the Company's other advisors to analyze and review several related party transaction.

101. With regard to its investigation of potential claims and causes of action, Weil considered potential claims for, among other things, (i) constructive fraudulent transfer, (ii) breach of fiduciary duty, (iii) piercing the corporate veil, and (iv) avoidance actions under the Bankruptcy Code.

102. Ultimately, after the Special Committee completed its investigation, and following lengthy negotiations thereafter, the Debtors reached an agreement with Natura to settle all potential estate claims and causes of action against Natura in exchange for consideration. The terms of the Natura Settlement Agreement are set forth above.

103. The Debtors intend to use their time in chapter 11 to promptly commence a comprehensive and robust marketing of their interests in Avon Non-U.S. and the Debtors' other assets and, pending the result of the Sale process and receipt of any higher or better offer for their assets, to seek court approval of the Stalking Horse Agreement and move forward with the Sale. In parallel, the Debtors expect to seek court approval of the Natura Settlement Agreement in accordance with Bankruptcy Rule 9019 and to commence negotiations with other stakeholders on the terms of a consensual chapter 11 plan of reorganization to be funded with the proceeds of the Sale and the Natura Settlement Agreement in accordance with the timelines set forth in the DIP Credit Agreement and the Stalking Horse Agreement.

IV. Summary of First Day Pleadings and First Day Relief

104. The Debtors have filed their First Day Pleadings contemporaneously herewith to facilitate a smooth transition into these chapter 11 cases and minimize disruption to the Debtors' business operations. I am familiar with the contents of each First Day Pleading and

believe that the relief sought in each First Day Pleading is necessary to enable the Debtors to operate with minimal disruption, and effectively focus their resources on a value maximizing transaction for the benefit of their stakeholders. The facts set forth in each First Day Pleading are incorporated herein by reference. Capitalized terms used, but not otherwise defined in this section, shall have the meanings ascribed to such terms in the relevant First Day Pleading.

i. Motion of Debtors Pursuant to Fed. R. Bankr. P. 1015(b) for Entry of Order Directing Joint Administration of Related Chapter 11 Cases (the "Joint Administration Motion")

105. Pursuant to the Joint Administration Motion, the Debtors are requesting entry of an order directing the consolidation and joint administration of these chapter 11 cases for procedural purposes only pursuant to Bankruptcy Rule 1015(b), and that the Bankruptcy Court maintain one file and one docket for all of the chapter 11 cases under the lead case, AIO US, Inc.

106. I believe joint administration of the chapter 11 cases will provide significant administrative efficiencies, as it will save the Debtors and their estates substantial time and expense by removing the need to prepare, replicate, file, and serve duplicative notices, applications, and orders. Furthermore, joint administration will relieve the Bankruptcy Court of entering duplicative orders and maintaining duplicative files and dockets. The U.S. Trustee and other parties in interest will similarly benefit from joint administration of these chapter 11 cases, as it will spare them the time and effort of reviewing duplicative pleadings and papers.

107. Moreover, joint administration of these chapter 11 cases will not adversely affect creditors' rights because the Joint Administration Motion requests administrative consolidation of the Debtors' estates for procedural purposes only and does not seek substantive consolidation. As such, each creditor will continue to hold, and may file, its claim against a particular Debtor's estate after the Joint Administration Motion is approved.

108. Based on the foregoing, I believe that granting the relief requested in the Joint Administration Motion is appropriate.

ii. Motion of Debtors Pursuant to 11 U.S.C. §§ 105 and 107 and Fed. R. Bankr. P. 1007, 2002, and 9007 for Entry of an Order (I) Authorizing Debtors to Redact Certain Personal Identification Information, (II) Authorizing Debtors to File Certain Top Creditor Lists, (III) Authorizing Special Noticing Procedures for Talc Claimants, and (IV) Granting Related Relief (the "Noticing Procedures Motion")

109. Pursuant to the Noticing Procedures Motion, the Debtors are requesting entry of an order (i) authorizing the Debtors and the Claims Agent (as defined below) to redact from their list containing the name and complete address of each creditor, as provided by Local Bankruptcy Rule 1007-2(a) (the "**Creditor Matrix**"), and other documents filed in these chapter 11 cases, certain personal identification information of individual creditors and interest holders (the "**Personal Identification Information**"), (ii) authorizing the Debtors to file consolidated lists of (a) the top 22 law firms with the most significant Talc Claimant representations as determined by the volume of Talc Claims asserted against the Debtors and (b) the creditors holding the 20 largest unsecured claims (excluding Talc Claims), (iii) approving the implementation of certain notice procedures for Talc Claimants by which the Debtors will (or will direct the Claims Agent to) send required notices, mailings, and other communications related to these chapter 11 cases to such known counsel of record for the Talc Claimants and Talc Claimants with known addresses (the "**Notice Procedures**"), and (iv) granting related relief.

110. The Debtors are seeking authority to redact the names, home addresses, email addresses, and other personal identification information (collectively, "**Personal Identification Information**") of individuals from the Creditor Matrix, the Debtors' schedules of assets and liabilities and statements of financial affairs (collectively, the "**Schedules**"), affidavits

or certificates of service, and any paper filed or to be filed with the Court in these chapter 11 cases. I believe such authorization is appropriate because such information could be used, among other things, to perpetrate identity theft or to locate survivors of domestic violence, harassment, or stalking.

111. The Debtors are seeking authority to file a list of the top 22 law firms with the most significant Talc Claimant representations (the "**Top 22 Plaintiffs' Firms List**") as determined by the volume of Talc Claims asserted against the Debtors, on a consolidated basis, and seek approval to file a consolidated list of the top twenty unsecured claims (excluding Talc Claims) pursuant to Bankruptcy Rule 1007(d). Attempting to designate certain individual Talc Claimants as holding the "largest" unsecured claims would be arbitrary. The vast majority of pending Talc Claims are disputed, contingent, and/or unliquidated and therefore would be difficult to value. Accordingly, debtors in talc and asbestos mass tort cases regularly list the primary plaintiffs' firms that represent plaintiffs holding claims or otherwise engaged in pending litigation as their top unsecured creditors in lieu of listing individual claimants or plaintiffs. I believe that listing individual Talc Claimants with the largest unsecured claims against the Debtors would facilitate the U.S. Trustee's appointment of any official creditors' committee.

112. I am advised that Bankruptcy Rule 2002 requires a debtor to provide notice of the commencement of a chapter 11 case, and certain other information related thereto, to creditors and certain other parties in interest. To ensure that Talc Claimants receive proper and timely notice of filings and critical events in these chapter 11 cases, the Debtors are seeking authority to direct the Claims Agent to send required notices, mailings, and other communications to the counsel of record for the Talc Claimants, in the manner required pursuant to otherwise applicable noticing procedures in effect in the chapter 11 cases; *provided* that the

Debtors are seeking authority to (or direct the Claims Agent to) send required notices, mailing, and other communications directly to any Talc Claimants whose personal addresses are known to the Debtors from their books and records or any Talc Claimants who so request such direct notice from the Debtors in writing. Additionally, for those law firms representing multiple Talc Claimants, the Debtors are seeking authorization to serve each document only a single time on such law firms (at each relevant address of such law firm) on behalf of all such counsel's clients; *provided*, that any notice or other document relating specifically to one or more particular Talc Claimant (rather than all Talc Claimants represented by such law firm) shall clearly identify such parties.

113. By implementing the Notice Procedures, Talc Claimants with known personal addresses will receive additional actual notice via their counsel. The actual notice that Talc Claimants with unknown addresses will receive via their counsel will be superior to the notice such Talc Claimants would otherwise receive if the Debtors were to attempt to deliver notices and other communications only directly to such claimants. In addition, the address for counsel to the Talc Claimants is more likely to remain unchanged over time, and hence providing notice to the counsel of record will allow for more accurate notice. The Notice Procedures will also significantly ease the Debtors' administrative burden of properly sending notices to hundreds of Talc Claimants with unknown personal addresses, resulting in a more cost-effective notice procedure that benefits the Debtors' estates and creditors.

iii. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 345, 363, 364, 503, and 541 and Fed. R. Bankr. P. 6003 and 6004 for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Existing Cash Management Systems, Bank Accounts, and Business Forms, (B) Implement Ordinary Course Changes to Cash Management System, and (C) Honor Certain Related Prepetition Obligations, (II) Authorizing Continuation of Intercompany Transactions and Granting Administrative Expense Status for Postpetition Intercompany Claims, (III) Waiving Certain Requirements with respect to the Debtors' Accounts, and (IV) Granting Related Relief (the "Cash Management Motion")

114. Pursuant to the Cash Management Motion, the Debtors seek entry of interim and final orders (i) authorizing, but not directing, them to (a) continue using their existing cash management system (the "**Cash Management System**"), including through the continued maintenance of their bank accounts (the "**Bank Accounts**") at applicable financial institutions and existing Business Forms, (b) make ordinary course changes to the Cash Management System as necessary, such as opening or closing their Bank Accounts, as set forth herein, and (c) honor and pay all prepetition and postpetition Bank Fees payable by the Debtors, (ii) authorizing, but not directing, the Debtors to continue to perform under and honor Intercompany Transactions, whether relating to the prepetition or postpetition period, in the ordinary course of business, and provide administrative expense priority for claims arising from Postpetition Intercompany Transactions among Debtors and among the Debtors and Non-Debtor Affiliates, (iii) granting the Debtors a waiver of certain bank account and related requirements of the Office of the United States Trustee for the District of Delaware, and (iv) granting related relief.

115. As further detailed in the Cash Management Motion, the Debtors currently maintain nine (9) Bank Accounts, seven (7) of which are held at Citibank N.A. ("**Citibank**" and such accounts, the "**Citibank Accounts**") and two (2) of which are held at Bank of America ("**BOA**" and such accounts, the "**BOA Accounts**"). As a result of prepetition efforts made by

the Debtors to simplify their Cash Management System, the Debtors expect to utilize only the four (4) Bank Accounts maintained at Citibank during the pendency of these chapter 11 cases. A list of the Bank Accounts is attached thereto as Exhibit C and a diagram of the Cash Management System setting forth the flow of funds among the Bank Accounts is attached thereto as Exhibit D.

116. Historically, the Debtors' primary sources of receipts were (i) proceeds from funded debt and intercompany funding from Natura and from a prepetition cash pooling arrangement with their non-Debtor subsidiaries, (ii) the subletting of the Debtors' office space in New York, New York, and (iii) reimbursement for Intercompany Transactions at fixed mark-ups for the payment of goods and services on behalf of the Debtors' Non-Debtor Affiliates. As of the Petition Date, in lieu of intercompany funding from Natura and from the cash pooling arrangement, the Debtors expect to fund their expenses through the proceeds of their proposed DIP Financing, subject to Court approval.

117. I believe the Cash Management System is critical to the operation of the Debtors' business in the ordinary course as it facilitates (i) the global operations of the Debtors and their Non-Debtor Affiliates, as API and other Debtors facilitate certain payments on behalf of Non-Debtor Affiliates for which such Non-Debtor Affiliates promptly reimburse the Debtors, (ii) the streamlined concentration and transfer of payments generated and collected by the Debtors' business, and (iii) the efficient collection and disbursement of funds such as payroll and general administrative expenses. I understand that any disruption of the Cash Management System would be materially detrimental and disruptive to the Debtors' business, which requires prompt and reliable access to cash and accurate cash tracking.

118. I believe that any interruption of the Cash Management System would severely disrupt the Debtors' operations and result in harm to the Debtors' estates and their stakeholders. Accordingly, the Debtors seek authority to continue utilizing the Cash Management System in the ordinary course of business on a postpetition basis, in a manner substantially consistent with past practice. If the Debtors were required to alter the way in which they collect and disburse cash throughout the Cash Management System, their operations would experience severe disruptions, which would ultimately frustrate the Debtors' ability to effectuate their restructuring strategy and maximize the value of their estates.

119. In the ordinary course of business, the Debtors engage in intercompany transactions with each other and certain Non-Debtor Affiliates ("**Intercompany Transactions**"), which in turn give rise to intercompany receivables and payables (each, an "**Intercompany Claim**"). Intercompany Transactions arise in the ordinary course, solely on account of the intercompany provision of goods and services or expenditures made on affiliates' behalf. In addition, as many of the Non-Debtor Affiliates do not have a U.S.-based payor, the Debtors from time to time facilitate payments to certain U.S.-based vendors, suppliers, and employees on behalf of the Non-Debtor Affiliates. Unless otherwise set forth therein, the Shared Services Agreements generally provide that the Debtors are entitled to reimbursement of their cost plus a mark-up from the Non-Debtor Affiliate. The Debtors record journal entries documenting all intercompany transactions.

120. Pursuant to the Cash Management Motion, the Debtors seek to pay prepetition Intercompany Transactions and to continue to perform under and honor Intercompany Transactions, including those Intercompany Transactions with Non-Debtor Affiliates, and including on a postpetition basis in the ordinary course of business

(each, a "**Postpetition Intercompany Transaction**") consistent with their historical accounting practices, without prejudice to any Debtor to assert reallocation or reimbursement of postpetition transfers. The Debtors also seek the approval of administrative expense priority status for claims against any Debtor arising from Postpetition Intercompany Transactions in accordance with sections 364(a), 503(b) and 507(a) of the Bankruptcy Code. The Debtors maintain, and will continue to maintain, records of these transfers of cash and bookkeeping entries on a postpetition basis and will implement such other internal mechanisms as needed to permit them, with the assistance of their advisors, to accurately track the balance of and account for all prepetition and Postpetition Intercompany Transactions on demand.

121. These intercompany relationships are necessary and beneficial to the Debtors' business operations and generally provide the Debtors with material savings in respect of general administrative and corporate overhead costs. Historically, as a result of the Intercompany Transactions, cash, goods, and services have flowed between the Debtors and Non-Debtor Affiliates on a regular basis and in the ordinary course.

122. Services provided to Debtors and Non-Debtor Affiliates for which the Debtors have historically received reimbursement may generally be categorized as follows:

a. **Corporate Services**: Corporate Services include administrative functions related to the Company's legal, human resources, and finance expenditures, among others. These are often charged by API to the Company's primary operating entity, Avon Cosmetics Limited ("**ACL**"). API charges ACL a mark-up for Corporate Services.

b. **IT Global Services**: IT Global Services includes the Company's information technology expenditures. These are often charged by API to ACL. API charges ACL a mark-up for IT Global Services.

c. **Marketing Services**: Marketing Services includes the Company's advertising and marketing expenditures, which have been borne primarily by ACL in recent years. As a result, reimbursements to API on account of

Marketing Services have diminished. API charges ACL a mark-up for Marketing Services.

d. **R&D Services**: R&D Services includes the Company's new product development expenditures and other research and development charges. In recent years, reimbursements to API on account of R&D Services have diminished. API charges ACL a mark-up for R&D Services.

e. **Certain Natura Group Expenses**: Natura group expenses includes fees, costs and expenses incurred on account of Natura and Company employees (including employee salaries and similar employee related expenses) and ancillary third-party services for which both Natura and the Company benefit. When API bears these expenses, API pays these amounts on behalf of Natura or its Non-Debtor Affiliates and is reimbursed by such entities plus a mark-up on account of Natura group expenses.

123. I believe the Debtors enter into and perform Intercompany Transactions "in the ordinary course of business" within the meaning of section 363(c)(1) of the Bankruptcy Code. Intercompany Transactions are not just a matter of routine in the Debtors' business: they are the sort of transactions that are common among many business enterprises that operate through multiple affiliates. It is precisely because of their routine nature that the Intercompany Transactions are integral to the Debtors' ability to operate their business and successfully implement their chapter 11 strategy. As noted above, many of the Non-Debtor Affiliates do not have a U.S.-based payor, and the Debtors from time to time facilitate payments to certain U.S.-based vendors, suppliers, and employees on their behalf. These Intercompany Transactions are consistent with past practice. For their services, the Debtors are generally entitled to reimbursement of their cost plus a mark-up or such other amount as is contained in the relevant agreement from the Non-Debtor Affiliate. Accordingly, the Debtors request express authority to pay prepetition Intercompany Transactions and to continue to perform under and honor such transactions postpetition.

124. I further believe that if the postpetition Intercompany Claims are accorded administrative expense status, then each entity that participates in the Cash Management System and provides a benefit to the Debtors' estates will be assured that it will be compensated for its efforts.

125. Additionally, in the ordinary course of business, the Debtors maintain a corporate credit card program (the "**Corporate Credit Card Program**"), pursuant to which certain of the Debtors' employees use credit cards issued by Citibank to pay expenses related to office supplies and services, utilities, human resources, information technology, business travel, and other work-related costs in connection with the Debtors' business operations (collectively, the "**Corporate Expenses**"). The Corporate Credit Card Program is individually billed, but company paid. This means that employees submit expenses to the Debtors, which then make payments to Citibank. However, the employee is responsible for timely submission of expenses and fees associated with late payment. The Debtors and the employees are liable for the expenses incurred pursuant to the Corporate Credit Card Program.

126. The Corporate Credit Card Program is essential to the Debtors' operations. The Corporate Credit Card Program enables the Debtors' employees to conduct business more efficiently by facilitating the payment of work-related expenses and services incurred by the Debtors that are essential to their ongoing operations. The Corporate Credit Card Program is integral to maintaining the Debtors' ordinary course operations, and a discontinuation of the program would disrupt the Debtors' business. Without the program, the Debtors' employees would have to pay the work-related expenses and services upfront and then wait for reimbursement from the Debtors. In such case, the Debtors' operational effectiveness would suffer.

127. For the foregoing reasons, on behalf of the Debtors, I respectfully submit that granting the relief requested in the Cash Management Motion is appropriate and in the best interests of the Debtors' estates and creditors.

iv. Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 507, and 552 and Fed. R. Bankr. P. 2002, 4001, 6003, 6004, and 9014 for (I) Authority to (A) Obtain Postpetition Financing, (B) Grant Liens and Provide Superpriority Administrative Expense Status (C) Grant Adequate Protection, (D) Modify the Automatic Stay, and (E) Schedule a Final Hearing and (II) Related Relief (the "DIP Motion")

128. Pursuant to the DIP Motion, the Debtors seek authorization to obtain postpetition financing (the "**DIP Financing**") and approval of their entry into the DIP Facility in an aggregate principal amount of $43 million, provided by Natura, Natura Cosméticos, Natura Luxembourg, and Natura UK (collectively with Natura, Natura Cosméticos, and Natura Luxembourg, the "**DIP Lender**") with an initial draw of $12 million. The Debtors also seek authorization to use cash collateral.

129. As discussed more fully in the DIP Motion, the DIP Financing and use of cash collateral will provide the Debtors with the necessary liquidity to maintain their operations and administer these chapter 11 cases as they work to implement a sale of all or substantially all of their assets under section 363 of the Bankruptcy Code and maximize the value of these estates for creditors. The proposed DIP Financing is on terms that are very favorable to the estate—of particular note, the proposed DIP Financing does not contemplate a "roll-up" of any of Natura's prepetition secured loans. The proposed DIP Financing also does not include any unused commitment, exit, or agent fee and permits the Debtors to pay below-market interest in kind during the chapter 11 cases. Additionally, the DIP Lender is not seeking payment from the Debtors of any professional fees or expenses incurred in connection with the ordinary course negotiation or approval of the DIP Facility.

130. As of the Petition Date, the Debtors had approximately $2.9 million in cash on hand, which is not sufficient to continue their operations, and, thus, require immediate access to the DIP Financing and the use of cash collateral to ensure that they have sufficient liquidity to administer their estates and prosecute these chapter 11 cases in an orderly and expeditious manner. The DIP Lender has committed to provide the Debtors with DIP Financing in an aggregate amount of $43 million to finance the chapter 11 cases and allow the Debtors to implement a section 363 sale to maximize value for the estates and their creditors. In addition, I believe the Debtors' proposed interim draw of $12 million is necessary for the Debtors to avoid immediate and irreparable harm to their estates.

131. For the foregoing reasons, on behalf of the Debtors, I respectfully submit that granting the relief requested in the DIP Motion is appropriate and in the best interests of the Debtors' estates and creditors.

v. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b), and 507(a) and Fed. R. Bank. P. 6003 and 6004 for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Pay Prepetition Wages, Salaries, Reimbursable Expenses, and Other Obligations on Account of Compensation and Benefits Programs and (B) Continue Compensation and Benefits Programs in the Ordinary Course, and (II) Granting Related Relief (the "Employee Wages Motion")

132. Pursuant to the Employee Wages Motion, the Debtors request entry of interim and final orders (i) authorizing, but not directing, the Debtors to (a) pay, in their sole discretion, prepetition wages, salaries, reimbursable expenses, and other obligations on account of the Compensation and Benefits Programs in the ordinary course of business and (b) continue to administer the Compensation and Benefits Programs as such were in effect as of the date hereof and as such may be modified, amended, or supplemented from time-to-time in the ordinary course of the Debtors' business, and honor any related administrative costs and obligations arising thereunder, and (ii) granting related relief.

133. As described more fully in the Employee Wages Motion, the Debtors employ a small but critical number of employees that are essential to the Company's ability to operate their beauty and personal care businesses globally. The skills and experience of the Debtors' employees are vital to the Debtors and the success of these chapter 11 cases.

134. It is my understanding that, as of the Petition Date, the Debtors employed approximately twenty-one (21) employees ("**Employees**") across four (4) geographic locations. All of the Debtors' Employees are classified as "full-time employees." The Debtors currently have two (2) officers: (i) Mr. Philip Gund, Chief Restructuring Officer and Treasurer and (ii) Ms. Lisa Siders, General Counsel and Corporate Secretary. In addition, Mr. Chris Hebard serves as the Assistant Treasurer of the Debtors.

135. The Employees are distinctly familiar with the Company's operations, processes, and systems and possess specialized knowledge, skills, or experience that cannot be easily replaced. The Employees also engage in various functions to manage and support the Company's operations, including administrative, legal, accounting, finance, research and development, and management-related tasks. If the Debtors were to lose certain of their Employees, it would be difficult (and costly) to replace them in the near term with individuals with similar expertise and familiarity with the Debtors.

136. Prior to the Petition Date, the Debtors maintained various compensation and benefits programs on behalf of their Employees (collectively, the "**Compensation and Benefits Programs**"), including, without limitation: (i) Compensation Obligations, (ii) Bonus Programs, and (iii) Employee Benefit Programs. Except as otherwise set forth in the Employee Wages Motion, the Debtors are seeking to continue to administer the Compensation and Benefits Programs in the ordinary course of business. In addition to the direct costs of the various

Compensation and Benefits Programs, the Debtors also incur and pay various administrative fees and premiums in connection with the administration of these programs (each, an "**Administrative Fee**"). The Debtors' timely payment of obligations relating to the Compensation and Benefits Programs, including the Administrative Fees, is necessary for the Debtors to maintain continuity, implement their chapter 11 strategy, and avoid personal financial hardship to the Debtors' Employees.

137. Historically, as detailed in the Employee Wages Motion, the Debtors implemented various retention- and performance-based bonus programs (collectively, the "**Bonus Programs**") to retain key talents and incentivize their optimal performance. The Debtors are not seeking authority pursuant to the Employee Wages Motion to make any payments under any Bonus Programs.

138. As further detailed in the Employee Wages Motion, in the ordinary course of business, the Debtors maintain various employment benefit plans and policies, including, without limitation, medical, vision, and dental plans, health savings and flexible spending accounts, life insurance, accidental death and dismemberment insurance, short- and long-term disability insurance, vacation and other paid time off policies, and other Employee programs (collectively, the "**Employee Benefit Programs**"). The Employee Benefit Programs are generally available to active, full-time Employees (collectively, the "**Eligible Employees**").

139. The majority of the Debtors' Employees rely exclusively or primarily on the compensation and benefits they receive through the Compensation and Benefits Programs to pay their daily living expenses. The Employees will face significant financial consequences if the Debtors are not permitted to continue to administer the Compensation and Benefits Programs in the ordinary course of business. Further, the Debtors' failure to honor their obligations in

connection with the Compensation and Benefits Programs likely would result in attrition at a time when the Debtors need to retain and motivate their Employees to perform at peak efficiency, as they transition into chapter 11 and work to consummate a value-maximizing sale transaction for the benefit of all creditors of the estates.

140. Authorizing the Debtors to pay prepetition amounts related to the Compensation and Benefits Programs is in the best interests of the Debtors, their estates, and their economic stakeholders. The loss of valuable Employees would deplete the Debtors' workforce and thereby hinder the Debtors' ability to maintain continuity through the Company's marketing and sale process. Further, Employee attrition at this critical junction would cause the Debtors to incur additional expenses to find appropriate and experienced replacements, severely disrupting the Company's ability to administer and prosecute these chapter 11 cases. Such an outcome would diminish stakeholder confidence in the Debtors' ability to successfully implement their chapter 11 strategy and jeopardize stakeholder value.

141. Additionally, failure to satisfy the prepetition obligations in connection with the Compensation and Benefits Programs will adversely impact Employee morale and loyalty at a time of perceived uncertainty in light of the commencement of these chapter 11 cases. Employees will be exposed to significant financial difficulties and other distractions if the Debtors are not permitted to honor their obligations in connection with the Compensation and Benefits Programs. Furthermore, if the Court does not authorize the Debtors to honor their various obligations under the Health Insurance Programs, and the Life Insurance and Disability Programs, Employees will not receive appropriate coverage and, thus, may become obligated to pay certain healthcare-related claims in cases where the Debtors have not paid the respective providers. The loss of such coverage will result in considerable anxiety for Employees (and

likely attrition) at a time when the Employees are most in need and when the Debtors need such Employees to perform at peak efficiency.

142. The Debtors believe continuing to honor their obligations under the Employee Benefits Programs, particularly those related to healthcare, reflect their dedication to their Employees, underscores the high value they place on their Employees' welfare, and is essential to maintaining the viability of the Employees throughout these chapter 11 cases.

143. On behalf of the Debtors, I respectfully submit that the relief requested in the Employee Wages Motion represents a sound exercise of the Debtors' business judgment, is necessary to avoid immediate and irreparable harm to the Debtors' estates, and is in the best interests of the Debtors' estates and should be granted.

vi. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b), and 507(a) for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Prepetition Taxes and Assessments, and (II) Granting Related Relief (the "Taxes Motion")

144. Pursuant to the Taxes Motion, the Debtors are requesting entry of interim and final orders (i) authorizing, but not directing, the Debtors to pay all prepetition taxes, assessments, fees, and charges (collectively, the "**Taxes and Assessments**") due and owing to various local, state, and federal taxing and other governmental authorities (collectively, the "**Taxing Authorities**") that arose prior to the Petition Date (as defined below), including all Taxes and Assessments subsequently determined by audit or otherwise to be owed for periods prior to the Petition Date, and to pay any postpetition amounts that become due and owing to the Taxing Authorities in the ordinary course during these cases, and (ii) granting related relief.

145. In the ordinary course of business, the Debtors collect, withhold, and incur an assortment of Taxes and Assessments they remit periodically to various Taxing Authorities.

Although the Taxing Authorities List is substantially complete, the relief requested herein is to be applicable with respect to all the Taxing Authorities and is not limited to those Taxing Authorities listed on the Taxing Authorities List.

146. The Taxes and Assessments generally fall into the following categories, each of which is described in further detail below: (i) Income and Franchise Taxes, (ii) Audits and Assessments, and (iii) Other Fees and Taxes.

147. As set forth in further detail below, the Debtors pay the Taxes and Assessments monthly, quarterly, or annually, in each case as required by applicable laws and regulations. The Debtors do not anticipate that any amounts of Taxes and Assessments relating to the prepetition period will become due and payable after the Petition Date. Out of an abundance of caution, however, the Debtors request authority to pay any prepetition obligations that have accrued or will accrue on account of the Taxes and Assessments, including amounts that may come due during the period between the Petition Date and the final hearing on the motion (the "**Interim Period**"). The following table provides an overview of the prepetition amounts that the Debtors seek relief to pay (or use tax credits to offset) if such Taxes and Assessments arise:

Category	Interim Amount	Final Amount
Income and Franchise Taxes	$25,000	$50,000
Audits and Assessments	$560,000	$560,000
Other Fees and Taxes	$25,000	$50,000
Total	**$610,000**	**$660,000**

148. The requested amounts of the Taxes and Assessments listed above are good-faith estimates out of an abundance of caution based on the Debtors' review of their books and records and remain subject to potential audits and other adjustments.

149. I believe failure to pay the Taxes and Fees may interfere with the Debtors' continued operations and chapter 11 strategy, and increase the scope of secured and priority claims pursuant to section 507(a)(8) of the Bankruptcy Code held by the applicable Taxing Authorities against the Debtors' estates. Accordingly, the Debtors would suffer immediate and irreparable harm if the relief sought herein is not promptly granted. I am also advised that the Debtors must pay the Taxes and Fees to prevent the Taxing Authorities from taking actions that would interfere with the Debtors' continued business operations and potentially impose significant costs on the Debtors' estates. These potential actions include asserting liens on estate assets or seeking to lift the automatic stay. Moreover, I understand that failure to satisfy the prepetition Taxes and Fees may jeopardize the Debtors' maintenance of good standing to operate in the jurisdiction in which they do business.

vii. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 362(d), 363(b) and 363(c) and Fed. R. Bankr. P. 4001 for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Maintain Their Insurance Policies, Surety Bond Program, and Letters of Credit, and (B) Honor All Insurance, Surety Bond and Letters of Credit Obligations, (II) Modifying Automatic Stay, and (III) Granting Related Relief (the "Insurance Motion")

150. Pursuant to the Insurance Motion, the Debtors seek entry of interim and final orders (i) authorizing, but not directing, the Debtors to (a) maintain their Insurance Policies, Surety Bond Program and Letters of Credit in accordance with their terms as provided for in the underlying agreements and to perform with respect thereto in the ordinary course of business, including with respect to all Insurance Obligations arising during the administration of these

chapter 11 cases, and (b) pay prepetition Insurance Obligations, including amounts owed to the Insurance Service Providers, and prepetition obligations arising under the Surety Bond Program and Letters of Credit, (ii) modifying the automatic stay, to the extent necessary, to permit the Debtors' employees to proceed with any claims they may have under the Workers' Compensation Program, whether they arose before or after the Petition Date, in the appropriate judicial or administrative forum to proceed against the proceeds of such policies only, and (iii) granting related relief. In furtherance of the foregoing, the Debtors also seek authority to increase, renew, supplement, extend, or replace their insurance coverage if they determine, in their reasonable business judgment, such action is necessary or appropriate.

151. The Debtors maintain various liability, property and other insurance policies and a workers' compensation program (collectively, the "**Insurance Policies**" and all premiums and other obligations related thereto, including any broker, advisor, or third-party administrator fees, assessments, other fees, deductibles, taxes, interest payments, collectively, the "**Insurance Obligations**") through several different insurance carriers (the "**Insurance Carriers**") including, but not limited to, those Insurance Policies and Insurance Carriers listed on Exhibit C thereto (the "**Insurance Schedule**"). The Insurance Policies are necessary for the Debtors to responsibly and legally operate their businesses.

152. The Debtors pay approximately $5 million each year in Insurance Obligations, which is almost exclusively premiums. The Debtors believe no prepetition Insurance Obligations remain outstanding as of the Petition Date or will come due and payable during the period from the Petition Date through the final hearing on this motion (the "**Interim Period**"). Pursuant to the Insurance Motion, the Debtors seek authority, but not direction, to continue the Insurance Policies in the ordinary course of business and to pay the Insurance

Obligations as they come due and payable, whether arising from the prepetition or postpetition period, throughout these chapter 11 cases.

153. In the ordinary course of business, the Debtors provide surety bonds (the "**Surety Bonds**") securing payment or performance of certain obligations, often to government units, public agencies, or litigation plaintiffs (collectively, the "**Surety Bond Program**"). In addition, as referenced therein, in the ordinary course of business, the Debtors maintain letters of credit for the benefit of third parties in connection with certain insurance obligations (the "**Letters of Credit**").

154. Failing to provide, maintain, or timely replace their Surety Bonds and Letters of Credit may prevent the Debtors from undertaking essential functions related to their administrative operations.

155. By the Insurance Motion, the Debtors seek authority, but not direction, to continue the Surety Bond Program and maintain the Letters of Credit in the ordinary course of business, and, out of an abundance of caution, to honor all obligations and post additional collateral on account of the Surety Bonds and Letters of Credit that may become due during the chapter 11 cases. The Debtors also seek authority to provide additional or new Surety Bonds or Letters of Credit to third parties as necessary to operate their business in the ordinary course.

156. The Debtors maintain workers' compensation insurance as required by statute in each of the states and territories in which they operate and provide coverage to employees for claims arising from or related to their employment by the Company (the "**Workers' Compensation Program**"). Beginning with the current policy year (from June 1, 2024 to June 1, 2025), the Debtors participate in one (1) such policy with a single Insurance Carrier, Greenwich Insurance Company ("**Greenwich**"). For Workers' Compensation Claims

that arose during prior policy years, the Debtors have made and continue to make payments under several policies previously issued by the Travelers Indemnity Company ("**Travelers**"). In addition to acting as the Insurance Carriers under the Workers' Compensation Program, Greenwich and Travelers also serve as the third-party administrator under their applicable policies and are responsible for investigating, administering, and paying all Workers' Compensation Claims arising under the Workers' Compensation Program.

157. The Debtors also seek authority to modify the automatic stay to permit employees who hold valid Workers' Compensation Claims to proceed with such claims in the appropriate judicial or administrative forum; *provided that* any recovery on account of such a claim is limited solely to funds available under the Workers' Compensation Program and not to other estate assets.

158. There is cause to modify the automatic stay because staying the Workers' Compensation Claims could result in employee departures or otherwise harm employee morale, at a time when the Debtors need their workforce to be operating at peak efficiency. Unnecessary distractions—or heavy attrition—could jeopardize the Debtors' chapter 11 strategy and result in irreversible harm to the Debtors' businesses. Accordingly, the Debtors respectfully request that the Court modify the automatic stay as it relates to valid Workers' Compensation Claims to allow employees holding any such claims to pursue resolution and collection from the applicable Insurance Carriers.

159. Authority to continue maintaining the Insurance Policies, the Surety Bond Program, and Letters of Credit and to pay any unpaid Insurance Obligations and unpaid amounts related to the Surety Bond Program and Letters of Credit arising prior to the Petition Date, is critical to the Debtors' ability to preserve the going-concern value of their businesses, which will

inure to the benefit of all parties in interest. Accordingly, the Debtors seek authority to continue performing under their Insurance Policies, their Surety Bond Program, and Letters of Credit in the ordinary course of business and to honor any obligations with respect thereto as they arise.

160. The relief requested by the Insurance Motion represents a sound exercise of the Debtors' business judgment, is necessary to avoid immediate and irreparable harm to the Debtors' estates. Authorizing the Debtors to pay prepetition amounts related to maintaining the Insurance Policies, Surety Bond Program, Letters of Credit and pay all prepetition amounts related to the Insurance Obligations is in the best interests of the Debtors, their estates, and their economic stakeholders.

161. On behalf of the Debtors, I respectfully submit that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates and should be granted.

viii. Debtors' Application Pursuant to 28 U.S.C. § 156(c), 11 U.S.C. §§ 503 and 1107, and Fed. R. Bankr. P. 2002(f) for Entry of an Order (I) Authorizing and Approving the Appointment of Epiq Corporate Restructuring, LLC as Claims and Noticing Agent and and (II) Granting Related Relief (the "Claims and Noticing Agent Application")

162. Pursuant to the 156(c) Retention Application, the Debtors are requesting authority to appoint Epiq Corporate Restructuring, LLC ("**Epiq**") as claims and noticing agent ("**Claims and Noticing Agent**") for the Debtors in their chapter 11 cases, effective as of the Petition Date (as defined below), in accordance with the terms and conditions of that certain Epiq Services Agreement dated July 26, 2024 (the "**Engagement Agreement**") and (b) granting related relief. Epiq's duties will include assuming full responsibility for the distribution of notices and maintaining a list of all potential creditors, equity holders and other parties-in-interest in the chapter 11 cases.

163. I believe the Debtors' selection of Epiq to serve as their Claims and Noticing Agent has satisfied the Protocol for the Employment of Claims and Noticing Agents under 28 U.S.C. § 156(c). Specifically, the Debtors have solicited and reviewed engagement proposals from at least three other Court-approved claims and noticing agents to ensure selection through a competitive process.

164. I believe Epiq's rates are competitive and reasonable given Epiq's quality of services and expertise. The terms of Epiq's retention are set forth in the Engagement Agreement attached to, and filed contemporaneously therewith, the Claims and Noticing Agent Retention Application. Appointing Epiq as the Debtors' Claims and Noticing Agent will maximize the efficiency of the distribution of notices, as well as relieve the Clerk of the Court of related administrative burdens. Moreover, I am informed that Local Bankruptcy Rule 5075-1(b) requires the retention—pursuant to an order of the Court—of an approved claims and noticing agent in a case having 250 or more creditors and/or equity security holders, such as the chapter 11 cases.

165. Based on the foregoing, I believe that the relief requested in the 156(c) Retention Application should be approved.

[*Remainder of Page Intentionally Left Blank*]

I declare under penalty of perjury that, to the best of my knowledge and after reasonable inquiry, the foregoing is true and correct.

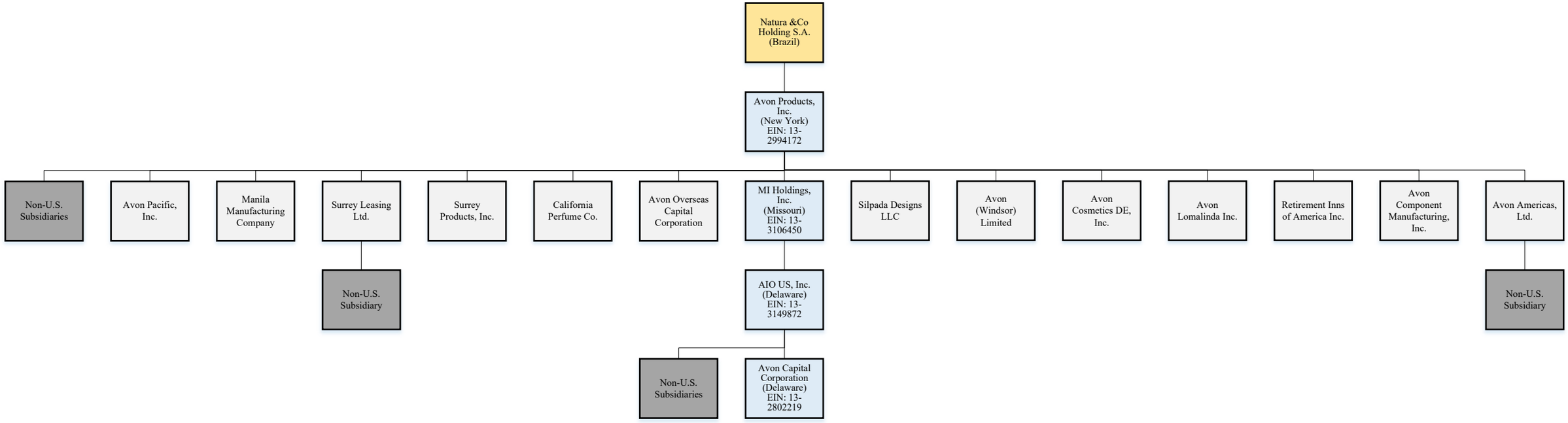
Date: August 12, 2024
New York, NY

/s/ Philip J. Gund
Philip J. Gund
Chief Restructuring Officer
and Treasurer

Exhibit A

Corporate Structure Chart

DEBTORS AND NON-DEBTOR AFFILIATES



Natura (Parent)

Debtors

US Non-Debtor Affiliates

Non-US Non-Debtor Affiliates

Does not include all non-debtor affiliates