SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF KINGS

Paul Berger, on Behalf of Himself and All Others Similarly Situated,

Plaintiff,

vs.

Jan Zijderveld, Jose Armario, W. Don Cornwell, Chan W. Galbato, Nancy Killefer, Susan J. Kropf, Helen McCluskey, Andrew G. McMaster, Jr., James A. Mitarotonda, Michael F. Sanford, Lenard B. Tessler and Avon Products, Inc.,

Defendants.

SUMMONS

JURY TRIAL DEMANDED

TO THE ABOVE-NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on the Plaintiff's attorney within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

Pursuant to CPLR 503(a) venue is appropriate in this County because Defendant W. Don Cornwell is a resident of Kings County.

Dated: New York, New York
October 16, 2019

/s/ Richard B. Brualdi
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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF KINGS

Paul Berger, on Behalf of Himself and All Others Similarly Situated, Plaintiff, vs. Jan Zijderveld, Jose Armario, W. Don Cornwell, Chan W. Galbato, Nancy Killefer, Susan J. Kropf, Helen McCluskey, Andrew G. McMaster, Jr., James A. Mitarotonda, Michael F. Sanford, Lenard B. Tessler and Avon Products, Inc., Defendants.	**CLASS ACTION COMPLAINT FOR BREACH OF FIDUCIARY DUTY** **JURY TRIAL DEMANDED** **Date Index Number Purchased:**

Plaintiff, by his attorneys, alleges as and for his class action complaint, upon personal knowledge as to himself and his own acts, and as to all other matters upon information and belief derived from, *inter alia*, a review of documents filed with the Securities and Exchange Commission ("SEC"), press releases issued by the Defendants, and publicly available news sources as follows:

NATURE OF THE ACTION

1. This is a shareholder class action (the "Action") brought on behalf of Plaintiff and the other public shareholders of Avon Products, Inc. ("Avon" or the "Company"), a New York corporation, against Avon and the members of its board of directors (the "Individual Defendants" or the "Board").

2. The Action challenges Defendants' actions in causing Avon to agree to be sold (the "Sale Agreement") to a newly formed Brazilian holding company, Natura & Co Holding S.A.

("Natura Holding").[1] Pursuant to the Sale Agreement, holders of Avon's stock will receive (1) 0.300 American Depository Shares of Natura Holding against the deposit of two shares of Natura Holding shares or (2) 0.600 Natura Holding shares for each share of Avon stock they hold.[2] Following consummation of the Sale, current holders of Avon's common stocks will own approximately 24% of Natura Holding while the remaining 76% will be held by current holders of Natura Cosméticos stock. In connection with the Sale, entities affiliated with private equity firm Cerberus Capital Management (collectively, "Cerberus"), which hold Avon preferred stock (convertible into approximately 16.6% of Avon's common stock) and effectively control Avon, will receive $530 million in cash, just under $100 million more than the $435 million they paid for those same shares less than three years ago.

3. The Sale is being driven by Cerberus[3] which seeks to divest its over 16% holdings in the Company and by entities affiliated and/or groups led by Avon director and defendant James A. Mitarotonda, which have been agitating for a Sale of the Company for a few years now. Avon's directors acceded to Cerberus and Mr. Mitarotonda's desire to sell the Company because, as they

[1] Natura Holding was formed by Natura Cosméticos S.A ("Natura Cosméticos"), a Brazilian Corporation.

[2] This exchange ratio amounted to $4.40 per share for Avon's stock based on the price of Avon's stock on May 21, 2019, the last trading day before the announcement of the Sale Agreement. The American Depository Shares will be traded on the New York Stock Exchange (the "NYSE") and Natura Holding Shares will be traded on the B3 Stock Exchange located in Brazil.

[3] Cerberus is unable to otherwise sell its holdings in Avon without incurring substantial loss. *See Roche v. Boston Safe Deposit & Trust Co.,* 391 Mass. 785, 789-90 (1984) (discussing generally marketability problems in trading a large block of securities and noting that an insider would incur "substantial loss" if it were to sell a large block of securities on the open market); *N.J. Carpenters Pension Fund v. infoGROUP, Inc.*, 2011 Del. Ch. LEXIS 147, at *33-*34 (Oct. 6, 2011) (noting that a large stake in a Company would be an illiquid asset and the interests of the holder of such a stake would not be aligned with other shareholders whose small positions would be fairly liquid).

have publicly admitted in the proxy statement Defendants filed with the SEC in connection with soliciting shareholders' vote on the Sale (the "Proxy Statement"), they all have financial interests in the Sale that may be different from, or in addition to, the interest of Avon's shareholders generally. Additionally, a majority of Avon's directors are either employed by entities affiliated with Cerberus and/or they have conflicting loyalties to Cerberus and Mr. Mitarotonda as they serve on Avon's Board because Cerberus and/or Mr. Mitarotonda "consented" to them serving in those roles.

4. The Sale benefits Cerberus to the detriment of Avon's common shareholders. Cerberus is receiving a disproportionate amount of the sale consideration. While Cerberus owns 16.6% of Avon, Cerberus will receive over 21% of the sale consideration (based on the May 21, 2019 price of Natura stock). If Cerberus were paid its pro rata share of the sale consideration, it would receive no more than approximately $383 million, instead of the $530 million that the Cerberus-controlled Board diverted to it. Thus, Cerberus has benefited by over $130 million, at the expense of Avon common stockholders who have been cheated out of a like amount.

5. Based on the price of Natura's stock on May 21, 2019, the last trading day before the announcement of the Sale, Avon common shareholders will receive Natura stock worth $4.40 per share for each share of their Avon stock. Because the Cerberus controlled Board did not include a floating exchange rate or a fixed exchange rate with a collar in the Sale Agreement, if the price of Natura stock declines before the closing of the Sale, Avon common stockholders will receive less than $4.40 per share. By contrast, the Cerberus-controlled Board ensured that the consideration to be paid to Cerberus is fixed, in cash, and will not be reduced by a fall in the price of Natura stock.

6. Cerberus, and the Cerberus-controlled Board, was incentivized to complete a transaction with Natura, regardless of the price to be paid for Avon shares because the price to be paid for Cerberus 16.6% ownership of Avon was not dependent on the sale price to be paid by Natura to Avon's common stockholders. Cerberus would receive the same cash lump sum of $530 million whether Avon was sold to Natura for $4.40 per share or $6.40 per share, so long as there was a sale. Therefore, the Cerberus-controlled Board was motivated to complete a transaction, any transaction, regardless of whether the Avon common shareholders received cash or stock or the intrinsic value of their shares.

7. Confirming that the Cerberus-controlled Board eschewed any reliance on Avon's intrinsic per-share value in agreeing to the Sale, there is (as noted above) no price collar to protect Avon's common stockholders from downward price movements in Natura's stock and guarantee them a firm per-share dollar-value for their Avon stock.

8. As alleged in greater detail at paragraphs 44-45 *infra*, the Sale is not in the best interest of Plaintiff and Avon's other public shareholders for the additional reason that it forces them to become minority shareholders of a Brazilian holding company which has no significant assets other than its shares of its subsidiaries and whose primary sources of funding and liquidity will be dividends from its subsidiaries, sales of its interests in its subsidiaries and borrowings and issuances of debt or equity securities. Additionally, as also alleged in greater detail at paragraphs 44-45 *infra*, as shareholders of a Brazilian corporation, Plaintiff and Avon's other public shareholders will have significantly lesser rights than those currently available to them as shareholders of a New York corporation.

9. The Individual Defendants further tilted the scale in favor of selling the Company by retaining two investment banks–Goldman Sachs & Co. LLC ("Goldman Sachs") and PJT Partners

LP ("PJT,") (collectively, the "Investment Bankers") –with significant conflicts of interest to advise them on the process. In this regard, both Goldman Sachs and PJT have performed work for Cerberus and its affiliates in the past, including within the past two years, and have expectations of continuing to perform work for them in the future. Moreover, Goldman Sachs also may have been a co-investor with Cerberus and its affiliates and may, in fact, be invested in affiliates of Cerberus. Given Goldman Sachs and PJT's extensive ties to Cerberus, they had more to gain from catering to Cerberus' interests to the detriment of Plaintiff and Avon's other public shareholders. The Cerberus-controlled Board's failure to retain a financial advisor without material financial ties to Cerberus and Natura is inexcusable. Indeed, Delaware's celebrated Vice Chancellor Laster has noted that bankers may "shade [their] advice . . . to avoid displeasing [those from whom] they wish to have repeat business." Afra Afsharipour and J. Travis Laster, *Enhanced Scrutiny on the Buy Side*, 53 GEORGIA LAW REVIEW 443, 455-457 (2019).

10. In order to persuade Avon's shareholders to vote in favor of the Sale Agreement, on October 4, 2019, the Individual Defendants filed the Proxy Statement with the SEC, and thereafter caused the same to be mailed to Avon's public shareholders on October 8, 2019.[4] The Proxy Statement is deficient because, among other things, it conceals the full extent of the conflicts of interest of Avon's directors and the Investment Bankers they hired to advise on the Sale, as well as information upon which the Investment Bankers relied in formulating their respective opinion that the Sale is fair (the "Fairness Opinions"), and information regarding the Defendants' efforts to maximize the value of the Sale of the Company for its outside shareholders. Because the Proxy, as detailed below, is materially incomplete, incorrect and misleading, Avon's common stockholders, will

[4] Flouting accepted practice, and in an attempt to conceal the extent of their breaches of fiduciary duties for as long as possible, the Defendants failed to file a preliminary proxy statement.

be unable to cast fully informed votes at the scheduled November 13, 2019 special stockholder's meeting called by the Board to vote on the Sale and related proposals (the "Special Meeting").

11. The Proposed Transaction is subject to entire fairness review. It promises an unfair price to Avon's public stockholders. It resulted from an unfair process and was deeply influenced by Cerberus's controlling stockholder status. Because the Proposed Transaction is not entirely fair, Avon's public stockholders are entitled to equitable relief.

JURISDICTION AND VENUE

12. This Court has jurisdiction over the subject matter of this action pursuant to New York Judiciary Law § 140-b.

13. Venue is proper in this Court pursuant to CPLR 503(a) since Defendant W. Don Cornwell is a resident of Kings County.

14. This action challenges the internal affairs or governance of Avon and hence is not removable to Federal Court under the Class Action Fairness Act of 2005 or the Securities Litigation Uniform Standards Act ("SLUSA"), 15 U.S.C. § 78bb(f).

PARTIES

15. Plaintiff Paul Berger is the owner of shares of Avon common stock and has owned such shares since on or about November 2, 2015.

16. Defendant Avon is a publicly traded New York corporation headquartered at Building 6, Chiswick Park, London W4 5HR, United Kingdom. Avon is a global manufacturer and marketer of beauty and related products. Avon commenced operations in 1886 and was incorporated in the State of New York on January 27, 1916. The Company is publicly listed on the New York Stock Exchange (the "NYSE") under the symbol "AVP." This court has jurisdiction over Avon because it

is a New York corporation and because its wrongful acts challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

17. Defendant Jan Zijderveld ("Mr. Zijderveld" or "CEO Zijderveld") has served as Avon's Chief Executive Officer and a director since February 2018. Defendants have specifically admitted in the Proxy they filed with the SEC that CEO Zijderveld has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. Indeed, CEO Zijderveld, who has been employed by Avon for only almost 20 months, will receive an almost $15 million payout in connection with the Sale. This Court has jurisdiction over CEO Zijderveld because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

18. Defendant Jose Armario ("Mr. Armario") has served as a member of Avon's Board since 2016. Mr. Armario was jointly selected by Cerberus and Avon and approved by Mr. Mitarotonda pursuant to an agreement Avon entered into with Barrington Capital Group, L.P. – the private equity firm led by Mr. Mitarotonda - to serve on the Company's Board. Defendants have specifically admitted in the Proxy they filed with the SEC that Mr. Armario has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. This Court has jurisdiction over Mr. Armario because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

19. Defendant W. Don Cornwell ("Mr. Cornwell") has served as a member of Avon's Board since 2002 and is currently Avon's lead director. Defendants have specifically admitted in the Proxy they filed with the SEC that Mr. Cornwell has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with

regard to the Sale. This Court has jurisdiction over Mr. Cornwell because he is a resident of New York and because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

20. Defendant Chan W. Galbato ("Mr. Galbato") has served as a member and non-executive Chairman of Avon's Board since 2016. Mr. Galbato is Chief Executive Officer of Cerberus Operations and Advisory Company, LLC and was nominated to Avon's Board by Cerberus. Defendants have specifically admitted in the Proxy they filed with the SEC that Mr. Galbato has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. This Court has jurisdiction over Mr. Galbato because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

21. Defendant Nancy Killefer ("Ms. Killefer") has served as a member of Avon's Board since 2013. Defendants have specifically admitted in the Proxy they filed with the SEC that Ms. Killefer has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that she has a conflict of interest with regard to the Sale. This Court has jurisdiction over Ms. Killefer because her wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

22. Defendant Susan J. Kropf ("Ms. Kropf") has served as a member of Avon's Board since 2015. Ms. Kropf was tapped by Cerberus to serve as a director of Avon North America following Cerberus's acquisition of a majority interest in Avon North America. Defendants have specifically admitted in the Proxy they filed with the SEC that Ms. Kropf has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that she has a conflict of interest with regard to the Sale. This Court has jurisdiction over Ms. Kropf because she is

a resident of New York and because her wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

23. Defendant Helen McCluskey ("Ms. McCluskey") has served as a member of Avon's Board since 2014. Defendants have specifically admitted in the Proxy they filed with the SEC that Ms. McCluskey has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that she has a conflict of interest with regard to the Sale. This Court has jurisdiction over Ms. McCluskey because she is a resident of New York and because her wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

24. Defendant Andrew G. McMaster, Jr. ("Mr. McMaster") has served as a member of Avon's Board since 2018. Defendants have specifically admitted in the Proxy they filed with the SEC that Mr. McMaster has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. This Court has jurisdiction over Mr. McMaster because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

25. Defendant James A. Mitarotonda ("Mr. Mitarotonda") joined Avon's Board in 2018. Mr. Mitarotonda is Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P., an investment firm that he co-founded and Chairman of the Board, President, and Chief Executive Officer of Barington Companies Investors, LLC. Avon agreed to nominate Mr. Mitarotonda to its Board pursuant to a negotiated settlement it entered into with a group of activist investors led by Mr. Mitarotonda who were agitating for Avon to sell itself and had threatened to otherwise launch a proxy contest to replace Board members. The group, led by Mr. Mitarotonda, pressured Avon's former CEO Sheri McCoy to step down from the Company. Defendants have

specifically admitted in the Proxy they filed with the SEC that Mr. Mitarotonda has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. This Court has jurisdiction over Mr. Mitarotonda because he is a resident of New York and because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

26. Defendant Michael F. Sanford ("Mr. Sanford") has served as a member of Avon's Board since 2016, when he was nominated to Avon's Board by Cerberus. Mr. Sanford is a Senior Managing Director, Co-Head of Private Equity, and a member of the Global Private Equity Investment Committee at Cerberus Capital Management, L.P. Defendants have specifically admitted in the Proxy they filed with the SEC that Mr. Sanford has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. This Court has jurisdiction over Mr. Sanford because he is a resident of New York and because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

27. Defendant Lenard B. Tessler ("Mr. Tessler") has served as a member of Avon's Board since 2018, when he was nominated by Cerberus. Mr. Tessler is currently Vice Chairman and Senior Managing Director of private investment firm Cerberus Capital Management, L.P., where he is a member of the Cerberus Capital Management Investment Committee. Defendants have specifically admitted in the Proxy they filed with the SEC that Mr. Tessler has interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that he has a conflict of interest with regard to the Sale. This Court has jurisdiction over Mr. Tessler because he is a resident of New York and because his wrongful actions challenged in this Action occurred in, were directed at, and/or will have their primary effect in New York.

THE DEFENDANTS' FIDUCIARY DUTIES

28. Under applicable statutory and case law, the directors of a publicly held company such as Avon have fiduciary duties of care, loyalty, disclosure, good faith and fair dealing and are liable to shareholders for breaches thereof. They are required to: (i) use their ability to control and manage Avon in a fair, just and equitable manner; (ii) act in furtherance of the best interests of Avon and its shareholders; (iii) act to maximize shareholder value in connection with any change in ownership and control; (iv) govern Avon in such a manner as to heed the expressed views of its public shareholders; (v) refrain from abusing their positions of control; and (vi) not to favor their own interests at the expense of Avon and its public shareholders. Where it appears that a director has obtained any personal profit from dealing with the corporation, and the transaction is drawn into question as between him and the stockholders of the corporation, the burden is upon the director or officer to show that the transaction has been fair, open and in the utmost good faith.

29. As alleged in detail below, Defendants have breached, and/or aided other Defendants' breaches of, their fiduciary duties to Avon's public shareholders by acting to cause or facilitate the Sale.

30. Because Defendants have knowingly or recklessly breached their fiduciary duties in connection with the Sale, and/or are personally profiting from the same, the burden of proving the inherent or entire fairness of the Sale, including all aspects of its negotiation, structure, and terms, is borne by Defendants as a matter of law.

31. Further, as alleged in detail *infra*, the Individual Defendants have breached their fiduciary duty of disclosure in that on or about October 4, 2019, the Individual Defendants caused the Proxy Statement to be filed with the SEC and thereafter, on October 8, 2019, caused the Proxy to be mailed to Plaintiff and Avon's other public shareholders, but concealed therein certain information

which a reasonable shareholder would find material in determining whether to vote their shares in support of the Sale.[5] Among other things, the Proxy Statement fails to disclose material information regarding: (i) the conflicts of interest of the Individual Defendants; (ii) the conflicts of interest of Avon's Investment Bankers; (iii) certain information upon which the Investment Bankers relied in formulating their Fairness Opinions; and (iv) information regarding the Defendants' efforts to maximize the value of the Sale of the Company for its outside shareholders.

CLASS ACTION ALLEGATIONS

32. Plaintiff brings this action as a class action pursuant to CPLR 901, *et seq.* on behalf of himself and all other shareholders of the Company (the "Class"). Excluded from the Class are (1) Defendants, members of the immediate families of the Defendants, their heirs and assigns, and those in privity with them, (2) Stephen Feinberg, Cerberus Investor, Avatar GP, LLC, Miller Value Partners, LLC, William H. Miller III Living Trust, Dynamo Internacional Gestao de Recursos Ltda, Opportunity Gestão de Investimentos e Recursos Ltda., Tempus International Fund SPC—Tempus Segregated Portfolio, Renaissance Technologies LLC, BlackRock, Inc., Shah Capital Management, Inc. and certain of its affiliates (" Shah Capital "), NuOrion Advisors, LLC and certain of its affiliates ("NuOrion") and Barington Capital Group, L.P. and certain of its affiliates, and their Related Persons (as defined by SEC rules), (3) holders of 5% or more, in the aggregate, of Avon's stock and their Related Persons (as defined by SEC rules), and (4) Sean Griffith and any other shareholder who purchased his, her or its shares solely for the purpose of objecting to any potential settlement of this action.

33. The members of the Class are so numerous that joinder of all members is

[5] Flouting accepted practice, and in an attempt to conceal the extent of their breaches of fiduciary duties for as long as possible, the Defendants failed to file a preliminary proxy statement.

impracticable. While the exact number of Class members is unknown to Plaintiff, and can be ascertained only through appropriate discovery, Plaintiff believes there are many hundreds, if not thousands, of Class members. As of October 3, 2019, Avon had more than 443 million shares of common stock outstanding.

34. Plaintiff's claims are typical of the claims of the Class since Plaintiff and the other members of the Class have and will sustain harm arising out of Defendants' breaches of their fiduciary duties. Plaintiff does not have any interests that are adverse or antagonistic to those of the Class. Plaintiff will fairly and adequately protect the interests of the Class. Plaintiff is committed to the vigorous prosecution of this action and has retained counsel competent and experienced in this type of litigation.

35. There are questions of law and fact common to the members of the Class that predominate over any questions which, if they exist, may affect individual Class members. The predominant questions of law and fact include, among others, whether:

a. the Defendants have and are breaching their fiduciary duties to the detriment of Avon shareholders;

b. Plaintiff and the Class have been damaged and the extent to which they have sustained damages, and what is the proper measure of those damages.

36. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Further, as individual damages may be relatively small for most members of the Class, the burden and expense of prosecuting litigation of this nature makes it unlikely that members of the Class would prosecute individual actions. Plaintiff anticipates no difficulty in the management of this action as a class action. Further, the prosecution of separate actions by individual members of the Class would

create a risk of inconsistent or varying results, which may establish incompatible standards of conduct for Defendants.

SUBSTANTIVE ALLEGATIONS

A. Avon Had Recently Made Headways in Turning the Company Around

37. Avon commenced operations in 1886 and was incorporated in the State of New York on January 27, 1916. While Avon has not performed well in recent years, in 2018 it hired CEO Zijderveld to lead the Company and had expressed optimism about its future. Indeed, as recently as February of this year, Mr. Zijderveld noted that the Company has "a clear strategy to Open Up Avon and [is] taking the necessary steps to return this company to growth." Jamie Wilson, Avon's CFO, also noted as follows:

> We have taken significant steps in our strategy of building a simpler, leaner and more agile organization, including the announced sale of our China manufacturing facility and our strategic manufacturing and supply agreements with LG. We also recently announced our intention to reduce our global workforce by an additional 10% in 2019, on top of our already completed 8% reduction in 2018. These recent announcements include a goal to reduce our overall SKUs by 25%, an $88 million inventory write-off recorded in the fourth quarter, along with a restructuring charge of approximately $100 million that will be recorded in 2019. During the fourth quarter, we realized approximately $20 million in savings against our Open Up Avon initiative outlined at our Investor Day in the Fall. In the fourth quarter, we repaid an additional $50 million of debt which brought our total fiscal 2018 debt reduction to approximately $300 million. In addition, we announced today that we entered into a new 3-year, €200 million senior secured credit facility, our first Euro-denominated facility, which enhances our financial flexibility and begins to more closely align our capital structure to our operations.

B. Notwithstanding Avon's Optimism About Its Prospects at Turning Itself Around Into a Profitable Company, Cerberus and Entities Affiliated with Mr. Mitarotonda Caused It to Be Sold to a Brazilian Company to the Detriment of Plaintiff and Avon's Other Public Shareholders

38. On December 17, 2015, Avon and Cerberus announced that they had entered into transactions which would result in the Company being split into two parts (the "Cerberus Transactions"). Avon's North America business was separated from Avon into a privately held

company in which Cerberus held an 80.1% interest and which was managed by Cerberus ("Avon North America"). Avon retained a 19.1% interest in Avon North America. Additionally, Cerberus made a $435 million investment in Avon in exchange for preferred stock. Following the Cerberus Transaction, Cerberus held an approximately 16.6% ownership interest in Avon and had the right to designate the Chairman of Avon's board and two other directors, and to participate in the selection of other Board members. Currently, Messers. Sanford, Tessler, and Galbato are Cerberus's nominees to Avon's Board. Cerberus also jointly selected Mr. Armario to join Avon's Board (which selection was approved by Mr. Mitarotonda pursuant to an agreement Avon had entered into with Barrington Capital Group, L.P. – the private equity firm led by Mr. Mitarotonda – to convince it to stand down from seeking to replace the Board). Following the Cerberus Transactions, Cerberus also tapped Susan J. Kropf to join Avon North America's Board.

39. At the time of the Cerberus Transactions, Mr. Mitarotonda publicly referred to them as a "fire sale." Following the Cerberus Transactions, Avon cut 2,500 jobs and relocated its headquarters from Suffern, New York to the United Kingdom.

40. Additionally, since early 2015, private equity groups led by Mr. Mitarotonda have been agitating for a sale of the Company. In 2016, they successfully negotiated to gain the right of approval for the addition of new members to Avon's Board in exchange for standing down from nominating their own slate of directors to the Board. In 2018, following further threats by the Mr. Mitarotonda-led to replace other Board members, the Company agreed to Mr. Mitarotonda joining Avon's Board.

41. By 2019, upon information and belief, Cerberus was looking to exit its investment in Avon,[6] but was unable to do so without incurring a substantial loss given the size of its investment.[7] Thus, when Natura approached Avon in the summer of 2018 with regard to a potential acquisition of the Company, it gladly seized the opportunity to arrange a sale of the Company.

42. Amidst this background, on May 23, 2019, it was announced that Natura would be acquiring Avon in an all stock transaction. In connection with the Sale, holders of Avon's stock will receive (1) 0.300 American Depository Shares of Natura Holding against the deposit of two shares of Natura Holding shares or (2) 0.600 Natura Holding shares for each share of Avon stock they hold.[8] This exchange ratio amounted to $4.40 per share for Avon's stock based on the price of Avon's stock on May 21, 2019, the last trading day before the announcement of the Sale Agreement. Following consummation of the Sale, current holders of Avon's common stocks will own approximately 24% of Natura Holding while the remaining 76% will be held by current holders of Natura Cosméticos stock. In connection with the Sale, Cerberus will receive $530 million in cash, approximately $100

[6] *See In re Appraisal of Metromedia Int'l Group, Inc.*, 971 A.2d 893, 905 (Del. Ch. 2009) (noting expert testimony that "a redemption period of three to five years is industry standard for private equity investors").

[7] *See Roche v. Boston Safe Deposit & Trust Co.,* 391 Mass. 785, 789-90 (1984) (discussing generally marketability problems in trading a large block of securities and noting that an insider would incur "substantial loss" if it were to sell a large block of securities on the open market); *N.J. Carpenters Pension Fund v. infoGROUP, Inc.*, 2011 Del. Ch. LEXIS 147, at *33-*34 (Oct. 6, 2011) (noting that a large stake in a Company would be an illiquid asset and the interests of the holder of such a stake would not be aligned with other shareholders whose small positions would be fairly liquid).

[8] Following completion of the Transaction, the Natura Holding shares are expected to be publicly traded on the Brazilian stock exchange B3 and the Natura Holding American Depository shares are expected to be publicly traded on the NYSE. Defendants have admitted that American Depository shares that are being issued in connection with the Sale will have lower levels of liquidity and higher transaction costs than domestic shares.

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million more than the $435 million it paid for those same shares less than three years ago, for its preferred stock.

43. The process leading to the Sale Agreement was an inadequate one as the Defendants failed to fully explore the realm of potential buyers for the Company (including seeking a buyer which would pay cash consideration to shareholders) and failed to negotiate for Avon's shareholders to receive cash consideration for their shares in light of the significant loss of rights that Avon's shareholders will suffer as a result of the sale of the Company to a Brazilian corporation. Rather, they confined their negotiations to Natura (and half-heartedly negotiated with a Company identified as Company A in the Proxy Statement). While the Defendants established a so-called "independent" group of non-Cerberus directors, to negotiate the Sale, these directors were anything but independent. As Defendants have specifically admitted in the Proxy, all of Avon's directors have interests in the Sale that may be different from, or in addition to, the interests of Avon's shareholders, and thus that each has a conflict of interest with regard to the Sale. Further, the Committee consisted exclusively of either directors who needed Cerberus's consent in order for them to be nominated to the Board or Mr. Mitarotonda's consent, who has specifically been agitating for a sale of the Company for a number of years.

44. While Cerberus is benefitting from the Sale, it is to the detriment of Plaintiff and Avon's other public shareholders for the following reasons:

- Since Natura Holding is a Brazilian corporation, its shareholders have different rights than those available to shareholders of a New York corporation such as Avon. Among other things, under New York law Avon's shareholders have the right to bring derivative actions on behalf of Avon while Brazilian law require that any such action be settled through arbitration.[9]

[9] By contrast holders of Natura Holding's ADS shares have very limited rights under Brazilian law as they are not considered direct shareholders of Natura Holding.

- Natura Holding's business will be less globally diversified than Avon as a standalone company and will in fact be concentrated in Latin America, and thus will be susceptible to changes in economic conditions in that region.

- Natura Holding will be significantly more leveraged than Avon, which currently has $1,595.5 million of indebtedness while the combined company will have $4,181 million indebtedness, and a material portion of the combined company's cash flow will be used to service its debt obligations.

- Natura Holding is a holding company which has no significant assets other than its shares of its subsidiaries and whose primary sources of funding and liquidity will be dividends from its subsidiaries, sales of its interests in its subsidiaries and borrowings and issuances of debt or equity securities.

- All of Natura Holding's directors and executive officers and its independent registered public accounting firm reside or are based in Brazil and substantially all of its assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of the Natura Holding ADSs to effect service of process upon the Company and/or its directors and officers and/or enforce judgments against them.

- The ongoing economic and political crisis in Brazil could have a materially adverse effect on Natura Holding and its subsidiaries' businesses.

45. Additionally, since Natura Holdings shares will be traded on the Brazilian B3 stock exchange, it will be subjected to different rules than companies traded on the NYSE as follows:

	NYSE	**Brazil**
Independent Directors	A majority of the board must be independent.	A minimum of 2 directors or 20% total directors, whichever is greater, must be independent.
Executive Sessions	Independent directors must be at regularly scheduled executive sessions.	No similar provision.
Nominating/Corporate Governance Committee and Compensation Committee	Requires that all NYSE listed companies maintain nominating/corporate governance committees comprised entirely of independent directors.	No requirements.
Audit Committee	Requires that all NYSE listed companies maintain an audit committee comprised entirely of independent members.	While Natura Holding currently has an audit committee, it does not fulfill NYSE requirements.

46. The Defendants further tilted the sale process in favor of a sale of the Company by hiring Goldman Sachs and PJT to advise on the Sale notwithstanding their conflicting ties to Cerberus. In this regard, both Goldman Sachs and PJT has performed work for Cerberus in the past, including within the past two years, and have expectations of continuing to perform work for it in the future. Moreover, Goldman Sachs also may have been a co-investor with Certus and its affiliates and may, in fact, be invested in affiliates of Cerberus.

47. Given Goldman Sachs and PJT's extensive ties to Cerberus, they had more to gain from catering to Cerberus' interests to the detriment of Plaintiff and Avon's other public shareholders. As noted, Delaware's celebrated Vice Chancellor Laster has noted that bankers may "shade [their] advice . . . to avoid displeasing [those from whom] they wish to have repeat business." Afra Afsharipour and J. Travis Laster, *Enhanced Scrutiny on the Buy Side*, 53 GEORGIA LAW REVIEW 443, 455-457 (2019).

C. Cerberus Is Avon's Controlling Stockholder

48. Cerberus controls Avon. Cerberus owns 16.6% of Avon's voting stock. In addition, Cerberus controls the Company's Board. Five of Avon's eleven directors are Cerberus executives or appointees (Messrs. Sanford, Tessler, Galbato, Armario and Kropf), including Avon's Chairman (Mr. Galbato).

49. By exercising its actual *de facto* control of the Board throughout the process, Cereberus was able to dictate the timing, structure and price of the Sale.

50. Thus, Cerberus is a controlling stockholder and the Sale is subject to review under the entire fairness standard.

D. The Materially Misleading and/or Incomplete Proxy Statement

51. In addition, the Individual Defendants are breaching their fiduciary duties of full

disclosure to Plaintiff and Avon's other public shareholders in connection with the Sale. In this regard, on October 4, 2019, the Individual Defendants caused the Company to file the Proxy Statement with the SEC and thereafter, on October 8, 2019, caused it to be mailed to Plaintiff and Avon's other public shareholders. However, the Proxy Statement is deficient in that it misrepresents and/or omits, *inter alia*, material information as set forth below:

(i) The Proxy Statement is deficient because it does not disclose that Cerberus will receive over 21% of the sale consideration in exchange for its 16.6% interest in Avon (based on the price of Natura stock on May 21, 2019).

Information regarding the consideration to be paid to shareholders in connection with the sale of a company is highly material and must be disclosed.

(ii) The Proxy Statement is deficient because it does not disclose that the common stock holders of Avon will receive less than their pro rata share of the sale consideration (based on the price of Natura stock on May 21, 2019).

Information regarding the consideration to be paid to shareholders in connection with the sale of a company is highly material and must be disclosed.

(iii) According to the Proxy Statement, upon the closing of the transactions contemplated by the Sale Agreement, Natura & Co Holding's board of directors will consist of 13 members and be composed as follows: (i) three directors mutually agreed by Avon and Natura Cosméticos at closing, which directors shall be individuals who were members of Avon's board of directors as of May 22, 2019 (the date the Sale Agreement was entered into), and (ii) ten directors designated by Natura Cosméticos. The Proxy Statement is deficient because it fails to disclose (a) the criteria to be used in determining the three directors to join Natura Holding's board and (b) the compensation each of these continuing directors will receive for serving on the board of the combined company.

Information regarding the conflicts of interest of Avon's directors is material and must be disclosed.

(iv) According to the Proxy Statement, pursuant to the Sale Agreement, Avon may grant cash retention bonuses to the employees of Avon and its subsidiaries including, subject to Natura Cosméticos's consent, Avon's executive officers. As of the date of the Proxy Statement, no determinations have been made as to whether any executive officer will receive any such award. The Proxy

Statement is deficient because it fails to disclose, with regard to a CEO Zijderveld, the criteria Avon will use in determining (a) whether to grant the cash retention bonus and (b) the amount of the cash retention bonus.

Information regarding the conflicts of interest of Avon's directors is material and must be disclosed.

(v) The Proxy Statement fails to disclose the extent to which Goldman Sachs and PJT have performed work for, and/or are invested in, any entities affiliated with any of the Individual Defendants and, in particular, entities affiliated with Mr. Mitarotonda (including Barrington).

Information pertaining to the conflicts of interest of the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion.

(vi) According to the Proxy Statement, affiliates of Goldman Sachs &Co. LLC also may have co-invested with Cerberus and its affiliates from time to time and may have invested in limited partnership units of affiliates of Cerberus from time to time and may do so in the future. The Proxy Statement is deficient because it fails to disclose the value of Goldman Sachs' (a) co-investments with Cerberus and its affiliates and (b) investments in limited partnership units of affiliates of Cerberus.

Information pertaining to the conflicts of interest of the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion.

(vii) According to the Proxy Statement, during the past two years preceding the date of its written opinion, PJT Partners advised Cerberus on a matter unrelated to Avon or the Sale, for which PJT Partners has received $2 million. In addition, a partner of PJT Partners, who was not a member of the PJT Partners deal team advising the independent non-Cerberus directors in connection with the Transaction, is the son of W. Don Cornwell, a director of the Avon board of directors. The Proxy Statement is deficient because it fails to disclose the extent to which W. Don Cornwell's son was involved in advising Cerberus on a matter for which PJT Partners has received $2 million.

Information pertaining to the conflicts of interest of the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion.

(viii) According to the Proxy Statement, in connection with rendering its fairness opinion and performing its related financial analyses, Goldman Sachs reviewed, among other things, certain internal financial analyses and forecasts for Natura Cosméticos prepared by its management (the "Natura Cosméticos Management Forecasts") and certain financial analyses and forecasts for Natura & Co Holding pro forma for the Transaction, which combines, per Avon's management, the prospective Avon financial information with the prospective Avon-adjusted Natura Cosméticos financial information and gives effect to the synergies estimates prepared by Natura Cosméticos management and subsequently modified by Avon and approved for Goldman Sachs' use by Avon (the "Avon-adjusted Natura Cosméticos Pro Forma for the Transaction Forecasts"). The Proxy Statement is deficient because it fails to disclose (a) the Natura Cosméticos Management Forecasts and (b) the Avon-adjusted Natura Cosméticos Pro Forma for the Transaction Forecasts.

Financial information relied on by the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion. This information is also material as it was relied upon by Avon's directors in evaluating and approving the Sale and in recommending that shareholders vote in favor of it.

(ix) According to the Proxy Statement, for the Natura & Co Holding Pro Forma portion of its *Illustrative Discounted Cash Flow Analysis*, Goldman Sachs discounted to present value as of March 31, 2019 (i) estimates of unlevered free cash flow for Natura &Co Holding (pro forma for the Transaction) for the calendar years 2019 through 2023, based on the forecasts for Natura &Co Holding pro forma for the Transaction prepared by Natura Cosméticos management and subsequently modified by Avon and approved for Goldman Sachs' use by Avon's management, and (ii) a range of terminal values for Natura &Co Holding (pro forma for the Transaction). The Proxy Statement is deficient because it fails to disclose (a) estimates of unlevered free cash flow for Natura &Co Holding (pro forma for the Transaction) for the calendar years 2019 through 2023 and (b) the range of terminal values for Natura &Co Holding (pro forma for the Transaction).

Financial information relied on by the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion. This information is also material as it was relied upon by Avon's directors in evaluating and approving the Sale and in recommending that shareholders vote in favor of it.

(x) According to the Proxy Statement, in connection with rendering its fairness opinion and performing its related financial analyses, Goldman Sachs also

reviewed, among other things, certain publicly available research analyst reports for Avon and Natura Cosméticos. The Proxy Statement is deficient because it fails to identify the publicly available research analyst reports for Avon and Natura Cosméticos.

Financial information relied on by the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion.

(xi) According to the Proxy Statement, for its *Selected Comparable Company Analysis*, PJT Partners reviewed and compared specific financial, operating and public trading data relating to Avon and Natura Cosméticos with selected companies in the direct selling industry that PJT Partners deemed comparable to Avon and Natura Cosméticos and relevant for purposes of this analysis. As part of this analysis, PJT Partners also made qualitative judgments concerning differences between the public trading histories, businesses, financial and operating characteristics and prospects of Avon and Natura Cosméticos and the selected comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between Avon and Natura Cosméticos, as applicable, and the companies included in the selected company analysis. The Proxy Statement is deficient because it fails to disclose (a) the companies that PJT Partners selected for this analysis and (b) the data that PJT reviewed for each company.

Financial information relied on by the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion.

(xii) According to the Proxy Statement, to calculate the estimated enterprise value of Avon using the DCF method for its *Discounted Cash Flow Analysis*, PJT Partners added (a) Avon's projected after-tax unlevered free cash flows for the period from March 31, 2019 through December 31, 2023 based on the Avon Projections to (b) ranges of "terminal values" of Avon as of December 31, 2023, and discounted such amount to its present value as of March 31, 2019 using a range of selected discount rates. The after-tax unlevered free cash flows were calculated by taking the Adjusted EBITDA from the Avon Projections, and subtracting capital expenditures (net of disposal proceeds), unlevered tax, standalone Avon restructuring costs / other income and other operating cash outflows, and adjusted for changes in net working capital. The residual value of Avon at the end of the projection period, or "terminal value," was estimated by applying a perpetuity growth rate range of 0.5% to 1.5% to Avon's 2023 calendar year estimated (which we refer to as "2023E")

unlevered after-tax free cash flow. The Proxy Statement is deficient because it fails to disclose (a) the treatment of stock-based compensation in the calculation of Avon's projected after-tax unlevered free cash flows for the period from March 31, 2019 through December 31, 2023 based on the Avon Projections and (b) PJT's rationale for using a perpetuity growth rate range of .5% to 1.5%.

Financial information relied on by the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion. This information is especially material when it deviates from commonly accepted valuation practices. In this regard, the perpetuity growth rates of .5% to 1.5% selected by PJF are unusually low given that it is standard to select a "perpetuity growth rate based on a reasonable premium to inflation . . . because in a steady state, it is assumed that future business growth will approximate that of the overall economy." *Merion Capital L.P. v. Lender Processing Servs*., 2016 Del. Ch. LEXIS 189, *73 (Dec. 16, 2016) (noting that it is standard to select a "perpetuity growth rate based on a reasonable premium to inflation . . . because in a steady state, it is assumed that future business growth will approximate that of the overall economy") (citations omitted); *see also In re Appraisal of AOL Inc*., 2018 Del. Ch. LEXIS 278, at *11 (Aug. 15, 2018) (finding a 3.5% perpetuity growth rate appropriate). Similarly, it is standard valuation practice to treat stock-based compensation as a non-cash expense, thus to the extent that PJT deviated from that practice, such deviation must be disclosed. *See In re Celera Corp*., 2012 Del.Ch. LEXIS 66, at *86-87 (March 23, 2012 ("Stock-based compensation expense . . . often is treated in the same manner as depreciation and amortization and bad debt expense for the purposes of [DCF] analysis. . . . ***Had the Company's unlevered, after-tax cash flows been increased by the amount of its stock-based compensation expense, the per share equity reference ranges for the Company . . . would have been increased***.")

(xiii) According to the Proxy Statement, to calculate the estimated enterprise value of Natura Cosméticos using the DCF method for its *Discounted Cash Flow Analysis*, PJT Partners added (a) Natura Cosméticos's projected after-tax unlevered free cash flows for the period from March 31, 2019 through December 31, 2023 based on the Natura Cosméticos Projections to (b) ranges of terminal values of Natura Cosméticos as of December 31, 2023, and discounted such amount to its present value as of March 31, 2019 using a range of selected discount rates. The after-tax unlevered free cash flows were calculated by taking the Adjusted EBITDA from the Natura Cosméticos Projections, and subtracting capital expenditures (net of disposal proceeds), unlevered tax, standalone restructuring costs / other income and other

operating cash outflows, and adjusted for changes in net working capital. The terminal value was estimated by applying a perpetuity growth rate range of 3.0% to 4.0% to Natura Cosméticos's 2023E unlevered after-tax free cash flow. The Proxy Statement is deficient because it fails to disclose the treatment of stock-based compensation in the calculation of Natura Cosméticos's projected after-tax unlevered free cash flows for the period from March 31, 2019 through December 31, 2023 based on the Natura Cosméticos Projections.

Financial information relied on by the Company's financial advisor, whose fairness opinion is touted to shareholders, is material and must be disclosed so that Plaintiff and Avon's other public shareholders can determine how much weight to give the fairness opinion. In this regard, it is standard valuation practice to treat stock-based compensation as a non-cash expense, thus to the extent that PJT deviated from that practice, such deviation must be disclosed. *See In re Celera Corp*., 2012 Del.Ch. LEXIS 66, at *86-87 (March 23, 2012 ("Stock-based compensation expense . . . often is treated in the same manner as depreciation and amortization and bad debt expense for the purposes of [DCF] analysis. . . . ***Had the Company's unlevered, after-tax cash flows been increased by the amount of its stock-based compensation expense, the per share equity reference ranges for the Company . . . would have been increased***.")

(xiv) According to the Proxy Statement, at a January 17, 2019 meeting, the Avon board of directors reviewed and discussed Avon's three-year business plan reflecting the implementation of the Open Up Avon strategy and the projections of future performance contained therein. The Proxy Statement is deficient because it fails to disclose the substance of the Board's discussion regarding Avon's three-year business plan reflecting the implementation of the Open Up Avon strategy and the projections of future performance contained therein.

This information is material to Plaintiff and Avon's other shareholders so that they can determine how much credence to give to the Board's recommendation to vote in favor of the Sale Agreement.

(xv) According to the Proxy Statement, on March 2, 2019, the Avon board of directors met, with Avon management and representatives of Goldman Sachs, Cravath and Paul Weiss participating, to discuss the proposed transaction with Natura Cosméticos. Representatives of Goldman Sachs reviewed with the Avon board of directors Goldman Sachs's preliminary financial analyses of a potential transaction with Natura Cosméticos. The Avon board of directors reviewed Avon's recent financial and operational performance, as well as challenges Avon would face as a stand-alone company over the next three to

five years in successfully implementing the Open Up Avon strategy and Avon management's current views on potential transaction synergies, and discussed a letter that Mr. Zijderveld sent to the Avon board of directors the previous evening reflecting on Avon as a stand-alone company and the execution of the Open-Up Avon strategy as compared to moving forward with a potential transaction with Natura Cosméticos. The Proxy Statement is deficient because it fails to disclose (a) the substance of the Board's discussion regarding Avon's recent financial and operational performance, as well as challenges Avon would face as a stand-alone company over the next three to five years in successfully implementing the Open Up Avon strategy and Avon management's current views on potential transaction synergies, (b) the substance of the Board's discussion regarding the letter that Mr. Zijderveld sent to the Avon board of directors the previous evening reflecting on Avon as a stand-alone company and the execution of the Open-Up Avon strategy as compared to moving forward with a potential transaction with Natura Cosméticos, and (c) the substance of Mr. Zijderveld's reflections on Avon as a stand-alone company and the execution of the Open-Up Avon strategy as compared to moving forward with a potential transaction with Natura Cosméticos as written in the letter.

This information is material to Plaintiff and Avon's other shareholders so that they can determine how much credence to give to the Board's recommendation to vote in favor of the Sale Agreement.

(xvi) According to the Proxy Statement, on March 13, 2019, the Avon board of directors, among other things, reviewed the terms of LG's offer to purchase New Avon from an affiliate of Cerberus and Avon. As part of the Avon board's consideration of the LG transaction, they discussed the impact on the potential Natura Cosméticos transaction. After discussion with Avon management and its legal and financial advisors, the Avon board of directors approved the LG transaction subject to negotiation of definitive documentation. The Proxy Statement is deficient because it fails to disclose the substance of the Board's discussion regarding the impact on the potential Natura Cosméticos transaction of the LG transaction.

This information is material to Plaintiff and Avon's other shareholders so that they can determine how much credence to give to the Board's recommendation to vote in favor of the Sale Agreement.

(xvii) According to the Proxy Statement, on May 2, 2019, Ms. Killefer, Mr. Zijderveld and other members of Avon management held another telephonic meeting with members of Natura Cosméticos's management regarding talent retention and development. The Proxy Statement is deficient because it fails to disclose the substance of the discussion regarding talent retention and development, and whether it included provisions for Avon's senior management to stay on.

This information is material to Plaintiff and Avon's other shareholders so that they can determine how much credence to give to the Board's recommendation to vote in favor of the Sale Agreement.

FIRST CAUSE OF ACTION

CLAIM FOR BREACHES OF THE FIDUCIARY DUTIES OF GOOD FAITH, LOYALTY, FAIR DEALING, AND DUE CARE

(Against the Individual Defendants)

52. Plaintiff repeats and realleges all previous allegations as if set forth in full herein.

53. By reason of the foregoing, the Individual Defendants have breached their fiduciary duties of, *inter alia*, good faith, loyalty, fair dealing, and due care to Plaintiff and Class members and/or aided and abetted in the breach of those fiduciary duties. The Sale was timed, structured, disclosed and priced to serve Cerberus' interests at the public stockholders' detriment. Cerberus wielded its position as Avon's controlling stockholder to extract terms that are unfair to Plaintiff and the Class

54. As a result of these breaches of fiduciary duties, Plaintiff and the Class have been and will be damaged.

SECOND CAUSE OF ACTION

CLAIM FOR FAILURE TO DISCLOSE

(Against Avon and the Individual Defendants)

55. Plaintiff repeats and realleges all previous allegations as if set forth in full herein.

56. Under applicable law, the Individual Defendants and Avon have a fiduciary duty to disclose all material facts in the Proxy Statement in order to allow Avon's shareholders to make an informed decision as to whether to vote in favor of the Sale. As alleged in detail above, the Individual

Defendants have breached their fiduciary duties through making materially inadequate disclosures and material omissions in those disclosures.

57. As a result of these failures to disclose, Plaintiff and the Class have been and will be damaged.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. determining that this action is a proper class action and that Plaintiff is a proper class representative under CPLR 901, *et seq.*;

B. declaring that Defendants have breached their fiduciary duties to Plaintiff and Avon's other shareholders and/or aided and/or abetted such breaches;

C. requiring the Individual Defendants to cause Avon to make corrective and complete disclosures;

D. awarding Plaintiff and the Class compensatory and/or rescissory damages as allowed by law;

E. awarding interest, attorney's fees, expert fees and other costs, in an amount to be determined; and

F. granting such other relief as the Court may find just and proper.

Dated: New York, New York
October 16, 2019

/s/ Richard B. Brualdi
Richard B. Brualdi (# 2237287)
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Counsel for Plaintiff

VERIFICATION OF CLASS ACTION COMPLAINT

The undersigned hereby declares under penalty of perjury as follows:

1. That he is Paul Berger.

2. That he has read the Class Action Complaint for Breach of Fiduciary Duty (the "Complaint") in the above entitled action.

3. That all allegations contained in the Complaint as to Paul Berger and his ownership of shares of Avon Products, Inc.'s common stock are true and correct and that he believes the other facts alleged in the Complaint to be true and correct to the best of his knowledge and belief.

Paul Berger