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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
	:	
Glansaol Holdings Inc., et al.,[1]	:	Case No. 18-_____ ( )
	:	
Debtors.	:	(Joint Administration Pending)

DEBTORS' MOTION PURSUANT TO SECTIONS 105(a), 363(b), 506(a) AND 553 OF THE BANKRUPTCY CODE FOR INTERIM AND FINAL ORDERS: (A) AUTHORIZING DEBTORS TO HONOR CERTAIN PREPETITION OBLIGATIONS TO CUSTOMERS AND CONTINUE CUSTOMER PROGRAMS; (B) AUTHORIZING SETOFFS RELATED TO CHARGEBACKS IN THE ORDINARY COURSE OF BUSINESS; AND (C) GRANTING RELATED RELIEF

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The debtors and debtors in possession in the above-captioned cases (collectively, the "**Debtors**") hereby move (the "**Motion**") for entry of an interim order, substantially in the form attached hereto as Exhibit A (the "**Interim Order**"), and final order, substantially in the form attached hereto as Exhibit B (the "**Final Order**"), pursuant to sections 105(a), 363(b), 506(a) and 553 of title 11 of the United States Code (the "**Bankruptcy Code**") and Rules

[1] The Debtors in these chapter 11 cases and the last four digits of each Debtor's federal taxpayer identification number are as follows: Clark's Botanicals, Inc. (0754); Glansaol Holdings Inc. (9485); Glansaol LLC (2012); Glansaol Management LLC (6879); Julep Beauty, Inc. (7984); Laura Geller Beauty, LLC (1706); Laura Geller Brands, LLC (7428); and Laura Geller Holdings, LLC (7388). The Debtors' executive headquarters are located at 575 Lexington Avenue, New York, NY 10022.

6003(b) and 6004 of the Federal Rules of Bankruptcy ("**Bankruptcy Rules**"): (a) authorizing the Debtors, in their discretion, to honor certain prepetition obligations to customers and continue their existing customer programs in the ordinary course of business; (b) authorizing the Debtors, in their discretion, to honor certain setoffs related to Chargebacks (as defined herein) in the ordinary course of business; and (c) granting related relief. In support of the Motion, the Debtors rely upon and incorporate by reference the Declaration of Nancy Bernardini in Support of Chapter 11 Petitions and First Day Pleadings (the "**First Day Declaration**"), which was filed with the Court concurrently herewith, and respectfully represent:

BACKGROUND

1. On the date hereof (the "**Petition Date**"), each of the Debtors filed a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors intend to continue in the possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors have requested that these chapter 11 cases be consolidated for procedural purposes only. As of the date hereof, no trustee, examiner or official committee has been appointed in any of the Debtors' cases.

2. The events leading up to the Petition Date and the facts and circumstances supporting the relief requested herein are set forth in the First Day Declaration.

JURISDICTION

3. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The

predicates for the relief requested herein are sections 105(a), 363(b), 506(a) and 553 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004.

RELIEF REQUESTED

4. The Debtors are one of the largest independent beauty and personal care companies in the United States. With a portfolio of three highly regarded brands, the Debtors reach their customers through a variety of channels and offer a full spectrum of products, from makeup to skin care. The Debtors have a global footprint and deliver goods to a broad wholesale and retail customer base. The Debtors also serve direct consumers through the Debtors' online stores and their nail salons in Seattle, Washington.

5. Prior to the Petition Date, and in the ordinary course of their business, the Debtors offered and engaged in certain customer programs designed to maximize value and develop and sustain a positive reputation in the marketplace. These programs include the following (collectively, the "**Customer Programs**"): (a) customer gift card programs; (b) returns, refunds and exchanges; (c) subscriptions and other loyalty programs; (d) warranty-related programs related to the Debtors' products; and (e) wholesale and retail customer practices, including chargebacks, markdown allowances, discounts, returns, and cooperative marketing programs. The Customer Programs are customary in the cosmetics industry and essential to preserve the value of the Debtors' business.

6. To effectuate a smooth transition into chapter 11, the Debtors must maintain customer loyalty and goodwill by continuing to honor their obligations under the Customer Programs. The Debtors compete in a highly competitive business and must regularly provide both existing and potential customers with programs similar to (or better than) those offered by their competitors. The Debtors have implemented each of the Customer Programs in

the ordinary course of their business as a means to maintain positive, productive and profitable relationships with their customers that ultimately promote customer satisfaction, encourage new purchases and ensure that the Debtors remain competitive.

7. Failure to continue the Customer Programs, or failure by the Debtors to meet their obligations under such programs, would damage the Debtors' standing with their current and potential customers at this critical time in their operations. The success and viability of the Debtors' business, and ultimately the Debtors' ability to maximize the value of their assets, is dependent upon the continued patronage and loyalty of their customers. Any delay in honoring obligations to customers on account of the Customer Programs would severely and irreparably impair customer relations and drive away valuable customers, thereby harming the Debtors' efforts to maximize the value of their assets to the benefit of all interested parties.

8. Accordingly, by this Motion, the Debtors seek entry of an order: (a) authorizing the Debtors, in their discretion, to (i) honor their prepetition Customer Programs and (ii) continue to honor the Customer Programs in the ordinary course of business on a postpetition basis without disruption; and (b) authorizing ordinary course setoffs by certain customers in connection with the Chargebacks, in each case, without further application to this Court. A description of each of the Customer Programs is set forth below. The Debtors estimate that as of the Petition Date, the Debtors have approximately $2,400,000 of prepetition obligations owed under the Customer Programs, all of which constitute accrued credits, adjustments, discounts, or other similar obligations owing to their customers that historically do not require the expenditure of cash.

CUSTOMER PROGRAMS

A. Wholesale Customer Programs

9. The Debtors' primary business operations are comprised of sales to wholesale customers (i.e., retailers and mass merchandisers), who in turn sell the Debtors' merchandise to end consumers at the retail level and through broadcast shopping networks. The Debtors maintain Customer Programs common in the wholesale industry, including allowances for markdowns, returns, damages, discounts, and cooperative marketing programs (collectively, the "**Chargebacks**"). Each of these programs is typically dictated in part or in whole by the wholesale customer's shipping and billing guidelines. Generally, and consistent with industry practice, the Debtors maintain a policy to allow and incur Chargebacks once the Debtors' employees have verified the legitimacy of such Chargebacks. In the event a customer is entitled to a Chargeback pursuant to its contract with the Debtors, the Chargeback is satisfied by netting the amount of such Chargebacks against the Debtors' accounts receivable. Therefore, the Debtors' satisfaction of their Chargeback obligations does not require the expenditure of cash.

10. Because the products purchased by the wholesalers are sold to indirect customers at varying times, the Debtors have outstanding accounts receivable from the wholesalers (representing amounts related to the sale of the Debtors' products) and accounts payable to the wholesalers (representing Chargebacks to be paid to the wholesalers) in the ordinary course of their business. It is possible that certain Chargeback obligations incurred by the Debtors immediately prior to the Petition Date may not have been fully netted out against the payments received by the Debtors prior to the Petition Date. As of the Petition Date, the Debtors estimate that the Debtors owe their wholesale customers approximately $400,000 in the aggregate in the form of Chargebacks.

11. The Chargebacks are customary in the cosmetics industry and a fundamental component of the Debtors' ordinary course business practices. If the Debtors were unable to continue honoring their obligations on account of Chargebacks in the ordinary course of business, the wholesalers could focus on alternative distributors, potentially impacting the Debtors' revenue and severely disrupting the Debtors' business. Moreover, significant impacts on the wholesalers' purchases of the Debtors' products would materially harm the Debtors' efforts to maximize value for all creditors, including their ability to maximize the bids generated through the sales process. Indeed, the wholesale customers typically do not remit payment until the proposed Chargebacks are negotiated and agreed between the Debtors and the customers.

12. Because the business would be jeopardized without the ability to honor the Chargebacks, the Debtors request authority to honor all Chargebacks in the ordinary course of their business and to setoff undisputed amounts owed to the Debtors on account of the Chargebacks, regardless of when such obligations were incurred, in a manner consistent with past practices.

13. A description of the primary categories of Chargebacks is set forth below. All Chargebacks are historically satisfied by netting the amount of such Chargebacks against the Debtors' accounts receivable, and therefore do not require the expenditure of any cash.

14. ***Shelf Space, Damaged Products, and Other Costs.*** The Debtors' wholesale customers chargeback to the Debtors costs associated with designing the Debtors' shelf space at retail stores, such as graphics, fixtures and acrylics. Customers also seek to chargeback amounts for shipment deficiencies. For example, wholesale customers will demand an immediate chargeback in the event a shipment contains damaged products, does not include all required inventory, or fails to comply with the customer's quality control standards or other

specifications. Customers also chargeback costs associated with the supply of "testers" and samples of products that are not sold through to end-users.

15. ***Returns*.** It is standard industry practice for distributors, such as the Debtors, to accept returns from their wholesale customers when, for example, the distributor ships a higher quantity of merchandise than ordered or there is a quality issue with the delivered merchandise. A significant volume of chargebacks also relate to end-of-season returns to make room for the Debtors' new inventory, or aged products that have not sold through to end-users in a timely manner (typically after 6 to 12 months). Wholesalers chargeback for products that have been returned to the wholesalers by end-users following a sale. Consistent with industry practice, the Debtors maintain a policy to accommodate approved returns made by wholesale customers in such circumstances. If a wholesale customer seeks to return merchandise, such returns are only authorized and netted against the Debtors' receivables once agreed upon by the Debtors.

16. ***Co-Op Advertising*.** Certain of the Debtors' wholesale customers require that the Debtors fund cooperative advertising programs to promote sales of the Debtors' merchandise (collectively, "**Co-Op Advertising**"). Co-Op Advertising is effectively a partnership between product wholesalers, such as the Debtors, and their customers to share the cost of advertising. This type of program is an important means for the Debtors to improve the quality of advertising and broaden the scope of the advertising of the Debtors' merchandise. Moreover, Co-Op Advertising is a standard practice in the Debtors' industry. The Debtors' share of Co-Op Advertising costs (the "**Co-Op Advertising Costs**"), like all Chargebacks, is also netted against the Debtors' accounts receivable.

17. ***Markdown Allowances.*** The Debtors offer a number of discounts and markdowns to their wholesale customers by which the Debtors agree to provide special rates and credits to aid in the effective promotion of their goods and maintain goodwill with those customers (collectively, the "**Markdown Allowances**"). The Markdown Allowances vary by customer and are sometimes negotiated on a case-by-case basis, but all customers require some level of Markdown Allowances. A typical Markdown Allowance includes purchase price markdowns for merchandise that the Debtors' wholesale customers could not sell at the original price. The Markdown Allowances are consistent with industry practice and essential to maintaining goodwill with the Debtors' wholesale customers. Indeed, failure to honor the Markdown Allowances could result in the Debtors' wholesale customers no longer stocking the Debtors' merchandise.

18. ***Warranties.*** Consistent with industry practice, the Debtors issue product warranties covering defects in materials and workmanship related to the purchase of the Debtors' products. The Debtors' warranty program also provides, among other things, that all products delivered by the Debtors conform to the customer's specifications and are merchantable. The Debtors have no outstanding obligations under the warranty program as of the Petition Date.

B. Direct-to-Consumer Customer Programs

19. Although direct-to-consumer sales constitute a smaller portion of the Debtors' business operations, the Debtors are able to expand their brand recognition and attract additional customers through subscriptions and other loyalty programs, the Debtors' online store, and their nail salons in Seattle, Washington. These channels enable the Debtors to foster direct relationships with customers, increase consumer trust in the Debtors' brands, and display a broader range of products to potential customers than might ordinarily be offered in department

stores or on third-party operated e-commerce sites. The four primary Customer Programs related to these channels are described in more detail below.

20. ***Refund, Return and Exchange Program.*** The Debtors seek to honor their programs that allow their customers to return, exchange, or receive a refund, store credit, or a price adjustment for merchandise that is timely returned in its original condition. Similar programs are common in the Debtors' industry and are essential to maintaining the goodwill of the Debtors' customer base.

21. ***Gift Card Program.*** The Debtors maintain a program pursuant to which their customers can purchase physical or electronic, pre-paid gift cards (collectively, the "**Gift Cards**") in various denominations (the "**Gift Card Program**"). Once purchased, a Gift Card may be used like cash for purchases online through the Debtors' Julep website business or in the Debtors' nail salons in Seattle, Washington. If a purchase made with a Gift Card is then returned, the purchase amount will be refunded to an electronic Gift Card.

22. ***Loyalty Program.*** In the ordinary course of business, the Debtors have established a loyalty rewards program for their Julep website business (the "**Loyalty Program**"). The Loyalty Program is typical of those in the Debtors' industry and is an important part of the Debtors' marketing strategy, as the program generates revenue by encouraging sales, and draws customers to the Debtors' online store to redeem rewards. Honoring prepetition obligations under the Loyalty Program does not require the expenditure of cash.

23. ***Subscription Program.*** In the ordinary course of business, the Debtors also maintain subscription programs for their Julep website business and their nail salons (the "**Subscription Programs**"). With respect to the Julep website business, the Debtors offer two Subscription Programs: "My Maven," where customers receive a monthly Julep Beauty Box

containing over $40 worth of new beauty, skincare and/or limited-run nail colors; and "Maven Luxe," where customers receive Julep Beauty Boxes containing over $60 worth of beauty products. These Subscription Programs require monthly fees with a three-month prepaid subscription. The Debtors offer similar programs in connection with their nail salon parlors where customers can sign up for monthly membership packages to enjoy manicures, pedicures, facials, and other spa-related services. Honoring the Debtors' prepetition obligations under the Subscription Programs does not require the expenditure of cash.

BASIS FOR RELIEF

A. The Court Should Authorize the Debtors to Honor and Continue Costumer Programs, Including the Chargebacks.

24. The Court may authorize the continuation of the Customer Programs and payment of any related prepetition claims under section 363(b) of the Bankruptcy Code. Section 363(b) of the Bankruptcy Code provides, in relevant part, that "[t]he trustee, after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." Under this section, a court may authorize a debtor to pay certain prepetition claims. See In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (authorizing payment of prepetition claims where the debtors articulate "some business justification, other than the mere appeasement of major creditors"); see also In re Columbia Gas Sys., Inc., 171 B.R. 189, 192 (Bankr. D. Del. 1994) (authorizing payment of prepetition claims where such payments are essential to continue operating the debtor's business); In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) (same).

25. Additionally, section 105(a) of the Bankruptcy Code authorizes the Court to issue "any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." Under section 105(a) of the Bankruptcy Code, the Court

"can permit pre-plan payment of a prepetition obligation when essential to the continued operation of the debtor." In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992). This equitable common law principle "was first articulated by the United States Supreme Court in Miltenberger v. Logansport C. & S.W.R. Co., 106 U.S. 286 (1882), and is commonly referred to as either the 'doctrine of necessity' or the 'necessity of payment' rule." Ionosphere Clubs, 98 B.R. at 175-76; see also In re Just for Feet, Inc., 242 B.R. 821, 826 (D. Del. 1999) ("To invoke the necessity of payment doctrine, a debtor must show that payment of the pre-petition claims is 'critical to the debtor's reorganization.'"). "The necessity of payment doctrine recognizes that paying certain pre-petition claims may be necessary to realize the goal of chapter 11 — a successful reorganization." Id. at 825-26.

26. A bankruptcy court's use of its equitable powers to "authorize the payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept." Ionosphere Clubs, 98 B.R. at 175. Federal courts have permitted postpetition payment of prepetition obligations where necessary for the debtor to survive and to achieve a successful reorganization. See, e.g., In re Equalnet Comms. Corp., 258 B.R. 368 (Bankr. S.D. Tex. 2000); Just for Feet, 242 B.R. 821; Ionosphere Clubs, 98 B.R. 174; In re Gulf Air, LLC, 112 B.R. 152 (Bankr. W.D. La. 1989).

27. Moreover, the Debtors should be permitted to continue honoring the Chargebacks where their wholesale customers have valid setoff rights. A right to setoff exists where (a) the debtor owes a debt to the creditor that arose prepetition; (b) the debtor has a claim against the creditor that arose prepetition; and (c) the debt and claim are mutual. See In re Ionosphere Clubs, 164 B.R. 839, 841 (Bankr. S.D.N.Y. 1994). Setoff rights allow "entities that owe each other money to apply their mutual debts against each other, thereby avoiding 'the

absurdity of making B pay A when B owes A.'" Citizens Bank of Maryland v. Strumpf, 516 U.S. 16, 19 (1995) (citations omitted). These nonbankruptcy setoff rights are preserved in bankruptcy (subject to certain exceptions) through section 553 of the Bankruptcy Code, which states, in relevant part:

> Except as otherwise provided in this section and in sections 362 and 363 of this title, this title does not affect any right of a creditor to offset a mutual debt owing by such creditor to the debtor that arose before the commencement of the case under this title against a claim of such creditor against the debtor that arose before the commencement of the case.

11 U.S.C. § 553.[2]

28. Although setoff rights are preserved under section 553, they are also subject to the restrictions imposed by section 362 of the Bankruptcy Code, which specifically stays "the setoff of any debt owing to the debtor that arose before the commencement of the case under this title against any claim against the debtor." 11 U.S.C. § 362(a). The court may grant relief from the automatic stay "for cause." 11 U.S.C. § 362(d). Here, cause exists to grant such relief to allow the Debtors to honor the Chargebacks and allow the wholesale customers to exercise their contractual right of setoff regarding undisputed mutual debts outstanding. Courts have held that the existence of a valid setoff right is a *prima facie* showing of cause for relief from the automatic stay. See In re Red Rock Services Co., LLC, 480 B.R. 576, 616 (Bankr. E.D. Pa. 2012); In re Ealy, 392 B.R. 408, 414 (Bankr. E.D. Ark. 2008); In re Nuclear Imaging Systems, Inc., 260 B.R. 724, 730 (Bankr. E.D. Pa. 2000).

[2] Furthermore, the Bankruptcy Code expressly recognizes creditors with a right to setoff as holding secured claims. Section 506(a) of the Bankruptcy Code provides that "[a]n allowed claim of a creditor . . . that is subject to setoff under section 553 of this title, is a secured claim to the extent of the value of such creditor's interest in the estate's interest in such property . . ." 11 U.S.C. § 506(a).

29. Courts in this and other districts have approved similar prepetition customer setoff arrangements in prior cases. See, e.g., In re Aralez Pharmaceuticals US Inc., No. 18-12425 (MG) (Bankr. S.D.N.Y. Sept. 14, 2018); In re Nine West Holdings, Inc., No. 18-10947 (SCC) (Bankr. S.D.N.Y. May 7, 2018); In re Last Call Guarantor, LLC, No. 11844 (KG) (Bankr. D. Del. Aug. 12, 2016).

30. The commencement of the Debtors' chapter 11 cases may create apprehension on the part of their customers regarding their willingness to commence or to continue doing business with the Debtors. The importance of the Debtors' wholesale customers cannot be overstated. If the customers become unwilling to purchase the Debtors' products or refuse to remit payment until the Chargebacks are authorized by the Debtors, the Debtors will lose their main source of revenue and means for accessing customers. Any harm caused to the customers would irreparably damage the Debtors' reputation in the cosmetics industry, and disrupt the sales process.

31. If the Debtors are unable to honor their Customer Programs, the Debtors believe their reliability and reputation will be undermined. The Debtors cannot risk losing customers at this time due to their inability to honor and continue obligations related to the Customer Programs, particularly when such programs are commonplace in the industry and are offered by the Debtors' competitors. Moreover, the Debtors' ability to achieve the highest or otherwise best price for any sale of their assets or business is dependent on the maintenance of customer loyalty. The continuation of the Customer Programs is essential to the Debtors' ability to maintain the loyalty of their existing customer base and to attract new customers.

32. Where retaining loyalty and patronage of customers is critical to a debtor's business, courts in this and other districts have granted similar relief to that requested herein.

See, e.g., In re Aralez Pharmaceuticals US Inc., No. 18-12425 (MG) (Bankr. S.D.N.Y. Sept. 14, 2018); In re Nine West Holdings, Inc., No. 18-10947 (SCC) (Bankr. S.D.N.Y. May 7, 2018); In re Cenveo, Inc., No. 18-22178 (RDD) (Bankr. S.D.N.Y. Mar. 8, 2018); In re Avaya, Inc., No. 17-10089 (SMB) (Bankr. S.D.N.Y. Feb. 10, 2017); In re BCBG Max Azria Glob. Holdings, LLC, No. 17-0566 (SCC) (Bankr. S.D.N.Y. Mar. 29, 2017); In re Aéropostale, Inc., No. 16-11275 (SHL) (Bankr. S.D.N.Y. June 3, 2016); In re SunEdison, Inc., No. 16-10992 (SMB) (Bankr. S.D.N.Y. May 20, 2016); In re Great Atl. & Pac. Tea Co. Inc., No. 15-23007 (RDD) (Bankr. S.D.N.Y. July 20, 2015); In re MPM Silicones, LLC, No. 14-22503 (RDD) (Bankr. S.D.N.Y. April 15, 2014). The Debtors respectfully submit that similar relief is warranted in these chapter 11 cases.

33. Accordingly, the Debtors submit that the substantial benefit conferred on the Debtors' estates by the Customer Programs (including, for the avoidance of doubt, the Chargebacks) warrants the authority to honor the Customer Programs and any prepetition obligations relating thereto and therefore respectfully request the authority to continue the Customer Programs and honor prepetition commitments related thereto in the ordinary course of the Debtors' businesses.

B. The Court Should Authorize Gift Card Payments.

34. Section 507(a)(7) of the Bankruptcy Code establishes priority for "unsecured claims of individuals, to the extent of $2,850 for each such individual, arising from the deposit, before the commencement of the case, of money in connection with the purchase, lease, or rental of property, or the purchase of services, for the personal, family or household use," to the extent that such property or services were not delivered. 11 U.S.C. § 507(a)(7). This provision was added to the Bankruptcy Code in 1984 to "protect consumers who had deposited money for goods and services with a business that subsequently filed for bankruptcy" and has

since been adjusted to increase the priority amount. In re River Vill. Assocs., 161 B.R. 127, 133 (Bankr. E.D. Pa. 1993), aff'd, 181 B.R. 795 (E.D. Pa. 1995). Section 507(a)(7) of the Bankruptcy Code protects benefits vested before the commencement of a case under chapter 11 of the Bankruptcy Code, including benefits accrued under certain of the Customer Programs.

35. The Debtors submit that the obligations that arise in connection with the Gift Card Programs are priority claims under section 507(a)(7) of the Bankruptcy Code. Claims entitled to priority status pursuant to section 507(a)(7) of the Bankruptcy Code must be paid in full under a confirmable plan pursuant to section 1129(a)(9)(C) of the Bankruptcy Code. Therefore, payment of certain of the obligations arising under the Customer Programs at this time may only affect the timing of the payment for the amounts at issue and may not unduly prejudice the rights and recoveries of junior creditors. Thus, satisfaction of claims arising under these particular Customer Programs on a postpetition basis will not enhance the priority of certain customers or prejudice the rights of general unsecured creditors or other parties in interest. Moreover, the Debtors' ability to implement their restructuring is dependent upon preventing the erosion of their customer base and maintaining goodwill, a task that will prove extremely difficult if the Debtors are unable to honor their obligations under the Customer Programs.

C. Processing of Checks and Electronic Fund Transfers Should Be Authorized.

36. In furtherance of the relief requested herein, the Debtors request that the Court authorize the Debtors' banks and financial institutions (the "**Banks**"), at the Debtors' instruction, to receive, honor, process and pay, to the extent of funds on deposit and in accordance with the agreements with the Banks governing the Debtors' bank accounts, any and all checks or electronic funds transfers requested or to be requested by the Debtors relating to the

Customer Programs, including those checks or electronic funds transfers that have not cleared the Banks as of the Petition Date, without the need for further Court approval.

D. The Requirements of Bankruptcy Rule 6003 Are Satisfied and Waiver of Bankruptcy Rule 6004(a) and 6004(h) Is Warranted.

37. Bankruptcy Rule 6003 provides that the relief requested herein may be granted if "the relief is necessary to avoid immediate and irreparable harm." For all the reasons set forth herein, if the Debtors are not authorized to honor their prepetition obligations with respect to the Customer Programs, it is almost certain that immediate and irreparable harm would be caused to the Debtors' estates. Accordingly, the Debtors submit that the requirements of Bankruptcy Rule 6003 have been satisfied.

38. In addition, to successfully implement the relief the Debtors request in this Motion, the Debtors also request that the Court waive the notice requirements of Bankruptcy Rule 6004(a) and the stay imposed by Bankruptcy Rule 6004(h). As discussed above, the relief requested herein must be granted without delay in order for the Debtors to continue operating their business and for preservation of the estates. Therefore, the Debtors respectfully request that the notice and stay requirements imposed by Bankruptcy Rules 6004(a) and 6004(h), respectively, be waived.

NOTICE

39. Notice of this Motion will be provided to: (a) the United States Trustee for Region 2; (b) counsel to SunTrust Bank, as the administrative agent under the Debtors' proposed debtor-in-possession financing facility and under the Debtors' prepetition secured credit agreement; (c) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis; (d) Warburg Pincus Private Equity XII Funds, as majority shareholder of Glansaol LLC; (e) the minority shareholders of Glansaol LLC; (f) the United States Attorney's Office for the Southern

District of New York; (g) the Internal Revenue Service; and (h) the Banks. The Debtors submit that, under the circumstances, no other or further notice is required.

40. No previous motion for the relief sought herein has been made to this or any other Court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter the the Interim Order and Final Order, granting the relief requested in the Motion and such other and further relief as may be just and proper.

Dated: December 19, 2018
New York, New York

WILLKIE FARR & GALLAGHER LLP
Proposed Counsel for the Debtors and Debtors in Possession

By: _/s/ Brian S. Lennon_____
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EXHIBIT A

Proposed Interim Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
Glansaol Holdings Inc., et al.,[1]	:	Case No. 18-_____ ( )
Debtors.	:	(Jointly Administered)

INTERIM ORDER: (A) AUTHORIZING DEBTORS TO HONOR CERTAIN PREPETITION OBLIGATIONS TO CUSTOMERS AND CONTINUE CUSTOMER PROGRAMS; (B) AUTHORIZING SETOFFS RELATED TO CHARGEBACKS IN THE ORDINARY COURSE OF BUSINESS; AND (C) GRANTING RELATED RELIEF

Upon the motion (the "**Motion**")[2] of the debtors and debtors in possession in the above-captioned cases (collectively, the "**Debtors**") for an Interim Order and Final Order, pursuant to sections 105(a), 363(b), 506(a) and 553 of title 11 of the United States Code (the "**Bankruptcy Code**"): (a) authorizing the Debtors, in their discretion, to honor certain prepetition obligations to customers and continue their existing customer programs in the ordinary course of business; (b) authorizing the Debtors, in their discretion, to honor certain setoffs related to Chargebacks in the ordinary course of business, in each case, without further application to this Court; and (c) granting related relief; and upon consideration of the Motion and all pleadings related thereto; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon consideration of the First Day Declaration; and upon the record of the hearing held; and the Court having found and determined that the relief sought in the

[1] The Debtors in these chapter 11 cases and the last four digits of each Debtor's federal taxpayer identification number are as follows: Clark's Botanicals, Inc. (0754); Glansaol Holdings Inc. (9485); Glansaol LLC (2012); Glansaol Management LLC (6879); Julep Beauty, Inc. (7984); Laura Geller Beauty, LLC (1706); Laura Geller Brands, LLC (7428); and Laura Geller Holdings, LLC (7388). The Debtors' executive headquarters are located at 575 Lexington Avenue, New York, NY 10022.

[2] Capitalized terms used but not defined herein have the meanings given to such terms in the Motion.

Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and the legal and factual bases set forth in the Motion having established just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that:

1. The Motion is granted on an interim basis to the extent set forth herein.

2. The Debtors are authorized, but not directed, in their discretion and in the ordinary course of business, to honor and perform all obligations in respect of the Customer Programs (including, for the avoidance of doubt, the Chargebacks), without regard to whether the Debtors' obligations arose before or after the Petition Date.

3. The Debtors are authorized, but not directed, to continue, renew, replace, modify and/or terminate the Customer Programs as they deem appropriate, in their discretion, and in the ordinary course of business, without further application to the Court.

4. The Debtors are authorized, but not directed, to honor the Chargebacks, and the Debtors' customers are authorized in the ordinary course of business to offset mutual undisputed debts in connection with the Chargebacks with the Debtors' consent, and without further application to the Court.

5. Nothing in this Interim Order authorizes the Debtors to accelerate any payments not otherwise due prior to the date of the hearing on the Motion on a final basis.

6. If the Debtors inadvertently omitted to describe a Customer Program in the Motion, the relief granted herein shall only apply to such omitted Customer Program after notice to the U.S. Trustee, counsel to any official committee of unsecured creditors, and counsel to

SunTrust Bank, as the administrative agent under the Debtors' proposed debtor-in-possession financing facility and under the Debtors' prepetition secured credit agreement.

7. Subject to the terms of the Cash Management Order, each of the Debtors' banks and financial institutions (the "**Banks**") is authorized, when requested by the Debtors in their sole discretion, to receive, process, honor and pay all prepetition and postpetition checks and fund transfers on account of the Customer Program that had not been honored and paid as of the Petition Date; provided, however, that no Bank shall be obligated to process, honor or pay any such check or fund transfer if there are insufficient funds on deposit in the applicable account to cover such payment or the request is otherwise not in compliance with the terms of any agreement between such Bank and any Debtor governing such account.

8. Notwithstanding anything to the contrary in this Interim Order, the authority of the Debtors to make any payments under this Interim Order is subject to the terms and conditions of the DIP Credit Agreement and the interim and final orders of this Court approving the financing provided thereunder, including, without limitation, that such payments must comply with the DIP Budget under, and as defined in, the DIP Credit Agreement. Neither the entry of this Interim Order nor any pre-petition or post-petition agent's or lender's failure to object to the entry of this Interim Order is intended, or shall be construed, as a consent or waiver of any objection to any payment under this Interim Order or otherwise in excess of the amount authorized under the DIP Credit Agreement and the DIP Budget.

9. Nothing contained in this Interim Order shall be deemed to increase, reclassify, elevate to an administrative expense status or otherwise affect the performance, payments or credits provided under the Customer Programs to the extent they are not satisfied.

10. The relief granted herein shall not constitute an approval or assumption of the Customer Programs or any agreement or policy pursuant to section 365 of the Bankruptcy Code.

11. Within five (5) business days of the entry of this Interim Order, notice of the Motion and the Interim Order will be given to: (a) the United States Trustee for Region 2; (b) counsel to SunTrust Bank, as the administrative agent under the Debtors' proposed debtor-in-possession financing facility and under the Debtors' prepetition secured credit agreement; (c) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis or any official committee of unsecured creditors; (d) Warburg Pincus Private Equity XII Funds, as majority shareholder of Glansaol LLC; (e) the minority shareholders of Glansaol LLC; (f) the United States Attorney's Office for the Southern District of New York; (g) the Internal Revenue Service; and (h) the Banks.

12. Any responses or objections to the Motion and entry of an order granting the relief requested in the Motion on a final basis (the "**Final Order**") must: (a) be made in writing; (b) state with particularity the grounds therefor; (c) conform to the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York; (d) be filed with the United States Bankruptcy Court for the Southern District of New York; and (e) be served upon: (i) Glansaol Holdings Inc., 575 Lexington Ave, New York, NY 10022; (ii) proposed counsel to the Debtors, Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019 (Attn: Brian S. Lennon, Esq., Daniel I. Forman, Esq. and Andrew S. Mordkoff, Esq.); (iii) counsel to SunTrust Bank, as the administrative agent under the Debtors' proposed debtor-in-possession financing facility and under the Debtors' prepetition secured credit agreement, Parker, Hudson, Rainer & Dobbs LLP, 303 Peachtree Street, N.E., Suite 3600, Atlanta, Georgia 30308 (Attn:

Rufus T. Dorsey, Esq. and Eric W. Anderson, Esq.); (iv) counsel to any official committee of unsecured creditors; and (v) counsel to the U.S. Trustee for Region 2, 201 Varick Street, Suite 1006, New York, NY 10014 (Attn: Serene Nakano, Esq. and Greg M. Zipes, Esq.) (collectively, the "**Notice Parties**"). The deadline by which objections to the Motion and the Final Order must be filed and received by the Notice Parties is [_____], [2019] at 4:00 p.m. (prevailing Eastern Time) (the "**Objection Deadline**").

13. A final hearing, if required, on the Motion will be held on [_____], [2019] at [___] [__].m. (prevailing Eastern Time). If no objections are filed to the Motion and entry of the Final Order on or before the Objection Deadline, the Court may enter the Final Order without further notice or a hearing.

14. Bankruptcy Rule 6003(b) has been satisfied because the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors.

15. The requirements of Bankruptcy Rule 6004(a) are waived.

16. Notwithstanding Bankruptcy Rule 6004(h), this Interim Order shall be effective and enforceable immediately upon entry hereof.

17. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Interim Order.

18. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Interim Order.

Dated: _____, 2018
New York, New York

_____
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Proposed Final Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
Glansaol Holdings Inc., et al.,[1]	:	Case No. 18-_____ ( )
Debtors.	:	(Jointly Administered)

FINAL ORDER: (A) AUTHORIZING DEBTORS TO HONOR CERTAIN PREPETITION OBLIGATIONS TO CUSTOMERS AND CONTINUE CUSTOMER PROGRAMS; (B) AUTHORIZING SETOFFS RELATED TO CHARGEBACKS IN THE ORDINARY COURSE OF BUSINESS; AND (C) GRANTING RELATED RELIEF

Upon the motion (the "**Motion**")[2] of the debtors and debtors in possession in the above-captioned cases (collectively, the "**Debtors**") for an Interim Order and Final Order, pursuant to sections 105(a), 363(b), 506(a) and 553 of title 11 of the United States Code (the "**Bankruptcy Code**"): (a) authorizing the Debtors, in their discretion, to honor certain prepetition obligations to customers and continue their existing customer programs in the ordinary course of business; (b) authorizing the Debtors, in their discretion, to honor certain setoffs related to Chargebacks in the ordinary course of business, in each case, without further application to this Court; and (c) granting related relief; and upon consideration of the Motion and all pleadings related thereto, including the First Day Declaration; and due and sufficient notice of the Motion having been given; and it appearing that no other or further notice need be provided; and the Court having entered the *Interim Order: (A) Authorizing Debtors to Honor Certain Prepetition Obligations to*

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1 The Debtors in these chapter 11 cases and the last four digits of each Debtor's federal taxpayer identification number are as follows: Clark's Botanicals, Inc. (0754); Glansaol Holdings Inc. (9485); Glansaol LLC (2012); Glansaol Management LLC (6879); Julep Beauty, Inc. (7984); Laura Geller Beauty, LLC (1706); Laura Geller Brands, LLC (7428); and Laura Geller Holdings, LLC (7388). The Debtors' executive headquarters are located at 575 Lexington Avenue, New York, NY 10022.

2 Capitalized terms used but not defined herein have the meanings given to such terms in the Motion.

Customers and Continue Customer Programs; (B) Authorizing Setoffs Related to Chargebacks in the Ordinary Course of Business; and (C) Granting Related Relief [Docket No. __]; and upon the record of the hearing held and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and it appearing that the relief requested is essential to the continued operation of the Debtors' business and the preservation of value of their assets; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that:

1. The Motion is granted on a final basis to the extent set forth herein.

2. The Debtors are authorized, in their discretion and in the ordinary course of business, to honor and perform all obligations in respect of the Customer Programs, without regard to whether the Debtors' obligations arose before or after the Petition Date.

3. The Debtors are authorized, but not directed, to continue, renew, replace, modify and/or terminate the Customer Programs as they deem appropriate, in their discretion, and in the ordinary course of business, without further application to the Court.

4. The Debtors are authorized, but not directed, to honor the Chargebacks, and the Debtors' customers are authorized in the ordinary course of business to offset mutual undisputed debts in connection with the Chargebacks with the Debtors' consent, and without further application to the Court.

5. If the Debtors inadvertently omitted to describe a Customer Program in the Motion, the relief granted herein shall only apply to such omitted Customer Program after notice to the U.S. Trustee, counsel to any official committee of unsecured creditors, and counsel to

SunTrust Bank, as the administrative agent under the Debtors' proposed debtor-in-possession financing facility and under the Debtors' prepetition secured credit agreement.

6. Subject to the terms of the Cash Management Order, each of the Debtors' banks and financial institutions (the "**Banks**") is authorized, when requested by the Debtors in their sole discretion, to receive, process, honor and pay all prepetition and postpetition checks and fund transfers on account of the Customer Program that had not been honored and paid as of the Petition Date; provided, however, that no Bank shall be obligated to process, honor or pay any such check or fund transfer if there are insufficient funds on deposit in the applicable account to cover such payment or the request is otherwise not in compliance with the terms of any agreement between such Bank and any Debtor governing such account.

7. Notwithstanding anything to the contrary in this Final Order, the authority of the Debtors to make any payments under this Final Order is subject to the terms and conditions of the DIP Credit Agreement and the interim and final orders of this Court approving the financing provided thereunder, including, without limitation, that such payments must comply with the DIP Budget under, and as defined in, the DIP Credit Agreement. Neither the entry of this Final Order nor any pre-petition or post-petition agent's or lender's failure to object to the entry of this Final Order is intended, or shall be construed, as a consent or waiver of any objection to any payment under this Final Order or otherwise in excess of the amount authorized under the DIP Credit Agreement and the DIP Budget.

8. Nothing contained in this Final Order shall be deemed to increase, reclassify, elevate to an administrative expense status or otherwise affect the performance, payments or credits provided under the Customer Programs to the extent they are not satisfied.

9. The relief granted herein shall not constitute an approval or assumption of the Customer Programs or any agreement or policy pursuant to section 365 of the Bankruptcy Code.

10. The requirements of Bankruptcy Rule 6004(a) are waived.

11. Notwithstanding Bankruptcy Rule 6004(h), this Final Order shall be effective and enforceable immediately upon entry hereof.

12. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Final Order.

13. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Final Order.

Dated: _____, 2019
New York, New York

_____
UNITED STATES BANKRUPTCY JUDGE