IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	**Chapter 11**
AIO US, INC., *et al.*,	:	**Case No. 24-11836 (CTG)**
Debtors.[1]	:	**(Jointly Administered)**

DECLARATION OF JOHN S. DUBEL IN SUPPORT OF
SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS

I, John S. Dubel, pursuant to section 1746 of title 28 of the United States Code, hereby declare under penalty of perjury that the following is true and correct:

1. I have served as an independent member of the board of directors (the "**Board**") of Avon Products, Inc. ("**API**" and, together with its debtor affiliates, the "**Debtors**" and the Debtors, together with their non-debtor international subsidiaries, the "**Company**") since May 20, 2023. I have also served as the sole member of the special committee (the "**Special Committee**") established by the Board on June 11, 2024 to, among other things, assist in the evaluation and negotiation of the Debtors' various restructuring alternatives and make recommendations to the Board. In that capacity, I oversaw the negotiations, on behalf of the Debtors, of that certain *Stock and Asset Purchase Agreement*, dated as of August 12, 2024 (the "**Purchase Agreement**"), between the Debtors party thereto and Natura &Co UK Holdings Limited ("**Natura**" or the "**Buyer**").

[1] The last four digits of AIO US, Inc.'s tax identification number are 9872. A complete list of the Debtors in the chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at https://dm.epiq11.com/case/aiousinc/info. The Debtors' mailing address is 4 International Drive Suite 110, Rye Brook, New York 10573.

2. I submit this declaration (the "**Declaration**") in support of the *Motion of Debtors For Entry of Orders (I)(A) Approving Bidding Procedures for Sale of Substantially all of the Debtors' Assets, (B) Authorizing Designation of Stalking Horse Bidder, (C) Authorizing Conduct of the Auction and Sale Hearing, (D) Approving Form and Manner of Notice of Sale, Auction, and Sale Hearing, and (E) Approving Assumption and Assignment Procedures; (II) Authorizing the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances; and (III) Granting Related Relief* [Docket No. 64] (the "**Motion**") and the proposed sale of substantially all of the Debtors' assets to Natura pursuant to the Purchase Agreement.[2]

3. Additional information on my background and qualifications as well as the circumstances leading to the formation of the Special Committee is set forth in my previously filed *Declaration of John S. Dubel in Support of Motion of Debtors Pursuant to 11 U.S.C. §§ 363(b) and 105(a) and Fed. R. Bankr. P. 9019 and 6004 for Entry of Order (I) Approving Settlement Agreement with Natura &CO Holding S.A. and Affiliates, (II) Authorizing the Debtors to Take Any and All Actions Necessary to Effectuate the Terms Thereof, and (III) Granting Related Relief* [Docket No. 97], the relevant portions of which are incorporated herein by reference.

4. Except as otherwise indicated, all statements in this Declaration are based on (i) my personal knowledge, (ii) my review of relevant documents, (iii) my opinion based on my experience in board representations, corporate governance, crisis management, and operational restructurings, and (iv) information provided to me by, or in discussions with, the

[2] Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Purchase Agreement or the Motion, as applicable.

Debtors' officers and advisors, including professionals at Weil, Gotshal & Manges LLP ("**Weil**"), Ankura Consulting Group, LLC ("**Ankura**"), and Rothschild & Co US Inc. ("**Rothschild**"). If called to testify, I could and would testify to each of the facts set forth herein. I am authorized to submit this Declaration on behalf of the Debtors.

Highest and Best Value

5. On October 29, 2024, the Court entered the Bidding Procedures Order[3], which, among other things, (i) approved the Bidding Procedures for the Sale Transaction along with the sale timeline and all other deadlines set forth therein, and (ii) approved the Debtors' designation of the Buyer as the Stalking Horse Bidder for the proposed Sale Transaction. Following entry of the Bidding Procedures Order, the Debtors, led by Rothschild and under the oversight of the Special Committee, continued the robust and competitive postpetition marketing process in accordance with the Court-approved Bidding Procedures.

6. In connection with the Debtors' marketing efforts, several parties expressed interest in, and conducted due diligence with respect to, some or all of the Assets. Ultimately, however, and notwithstanding the Debtors' comprehensive marketing efforts, the Debtors did not receive a binding bid (outside of the Buyer's bid) for any of the Assets that are the subject of the Bidding Procedures by the Bid Deadline.

7. The Debtors did receive one proposal prior to the Bid Deadline from a party that expressed an interest in purchasing certain intellectual property and other discrete assets relating to the Company's non-debtor South Africa market (the "**Discrete Asset**

[3] "**Bidding Procedures Order**" means the *Order (I)(A) Approving Bidding Procedures for Sale of Substantially all of the Debtors' Assets, (B) Authorizing Designation of Stalking Horse Bidder, (C) Authorizing Conduct of the Auction and Sale Hearing, (D) Approving Form and Manner of Notice of Sale, Auction, and Sale Hearing, and (E) Approving Assumption and Assignment Procedures; and (II) Granting Related Relief* [Docket No. 319].

Proposal"). Upon review of the Discrete Asset Proposal, however, I, in consultation with Rothschild and the Debtors' other advisors, determined that the proposal was not a Qualified Bid because it contemplated acquiring assets that are not owned directly by the Debtors and, therefore, are not property of the estate or assets the Debtors are authorized to sell pursuant to the Bidding Procedures.[4] In addition, the Discrete Asset Proposal was not a Qualified Bid because it (i) was subject to additional due diligence and other conditions, (ii) did not include committed financing, (iii) did not include an executed Proposed Agreement for the acquisition of the proposed assets, (iv) did not include the required representations and warranties, and (v) was not accompanied by a Good Faith Deposit, each of which was a requirement under the Bidding Procedures. The Debtors informed the party that submitted the Discrete Asset Proposal that the proposal was not a Qualified Bid after consulting with the advisors for the Creditors' Committee on November 17, 2024.

8. I understand that no party requested additional time or indicated that it may consider submitting a bid for all or part of the Assets that are the subject of the Bidding Procedures if it had additional time. Accordingly, the Debtors, after consulting with the Creditors' Committee, Rothschild, and the Debtors' other advisors, and in accordance with the Bidding Procedures, canceled the Auction[5] and determined that the purchase price for the Assets provided under the Purchase Agreement of (i) an amount equal to the sum of $125,000,000 in the

[4] Specifically, the intellectual property and other discrete assets contemplated under the Discrete Asset Proposal are owned directly by Avon Justine Pty Ltd. ("**Avon Justine**"), a company that is organized and registered under the laws of South Africa. Avon Justine is wholly-owned by Avon Cosmetics International Holdings B.V. ("**ACIH**"), which is a Dutch private limited company. Neither Avon Justine nor ACIH is a debtor in these chapter 11 cases. ACIH is wholly-owned by Debtor API.

[5] See *Notice of Cancellation of Auction and Designation of Successful Bidder* [Docket No. 415].

form of a credit bid and (ii) the assumption of the Assumed Liabilities[6] (collectively, the "**Purchase Price**") represents the highest and best value for the Assets.

9. Although the Debtors did not formally value the Assets prior to execution of the Purchase Agreement, I believe a market test conducted in accordance with Court-approved procedures, such as the one conducted by Rothschild, is the best means to determine the value of the Assets. Here, as proven by the Debtors' compliance with the Court-approved and thorough marketing and sale process—with multiple parties signing non-disclosure agreements, conducting due diligence, and participating in the sale process—I believe the Purchase Price set forth in the Purchase Agreement represents the highest and best value for the Assets.

The Purchase Agreement Terms Are Fair and Reasonable and the Result of Good Faith and Arms' Length Negotiations

10. The Debtors made the decision to enter into the Purchase Agreement after weeks of arms' length and hard fought negotiations between the Debtors and Natura, which were represented by separate and sophisticated counsel. Negotiations over the terms of the Purchase Agreement began in July 2024 and were ongoing up until the agreement was executed on August 12, 2024. The Special Committee, assisted by Weil and Philip J. Gund, the Debtors' Chief Restructuring Officer and Treasurer, conducted the negotiations on the terms of the Purchase Agreement on behalf of the Debtors, and I was the lead point person involved in negotiating such terms for the Debtors. Over the course of the negotiations, the Debtors repeatedly requested cash consideration in addition to Natura's proposed credit bid; however, Natura rejected each such request and stated it was not willing to agree to any form of cash consideration.

[6] I understand that Ankura has estimated the total amount of cure costs and payables to be assumed by the Buyer at closing will be approximately $3.1 million.

11. The Debtors were, however, able to obtain Natura's agreement to purchase the Debtors' equity interests in all of their foreign subsidiaries that make up the Debtors' global operations. Natura's initial sale transaction proposal contemplated purchasing the Debtors' equity interests in only certain markets and leaving behind the other markets Natura did not view as necessary to its go-forward business plan. Under this construct, the Debtors' estates would be saddled with the significant costs of divesting and winding down these markets in various foreign jurisdictions and would have caused substantial disruption, uncertainty, and unrest with the Company's employees, Representatives, vendors, and other stakeholders. If these markets were to have been left behind in the Debtors' estates, Ankura has estimated the costs of divesting and winding down these markets would have ranged from approximately $63 million to $112 million. Therefore, I believe Natura's agreement to purchase the Debtors' equity interests in all of their foreign subsidiaries is of great benefit to the Debtors and resulted in significant savings in transaction costs and a reduction in the operational risks to the Company's business.

12. The Debtors' negotiations with Natura over the economic terms of the Purchase Agreement did not involve any individuals who possess any form of potential insider relationship with Natura, such as individuals who held and/or hold dual roles at both Natura and any of the Debtors.[7] The Board, which approved the Debtors' decision to enter into the Purchase Agreement, was comprised of a majority of independent directors, including me, who was appointed in May 2023 to ensure an appropriate level of separation between Natura and the Debtors. The third director was previously the Company's Chief Executive Officer and was never employed by Natura.

[7] Individuals who held dual roles at both Natura and any of the Debtors such as Ms. Lisa Siders, who serves as the Debtors' General Counsel as well as Natura's Global Head of Tax, were not involved in any negotiations regarding the material economic terms of the Purchase Agreement.

13. In addition, these negotiations involved multiple versions of the Purchase Agreement (as well as other related documents) exchanged between the parties until they ultimately reached an agreement on the final terms. Once the parties reached a final agreement on the Purchase Agreement, the Special Committee recommended the Board approve the agreement, which the Board then approved. At that time and as of the date hereof, it was and still is my opinion that the Debtors' decision to enter into the Purchase Agreement was the best decision for the Debtors and their creditors given the circumstances and that the terms of such agreement are entirely fair and reasonable.

14. Accordingly, I believe the proposed Sale Transaction to Natura, as contemplated by the Purchase Agreement, represents a fair and reasonable transaction for the purchase of the Assets on the basis of the process conducted. No other person, entity, or group of entities has offered to purchase the Assets, let alone for an amount that exceeds the Purchase Price under the Purchase Agreement, and the Purchase Price and other terms for the proposed Sale Transaction are the result of good faith, arms' length negotiations between the parties to the Purchase Agreement.

Free and Clear

15. Except as otherwise provided in the Purchase Agreement and the proposed Sale Order, the Debtors are seeking to sell the Assets free and clear of all liens, claims, encumbrances, and other interests, including any claims arising under any successor liability theory or similar theory of liability. It is my understanding the Buyer would not have entered into the Purchase Agreement if the Sale Transaction were not free and clear of all such interests.

16. In addition, I understand that notice of the Sale Transaction, the Bid Deadline, the Sale Hearing, and all applicable deadlines set forth in the Bidding Procedures was provided to parties in interest, including all creditors and potential bidders, pursuant to the *Notice of Sale, Bidding Procedures, Auction, and Sale Hearing* [Docket No. 290]. Therefore, I believe the sale of the Assets free and clear of all interests, except the interests permitted under the Purchase Agreement, is appropriate.

Adequate Assurance

17. It is my understanding, based on my discussions with the Buyer and its advisors, that the Buyer has the financial wherewithal necessary to consummate the Sale Transaction and meet its financial obligations under any executory contracts and unexpired leases to be assumed and assigned pursuant to the Purchase Agreement.

Good Faith

18. I believe the Debtors, with the assistance of their advisors, have conducted the marketing process in good faith and consistent with the Bidding Procedures and Bidding Procedures Order.

19. As set forth above, the Special Committee and the Debtors, in consultation with their advisors, negotiated the terms of the Purchase Agreement with the goal of achieving the best terms possible for the Debtors, their estates and creditors. I led these negotiations in my capacity as the sole member of the Special Committee and the Board, comprised of a majority of independent directors, approved the terms of the Purchase Agreement upon my recommendation. I believe the Debtors and, based on my observations, the Buyer, negotiated the terms of the Purchase Agreement at arm's-length and, both prior and subsequent

to the execution of the Purchase Agreement, have acted in connection with the sale process in good faith and without collusion.

20. Prior to the Petition Date and execution of the Purchase Agreement, the Buyer informed the Debtors and their advisors that the Buyer was involved in discussions with a private equity firm, IG4 Capital, to serve as a potential joint venture partner and/or financing source for the Buyer in connection with the purchase of the Assets. I understand that discussions between the Buyer and IG4 Capital are ongoing and no agreement has been reached between the parties. The Debtors disclosed this relationship at the outset of the chapter 11 cases in the Motion as well as in the Bidding Procedures Order and Bidding Procedures. *See* Motion, ¶ 4 n.2; Bidding Pro. Order, ¶ 10; Bidding Pro. P. 4. Moreover, the Bidding Procedures expressly permit Potential Bidders to engage in discussions and coordinate with each other regarding potential joint transactions or bids with the Debtors' prior consent, which the Debtors had previously agreed to with respect to Natura and IG4. *See* Bidding Pro. at 10 n. 4, 14. I believe the relationship between the Buyer and IG4 Capital was open and transparent since the start of the Debtors' marketing and sale process.

21. In my opinion, the negotiations and process which resulted in the Debtors' entry into the Purchase Agreement with the Buyer, and the subsequent marketing process that was carried out in accordance with the Court-approved Bidding Procedures that confirmed the bid represented by the Purchase Agreement was the highest and best offer, were entirely fair and the terms of such agreement are entirely fair as well.

22. Not only do I believe the sale to Natura represents the highest and best offer for the Assets and is in the bests interests of the estates, but I further believe it is the only plausible path forward to achieve any recoveries for the Debtors' unsecured creditors.

Moreover, based on my weekly observations of the marketing process, there is no reason to believe that additional bidders would come forward if timing for the sale process was extended further. In any case, Natura has made clear throughout this process that it is unwilling to provide additional debtor-in-possession financing to fund these chapter 11 cases beyond the current sale timeline.

23. If the proposed Sale Transaction to Natura is not approved by the milestone of December 5, 2024 set forth in the DIP Credit Agreement (as defined in the Final DIP Order[8]), I believe it is likely Natura will call a default and demand immediate repayment of the DIP Loans. With Natura's lien on substantially all assets through the DIP Loans, the Debtors have no alternative financing options available or any ability to pay off or refinance the DIP Loans. Therefore, if Natura called a default on the DIP Loans, the Debtors would almost certainly be forced to convert their chapter 11 cases to liquidations under chapter 7 of the Bankruptcy Code.

24. I further believe the conversion of these chapter 11 cases to cases under chapter 7 of the Bankruptcy Code would be disastrous for both the Debtors and general unsecured creditors. I understand based on discussions with the Debtors' advisors that conversion to chapter 7 of the Bankruptcy Code would likely lead to (i) a significant increase in administrative expense costs including the costs and expenses of a chapter 7 trustee; (ii) Natura's having approximately $43 million in allowed DIP Superpriority Claims with priority over all other administrative claims, as well as secured claims that would likely cover the value of any remaining assets, likely exhausting any recoveries to general unsecured creditors, including talc

[8] "Final DIP Order" means the *Final Order (I) Authorizing Debtors to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Liens and Provide Superpriority Administrative Expense Status, (D) Grant Adequate Protection, and (E) Modify the Automatic Stay, and (II) Granting Related Relief* [Docket No. 318].

claimants; and (iii) a significant increase in the amount of general unsecured claims against the Debtors which would further dilute recoveries to existing creditors, including, without limitation, on account of Natura's significant deficiency claims, additional rejection damage claims, and the added claims that were to be assumed by Natura under either the Settlement Agreement (including, for example, liabilities related to API's defined benefit pension plan as well as other intercompany claims that Natura has agreed to not pursue) or the Purchase Agreement (including, for example, claims arising under any transferred contracts and all accounts payable).

25. I further believe the failure to approve the sale to Natura would have profound negative impacts on the Debtors' international businesses, resulting in significant disruptions to the Debtors' international operations, additional stress on the liquidity of those businesses, and, potentially, a destabilizing effect on the Debtors' and non-debtors' employees, representatives, and trade counterparties around the globe. I believe it is unlikely Natura will continue to fund these international operations without a go-forward plan or stake in these operations through the proposed Sale Transaction, and I understand there is no other source of financing to fund these operations, particularly given the significant secured claims against those operations. Not only would this harm the Company's approximately 3 million representatives, five thousand employees, and countless vendors around the world, but it would also result in the Debtors' losing substantial value for their most significant assets. Instead of receiving value through a $125 million credit bid, plus the assumption of significant liabilities, the Debtors would likely receive little, if any, value for the Assets. The result would be the destruction of substantial value that benefits no one (except maybe Avon's competitors).

26. In light of the foregoing, the Debtors have determined that under these circumstances pursuing the proposed Sale Transaction to the Buyer is in the best interests of the Debtors, their estates, and their stakeholders.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Date: November 26, 2024
Colts Neck, New Jersey

/s/ John S. Dubel
John S. Dubel
Chair of the Board of Directors and Chair of the Special Committee
Avon Products, Inc.