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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

IN RE THE HONEST COMPANY,
INC. SECURITIES LITIGATION

2:21-CV-07405-MCS-PLA

ECF CASE

**AMENDED CONSOLIDATED
CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

Courtroom: 7C
Judge: Hon. Mark C. Scarsi

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

	<u>Page</u>
I. NATURE OF THE ACTION.....	1
II. JURISDICTION AND VENUE.....	3
III. PARTIES.....	4
A. Lead Plaintiff.....	4
B. Defendants.....	4
1. The Corporate Defendant.....	4
2. The Individual Defendants.....	4
3. The Underwriter Defendants.....	6
4. The Catterton Defendants.....	10
IV. SUBSTANTIVE ALLEGATIONS.....	13
A. Honest’s Business and Omnichannel Approach.....	13
B. Honest’s Clean Conscious Diaper.....	15
C. Honest’s “Growth”.....	31
D. Honest’s IPO.....	33
E. The Offering Documents Contained Materially False and Misleading Statements of Fact and Omitted Material Information.....	34
1. The Offering Documents Contained Misstatements and Omissions About Honest’s Product Innovation and its Clean Conscious Diaper.....	35
2. The Offering Documents Contained Misstatements and Omissions About Honest’s COVID-19 Inventory Stock Up.....	38
3. The Offering Documents Failed to Disclose and Misrepresented Significant Risks That Made the Offering More Speculative and Risky.....	40

1 F. Post-IPO Events Demonstrate that the Offering Documents Were
2 Materially False and Misleading at the Time of the Offering51

3 V. CLASS ALLEGATIONS53

4 VI. CAUSES OF ACTION55

5 COUNT I FOR VIOLATION OF SECTION 11 OF THE SECURITIES
6 ACT.....55

7 COUNT II FOR VIOLATION OF SECTION 15 OF THE SECURITIES
8 ACT.....58

9 VII. PRAYER FOR RELIEF.....59

10 VIII. JURY TRIAL DEMANDED60

11

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1 Lead Plaintiff Kathie Ng (“Lead Plaintiff”), individually and on behalf of a class
2 of similarly situated persons and entities, alleges the following upon information and
3 belief, except as to those allegations concerning Lead Plaintiff, which are alleged upon
4 personal knowledge. Lead Plaintiff’s information and belief is based upon, among
5 other things, the investigation undertaken by Court-appointed Lead Counsel, Labaton
6 Sucharow LLP, which included a review and analysis of: (i) regulatory filings made by
7 The Honest Company, Inc. (“The Honest Company,” “Honest,” or the “Company”)
8 with the U.S. Securities and Exchange Commission (the “SEC”); (ii) Company press
9 releases, transcripts of earnings calls, and other public statements issued and
10 disseminated by the Company; (iii) Company website and marketing materials; (iv)
11 price and volume data for Honest common stock; (v) research reports from securities
12 and financial analysts; (vi) news and media reports concerning the Company and other
13 facts related to this action; (vii) interviews with former Honest employees; (viii) other
14 publicly available materials and data; and (ix) and documents produced by Defendants
15 in this Action (as defined herein). Lead Counsel’s investigation into the factual matters
16 alleged herein continues and many of the relevant facts are known only by the
17 Defendants or are exclusively within their custody or control. Lead Plaintiff believes
18 that substantial additional evidentiary support will exist for the allegations set forth
19 herein after a reasonable opportunity for discovery.

20 **I. NATURE OF THE ACTION**

21 1. The claims asserted herein are strict liability claims for violations of
22 Sections 11 and 15 of the Securities Act of 1933 (the “Securities Act”) relating to the
23 Honest Company’s initial public offering (the “IPO” or “Offering”), commenced on or
24 about May 4, 2021, of 29,678,050 shares of common stock at a price of \$16.00 per
25 share. This federal securities class action is brought on behalf of a Class (defined
26 herein) of all persons or entities who purchased or otherwise acquired Honest common
27 stock pursuant and/or traceable to the Offering Documents (as defined herein) issued
28 in connection with the IPO, and who were damaged thereby.

1 2. Congress passed the Securities Act in the hopes of restoring investor
2 confidence after corporate scandals and the stock market crash of 1929. The Securities
3 Act requires that those who sell securities to the investing public do so on the basis of
4 accurate and fulsome disclosure. The Securities Act creates liability for false,
5 misleading, and incomplete statements made in connection with public securities
6 offerings in order to protect investors and maintain confidence in our public markets.

7 3. In one of her first communications to investors, Honest Founder Jessica
8 Alba shared an important sentiment: “[Trust] is hard to earn and it’s easy to lose.”
9 Honest’s customers and investors would agree.

10 4. Defendant Honest develops, markets and sells clean and sustainable
11 household and personal care products. The Company describes itself as focused on
12 “leading the clean lifestyle movement” and “creating a community for conscious
13 consumers.” Of Honest’s three business segments—Diapers and Wipes, Skin and
14 Personal Care, and Household and Wellness—its Diapers and Wipes category accounts
15 for the majority of Honest’s revenue.

16 5. At the time of Honest’s May 2021 IPO, as further alleged below, Honest
17 was experiencing a deceleration in sales—following both the January 2021
18 introduction of a newly formulated Clean Conscious Diaper, which customers have
19 claimed is subject to leaks, blowouts, and causing rashes, and a decline in demand
20 following an undisclosed year-long COVID-19 consumer stock-up.

21 6. Despite these then-existing facts, the Offering Documents told investors
22 that Honest’s diapers were an important “strategic customer acquisition tool” to
23 introduce consumers to the brand and increase the likelihood that they will purchase
24 products from Honest’s remaining segments. The Offering Documents also
25 emphasized Honest’s Clean Conscious Diaper as a key example of the Company’s
26 product innovation and continuous improvement in existing products’ safety,
27 sustainability, efficacy, and design and touted Honest’s omnichannel strategy as central
28

1 to its growth by having Honest products available wherever customers want to shop—
2 whether in-store at major retailers, online, or at Honest.com.

3 7. On the other hand though, the Offering Documents failed to disclose that
4 customers did not view its new Clean Conscious Diaper as either safe or effective—as
5 evidenced by a flood of online consumer reviews on Honest’s major retailer sites and
6 social media platforms describing chemical irritation and rashes, leaking and blowouts
7 amongst users. As early as February 2021, many customers promised to stop buying
8 Honest diapers and cancel their subscriptions because of the new and problematic
9 Clean Conscious Diaper formula.

10 8. The Offering Documents also incorrectly touted the boon the COVID-19
11 pandemic had been for the Company while describing the potential negative impact of
12 COVID-19 in generalized terms and as unascertainable. In reality, retailers were
13 destocking COVID-19 products and demand for these products were decreasing as
14 consumers had stocked up on these products during 2020. Although Honest was
15 tracking inventory daily and monitoring trends monthly such that the deceleration in
16 sales would be readily apparent at the time of the IPO, it was not until months later that
17 Defendant Vlahos acknowledged that the Company experienced a COVID-19 stock-
18 up over the past year—at least *nine months* before the IPO.

19 9. As a result of these undisclosed, adverse facts, Honest’s stock plummeted,
20 falling from its offering price of \$16.00 per share to close at \$10.55 on September 15,
21 2021, the day this action was filed.

22 **II. JURISDICTION AND VENUE**

23 10. The claims asserted herein arise under and pursuant to Section 11 and 15
24 of the Securities Act, 15 U.S.C. §§ 77k and 77o.

25 11. This Court has jurisdiction over this action pursuant to Section 22 of the
26 Securities Act, 15 U.S.C. § 77v, and 28 U.S.C. § 1331.

27 12. Venue is properly laid in this District pursuant to Section 22 of the
28 Securities Act and 28 U.S.C. § 1391(b), (c), and (d). Many of the acts and transactions

1 that constitute violations of law complained of herein, including the dissemination to
2 the public of untrue statements of material facts, occurred in this District.

3 13. In connection with the acts alleged in this complaint, Defendants, directly
4 or indirectly, used the means and instrumentalities of interstate commerce, including,
5 but not limited to, the United States mails, interstate telephone communications, and
6 the facilities of national securities exchanges.

7 **III. PARTIES**

8 **A. Lead Plaintiff**

9 14. As set forth in the Certification filed in this Action on November 15, 2021
10 (ECF Nos. 22-3 to -4), Lead Plaintiff Kathie Ng purchased Honest’s common stock
11 pursuant and/or traceable to the Offering Documents. Lead Plaintiff purchased
12 Honest’s common stock at a time when only shares offered in the IPO were in the
13 market. Lead Plaintiff suffered damages as a result of the violations of the federal
14 securities laws alleged herein. On January 26, 2022, the Court appointed Kathie Ng as
15 Lead Plaintiff in this Action (ECF No. 47).

16 **B. Defendants**

17 **1. The Corporate Defendant**

18 15. Defendant Honest is a Delaware corporation headquartered at 12130
19 Millennium Drive, #500, Los Angeles, California. Honest claims to be a digitally-
20 native,¹ mission-driven brand focused on leading the clean lifestyle movement,
21 creating a community for conscious consumers and seeking to disrupt multiple
22 consumer product categories. The Company’s stock is listed under the ticker symbol
23 “HNST” on Nasdaq Global Market (“NASDAQ”).

24 **2. The Individual Defendants**

25 16. Defendant Nikolaos Vlahos (“Vlahos”) served at all relevant times as
26 Chief Executive Officer (“CEO”) and as a member of Honest’s Board of Directors.

27 _____
28 ¹ Honest refers to itself as “digitally-native,” meaning that it launched the
Company as a digital platform.

1 Defendant Vlahos reviewed, contributed to, and signed the Company’s Registration
2 Statement filed with the SEC.

3 17. Defendant Kelly Kennedy (“Kennedy”) served at all relevant times as
4 Executive Vice President and Chief Financial Officer (“CFO”). Defendant Kennedy
5 reviewed, contributed to, and signed the Company’s Registration Statement filed with
6 the SEC.

7 18. Defendant Jessica Warren (“Warren” or “Alba”)² served at all relevant
8 times as the Chief Creative Officer and a member of Honest’s Board of Directors.
9 Defendant Warren served as the Chair of Honest’s Board of Directors from May 2018
10 to May 2021. Defendant Warren reviewed, contributed to, and signed the Company’s
11 Registration Statement filed with the SEC.

12 19. Defendant Katie Bayne (“Bayne”) served at all relevant times as a
13 member of Honest’s Board of Directors. Defendant Bayne reviewed, contributed to,
14 and signed the Company’s Registration Statement filed with the SEC.

15 20. Defendant Scott Dahnke (“Dahnke”) served at all relevant times as a
16 member of Honest’s Board of Directors. Defendant Dahnke reviewed, contributed to,
17 and signed the Company’s Registration Statement filed with the SEC.

18 21. Defendant Eric Liaw (“E. Liaw”) served at all relevant times as a member
19 of Honest’s Board of Directors. Defendant E. Liaw reviewed, contributed to, and
20 signed the Company’s Registration Statement filed with the SEC.

21 22. Defendant Jeremy Liew (“J. Liew”) served at all relevant times as a
22 member of Honest’s Board of Directors. Defendant J. Liew reviewed, contributed to,
23 and signed the Company’s Registration Statement filed with the SEC.

24 23. Defendant Avik Pramanik (“Pramanik”) served at all relevant times as a
25 member of Honest’s Board of Directors. Defendant Pramanik reviewed, contributed to,
26 and signed the Company’s Registration Statement filed with the SEC.

27 ² The Offering Documents refer to founder, Chief Creative Officer, and former
28 Chair of Honest’s board of directors Jessica Warren as Jessica Alba throughout the
Prospectus (as defined herein).

1 24. Defendants Vlahos, Kennedy, Warren, Bayne, Dahnke, E. Liaw, J. Liew,
2 and Pramanik are collectively referred to hereinafter as the “Individual Defendants.”

3 25. Each of the Individual Defendants participated in the preparation of and
4 signed the Registration Statement and in the making of the materially inaccurate,
5 misleading, and incomplete statements alleged herein. The Individual Defendants
6 reviewed, edited and approved the Offering Documents, participated in the IPO, and
7 solicited the purchase of Honest’s common stock in the IPO.

8 **3. The Underwriter Defendants**

9 26. Defendant Morgan Stanley & Co. LLC (“Morgan Stanley”) was an
10 underwriter for the Company’s IPO, serving as a financial advisor for and assisting in
11 the preparation and dissemination of the materially inaccurate, misleading, and
12 incomplete Offering Documents. Defendant Morgan Stanley acted as a representative
13 of all of the underwriters. In the IPO, Defendant Morgan Stanley was allocated
14 9,627,997 shares of the Company’s common stock, exclusive of the over-allotment
15 option, to sell to the investing public.

16 27. Defendant J.P. Morgan Securities LLC (“J.P. Morgan”) was an
17 underwriter for the IPO, serving as a financial advisor for and assisting in the
18 preparation and dissemination of the materially inaccurate, misleading, and incomplete
19 Offering Documents. Defendant J.P. Morgan acted as a representative of all of the
20 underwriters. In the IPO, Defendant J.P. Morgan was allocated 7,166,405 shares of the
21 Company’s common stock, exclusive of the over-allotment option, to sell to the
22 investing public.

23 28. Defendant Jefferies LLC (“Jefferies”) was an underwriter for the IPO,
24 serving as a financial advisor for and assisting in the preparation and dissemination of
25 the materially inaccurate, misleading, and incomplete Offering Documents. Defendant
26 Jefferies acted as a representative of all of the underwriters. In the IPO, Defendant
27 Jefferies was allocated 3,771,792 shares of the Company’s common stock, exclusive
28 of the over-allotment option, to sell to the investing public.

1 29. Defendant BofA Securities, Inc. (“BofA”) was an underwriter for the IPO,
2 serving as a financial advisor for and assisting in the preparation and dissemination of
3 the materially inaccurate, misleading, and incomplete Offering Documents. In the IPO,
4 Defendant BofA was allocated 1,191,092 shares of the Company’s common stock,
5 exclusive of the over-allotment option, to sell to the investing public.

6 30. Defendant Citigroup Global Markets, Inc. (“Citigroup”) was an
7 underwriter for the IPO, serving as a financial advisor for and assisting in the
8 preparation and dissemination of the materially inaccurate, misleading, and incomplete
9 Offering Documents. In the IPO, Defendant Citigroup was allocated 1,191,092 shares
10 of the Company’s common stock, exclusive of the over-allotment option, to sell to the
11 investing public.

12 31. Defendant William Blair & Company, L.L.C. (“William Blair”) was an
13 underwriter for the IPO, serving as a financial advisor for and assisting in the
14 preparation and dissemination of the materially inaccurate, misleading, and incomplete
15 Offering Documents. In the IPO, Defendant William Blair was allocated 952,874
16 shares of the Company’s common stock, exclusive of the over-allotment option, to sell
17 to the investing public.

18 32. Defendant Guggenheim Securities, LLC (“Guggenheim”) was an
19 underwriter for the IPO, serving as a financial advisor for and assisting in the
20 preparation and dissemination of the materially inaccurate, misleading, and incomplete
21 Offering Documents. In the IPO, Defendant Guggenheim was allocated 774,210 shares
22 of the Company’s common stock, exclusive of the over-allotment option, to sell to the
23 investing public.

24 33. Defendant Telsey Advisory Group LLC (“Telsey”) was an underwriter for
25 the IPO, serving as a financial advisor for and assisting in the preparation and
26 dissemination of the materially inaccurate, misleading, and incomplete Offering
27 Documents. In the IPO, Defendant Telsey was allocated 416,882 shares of the
28

1 Company's common stock, exclusive of the over-allotment option, to sell to the
2 investing public.

3 34. Defendant C.L. King & Associates, Inc. ("C.L. King") was an underwriter
4 for the IPO, serving as a financial advisor for and assisting in the preparation and
5 dissemination of the materially inaccurate, misleading, and incomplete Offering
6 Documents. In the IPO, Defendant C.L. King was allocated 178,664 shares of the
7 Company's common stock, exclusive of the over-allotment option, to sell to the
8 investing public.

9 35. Defendant Loop Capital Markets LLC ("Loop") was an underwriter for
10 the IPO, serving as a financial advisor for and assisting in the preparation and
11 dissemination of the materially inaccurate, misleading, and incomplete Offering
12 Documents. In the IPO, Defendant Loop was allocated 178,664 shares of the
13 Company's common stock, exclusive of the over-allotment option, to sell to the
14 investing public.

15 36. Defendant Penserra Securities LLC ("Penserra") was an underwriter for
16 the IPO, serving as a financial advisor for and assisting in the preparation and
17 dissemination of the materially inaccurate, misleading, and incomplete Offering
18 Documents. In the IPO, Defendant Penserra was allocated 178,664 shares of the
19 Company's common stock, exclusive of the over-allotment option, to sell to the
20 investing public.

21 37. Defendant Samuel A. Ramirez & Company, Inc. ("Samuel A. Ramirez")
22 was an underwriter for the IPO, serving as a financial advisor for and assisting in the
23 preparation and dissemination of the materially inaccurate, misleading, and incomplete
24 Offering Documents. In the IPO, Defendant Samuel A. Ramirez was allocated 178,664
25 shares of the Company's common stock, exclusive of the over-allotment option, to sell
26 to the investing public.

1 38. Defendants Morgan Stanley, J.P. Morgan, Jefferies, BofA, Citigroup,
2 William Blair, Guggenheim, Telsey, C.L. King, Loop, Penserra, and Samuel A.
3 Ramirez are collectively referred to hereinafter as the “Underwriter Defendants.”

4 39. The Underwriter Defendants are investment banking houses which
5 specialize, among other things, in underwriting public offerings of securities. The
6 Underwriter Defendants’ participation in and their solicitation of purchases of Honest’s
7 common stock in the IPO was motivated by their financial interests. Collectively, the
8 Underwriter Defendants received over \$30 million in fees and commissions in
9 connection with their sale of Honest common stock in the IPO.

10 40. The Underwriter Defendants determined that in return for their share of
11 the IPO’s proceeds, they were willing to merchandise Honest’s common stock in the
12 IPO. The Underwriter Defendants arranged for the roadshow prior to the IPO during
13 which they, and the Individual Defendants, met with investors and presented highly
14 favorable information about the Company, its operations, and its financial prospects.

15 41. The Underwriter Defendants also demanded and obtained an agreement
16 from Honest that Honest would indemnify and hold the Underwriter Defendants
17 harmless from any liability under the federal securities laws. They also made certain
18 that Honest had purchased millions of dollars of directors’ and officers’ liability
19 insurance.

20 42. The Underwriter Defendants assisted Honest and the Individual
21 Defendants in planning the IPO, and purportedly conducted an adequate and reasonable
22 investigation into the business and operations of Honest, an undertaking known as a
23 “due diligence” investigation. The due diligence investigation was required of the
24 Underwriter Defendants in order to engage in the IPO. During the course of their “due
25 diligence,” the Underwriter Defendants had continual access to confidential corporate
26 information concerning Honest’s operations and financial prospects.

27 43. In addition to availing themselves of virtually unbridled access to internal
28 corporate documents, the Underwriter Defendants had access to the Company’s

1 lawyers, management, and directors and top executives (including the Individual
2 Defendants) to determine: (i) the strategy to best accomplish the IPO; (ii) the terms of
3 the IPO, including the price at which the Company's common stock would be sold;
4 (iii) the language to be used in the Offering Documents; (iv) what disclosures about the
5 Company would be made in the Offering Documents; and (v) what responses would
6 be made to the SEC in connection with its review of the Offering Documents. As a
7 result of those constant contacts and communications between the Underwriter
8 Defendants and the Company's lawyers, management, directors, and top executives
9 (including the Individual Defendants), at a minimum, the Underwriter Defendants were
10 negligent in not knowing of the materially untrue statements and omissions contained
11 in the Offering Documents as detailed herein.

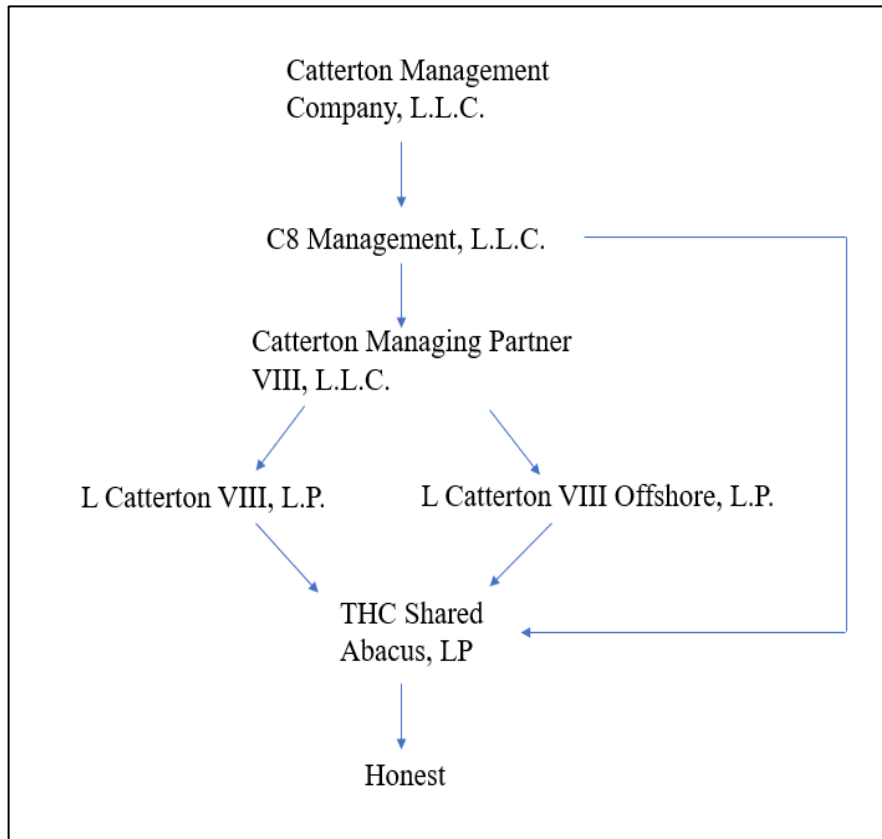
12 44. The Underwriter Defendants caused the Offering Documents to be filed
13 with the SEC and to be declared effective in connection with offers and sales of the
14 Company's common stock pursuant and/or traceable to the IPO and the Offering
15 Documents, including to Lead Plaintiff and other members of the Class.

16 4. The Catterton Defendants

17 45. Defendant Catterton Management Company, L.L.C. ("Catterton"), by and
18 through the other named Catterton Defendants, beneficially owned 31,187,748 Honest
19 shares on an as converted basis prior to the Offering, representing 37.1% of total shares.
20 In the Offering, Catterton sold 19,017,945 shares to the investing public. At all relevant
21 times, Defendant Dahnke was the co-CEO of Catterton and Defendant Pramanik was
22 a Partner at Catterton.

23 46. Defendant L Catterton VIII, L.P. ("Catterton VIII") and Defendant L
24 Catterton VIII Offshore, L.P. ("Catterton VIII Offshore") are the two Catterton funds
25 that invested in Honest through Defendant THC Shared Abacus, LP ("Shared
26 Abacus"). Defendant Catterton Managing Partner VIII, L.L.C. ("Catterton Managing
27 Partner VII") was at all relevant times the general partner of Defendants Catterton VIII
28 and Catterton VIII Offshore. Defendant C8 Management, L.L.C. ("C8 Management")

1 was at all relevant times the general partner of Defendant Shared Abacus and the
2 managing partner of Defendant Catterton Managing Partner VIII. Defendant Dahnke
3 was at all relevant times a managing member of Defendant C8 Management.



18 47. Defendants Catterton, C8 Management, Catterton Managing Partner VIII,
19 Catterton VIII, Catterton VIII Offshore, Shared Abacus, Dahnke, and Pramanik, are
20 collectively referred to hereinafter as the “Catterton Defendants.”

21 48. The Offering was primarily for the benefit of the Catterton Defendants,
22 and as such, the Catterton Defendants orchestrated the IPO and insisted that the other
23 members of Honest’s board of directors agree to the Offering.

24 49. The Catterton Defendants exercised substantial dominion over the
25 Offering. For instance, the Catterton Defendants directly participated in the preparation
26 of the Offering Documents, including the prospectus summary, business summaries,
27 management’s discussion and analysis, applicable risk factors, F-pages, and the audit
28 of the Company’s financials.

1 50. Relatedly, the Catterton Defendants played a substantial role in the review
2 of Honest's financials which were included in the Offering Documents and/or factored
3 into the Company's forecasts. This included Public Company Accounting Oversight
4 Board (PCAOB) audits for 2019 and 2020, 2018 historical financials, the three-year
5 analyst model, both quarterly and annual, Honest's guidance strategy, and the
6 Company's tax structure and related net operating loss (NOL).

7 51. The Catterton Defendants significantly participated in the purported due
8 diligence process, including the review of the Company's business and financials, as
9 well as issues pertaining to legal, intellectual property, regulatory and cybersecurity
10 risks, vendors, auditors, and analysts.

11 52. As to the marketing strategy for the Offering, the Catterton Defendants
12 again directly participated. For example, the Catterton Defendants were involved in
13 testing-the-waters, roadshow presentations and videos, public filings, determining and
14 messaging the Offering size and structure, investor targeting, Honest's valuation, and
15 the directed share program and insider participation.

16 53. Finally, the Catterton Defendants directly managed Honest's business and
17 other affairs leading up to the IPO. This included a CFO search and evaluating hiring
18 needs, selecting bookrunners and co-managers for the Offering, quarterly dry-runs of
19 disclosing and validating metrics and guidance, corporate governance matters and
20 board composition, compensation plans, internal and external communications,
21 FINRA approvals, exchange listing and listing approval, share class structure, and
22 selecting a transfer agent.

23 54. In addition to the above, the Catterton Defendants selected Morgan
24 Stanley as the lead underwriter for the Offering. Afterwards, Morgan Stanley provided
25 the Catterton Defendants with briefings, sometimes daily. The Catterton Defendants
26 also participated in IPO meetings with Morgan Stanley without any non-Catterton
27 Honest personnel present. Finally, the Catterton Defendants were responsible for
28 Morgan Stanley's incentive fee upon closing of the Offering.

1 55. Honest employees routinely reported to and took direction from the
2 Catterton Defendants, including with respect to the Company’s financials and business
3 strategy in addition to IPO-related matters.

4 56. At bottom, each of the Catterton Defendants participated in the
5 preparation of the Registration Statement and in the making of the materially
6 inaccurate, misleading, and incomplete statements alleged herein. The Catterton
7 Defendants reviewed, edited, approved, and controlled the Offering Documents,
8 participated in the IPO, and solicited the purchase of Honest’s common stock in the
9 IPO.

10 **IV. SUBSTANTIVE ALLEGATIONS**

11 **A. Honest’s Business and Omnichannel Approach**

12 57. Honest describes itself as a digitally-native, mission-driven brand focused
13 on leading the “clean lifestyle movement,” creating a community for conscious
14 consumers and seeking to disrupt multiple consumer product categories. According to
15 Honest, since its launch in 2012, Honest has been dedicated to developing clean,
16 sustainable, effective and thoughtfully designed products with transparency. Honest’s
17 products contain primarily “better-for-you” products, including clean and natural
18 categories of diapers, personal care, and household wellness products. According to
19 the Company, Honest had developed its products with transparency and as a result had
20 “cultivated deep trust around what matters most to [its] consumers: their health, their
21 families and their homes.”

22 58. Honest’s three main categories are: (i) Diapers and Wipes; (ii) Skin and
23 Personal Care—which includes shampoo, conditioner, body wash, lotions and the
24 Company’s Clean Beauty category; and (iii) Household and Wellness, which includes
25 cleaning supplies, sanitizers and disinfectants, feminine care products, and vitamins.
26 These categories represented 63%, 26% and 11% of the Company’s 2020 revenue,
27 respectively.

1 59. Its largest segment, Diapers and Wipes, is described in the Offering
2 Documents as the center of Honest’s product ecosystem, serving as an entry point for
3 new parents to become customers for everyday family needs. According to Honest, its
4 multi-category product architecture is designed to drive loyalty, increase its consumer
5 wallet share and generate attractive consumer lifetime value.

6 60. According to the Company, Honest’s diapers serve as a strategic customer
7 acquisition tool, as new parents then often purchase wipes and other Honest products
8 from the Company’s Skin and Personal Care and Household and Wellness categories.
9 In 2020, the Company commissioned a third-party study that showed nearly 90% of its
10 diaper buyers expanded their purchases beyond diapers and nearly half of diaper buyers
11 have purchased two or more of Honest’s non-diaper products.

12 61. Honest describes itself as an omnichannel brand, meaning its products are
13 available regardless of where customers shop, whether through Honest’s own
14 ecommerce site, another online retailer, or in the traditional retail space. In other words,
15 as stated in the Offering Documents, Honest’s “omnichannel approach seeks to meet
16 consumers however they want to shop.” According to its Offering Documents,
17 Honest’s “differentiated platform positions [it] for continued growth through [its]
18 trusted brand, award-winning multi-category product offering, deep digital-first
19 connection with consumers and omnichannel accessibility.”

20 62. Honest’s products are sold on its flagship digital platform and in retail
21 channels that include Costco, Target, and Amazon. In 2020, Honest generated 55% of
22 its revenue from its Digital channel and 45% of its revenue from its Retail channels.
23 Honest’s products can be found in approximately 32,000 retail locations across the
24 United States, Canada, and Europe.

25 63. According to the Company “[t]his distinctive business model has allowed
26 us to efficiently scale our business while *remaining agnostic as to the channel where*
27 *consumers purchase our products.*”

1 64. Nevertheless, Honest told investors that there is “a fundamental channel
2 shift [] underway across the Diapers and Wipes, Skin and Personal Care and Household
3 and Wellness markets.” According to Honest, these products had historically been sold
4 through traditional, wholesale, store-based channels, which accounted for
5 approximately 80% of U.S. retail sales in these markets in 2019. According to Honest,
6 however, from 2014 to 2019, total ecommerce sales grew at seven times the rate of
7 brick and mortar store-based sales. To this point, Honest touted to investors that it
8 expected these trends would not only continue but would accelerate globally.

9 **B. Honest’s Clean Conscious Diaper**

10 65. According to Honest, diapers are at the “center of [Honest’s] product
11 ecosystem,” serving as a strategic customer acquisition tool that acts as an entry point
12 for Honest’s product portfolio and leads to the purchase products from other categories.
13 Put differently, the diapers category serves as an integral entry point for Honest which
14 materially impacts customer purchasing and retention of the Company’s other
15 products. As explained in the Prospectus, Honest commissioned a third-party study in
16 2020 that found nearly 90% of Honest’s surveyed diaper buyers expanded their
17 purchases. Nearly half of diaper buyers surveyed purchased two or more of Honest’s
18 non-diaper products.

19 66. To the point of purported customer synergies, Honest’s self-proclaimed
20 mantra is “costovation,” which, as defined, refers to Honest’s touted goal of
21 continuously improving the safety, sustainability, efficacy, and design profile of its
22 existing suite of products.

23 67. Relevant here, a key example of Honest’s “costovation” strategy was the
24 introduction of the Clean Conscious Diapers line of products in January 2021.
25 According to Honest, these diapers are made with plant-based materials, packaged in
26 100% recyclable boxes, and premised on new technology which improves absorption
27 while at the same time reducing the material used for each diaper.

28

1 68. The Clean Conscious Diapers design includes a quilted bubble liner,
2 toxicologist-verified wetness indicator, and a quick absorb channel to better help
3 control leaks and keep the baby dry. The Clean Conscious Diapers also offer
4 customized enhancements for each age, including a belly button cutout for additional
5 comfort (Newborns), double poo pockets to prevent blowouts (Sizes 1–2), and stretch
6 comfort for more active babies (Sizes 3–6).

7 69. In reality, however, shortly after its introduction—and months prior to the
8 IPO—Honest’s Clean Conscious Diaper caused leaks, blowouts and rashes on its child
9 users.

10 70. CW-1 started working for Honest in early 2020 and was a Manager of
11 Social Marketing for all of Honest’s products from the start of 2021 through her
12 departure a month after the IPO.³

13 71. CW-1 stated that in January 2021, Honest changed their diaper
14 technology.⁴ According to CW-1, customers were very unhappy about the change
15 because, although the newer diapers were more eco-conscious, they did not work as
16 well as the previous versions. CW-1 added that once the new diapers “crashed and
17 burned,” she got a sense that things were not great at the Company. Many consumers
18 shared their negative experiences with the new formula and its failure to guard against
19 leaking and blowouts online.




20 72. Several customers explained that, despite having been loyal Honest
21 customers, the new Clean Conscious Diaper came with unexpected and frightening side
22 effects, including “permanent rash[es],” “chemical irritation,” “big” and “constant
23 leaks,” as well as issues with the “poorly made” diaper lining and wetness indicator. In
24

25 ³ For ease of comprehension and readability, the Complaint uses the pronoun “she”
26 and possessive “her” in connection with former Honest employees. This convention,
however, is not meant to identify the actual gender of any of the former employees.



27 ⁴ On January 22, 2021, Honest issued a press release announcing the launch of a
28 new line of Clean Conscious Diapers that, according to Honest, were designed to be
conscious of both baby and the environment. The press release details new technology
designed to be better absorbing and allow for a more efficient design.

1 an understandable uproar, many customers stated they would no longer purchase
2 Honest diapers. For example:




3 **Caused “a permanent rash for a few months”**

4
5  Heather Trapier Rolfe  doesn't recommend The Honest Company.
6 May 9, 2021 · 


7 I used to love Honest diapers. My baby has sensitive skin so these
8 were a great option. BUT my son has had a permanent rash for a few
9 months and, I had no idea what was causing it until I went on vacation
10 and bought a different brand of diapers. It's been ONE DAY, his rash
11 gone and he's not trying to scratch at his bottom anymore. I am
12 positive that since they changed to the clean conscious diapers my
13 son can no longer wear these diapers. Sadly I will be cancelling our
14 subscription and going with another company.

15   2

14 **Constant leaks lead to canceled subscription**


15  Andrea L Akins  doesn't recommend The Honest Company.
16 May 15, 2021 · 


17 Please go back to the old Diapers. We have been using you for over a
18 year with no issues and then all of a sudden you change to your new
19 design and the leaks or constant. We switch to Huggies and canceled
20 our subscription.

21  3

1 **Cannot trust Honest after chemical irritation, leaks and blowouts**



Liz Phillips Myrick  doesn't recommend The Honest Company.

April 29, 2021 · 

4

5 Dear Honest,

6 You've been my go to, my ride or die, my forever thing for the past 2.5

7 years. You were perfect just the way you were. But then you decided to

8 change. I was worried when you said you were adding a chemical strip

9 after all the no strip was the reason we got together in the first

10 place. But I decided to give you a chance. I wanted to still believe in

11 you. Here we are less than a week later. You never let me down before.

12 But chemical irritation, 3 big leaks and 2 blow outs in 5 days of your

13 new "improved" design tell me we're over. I just can't trust you

14 anymore.




2

15 **“Hands down the worst diapers I have ever used”**



Ana De Weerd  doesn't recommend The Honest Company.

October 7, 2021 · 

18 Honest diapers used to be the absolute best, but ever since they

19 switched to “clean conscious”, they have been garbage. Every single

20 diaper leaks within an hour of putting it on my baby. These are hands

21 down the worst diapers I have ever used in my life. It blows my mind

22 that they cost so much when they are so horrible. Since they got rid of

23 the diapers that actually work, I have had to do so much laundry and

24 scrubbing messes that I might as well have been cloth diapering the

25 whole time. It would have been less mess.

26

27

28

Buy other clean brands before “these poorly made diapers”

New line indicator diapers are terrible

☆☆☆☆☆ | ⓧ Would not recommend

CcN - 1 year ago

These new and “improved” diapers are terrible. I've been purchasing honest diapers since my baby was 4weeks old never had a problem with them, we loved them. Now these new prints the lining of the diapers are NOT the same. My baby's diaper is not close to being full and he's pee is already leaking out. No it's not the size because prior to that I had some of the previous ones in his diaper bag and they did not compare. This “line indicator” on the diapers are poorly made. It's a shame because I really liked honest my baby is now 10months and I'll have to do some research and change brands. It's a shame, I would recommend you try other clean brands before purchasing these poorly made diapers.

1 reply from Honest Product Expert team - 1 year ago

Hi CcN, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!

Diapers soaked through and blown-out



Isabel Nicole doesn't recommend The Honest Company. March 26, 2021 · 🌐

I'm so frustrated and disappointed in these new "conscious clean" diapers! my baby has woken up soaked.... SOAKED!! and his eyes were swollen because he was sleeping in his pee. sure, he'd sometimes leak through the old diapers... but never soaked through them and he's never woken with his bedding soaked and him covered in pee. a couple weeks ago, he had diarrhea.. I wake up to him COVERED in poop because he had a major blowout in these diapers. and not only overnight.. this happens throughout the day well. we will get him out of his carseat and BAM another leak ...another blowout. please bring back the last generation of diapers.

👍❤️ 5

4 Comments

👍 Like

💬 Comment

➦ Share

View 3 previous comments



Jennifer Sons
I cancelled my subscription 🗑️🗑️

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Leaks every day and rash

Awful new diaper

★☆☆☆☆ | ⓧ Would not recommend

Satha - 1 year ago

Awful, awful awful! What happened to the old ones? These new ones are terrible! All of a sudden there's leaks everyday and a white gel like substance that's all over my baby's diaper area. It's also given him a rash where ever the diaper touches.

... 1 reply from Honest Product Expert team - 1 year ago

Hi Satha, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're committed to your satisfaction and would love to be able to speak with you to gather some more information. Please send us an email to support@thehonestcompany.com with the best time and phone number to reach you with a mention of the Target review. We look forward to hearing from you!

Diapers leak through and smell "really bad"

Poorly made

★☆☆☆☆ | ⓧ Would not recommend

mamamichelle - 11 months ago

I've been using the original honest diapers with my daughter since she was a newborn and never had a problem until the new ones she leaks through every single diaper. They also smell really bad when she has a pee diaper.

... 1 reply from Honest Product Expert team - 11 months ago

Hi Mamamichelle, We are sorry to hear that you did not have a positive experience with our diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!


Changed for “the WORSE” and “will never buy them again”

Changed design and now quality is AWFUL

★☆☆☆☆ |  Would not recommend

Krushton - 10 months ago

These were our go-to diapers until this last box. They rebranded/changed the quality and now leak ALL THE TIME. My son could wear it for 30min and leak. Every diaper he wears...leaks so matter how often we change him. There was one time I even had just changed him, and somehow, while holding him I felt his pee come right through. I'm so upset they changed it for the WORSE and I will never buy them again.

 1 reply from Honest Product Expert team - 10 months ago

We're sorry to hear you had this experience with our diapers, Krushton. We take product complaints very seriously and would like to gather additional details. Please give us a call at 1.888.862.8818 so our team can best assist.


“Bring back the old version”

Please bring the old version back!

★☆☆☆☆ |  Would not recommend

Jessmr27 - 10 months ago

I have use honest for both of my girls since they were born., this new version sucks it leaks everytime. Can you please bring back the old version.

 1 reply from Honest Product Expert team - 10 months ago

We're sorry to hear you had this experience with our diapers, Jessmr27. We take product complaints very seriously and would like to gather additional details. Please give us a call at 1.888.862.8818 so our team can best assist.


Leaks lead to return for a refund

New design is causing daily leaks

★☆☆☆☆ |  Would not recommend

HWGrey - 1 year ago, Verified purchaser

I only use honest company diapers for my toddler. The new design with the wetness indicator is terrible. My daughter has leaked every single day this week (yes daily!). On the couch, in her car seat, playing outside... the list goes on and on. This never happened with the old design. I'll have to return my unopened box for a refund.

 1 reply from Honest Product Expert team - 1 year ago

Hi HWGrey, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at (888) 862-8818 so we can gather some additional information!

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“Awful” and “have to find something different now”

New design is awful - leaks

★☆☆☆☆ | ⓧ Would not recommend

Mommyto3 - 1 year ago, Verified purchaser

We have loved Honest diapers. Used them exclusively for 2 years. Now they've changed the design/formula and it's awful!! They leak! Have to find something different now. So sad! :(

1 reply from Honest Product Expert team - 1 year ago

Hi Mommyto3, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at (888)862-8818 so we can gather some additional information!

Leaks and “no longer buying”

Leak through and cheap

★☆☆☆☆ | ⓧ Would not recommend

Eilrad244 - 1 year ago

I use to LOVE honest. Their new and “ improved” diaper is such a disappointment. My child has leaked through the diaper the past week every single time. They are cheap material and the pee indicator isn't necessary really. I think they say “ environmentally better” because they wanted to decrease material and wanted to increase profit. I am no longer buying honest. I am so sad to say that, especially since I am expecting a little one in less than 2 months. I hope they go back to their old diaper.

1 reply from Honest Product Expert team - 11 months ago

Hi Eilrad244, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!

“Took a perfect item and ruined it with the new design”

Awful new design

★☆☆☆☆ | ⓧ Would not recommend

Yari - 10 months ago

New diaper design is AWFUL. They are no longer high quality, the bikini cut style makes it easy for them to leak and they are super thin. They took a perfect item and ruined it with the new design.

1 reply from Honest Product Expert team - 9 months ago

We are sorry to hear that you did not have a positive experience with our diapers, Yari. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!

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“Definitely not recommend”

Leaks, leaks, leaks

★☆☆☆☆ | ⊗ Would not recommend

Dad - 9 months ago

I definitely not recommend this “new” design anymore. Leaks from the sides and even the diaper.

1 reply from Honest Product Expert team - 9 months ago

Oh no! We're so sorry to hear this. We'd love to gather some additional information and learn more about your experience. So we can best assist, please give us a call at 1.888.862.8818. Thank you!

New diapers are “awful!”

Terrible

★☆☆☆☆ | ⊗ Would not recommend

Taylor - 1 year ago

The new honest diapers are awful! They are incredibly thin and leak within 30 minutes of wearing. I will be switching back to Pampers.

1 reply from Honest Product Expert team - 1 year ago

Hi Taylor, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at (888) 862-8818 so we can gather some additional information!

“Major leaking problems!”

Leakage!!!!!!

★☆☆☆☆ | ⊗ Would not recommend

T - 11 months ago

Major leaking problems! I've used honest diapers for over a year without a problem but as soon as we switched to these new ones with the wetness indicator I was cleaning up a very wet baby every 1.5 hours. You can see straight through these to where the strip was laid for the indicator so I'm assuming that is where the leak is coming from.

1 reply from Honest Product Expert team - 11 months ago

Hi T, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!

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“So mad we have to change diaper brands”

leaks! bad re-design

★☆☆☆☆ |  Would not recommend

Sarah K - 10 months ago, Verified purchaser

new version of honest diapers leak! my son leaked through 4 in a row, meaning four outfit changes! ugh, so mad we have to change diaper brands.

 1 reply from Honest Product Expert team - 10 months ago

We're sorry to hear you had this experience with our diapers, Sarah. We take product complaints very seriously and would like to gather additional details. Please give us a call at 1.888.862.8818 so our team can best assist!


“I am never buying these again”

New version leaks like crazy!

★☆☆☆☆ |  Would not recommend

Amber - 10 months ago

I've been using Honest diapers for a while and really liked them. Recently they changed to include a wetness indicator, and you can see there is less absorbing material (there are 3 distinct lines, instead of a big pad) and they leak like crazy!!! I just took my son to the doctor, was gone less than 2 hours and his pants are soaked. Forget about using them overnight. They used to hold great for us, but 4 nights in a row we have woken up with drenched pajamas (usually with lots of tears, in the middle of the night). I am never buying these again. They are terrible!!

 1 reply from Honest Product Expert team - 10 months ago

We're sorry to hear you had this experience with our diapers, Amber. We take product complaints very seriously and would like to gather additional details. Please give us a call at 1.888.862.8818 so our team can best assist.


“Please go back to old designs”

New design is trash!

★☆☆☆☆ |  Would not recommend

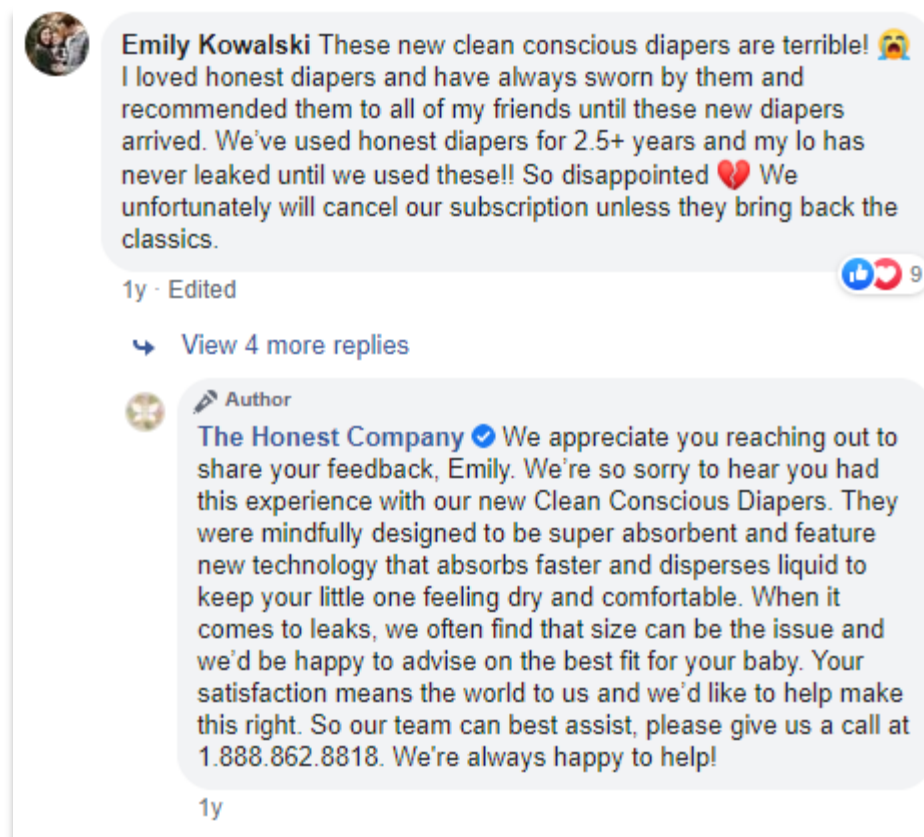
Lou - 1 year ago

We've used honest for 2 years since my son was born and I rave about them to everyone until she switched 'technology' and added the indicator. Please go back to old designs. These new one leak so bad. We are changing clothes 2-4 times a day!!!! I'm using the rest of this box then fingers crossed I can find a new diaper company. May try hello bello because my son has very sensitive skin, I'm worried about switching him!!


 1 reply from Honest Product Expert team - 1 year ago


Hi Lou, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at (888) 862-8818 so we can gather some additional information!


1 73. In addition to expressing general outrage on social media, including the
2 Company's Facebook page, Honest customers left targeted comments on the
3 Company's announcement of the Clean Conscious Diaper. Many of these aggrieved
4 consumers received responses from the Honest Company asking to learn more about
5 their negative experiences. For example:




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 **Alexis Ann** My son has been using honest company diapers for 10 months the new CC diapers do not compare to the old version! So disappointed the diaper leaks, gives my lo diaper rash, definitely not as absorbing, and i have to use so many more diapers throughout the day! I will be searching for a new diaper brand if the old version isn't available to purchase... 😞

51w · Edited  1


 **Erica Swan** These are not "your best diapers yet" they are terrible, did you even test them before releasing them? Leaks immediately as soon as my daughter pees and I shouldnt have to size her up when she isn't even in the next sizes weight I'm not going to get "less diapers for the same amount of money" because you built an inferior product. Another lost customer


50w  10


↪ 1 Reply

 **Megan Frix** We loved this brand until their new diapers came out! Now our 6 month old wakes up soaking wet everyday ! This is so disappointing because we loved this brand of diapers but have to switch to something different 😞

50w

 **Gail Erin** Your new diaper design is horrendous. I literally have to change my daughter's diaper every 30-60 minutes now. I go through pants because of leaks several times a day. You lost a customer.

50w  6

 **Jillian Meloche** These are horrid!!We LOVED the old diapers they were dependable and amazing and one of the only brands that didn't make our sensitive skinned baby break out in a rash...These new ones are thin and garbage and even can't hold one small pee. Leaking everywhere and now rashes galore 😞Now we have to find a new diaper brand it's so so disappointing when you finally find something that works and you love and they change it 😞

41w · Edited

 **Author**
The Honest Company  We apologize for the frustration you've experienced with our new Clean Conscious diapers, Jillian. We'd like to learn more about your experience and gather additional details. So we can best assist, please send us a Facebook direct message. Thank you!

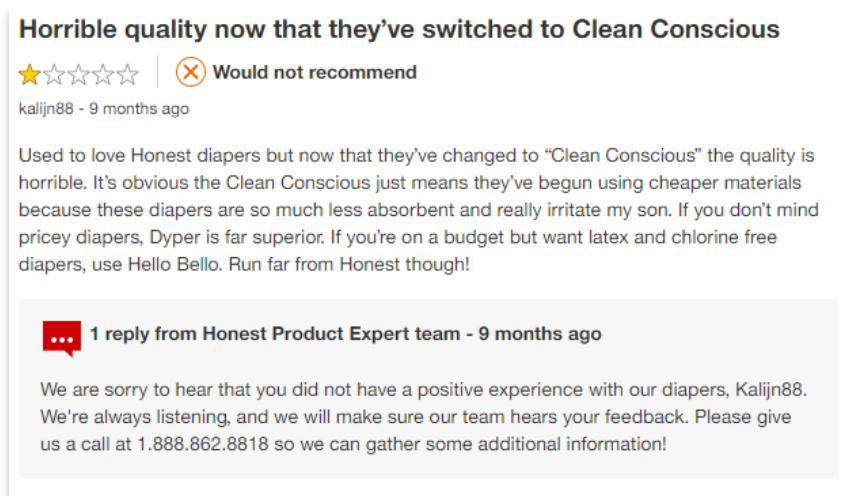
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74. Several users attributed leaking and skin irritation to the new materials used in the Clean Conscious Diaper. For example:

“Run far from Honest”



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“I will no longer purchase these”

No longer the quality they were. Especially not worth the price.

★☆☆☆☆ | ⓧ Would not recommend

Genevieve - 1 year ago

I've been using honest diapers for the past 4 years on my three babies, but the new design is very cheaply made! I've managed to waist diapers because the side tabs have easily ripped off. My baby has leaked and ruined clothes for the past week! I will no longer purchase these. Very disappointed!

1 reply from Honest Product Expert team - 11 months ago

Hi Genevieve, We are sorry to hear that you did not have a positive experience with our diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!

“Diapers have exploded” and “will not be purchasing ... again”

 **Kirsten Gockenbach Glazier** ⓧ doesn't recommend **The Honest Company.**
May 6, 2021 · 🌐

I've been using Honest Co diapers for 2 years for my son with extremely irritated skin. I purchased a new box in April and so far, 2 of the diapers have exploded leaving my son with the gel beads all over himself and his clothes. I contacted the company who essentially told me there is nothing they can do about this issue, except issue me a free thing of diapers valued at 10.95 even though I purchased the club box for 50. Needless to say, I am disappointed and will not be purchasing from this company again.

 1 1 Comment

 Like  Comment  Share

 **Charity Coker**
Been there. We switched to Hello Bello a couple months ago (after using Honest for 6+ years), and we love them! You should check out their subscriptions

40w

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“I will be returning the 2nd box”

Wetness indicator diapers are trash

★☆☆☆☆ |  Would not recommend

MalinLeiMom - 1 year ago

The wetness indicator diapers are horrible. They are super then. I bought 2 boxes for \$50 each. Waste of money, I will be returning the 2nd box. My daughter pee right through the diaper. If honest no longer make the old diapers without the wetness indicator I will switch brands.

 1 reply from Honest Product Expert team - 1 year ago

Hi MalinLeiMom, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at (888) 862-8818 so we can gather some additional information!


“HOR-RI-BLE!!!!”

Trash the New Design

★☆☆☆☆ |  Would not recommend

AsHuhLEe - 1 year ago, Verified purchaser

I think we all or almost all would agree that the new design is HOR-RI-BLE!!!! They leak, they sag, and they rip at the seams. I would be better off wrapping my mini human in a newspaper. It would definitely be cheaper! I have never had these kinds of problems up until now. And we have been using Honest since our little human was born 13 months ago. Now we have to figure out another brand just in case they discontinue the old design all together unless my daughter learns how to use the potty. Which I seriously doubt that would be happening anytime soon. Point of the story.... if you LOVE blowouts, and LOVE changing your little one clothes after every diaper change. Try the new design, because these are the diapers for you!!!!

 1 reply from Honest Product Expert team - 1 year ago

Hi Ashuhlee, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're always listening, and we will make sure our team hears your feedback. Please give us a call at 1.888.862.8818 so we can gather some additional information!

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Rash and will no longer purchase

 Becky K.

★★★★★ **New design terrible and caused a rash**

Reviewed in the United States on March 8, 2021

Color: Rose Blossom + Tutu Cute | Size: 76 Count (Pack of 1) | **Verified Purchase**

We've used honest diapers for a month and a half since my daughter was born. Had no problems with them except they didn't have a spot cut out for the umbilical cord. The new design doesn't fit the same and gave my daughter a rash. Nothing changed but the diapers so I'm almost positive that's what caused it. Also read other reviews once I was trying to figure it out that many ppl have had the rash problem. I no longer will purchase honest diapers.

11 people found this helpful


"Horrible rash" and doctor needed

Horrible

★☆☆☆☆ |  Would not recommend

Adri - 1 year ago

I have been using this brand for the past two years with no issue, no leak or rash. The new designs cause horrible rash along the thighs of my baby and he has soaked through the diaper the past few nights. Highly disappointed:(I now have to take baby to the doctor because his skin is so chapped. I was able to find an old pack at one of the stores nearby (old diaper in photo) but don't know what else to use going forward.

 1 reply from Honest Product Expert team - 1 year ago

Hi Adri, We are sorry to hear that you did not have a positive experience with our Clean Conscious Diapers. We're committed to your satisfaction and would love to be able to speak with you to gather some more information. Please send us an email to support@thehonestcompany.com with the best time and phone number to reach you with a mention of the Target review. We look forward to hearing from you!

"Rash and they leak"

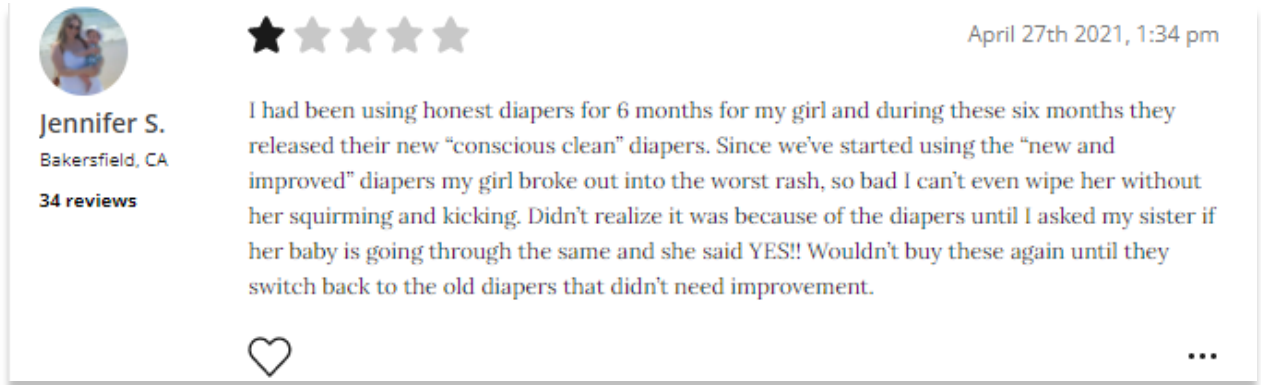
★☆☆☆☆

 **Sandra of Bradford, VT** ✓ Verified Reviewer

Original review: May 29, 2021

I used to use Honest company diapers, but recently they changed them. They now have a line to show if they're wet and have weird ridges in the diapers. My daughter now gets a rash and they leak. I have never had any issues with their old diapers. I wish they hadn't changed them. Do not recommend.

“Wouldn’t buy these again”



75. Notwithstanding the then-present and disastrous reception of the Clean Conscious Diaper, Honest’s Offering Documents touted product innovation as central to its growth and described its diapers as a “strategic customer acquisition tool.”

C. Honest’s “Growth”

76. Honest told investors in the Offering Documents that the “clean and natural” segments of Diapers and Wipes, Skin and Personal Care and Household and Wellness markets were growing at outsized rates as a result of demand for “better-for-you” products. Honest pointed to several performance metrics in its Offering Documents to demonstrate to investors that the Company was part of this growth.

77. According to Honest, the Company’s trusted brand, innovative product offering, deep consumer connection and differentiated omnichannel presence had driven strong performance at Honest. For example, Honest grew revenue 27.6% from \$235.6 million in 2019 to \$300.5 million in 2020 with revenue in its Diapers and Wipes, Skin and Personal Care and Household and Wellness categories growing by 16.4%, 35.5% and 116.5% respectively, from 2019 to 2020.

78. Regarding COVID-19, the Offering Documents disclosed that Honest’s employees had transitioned to working from home and that Honest was subject to the general risk that the “COVID-19 pandemic could have an adverse effect on [its] business, financial condition, results of operations and prospects.” In spite of these

1 boilerplate warnings, the COVID-19 pandemic was portrayed in the Offering
2 Documents as a boon to Honest’s business and growth.

3 79. As Honest has explained, “[w]hen the COVID-19 pandemic hit and we
4 went into lockdown, people became more aware of their health and what they bring
5 into their homes,” and in less than six months after the onset of COVID-19, Honest
6 created and brought to market a new Stay Safe cleaning collection, a complete set of
7 cleaning, sanitizing and disinfecting solutions.

8 80. Moreover, Honest told investors that “COVID-19 has been one of the
9 drivers of demand in [its] Digital channel as consumers shifted to online shopping amid
10 the pandemic. Additionally, [its] Household and Wellness product category has
11 benefitted from increased demand for sanitization products.”

12 81. Honest went on to say that it could offer no assurance that it would
13 continue to experience such increases in demand or that there might be a decline in the
14 use of online shopping or demand for sanitization products when the COVID-19
15 pandemic subsides. Nevertheless, the Offering Documents offered these statements as
16 prognostications about the future and did not disclose that such declines in online
17 shopping or demand for sanitization products had occurred or currently was occurring.

18 82. The Offering Documents’ portrayal of growth and the COVID-19
19 pandemic’s impact on the Company’s business are revealed to be misleading by Lead
20 Counsel’s investigation and as well as Defendant Vlahos’s admission of a customer
21 “stock up” prior to the IPO.

22 83. CW-2 was an accountant at Honest in 2021.

23 84. CW-2 was on a distribution list that received a daily report that detailed
24 all of the Company’s inventory. CW-2 explained that Honest also monitored trends on
25 a monthly basis to compare how inventory was moving across time periods. According
26 to CW-2, it was clear from the reports and meetings related to those reports that there
27 was a significant decline in the sale of wipes and sanitizers, which she called “COVID
28 products.”

1 85. CW-2 explained that Honest did not do well with sales for Q1'21 or
2 Q2'21. She attributed this mostly to the decline in sale of the COVID products. CW-2
3 recalled chatter amongst her colleagues with concerns about the steep decline in sales.
4 CW-2 explained it was clear that COVID products were “not moving” and it was clear
5 from Honest’s internal reporting that these products had been trending down for some
6 time.

7 86. According to CW-1, the bulk of Honest’s business was in the Diaper and
8 Wipes category. Although Honest had always offered sanitizers and wipes, there was
9 a surge in sales of those products during the COVID-19 pandemic.

10 87. When asked about the Company’s deceleration in business during her
11 tenure, CW-1 stated that it was apparent internally that there was a slow-down in
12 business.

13 **D. Honest’s IPO**

14 88. On or about May 4, 2021, Honest conducted its IPO, in which it sold
15 29,678,050 shares of common stock to the public, including an underwriter over-
16 allotment option of 3,871,050 shares. Of the shares of common stock offered in the
17 IPO, the Honest Company received the proceeds from 6,451,613 shares and the selling
18 stockholders (as identified in the Prospectus) received the proceeds for the remainder.

19 89. The IPO, which was priced at \$16 per share, generated over \$400 million
20 in proceeds for Honest and the selling stockholders. The IPO was conducted pursuant
21 to, and the sale of Honest stock was solicited by, several documents filed by Honest
22 and the Underwriter Defendants with the SEC and disseminated to the investing public,
23 including (i) an April 9, 2021 registration statement on Form S-1, which following
24 amendment, was declared effective by the SEC on May 4, 2021 (the “Registration
25 Statement”), and (ii) a May 4, 2021 final prospectus, which forms part of the
26 Registration Statement, on Form 424(b)(4) (the “Prospectus” and, together with the
27 Registration Statement, the “Offering Documents.”).

28

1 90. The Offering Documents state that “[n]either [Honest], the selling
2 stockholders, nor any of the underwriters have authorized anyone to provide any
3 information or to make any representations other than those contained in this
4 prospectus or in any free writing prospectuses [Honest] ha[s] prepared.”

5 91. Lead Plaintiff and other members of the Class purchased or otherwise
6 acquired Honest common stock pursuant and/or traceable to the IPO and the Offering
7 Documents, and were damaged thereby.

8 **E. The Offering Documents Contained Materially False and**
9 **Misleading Statements of Fact and Omitted Material Information**

10 92. The Offering Documents were negligently prepared, and as a result,
11 contained untrue statements of material fact, omitted material facts necessary to make
12 the statements contained therein not misleading, and failed to make adequate
13 disclosures required under the rules and regulations governing its preparation.

14 93. Section 11 creates liability against each of the Defendants for each
15 (1) misstatement, (2) omission in contravention of an affirmative legal disclosure
16 obligation, and (3) omission of information that is necessary to prevent existing
17 disclosures from being misleading, in the Offering Documents.

18 94. Additionally, pursuant to SEC Regulation C, the Offering Documents
19 were required to disclose material information necessary to ensure that representations
20 in the Offering Documents were not misleading. Specifically, Rule 408, 17 C.F.R. §
21 230.408(a), states that “[i]n addition to the information expressly required to be
22 included in a registration statement, there shall be added such further material
23 information, if any, as may be necessary to make the required statements, in light of
24 the circumstances under which they are made, not misleading.”

25 95. Further, Defendants were required to comply with Item 303 of Regulation
26 S-K, 17 C.F.R. § 229.303. Specifically, Item 303 and the SEC’s related interpretive
27 releases thereto, requires issuers to disclose events and uncertainties, including any
28

1 known trends that have had or are reasonably likely to cause the issuer’s financial
2 information not to be indicative of future operating results.

3 96. Moreover, Defendants were also required to comply with Item 105 of
4 Regulation S-K, 17 C.F.R. § 229.105. Specifically, Item 105 requires that the Offering
5 Documents furnish, among other things, a discussion of the most significant factors
6 that make the Offering speculative or risky.

7 **1. The Offering Documents Contained Misstatements and**
8 **Omissions About Honest’s Product Innovation and its Clean**
9 **Conscious Diaper**

10 97. The Offering Documents failed to disclose that Honest’s introduction of
11 its “clean conscious diaper” was negatively received by customers at the time of the
12 IPO. Although the Offering Documents touted Honest’s product innovation and
13 product efficacy as central to its growth and success, in reality, at the time of the IPO,
14 Honest’s new Clean Conscious Diaper was causing leaks and rashes among users, such
15 that one of Honest’s pivotal products was defective. As a result, the Offering
16 Documents contained untrue statements of material facts, omitted to state other facts
17 necessary to make the statements contained therein not misleading, and was not
18 prepared in accordance with the rules and regulations governing its preparation.

19 98. For example, the Offering Documents told investors that a key aspect of
20 Honest’s growth strategy was its ability to drive product innovation, stating:

21 **Our Growth Strategy**

22 * * *

23 ***Drive Accretive Product Innovation***

24 • *Improve Existing Products.* Since our inception, we
25 have been guided by the idea that there is always room for
26 innovation. *We strive for continuous improvement in our*
27 *existing products’ safety, sustainability, efficacy and design*
28 *profile, which we refer to as costovation, as exemplified by*
the introduction of our clean conscious diaper in January
2021. We believe continuous innovation is important to
accelerating our growth, deepening consumer connections
and improving the profitability of our product offering.

1 99. Likewise, the Offering Documents stated that since its launch in 2012,
2 Honest was “dedicated to developing *clean*, sustainable, *effective and thoughtfully*
3 *designed products.*”

4 100. Specifically, with respect to Honest’s diapers, the Offering Documents
5 touted to investors that “[a]t the center of our product ecosystem are our diapers,
6 *which are a strategic consumer acquisition tool* that acts as an entry point for our
7 portfolio, as new parents often go on the purchase products from our other categories
8 for their everyday family needs.”

9 101. The statements in ¶¶98-100 were false and misleading statements of
10 material fact when made because they failed to disclose the following material adverse
11 facts, material adverse trends, material uncertainties, or significant risks that existed at
12 the time of the IPO:

13 (a) According to customers experiencing chemical irritations and
14 rashes, leaking and blowouts, Honest’s Clean Conscious Diaper reformulation was
15 neither safe nor effective;

16 (b) Honest’s Clean Conscious Diaper was not achieving the pillars of
17 Honest’s “costovation” strategy, which emphasizes safety, sustainability, efficacy and
18 design profile;

19 (c) Honest was not capturing the benefits of its Diapers as a “strategic
20 customer acquisition tool”; and

21 (d) As a result of the Clean Conscious Diaper’s new technology and
22 defective design, Honest would—and did—lose customers and revenue.

23 102. The Offering Documents also described product innovation as “the heart
24 of [Honest’s] business,” touting Honest’s product development and “direct connection
25 with [its] community” as a competitive advantage. The Offering Documents also
26 acknowledged the importance of customer reviews and Honest’s ability to reformulate
27 products to improve performance. The Offering Documents state:

28

1 ***In-House Product Development Capabilities that Power***
2 ***Innovation***

3 Product innovation lies at the heart of our business. ***We have***
4 ***built a high-performance product development team that***
5 ***sets new standards with a proven track record of bringing***
6 ***innovative, award-winning products to market. To***
7 ***maximize the impact of our product development***
8 ***capabilities, our direct connection with our community***
9 ***enables us to understand what consumers' needs are and***
10 ***inspires our product innovation pipeline, which we believe***
11 ***generates a significant competitive advantage over more***
12 ***traditional CPG peers.*** Our product innovation is inspired by
13 feedback from our consumers that we receive through
14 multiple avenues, including through our internal customer
15 service team, comments left by consumers on our social
16 media platforms and product ratings on our website and
17 retailer's websites. For example, we created and brought to
18 market a new Stay Safe cleaning collection, a complete set
19 of cleaning, sanitizing and disinfecting solutions, in less than
20 six months after the onset of COVID-19. In 2020, 22% of our
21 revenue was generated from stock keeping units, or SKUs,
22 introduced in 2020. ***In addition to using these capabilities to***
23 ***innovate new products to bring to market, we also regularly***
24 ***reformulate or update existing products, improving***
25 ***performance and expanding gross margin.*** We have won
26 over 100 awards, including the 2020 "Parents" Best for Baby
27 Award and seven Allure Best of Beauty awards.
28

103. The statements in ¶102 were false and misleading statements of material
fact when made because they failed to disclose the following material adverse facts,
material adverse trends, material uncertainties, or significant risks that existed at the
time of the IPO:

(a) According to customers experiencing chemical irritations and
rashes, leaking and blowouts, Honest's Clean Conscious Diaper reformulation was
neither safe nor effective;

(b) As a result, Honest's Clean Conscious Diaper was not "improving
performance," as evidenced by a multitude of consumer reviews describing its
defective features;

(c) Honest was not capturing the benefits of its Diapers as a "strategic
customer acquisition tool"; and

1 (d) As a result of the Clean Conscious Diaper’s new technology and
2 defective design, Honest would—and did—lose customers and revenue.

3 **2. The Offering Documents Contained Misstatements and**
4 **Omissions About Honest’s COVID-19 Inventory Stock Up**

5 104. The Offering Documents failed to disclose the extent to which consumers’
6 COVID-19 stockpiling of Honest products was negatively impacting the Company at
7 the time of the IPO. Although the Offering Documents described the impact of COVID-
8 19 on Honest’s revenue and customer demand as unascertainable, in reality, at the time
9 of the IPO, Honest was tracking inventory daily and monitoring trends monthly, such
10 that the COVID-19 stock up later described by Defendant Vlahos as occurring “over
11 the prior year period” was apparent at the time of the IPO. This is further confirmed by
12 the CW-1 and CW-2. As a result, the Offering Documents contained untrue statements
13 of material facts, omitted to state other facts necessary to make the statements contained
14 therein not misleading, and was not prepared in accordance with the rules and
15 regulations governing its preparation.

16 105. For example, the Offering Documents told investors that the Company
17 benefitted from the increased demand for Honest’s products amidst the COVID-19
18 pandemic while stating the impact of the COVID-19 pandemic on Honest’s business
19 could not be ascertained:

20 ***Impact of COVID-19***

21 The COVID-19 pandemic has caused general business
22 disruption worldwide beginning in January 2020. ***The full***
23 ***extent to which the COVID-19 pandemic will directly or***
indirectly impact our cash flow, business, financial
condition, results of operations and prospects will depend
on future developments that are uncertain.

24 * * *

25 We believe COVID-19 has been one of the drivers of demand
26 in our Digital channel as consumers have shifted to online
27 shopping amid the pandemic. Additionally, our Household
28 and Wellness product category has benefitted from
increasing demand for sanitization products. We accelerated
our development timeline for certain product launches,
launching our disinfecting spray and alcohol wipes in 2020.

1 There is no assurance that we will continue to experience
2 such increases in demand. ***We may see a decline in use of***
3 ***online shopping and demand for sanitization products***
4 ***when the COVID-19 pandemic subsides.***

5 106. Nevertheless, the Offering Documents also told investors that the
6 Company's omnichannel approach was "***agnostic*** as to the channel where consumers
7 purchase [its] products." The Offering Documents stated, in pertinent part, as follows:

8 ***Our omnichannel approach seeks to meet consumers***
9 ***however they want to shop, balancing deep consumer***
10 ***connection with broad convenience and accessibility.*** Since
11 our launch, we have built a well-integrated omnichannel
12 presence by expanding our retail accessibility across both
13 Digital and Retail channels, including the launch of strategic
14 partnerships with Costco, Target and Amazon in 2013, 2014
15 and 2017, respectively. In 2020, we generated 55% and 45%
16 of our revenue from our Digital and Retail channels,
17 respectively. We maintain direct relationships with our
18 consumers via our flagship digital platform, Honest.com,
19 which allows us to influence brand experience and better
20 understand consumer preferences and behavior. We increase
21 accessibility of our products to more consumers through both
22 the third-party pureplay ecommerce sites that, with
23 Honest.com, comprise the rest of our Digital channel, and our
24 Retail channel, which includes leading retailers and their
25 websites. Our products can be found in approximately 32,000
26 retail locations across the United States, Canada and Europe.
27 ***This distinctive business model has allowed us to efficiently***
28 ***scale our business while remaining agnostic as to the***
channel where consumers purchase our products. Our
integrated omnichannel presence provides meaningful
benefits to our consumer which we believe is not easily
replicated by our competitors.

29 107. The statements in ¶¶105-06 were false and misleading statements of
30 material fact when made because they failed to disclose the following material adverse
31 facts, material adverse trends, material uncertainties, or significant risks that existed at
32 the time of the IPO:

33 (a) Contrary to the Offering Document's claim that the COVID-19
34 pandemic was good for Honest's business, retailers were destocking COVID-19
35 products and Honest's sales for those products were decreasing;

1 (b) Honest produced daily reports detailing the Company’s inventory
2 and monitored inventory on a monthly basis;

3 (c) Despite Honest’s products being available “wherever customers
4 shop,” Honest’s omnichannel strategy failed to account for changing customer needs
5 as the pandemic lessened;

6 (d) As Defendant Vlahos would later admit, Honest’s COVID-19 stock
7 up began as early as August 2020—nine months before the IPO; and

8 (e) As a result, Honest was *already* seeing a decline in demand for
9 COVID-19 related products at the time of the IPO.

10 **3. The Offering Documents Failed to Disclose and**
11 **Misrepresented Significant Risks That Made the Offering**
12 **More Speculative and Risky**

13 108. The Offering Documents falsely represented the negative impact of
14 consumers’ COVID-19 stock-up, decreasing demand, and Honest’s omnichannel
15 strategy which purportedly positioned the Company for continued growth. As a result,
16 the Offering Documents contained untrue statements of material facts, omitted to state
17 other facts necessary to make the statements contained in the Offering Documents not
18 misleading, and was not prepared in accordance with the rules and regulations
governing its preparation.

19 109. The Offering Documents inaccurately described as *potential*, certain
20 future risks associated with consumer perception of the health and safety of Honest’s
21 product and demand for those products which “could” have an adverse effect on its
22 business, financial condition, and results of operations, rather than disclosing the actual
23 events and trends or uncertainties that had already manifested. The Offering
24 Documents stated, in pertinent part, that:

25 *Economic downturns or a change in consumer*
26 *preferences, perception and spending habits in the clean*
27 *products categories, in particular, could limit consumer*
28 *demand for our products and negatively affect our*
business.

1 We have positioned our brand to capitalize on growing
2 consumer interest in clean conscious products. The clean
3 conscious consumer product industry is sensitive to national
4 and regional economic conditions and the demand for the
5 products that we distribute may be adversely affected from
6 time to time by economic downturns that impact consumer
7 spending, including discretionary spending. Future economic
8 conditions such as employment levels, business conditions,
9 housing starts, interest rates, inflation rates, energy and fuel
10 costs and tax rates could reduce consumer spending or
11 change consumer purchasing habits. Among these changes
12 could be a reduction in the number of clean conscious
13 consumer products that consumers purchase where there are
14 alternatives, given that many products in this category often
15 have higher retail prices than do their conventional
16 counterparts.

17 *Further, the Diapers and Wipes, Skin and Personal Care
18 and Household and Wellness markets in which we operate
19 are subject to changes in consumer preference, perception
20 and spending habits. Our performance depends
21 significantly on factors that may affect the level and pattern
22 of consumer spending in the markets in which we operate.
23 Such factors include consumer preference, consumer
24 confidence, consumer income, consumer perception of the
25 safety and quality of our products and shifts in the
26 perceived value for our products relative to alternatives.*

27 The Diapers and Wipes market is also subject to changes in
28 birthrates, which have been declining in developed countries
like the United States. In addition, media coverage regarding
the safety or quality of, our products or the raw materials,
ingredients or processes involved in their manufacturing may
damage consumer confidence in our products. A general
decline in the consumption of our products could occur at any
time as a result of change in consumer preference,
perception, confidence and spending habits, including an
unwillingness to pay a premium or an inability to purchase
our products due to financial hardship or increased price
sensitivity, which may be exacerbated by the effects of the
COVID-19 pandemic. If consumer preferences shift away
from clean products, our business, financial condition and
results of operations could be adversely affected.

110. The statements in ¶109 were each inaccurate statements of material fact
when made while noting only the *potential* negative impacts on its business, financial
condition, and results of operations, the Offering Documents failed to disclose the
following significant, *then-existing* material events and adverse trends or uncertainties
that Honest *had already been* facing at the time of the IPO:

1 (a) According to customers experiencing chemical irritations and
2 rashes, leaking and blowouts, Honest’s Clean Conscious Diaper reformulation was
3 neither safe nor effective;

4 (b) Honest’s Clean Conscious Diaper was not achieving the pillars of
5 Honest’s “costovation” strategy, which emphasizes safety, sustainability, efficacy and
6 design profile;

7 (c) Honest was not capturing the benefits of its Diapers as a “strategic
8 customer acquisition tool”; and

9 (d) As a result of the Clean Conscious Diaper’s new technology and
10 defective design, Honest would lose customers and revenue.

11 111. Further, the Offering Documents inaccurately described as *potential*,
12 certain risks associated with perceived quality, safety and efficacy issues with Honest’s
13 products and social media scrutiny, which *may* have an adverse effect on its business,
14 financial condition, and results of operations, rather than disclosing the actual events
15 and trends or uncertainties that had already manifested. The Offering Documents
16 stated, in pertinent part, that:

17 *Our brand and reputation may be diminished due to real or*
18 *perceived quality, safety, efficacy or environmental impact*
19 *issues with our products, which could have an adverse*
effect on our business, financial condition, results of
operations and prospects.

20 We believe our consumers rely on us to provide them with
21 clean, sustainable, well-designed, and effective products.
22 *Any loss of confidence on the part of consumers in our*
23 *products or the ingredients used in our products, whether*
24 *related to product contamination or product safety or*
25 *quality failures, actual or perceived, environmental*
26 *impacts, or inclusion of prohibited ingredients, or*
27 *ingredients that are perceived to be “toxic”, could tarnish*
28 *the image of our brand and could cause consumers to*
choose other products. Allegations of contamination or
other adverse effects on product safety or efficacy or
suitability for use by a particular consumer or on the
environment, even if untrue, may require us to expend
significant time and resources responding to such
allegations and could, from time to time, result in a recall
of a product from any or all of the markets in which the
affected product was distributed. Any such issues or recalls

1 ***could negatively affect our ability to achieve or maintain***
2 ***profitability and brand image.***

3 For example, in 2015, multiple class action lawsuits were
4 filed against us claiming that certain of our products,
5 including our sunscreen, were ineffective and were not
6 “natural.” In 2017, we settled these class action lawsuits by
7 agreeing to labeling changes and a \$7.4 million settlement
8 fund. In 2016, multiple class action lawsuits were filed
9 against us claiming that we misled buyers about ingredients
10 in our laundry detergent, dish soap and multisurface cleaner.
11 In 2017, we settled these class action lawsuits by agreeing to
12 marketing or reformulating changes and a settlement fund of
13 \$1.6 million. We have also been the subject of litigation
14 claiming our labels contain inaccurate or misleading
15 information. In response, we are in the process of updating
16 the language on certain of our labels. In addition, we
17 voluntarily recalled certain of our baby wipes and baby
18 powder products in 2017 and one of our bubble bath products
19 in January 2021 due to concerns about potential
20 contamination. These incidents negatively affected our brand
21 image and required significant time and resources to address.

22 We also have no control over our products once purchased
23 by consumers. For example, consumers may store or use our
24 products under conditions and for periods of time
25 inconsistent with approved directions for use or the listed
26 “Period After Opening,” or required warnings or other
27 governmental guidelines on our labels, which may adversely
28 affect the quality and safety of our products.

1 ***If our products are found to be, or perceived to be, defective***
2 ***or unsafe, or if they otherwise fail to meet our consumers’***
3 ***expectations, our relationships with consumers could***
4 ***suffer, the appeal of our brand could be diminished, we may***
5 ***need to recall some of our products and/or become subject***
6 ***to regulatory action, and we could lose sales or market***
7 ***share or become subject to boycotts or liability claims.*** In
8 addition, safety or other defects in our competitors’ products
9 or products using the Honest name in other consumer
10 categories, like beverages and pet food in which we do not
11 own the Honest brand, could reduce consumer demand for
12 our own products if consumers view them to be similar. Any
13 such adverse effect could be exacerbated by our market
14 positioning as a purveyor of clean, sustainable, well-
15 designed, and effective products and may significantly
16 reduce our brand value. ***Issues regarding the safety,***
17 ***efficacy, quality or environmental impact of any of our***
18 ***products, regardless of the cause, may have an adverse***
19 ***effect on our brand, reputation and operating results.***
20 ***Further, the growing use of social and digital media by us,***
21 ***our consumers and third parties increases the speed and***
22 ***extent that information or misinformation and opinions***
23 ***can be shared. Negative publicity about us, our brand or***
24 ***our products on social or digital media could seriously***

1 *damage our brand and reputation. Any loss of confidence*
2 *on the part of consumers in the quality, safety, efficacy or*
3 *environmental suitability of our products would be difficult*
4 *and costly to overcome, even if such concerns were based*
5 *on inaccurate or misleading information. If we do not*
6 *maintain the favorable perception of our brand, our*
7 *business, financial condition, results of operations and*
8 *prospects could be adversely affected.*

9 112. The statements in ¶111 were each inaccurate statements of material fact
10 when made while noting only the *potential* negative impacts on its business, financial
11 condition, and results of operations, the Offering Documents failed to disclose the
12 following significant, *then-existing* material events and adverse trends or uncertainties
13 that Honest *had already been* facing at the time of the IPO:

14 (a) According to customers experiencing chemical irritations and
15 rashes, leaking and blowouts, Honest’s Clean Conscious Diaper reformulation was
16 neither safe nor effective;

17 (b) Honest’s Clean Conscious Diaper was not achieving the pillars of
18 Honest’s “costovation” strategy, which emphasizes safety, sustainability, efficacy and
19 design profile;

20 (c) Honest was not capturing the benefits of its Diapers as a “strategic
21 customer acquisition tool”; and

22 (d) As a result of the Clean Conscious Diaper’s new technology and
23 defective design, Honest would lose customers and revenue.

24 113. Further, the Offering Documents inaccurately described as *potential*,
25 certain risks associated with social media scrutiny, which *may* have an adverse effect
26 on its business, financial condition, and results of operations, rather than disclosing the
27 actual events and trends or uncertainties that had already manifested. The Offering
28 Documents stated, in pertinent part, that:

Use of social media and influencers may adversely affect
 our reputation or subject us to fines or other penalties.

* * *

1 *Negative commentary regarding us, our products or*
2 *influencers and other third parties who are affiliated with*
3 *us may also be posted on social media platforms and may*
4 *be adverse to our reputation or business.* Influencers with
5 whom we maintain relationships could engage in behavior or
6 use their platforms to communicate directly with our
7 consumers in a manner that reflects poorly on our brand and
8 may be attributed to us or otherwise adversely affect us. It is
9 not possible to prevent such behavior, and the precautions we
10 take to detect this activity may not be effective in all cases.
11 Our target consumers often value readily available
12 information and often act on such information without
13 further investigation and without regard to its accuracy. The
14 harm may be immediate, without affording us an opportunity
15 for redress or correction.

16 114. The statements in ¶113 were each inaccurate statements of material fact
17 when made while noting only the *potential* negative impacts on its business, financial
18 condition, and results of operations, the Offering Documents failed to disclose the
19 following significant, *then-existing* material events and adverse trends or uncertainties
20 that Honest *had already been* facing at the time of the IPO:

21 (a) According to customers experiencing chemical irritations and
22 rashes, leaking and blowouts, Honest’s Clean Conscious Diaper reformulation was
23 neither safe nor effective;

24 (b) Honest’s Clean Conscious Diaper was not achieving the pillars of
25 Honest’s “costovation” strategy, which emphasizes safety, sustainability, efficacy and
26 design profile;

27 (c) Honest was not capturing the benefits of its Diapers as a “strategic
28 customer acquisition tool”; and

(d) As a result of the Clean Conscious Diaper’s new technology and
defective design, Honest would lose customers and revenue.

115. Further, the Offering Documents inaccurately described as *potential*,
certain risks associated with the impact of COVID-19, fluctuation in sales through the
Company’s retail and digital channels, and timing and success of Honest’s product
launches, which *may* have an adverse effect on its business, financial condition, and

1 results of operations, rather than disclosing the actual events and trends or uncertainties
2 that had already manifested. The Offering Documents stated, in pertinent part, that:

3 ***Our quarterly operating results may fluctuate, which could***
4 ***cause our stock price to decline.***

5 ***Our quarterly operating results may fluctuate for a variety***
6 ***of reasons, many of which are beyond our control,***
7 ***including:***

8 • ***fluctuations in revenue, including as a result of***
9 ***adverse market conditions due to the COVID-19 pandemic***
10 ***and the opening of retail and travel opportunities as the***
11 ***pandemic abates, the seasonality of market transactions***
12 ***and fluctuations in sales through our Retail and Digital***
13 ***channels;***

14 • the amount and timing of our operating expenses;
15 • our success in attracting new and maintaining
16 relationships with existing retail and ecommerce partners;
17 • ***our success in executing on our strategy and the***
18 ***impact of any changes in our strategy;***

19 • ***the timing and success of product launches,***
20 ***including new products that we may introduce, such as our***
21 ***launch of clean conscious diapers in January 2021;***

22 • the success of our marketing efforts;
23 • ***adverse economic and market conditions, such as***
24 ***those related to the current COVID-19 pandemic, currency***
25 ***fluctuations and other adverse global events;***

26 • disruptions or defects in our technology platform,
27 such as privacy or data security breaches, errors in our
28 software or other incidents that impact the availability,
reliability, or performance of our platform;

• disruptions in our supply chain, the ability of our
third-party manufacturers to produce our products, ability of
our distributors to distribute our products, or in our shipping
arrangements;

• ***the impact of competitive developments and our***
response to those developments;

• fluctuations in inventory and working capital;
• our ability to manage our business and future growth;

and

• our ability to recruit and retain employees.

116. The statements in ¶115, particularly those concerning the launch of
Honest's Clean Conscious Diapers, were each inaccurate statements of material fact
when made while noting only the ***potential*** negative impacts on its business, financial
condition, and results of operations, the Offering Documents failed to disclose the
following significant, ***then-existing*** material events and adverse trends or uncertainties
that Honest ***had already been*** facing at the time of the IPO:

1 (a) According to customers experiencing chemical irritations and
2 rashes, leaking and blowouts, Honest’s Clean Conscious Diaper reformulation was
3 neither safe nor effective;

4 (b) Honest’s Clean Conscious Diaper was not achieving the pillars of
5 Honest’s “costovation” strategy, which emphasizes safety, sustainability, efficacy and
6 design profile;

7 (c) Honest was not capturing the benefits of its Diapers as a “strategic
8 customer acquisition tool”; and

9 (d) As a result of the Clean Conscious Diaper’s new technology and
10 defective design, Honest would lose customers and revenue.

11 117. The statements in ¶115, particularly those concerning COVID-19, were
12 each inaccurate statements of material fact when made while noting only the *potential*
13 negative impacts on its business, financial condition, and results of operations, the
14 Offering Documents failed to disclose the following significant, *then-existing* material
15 events and adverse trends or uncertainties that Honest *had already been* facing at the
16 time of the IPO:

17 (a) Despite products being available “wherever customers shop,”
18 Honest’s omnichannel strategy was not overcoming changing customer needs as the
19 pandemic lessened;

20 (b) Honest produced daily reports detailing the Company’s inventory
21 and monitored inventory trends on a monthly basis;

22 (c) At least as early as April 2021, it was clear that COVID-19 products
23 were “not moving” and Honest’s internal reporting showed that these products had
24 been trending down for some time; and

25 (d) As Defendant Vlahos would later admit, Honest’s COVID-19 stock
26 up began as early as August 2020—nine months before the IPO.

27 118. The Offering Documents also inaccurately described as *potential*, certain
28 risks associated with Honest’s ability to acquire new customers and retain existing

1 customers, which *may* have an adverse effect on its business, financial condition, and
2 results of operations, rather than disclosing the actual events and trends or uncertainties
3 that had already manifested. The Offering Documents stated, in pertinent part, that:

4 *If we fail to cost-effectively acquire new consumers or*
5 *retain our existing consumers, our business could be*
6 *adversely affected. Our sales and profit are dependent upon*
7 *our ability to expand our existing consumer relationships*
8 *and acquire new consumers.*

9 Our success, and our ability to increase revenue and achieve
10 profitability, depend in part on our ability to cost-effectively
11 acquire new consumers, retain existing consumers and keep
12 existing consumers engaged so that they continue to purchase
13 our products. Our diaper business is also a strategic consumer
14 acquisition tool that fuels growth for baby wipes, personal
15 care, and other products. While we intend to continue to
16 invest significantly in sales and marketing to educate
17 consumers about our brand, our values and our products,
18 there is no assurance that these efforts will generate further
19 demand for our products or expand our consumer base. Our
20 ability to attract new consumers and retain our existing
21 consumers will depend on, among other items, the perceived
22 value and quality of our products, consumer demand for
23 clean, sustainable, thoughtfully designed and effective
24 products at a premium, competitive offerings, our ability to
25 offer new and relevant products and the effectiveness of our
26 marketing efforts. We may also lose loyal consumers to our
27 competitors if we are unable to meet consumer demand in a
28 timely manner. *If we are unable to cost-effectively acquire*
new consumers, retain existing consumers and keep
existing consumers engaged, our business, financial
condition, results of operations and prospects could be
adversely affected.

119. The statements in ¶118 were each inaccurate statements of material fact
when made while noting only the *potential* negative impacts on its business, financial
condition, and results of operations, the Offering Documents failed to disclose the
following significant, *then-existing* material events and adverse trends or uncertainties
that Honest *had already been* facing at the time of the IPO:

(a) According to customers experiencing chemical irritations and
rashes, leaking and blowouts, Honest's Clean Conscious Diaper reformulation was
neither safe nor effective;

1 (b) Honest’s Clean Conscious Diaper was not achieving the pillars of
2 Honest’s “costovation” strategy, which emphasizes safety, sustainability, efficacy and
3 design profile;

4 (c) Honest was not capturing the benefits of its Diapers as a “strategic
5 customer acquisition tool”; and

6 (d) As a result of the Clean Conscious Diaper’s new technology and
7 defective design, Honest would lose customers and revenue.

8 120. The statements in ¶118 were also each inaccurate statements of material
9 fact when made while noting only the *potential* negative impacts on its business,
10 financial condition, and results of operations, the Offering Documents failed to disclose
11 the following significant, *then-existing* material events and adverse trends or
12 uncertainties that Honest *had already been* facing at the time of the IPO:

13 (a) Despite products being available “wherever customers shop,”
14 Honest’s omnichannel strategy was not overcoming changing customer needs as the
15 pandemic lessened;

16 (b) Honest produced daily reports detailing the Company’s inventory
17 and monitored inventory trends on a monthly basis;

18 (c) At least as early as April 2021, it was clear that COVID-19 products
19 were “not moving” and Honest’s internal reporting showed that these products had
20 been trending down for some time; and

21 (d) As Defendant Vlahos would later admit, Honest’s COVID-19 stock
22 up began as early as August 2020—nine months before the IPO.

23 121. The Offering Documents also inaccurately described as *potential*, certain
24 risks associated with the impact of COVID-19, which *may* have an adverse effect on
25 its business, financial condition, and results of operations, rather than disclosing the
26 actual events and trends or uncertainties that had already manifested. The Offering
27 Documents stated, in pertinent part, that:

28

1 **F. Post-IPO Events Demonstrate that the Offering Documents Were**
2 **Materially False and Misleading at the Time of the Offering**

3 123. In its first press release just weeks after the IPO, on June 16, 2021, Honest
4 reported the Company's first quarter 2021 financial results. Honest's revenue in its
5 Company's Diapers and Wipes category was down, and the Company recorded a \$4.5
6 million net loss in the first quarter of 2021 as compared to net income of \$0.6 million
7 in the first quarter of 2020.

8 124. On the same day, during the earnings call to discuss the quarterly results,
9 Defendant Kennedy explained that the decrease in Diapers and Wipes was attributable
10 to COVID-19 pantry loading back in 2020 and the Company's transition to Clean
11 Conscious Diapers, stating:

12 ***Starting with Diapers and Wipes, the category decreased***
13 ***2% as we transitioned to our Clean Conscious Diaper and***
14 ***lapped the acceleration in Diapers and Wipes related to***
15 ***COVID-19 pantry loading in the first quarter of 2020.*** Of
16 note, diaper growth was positive in Q1 behind our new diaper
17 launch but was offset by a decrease in wipes as we lapped
18 consumer stock-up behavior from Q1 2020. Based on
19 consumption data for the last 12 weeks ending May 16, our
20 diaper business was up 13% while the overall market
21 declined 1%.

22 125. Defendant Kennedy also explained that Honest was starting to see some
23 retailers destock sanitization and disinfecting products, stating in relevant part:

24 Household and Wellness grew 53%, fueled by our
25 standardization and disinfecting products that we introduced
26 in the second half of 2020. ***While we were still able to see***
27 ***significant growth in Household and Wellness, we are***
28 ***starting to see household and retailers destock sanitization***
and disinfecting products as more consumers become
vaccinated and return to their pre-COVID routine.

29 126. In response to an analyst question regarding Honest's Clean Conscious
30 Diaper initiative going forward, Defendant Vlahos acknowledged some dissatisfaction
31 but claimed Honest had the ability to "address [] key consumer dissatisfiers":

32 Yes, I'll take the first one, Dana, thank you for the question.
33 ***And I would say on the [Clean] Conscious Diaper is we've***
34 ***kind of built out that innovation. We do this type of work***
35 ***when it comes to the performance and being able to address***
36 ***these key consumer dissatisfiers. And we've done this in a***

1 ***way now where we're also increasing the margin structure***
2 ***against that business. So it's got the right proposition for us***
3 ***because we talk about good growth always, which is this***
4 ***consistency around not just driving top line but also the***
 margin expansion components that we want on the
 business. So that's rooted in the current proposition.

5 127. On this news, the Company's stock price fell \$1.30 per share, or 7% to
6 close at \$16.35 on June 17, 2021.

7 128. The next quarter, on August 13, 2021, Honest issued a press release
8 reporting the Company's second quarter 2021 financial results and a net loss of \$20
9 million for the second quarter 2021 as compared to a net loss of only \$0.4 million for
10 the second quarter of 2020. The Company noted its revenue grew only 3% as compared
11 to the second quarter of 2020 because it was negatively impacted by "an estimated \$3.7
12 million COVID-19 stock-up impact primarily in Diapers and Wipes in the prior year
13 period."

14 129. Honest further reported that revenue for its top category, Diapers and
15 Wipes, declined 2% compared to the second quarter of 2020 and revenue for Household
16 and Wellness declined 6% from the second quarter of 2020 as "sales have been softer
17 than expected as consumer demand has decreased as more consumers have become
18 vaccinated and retailers continue to manage heavy inventories of sanitization and
19 disinfecting products in stores." Gross margin decreased by 50 basis points from the
20 second quarter of 2020.

21 130. Honest's digital channel revenue also decreased 24% to \$34.8 million in
22 the second quarter of 2021 as compared to the second quarter of 2020, due largely to
23 the reduction in inventory on-hand by one of Honest's "key digital partner[s]" who "cut
24 inventory in consumables in the second quarter to free up space for other products."
25 During the quarter, revenue from that customer declined by \$6.4 million.

26 131. On the related earnings call held the same day to discuss these results,
27 Defendant Vlahos acknowledged the true extent of Honest's COVID-19 stock up,
28

1 noting Honest’s “mid-single-digit growth for the quarter on [its] Diaper business
2 despite COVID-19 stock-up impact *in the year ago period.*”

3 132. Defendant Kennedy noted that “[t]rends for the back half of the year
4 remain volatile as we navigate an environment that is dynamic with significant input
5 cost pressure and continuing uncertainty around the COVID-19 pandemic and its
6 impact on consumer behavior.”

7 133. On this news, the Company’s stock price fell \$3.98 per share, or 28%, to
8 close at \$10.07 per share on August 13, 2021.

9 134. In an August 13, 2021 report from Morgan Stanley, analysts noted
10 “[c]learly the quarter is disappointing, particularly so soon after the IPO” recognizing
11 that Honest’s Diapers and Wipes segment was down -2% year-over-year “as the
12 [C]ompany cycles through elevated comparisons due to pandemic pantry loading.” The
13 report recognized “slowing e-commerce momentum, a drop in demand following
14 COVID stock up” as among the downside risks.

15 135. On August 19, 2021, the Company’s stock closed at a low of \$9.16 per
16 share, a nearly 43% decline from the IPO price. Since its IPO, the value of Honest’s
17 common stock has collapsed from its \$16 per share offering price to as low as \$5.54
18 per share.

19 **V. CLASS ALLEGATIONS**

20 136. Lead Plaintiff brings this action as a class action pursuant to Rules 23(a)
21 and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the following certified
22 “Class”:

23 All persons and entities that purchased or otherwise acquired
24 Honest publicly traded common stock pursuant and traceable
25 to the Offering Documents for the IPO prior to August 19,
26 2021, as well as all persons and entities that acquired
27 ownership of a trading account, retirement account, or any
28 other similar investment account or portfolio containing
Honest’s publicly traded common stock that was purchased
or otherwise acquired pursuant and traceable to the Offering
Documents for Honest’s IPO prior to August 19, 2021, and
were damaged thereby. Excluded from the Class are: (i)
Defendants and the Individual Defendants’ immediate

1 family members;² (ii) the officers, directors, affiliates, and
2 subsidiaries of Honest and the Underwriter Defendants, at all
3 relevant times; (iii) Honest's affiliates and employee
4 retirement and/or benefit plan(s) and their participants and/or
5 beneficiaries to the extent they purchased or acquired
6 Honest's common stock pursuant or traceable to the Offering
7 Documents through any such plan(s); (iv) any person who
8 had or has a controlling interest in Honest, at all relevant
9 times; (v) any entity in which any of the Defendants have or
10 had a controlling interest, provided, however, that any
11 "Investment Vehicle" shall not be excluded from the Class;
12 and (vi) the legal representatives, heirs, successors, or
13 assigns of any such excluded person or entity, in their
14 capacity as such.

15 137. The members of the Class are so numerous that joinder of all members is
16 impracticable. The exact number of Class members is unknown to Lead Plaintiff at this
17 time and can only be ascertained through appropriate discovery. Lead Plaintiff believes
18 there are at least thousands of members in the proposed Class as the Company offered
19 over 25 million shares of common stock in the IPO. Record owners and other members
20 of the Class may be identified from records maintained by Honest or its transfer agent
21 and may be notified of the pendency of this action by mail, using the form of notice
22 similar to that customarily used in securities class actions.

23 138. Lead Plaintiff's claims are typical of the claims of the members of the
24 Class as all members of the Class are similarly affected by Defendants' wrongful
25 conduct in violation of the Securities Act as set forth herein.

26 139. Lead Plaintiff will fairly and adequately protect the interests of the
27 members of the Class and has retained counsel competent and experienced in class and
28 securities litigation.

140. Common questions of law and fact exist as to all members of the Class
and predominate over any questions solely affecting individual members of the Class.
Among the questions of law and fact common to the Class are:

- (a) whether Defendants violated the Securities Act;
- (b) whether the Offering Documents contained inaccurate statements
of material fact and/or omitted material information required to be stated therein; and

1 (c) to what extent the members of the Class have sustained damages
2 and the proper measure of damages.

3 141. A class action is superior to all other available methods for the fair and
4 efficient adjudication of this controversy since joinder of all members is impracticable.
5 Furthermore, as damages suffered by individual Class members may be relatively
6 small, the expense and burden of individual litigation make it impossible for members
7 of the Class to individually redress the wrongs done to them. There will be no difficulty
8 in the management of this action as a class action.

9 **VI. CAUSES OF ACTION**

10 **COUNT I**
11 **FOR VIOLATION OF SECTION 11 OF THE SECURITIES ACT**
12 **Against All Defendants**

13 142. Lead Plaintiff repeats and realleges each and every allegation above as if
14 fully set forth herein.

15 143. This cause of action is brought pursuant to Section 11 of the Securities
16 Act, 15 U.S.C. § 77k, on behalf of the Class, against Defendant Honest, each of the
17 Individual Defendants, and each of the Underwriter Defendants.

18 144. This cause of action does not sound in fraud. Lead Plaintiff does not claim
19 that any of the Defendants committed intentional or reckless misconduct or that any of
20 the Defendants acted with scienter or fraudulent intent. This Count is based solely on
21 strict liability as to Honest and negligence as to the remaining Defendants. Lead
22 Plaintiff expressly disclaims any allegations of scienter or fraudulent intent in these
23 non-fraud claims except that any challenged statements of opinion or belief made in
24 connection with the IPO are alleged to have been materially misstated statements of
25 opinion or belief when made.

26 145. The Registration Statement, which includes the Prospectus, issued in
27 connection with the IPO was inaccurate and misleading, contained untrue statements
28 of material facts, omitted material facts necessary to make the statements made not
misleading, and omitted material facts required to be stated therein.

1 146. Honest is the registrant and issuer of the common stock sold pursuant to
2 the Registration Statement. As such, Honest is strictly liable for the materially
3 inaccurate statements contained in the Registration Statement and the failure of the
4 Registration Statement to be complete and accurate. By virtue of the Registration
5 Statement containing material misrepresentations and omissions of material fact
6 necessary to make the statements therein not false and misleading, Honest is liable
7 under Section 11 of the Securities Act to Lead Plaintiff and the Class.

8 147. None of the Defendants named herein made a reasonable investigation or
9 possessed reasonable grounds for the belief that the statements contained in the
10 Registration Statement were true and without omissions of any material facts and were
11 not misleading.

12 148. The Individual Defendants each signed the Registration Statement and
13 caused its issuance. The Individual Defendants each had a duty to make a reasonable
14 and diligent investigation of the truthfulness and accuracy of the statements contained
15 in the Registration Statement. They each had a duty to ensure that such statements were
16 true and accurate and that there were no omissions of material fact that would make the
17 statements misleading. By virtue of each of the Individual Defendants' failure to
18 exercise reasonable care, the Registration Statement contained misrepresentations of
19 material facts and omissions of material facts necessary to make the statements therein
20 not misleading. As such, each of the Individual Defendants is liable under Section 11
21 of the Securities Act to Lead Plaintiff and the Class.

22 149. Each of the Underwriter Defendants served as the underwriters for the IPO
23 and qualify as such according to the definition contained in Section 2(a)(11) of the
24 Securities Act, 15 U.S.C. § 77b(a)(11). As such, they participated in the solicitation,
25 offering, and sale of the securities to the investing public pursuant to the Offering
26 Documents. Each of the Underwriter Defendants, as an underwriter of the securities
27 offered in the IPO pursuant to the Registration Statement, had a duty to make a
28 reasonable and diligent investigation of the truthfulness and accuracy of the statements

1 contained in the Registration Statement. They each had a duty to ensure that such
2 statements were true and accurate and that there were no omissions of material fact that
3 would make the statements misleading. By virtue of each of the Underwriter
4 Defendants' failure to exercise reasonable care, the Registration Statement contained
5 misrepresentations of material facts and omissions of material facts necessary to make
6 the statements therein not misleading. As such, each of the Underwriter Defendants is
7 liable under Section 11 of the Securities Act to Lead Plaintiff and the Class.

8 150. None of the untrue statements or omissions of material fact in the
9 Registration Statement alleged herein was a forward-looking statement. Rather, each
10 such statement concerned existing facts. Moreover, the Registration Statement did not
11 properly identify any of the untrue statements as forward-looking statements and did
12 not disclose information that undermined the putative validity of those statements.

13 151. Each of the Defendants named in this Count issued, caused to be issued,
14 and participated in the issuance of materially untrue and misleading written statements
15 to the investing public that were contained in the Registration Statement, which
16 misrepresented and failed to disclose, *inter alia*, the facts set forth above. By reasons
17 of the conduct herein alleged, each such Defendant violated Section 11 of the Securities
18 Act.

19 152. Lead Plaintiff and the Class have sustained damages. The value of Honest
20 common stock has declined substantially subsequent to and due to violations by
21 Defendants named in this Count.

22 153. At the time of their purchases of Honest common stock, Lead Plaintiff and
23 other members of the Class were without knowledge of the facts concerning the
24 wrongful conduct alleged herein and could not have reasonably discovered those facts
25 prior to the disclosures alleged herein. Less than one year has elapsed from the time
26 that Lead Plaintiff discovered or reasonably could have discovered the facts upon
27 which this Complaint is based and the time that this action was commenced. Less than
28 three years have elapsed between the time that the securities upon which this cause of

1 action is brought were offered to the public and the time that this action was
2 commenced.

3 **COUNT II**
4 **FOR VIOLATION OF SECTION 15 OF THE SECURITIES ACT**
5 **Against the Individual Defendants and the Catterton Defendants**

6 154. Lead Plaintiff repeats and realleges each and every allegation above as if
7 fully set forth herein.

8 155. This cause of action is brought pursuant to Section 15 of the Securities
9 Act, 15 U.S.C. § 77o, on behalf of the Class, against each of the Individual Defendants.

10 156. This cause of action does not sound in fraud. Lead Plaintiff does not allege
11 that any of the Defendants committed intentional or reckless misconduct or that any of
12 the Defendants acted with scienter or fraudulent intent, which are not elements of a
13 Section 15 claim. This Count is based solely on negligence and/or strict liability. Lead
14 Plaintiff expressly disclaims any allegations of scienter or fraudulent intent in these
15 non-fraud claims except that any challenged statements of opinion or belief made in
16 connection with the IPO are alleged to have been materially misstated statements of
17 opinion or belief when made.

18 157. Each of the Individual Defendants and the Catterton Defendants were
19 control persons of Honest by virtue of their positions as directors and/or senior officers
20 and/or major shareholders of Honest. The Individual Defendants and the Catterton
21 Defendants each had a series of direct and/or indirect business and/or personal
22 relationships with other directors and/or officers and/or major shareholders of Honest.

23 158. Each of the Individual Defendants and the Catterton Defendants
24 participated in the preparation and dissemination of the Offering Documents, and
25 otherwise participated in the process necessary to conduct the IPO. Because of their
26 positions of control and authority as senior officers and/or directors and/or major
27 shareholders of the Company, each of the Individual Defendants and the Catterton
28 Defendants were able to, and did, control the contents of the Offering Documents,

1 which contained materially untrue information and/or omitted material information
2 required to be disclosed to prevent the statements made therein from being misleading.

3 159. As control persons of Honest, each of the Individual Defendants and the
4 Catterton Defendants are liable jointly and severally with and to the same extent as
5 Honest for its violation of Section 11 of the Securities Act.

6 **VII. PRAYER FOR RELIEF**

7 160. WHEREFORE, Lead Plaintiff on behalf of itself and the other members
8 of the Class, prays for relief and judgment as follows:

9 (a) Determining that this action is a proper class action under Rule
10 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined
11 herein;

12 (b) Awarding all damages and other remedies set forth in the Securities
13 Act in favor of Lead Plaintiff and other Class members against all Defendants, jointly
14 and severally, in an amount to be proven at trial, including interest thereon;

15 (c) Awarding Lead Plaintiff and the Class their reasonable costs and
16 expenses incurred in this action, including attorneys' fees, accountants' fees, and expert
17 fees, and other costs and disbursements; and

18 (d) Awarding Lead Plaintiff and the Class such other relief as may be
19 deemed just and proper by the Court.

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21 * * *
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1 **VIII. JURY TRIAL DEMANDED**

2 161. Lead Plaintiff demands a trial by jury.

3 Dated: August 14, 2023

Respectfully Submitted,

4
5 **LABATON SUCHAROW LLP**

6
7 By: /s/ Alfred L. Fatale III

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