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17
 18 **UNITED STATES DISTRICT COURT**
 19 **CENTRAL DISTRICT OF CALIFORNIA**

20 IN RE THE HONEST COMPANY,
 21 INC. SECURITIES LITIGATION

2:21-CV-07405-MCS-PLA

ECF CASE

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

DEMAND FOR JURY TRIAL

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

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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 Keller Sucharow LLP, which included a review and analysis of: (i) regulatory filings
7 made by The Honest Company, Inc. (“The Honest Company,” “Honest,” or the
8 “Company”) with the U.S. Securities and Exchange Commission (the “SEC”);
9 (ii) Company press releases, transcripts of earnings calls, and other public statements
10 issued and disseminated by the Company; (iii) Company website and marketing
11 materials; (iv) price and volume data for Honest common stock; (v) research reports
12 from securities and financial analysts; (vi) news and media reports concerning the
13 Company and other facts related to this action; (vii) interviews with former Honest
14 employees; (viii) other publicly available materials and data; and (ix) and documents
15 produced by Defendants (as defined herein) in this action. Lead Counsel’s investigation
16 into the factual matters alleged herein continues and many of the relevant facts are
17 known only by the Defendants or are exclusively within their custody or control. Lead
18 Plaintiff believes that substantial additional evidentiary support will exist for the
19 allegations set forth 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.

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

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

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

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

11 **3. The Underwriter Defendants**

12 26. Defendant Morgan Stanley & Co. LLC (“Morgan Stanley”) was an
13 underwriter for the Company’s IPO, serving as a financial advisor for and assisting in
14 the preparation and dissemination of the materially inaccurate, misleading, and
15 incomplete Offering Documents. Defendant Morgan Stanley acted as a representative
16 of all of the underwriters. In the IPO, Defendant Morgan Stanley was allocated
17 9,627,997 shares of the Company’s common stock, exclusive of the over-allotment
18 option, to sell to the investing public.

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

26 28. Defendant Jefferies LLC (“Jefferies”) was an underwriter for the IPO,
27 serving as a financial advisor for and assisting in the preparation and dissemination of
28 the materially inaccurate, misleading, and incomplete Offering Documents. Defendant

1 Jeffries acted as a representative of all of the underwriters. In the IPO, Defendant
2 Jefferies was allocated 3,771,792 shares of the Company’s common stock, exclusive
3 of the over-allotment option, to sell to the investing public.

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

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

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

21 32. Defendant Guggenheim Securities, LLC (“Guggenheim”) was an
22 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 Guggenheim was allocated 774,210 shares
25 of the Company’s common stock, exclusive of the over-allotment option, to sell to the
26 investing public.

27 33. Defendant Telsey Advisory Group LLC (“Telsey”) was an underwriter for
28 the IPO, serving as a financial advisor for and assisting in the preparation and

1 dissemination of the materially inaccurate, misleading, and incomplete Offering
2 Documents. In the IPO, Defendant Telsey was allocated 416,882 shares of the
3 Company's common stock, exclusive of the over-allotment option, to sell to the
4 investing public.

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

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

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

23 37. Defendant Samuel A. Ramirez & Company, Inc. ("Samuel A. Ramirez")
24 was an underwriter for the IPO, serving as a financial advisor for and assisting in the
25 preparation and dissemination of the materially inaccurate, misleading, and incomplete
26 Offering Documents. In the IPO, Defendant Samuel A. Ramirez was allocated 178,664
27 shares of the Company's common stock, exclusive of the over-allotment option, to sell
28 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.

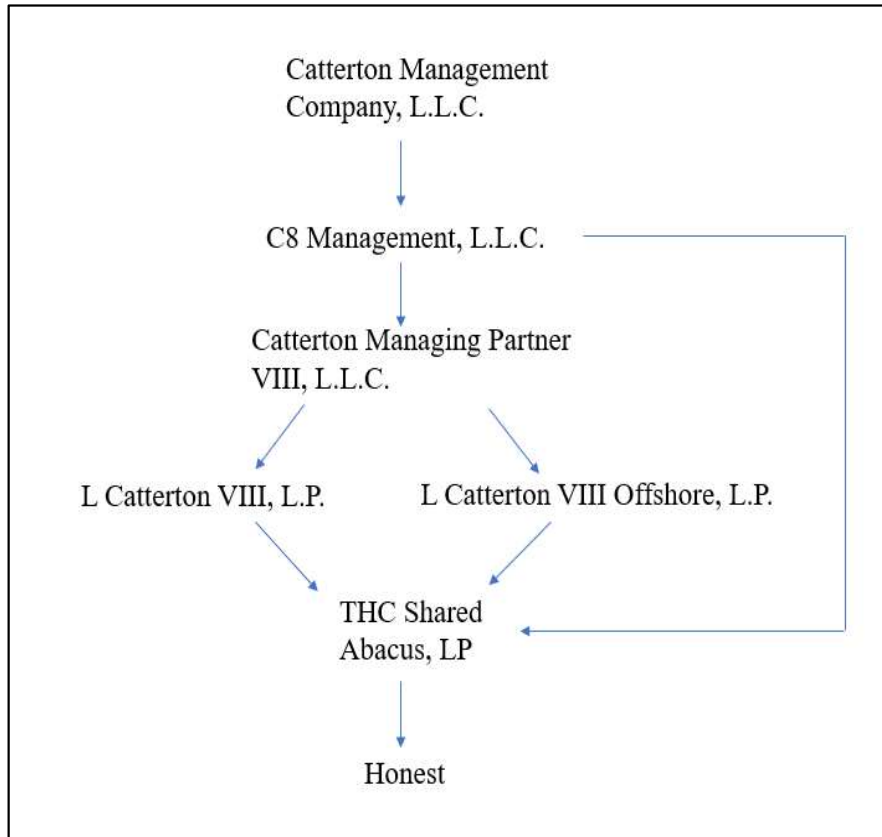
12 44. The Underwriter Defendants caused the Offering Documents to be filed
13 with the SEC and to be declared effective in connection with offers and sales of the
14 Company's common stock pursuant and/or traceable to the IPO and the Offering
15 Documents, including to Lead Plaintiff and other members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

16 4. The Catterton Defendants

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

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

1 and Catterton VIII Offshore. Defendant C8 Management, L.L.C. (“C8 Management”)
2 was at all relevant times the general partner of Defendant Shared Abacus and the
3 managing partner of Defendant Catterton Managing Partner VIII. Defendant Dahnke
4 was at all relevant times a managing member of Defendant C8 Management.



19 47. Defendants Catterton Management, C8 Management, Catterton Managing
20 Partner VIII, Catterton VIII, Catterton VIII Offshore, and Shared Abacus, are
21 collectively referred to hereinafter as “Catterton” or the “Catterton Defendants.” None
22 of the Catterton Defendants were identified in the initial disclosures served on Lead
23 Plaintiff by Honest, the Individual Defendants—including Defendants Dahnke or
24 Pramanik—or the Underwriter Defendants on October 14, 2022 pursuant to Federal
25 Rule of Civil Procedure 26(a)(1) (the “Initial Disclosures”). *See* Exs. A-B. No
26 individuals associated with Catterton other than Defendants Dahnke and Pramanik
27 were identified in the Initial Disclosures and the subjects of information Defendants
28 Dahnke and Pramanik were identified for was identical to the information listed for

1 each of the other Individual Defendants, i.e., Honest’s “business, public statements,
2 SEC filings, and related matters.”

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

9 **IV. SUBSTANTIVE ALLEGATIONS**

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

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

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

27 51. Its largest segment, Diapers and Wipes, is described in the Offering
28 Documents as the center of Honest’s product ecosystem, serving as an entry point for

1 new parents to become customers for everyday family needs. According to Honest, its
2 multi-category product architecture is designed to drive loyalty, increase its consumer
3 wallet share and generate attractive consumer lifetime value.

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

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

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

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

26 56. Nevertheless, Honest told investors that there is “a fundamental channel
27 shift [] underway across the Diapers and Wipes, Skin and Personal Care and Household
28 and Wellness markets.” According to Honest, these products had historically been sold

1 through traditional, wholesale, store-based channels, which accounted for
2 approximately 80% of U.S. retail sales in these markets in 2019. According to Honest,
3 however, from 2014 to 2019, total ecommerce sales grew at seven times the rate of
4 brick and mortar store-based sales. To this point, Honest touted to investors that it
5 expected these trends would not only continue but would accelerate globally.

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

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

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

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

25 60. The Clean Conscious Diapers design includes a quilted bubble liner,
26 toxicologist-verified wetness indicator, and a quick absorb channel to better help
27 control leaks and keep the baby dry. The Clean Conscious Diapers also offer
28 customized enhancements for each age, including a belly button cutout for additional

1 comfort (Newborns), double poo pockets to prevent blowouts (Sizes 1–2), and stretch
2 comfort for more active babies (Sizes 3–6).

3 61. In reality, however, shortly after its introduction—and months prior to the
4 IPO—Honest’s Clean Conscious Diaper caused leaks, blowouts and rashes on its child
5 users.

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

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

16 64. Several customers explained that, despite having been loyal Honest
17 customers, the new Clean Conscious Diaper came with unexpected and frightening side
18 effects, including “permanent rash[es],” “chemical irritation,” “big” and “constant
19 leaks,” as well as issues with the “poorly made” diaper lining and wetness indicator. In
20 an understandable uproar, many customers stated they would no longer purchase
21 Honest diapers. For example:

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



Heather Trapier Rolfe  doesn't recommend The Honest Company.

May 9, 2021 · 

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



11 **Constant leaks lead to canceled subscription**



Andrea L Akins  doesn't recommend The Honest Company.

May 15, 2021 · 


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



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

16 **"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

★☆☆☆☆ | (X) 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

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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!

“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

★☆☆☆☆ | (X) 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

★☆☆☆☆ | (X) 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!!!!!!

★☆☆☆☆ | (X) 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!

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



Dianne Gonzalez Has anyone from [The Honest Company](#) tried to respond to these reviews? I have to add my voice to the list. We used the diapers since 2015. These new ones are TERRIBLE. Every day is a leak. They do NOT hold urine well at all. They either leak at the top or out of the legs.

49w



Author

The Honest Company We're sorry to hear you're experiencing this issue with our diapers. 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!

48w



Emily Kowalski These new clean conscious diapers are terrible! 😡 I loved honest diapers and have always sworn by them and recommended them to all of my friends until these new diapers arrived. We've used honest diapers for 2.5+ years and my lo has never leaked until we used these!! So disappointed ❤️ We unfortunately will cancel our subscription unless they bring back the classics.

1y - Edited





View 4 more replies

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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!

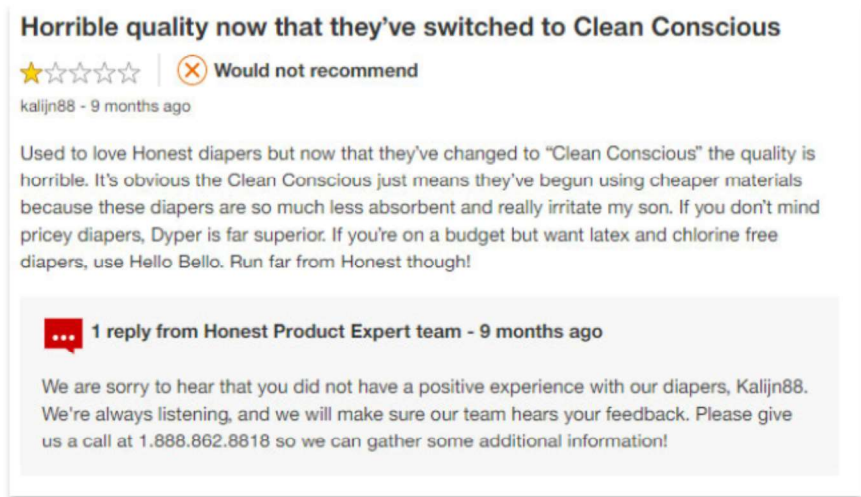
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66. Several users attributed leaking and skin irritation to the new materials used in the Clean Conscious Diaper. For example:

“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

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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 Conscicus 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"

★☆☆☆☆

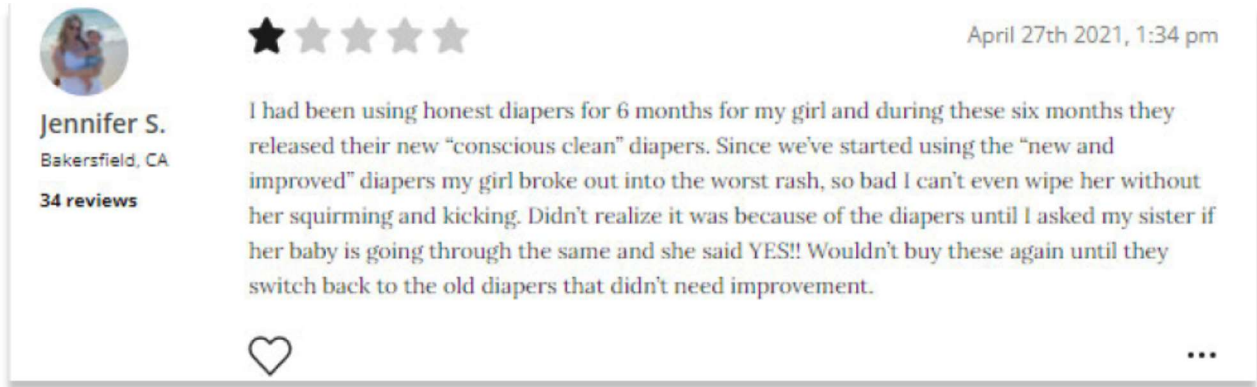
 **Sandra of Bradford, VT** ✓ Verified Reviewer

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.

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“Wouldn’t buy these again”



67. 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”

68. 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.

69. 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.

70. 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 71. 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 72. 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 73. 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 74. 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 75. CW-2 was an accountant at Honest in 2021.

23 76. 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 77. 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 78. 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 79. 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. The Catterton Defendants Controlled the IPO and the Company**

14 **1. Catterton Controlled the Timing of the IPO as a Means to**
15 **Urgently Exit Its Investment**

16 80. With the Company’s revenues receiving a significant yet fleeting boost
17 due to the COVID-19 stock up, the Catterton Defendants sought to exit their investment
18 in Honest in a way that would afford them the highest possible return. But the Catterton
19 Defendants did more than push for an exit at a favorable price—they put their finger
20 on the scale. Indeed, documents produced to Lead Plaintiff in this Action from May
21 23, 2023 onwards, demonstrate that as early as March 2020, Catterton encouraged
22 Honest employees to boost the Company’s valuation however possible.

23 81. [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

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

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 85. [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 86. [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 87. [REDACTED]
22 [REDACTED]
23 [REDACTED] [REDACTED]
24 [REDACTED]
25 [REDACTED]

26
27
28 5 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 88. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 89. Catterton did indeed move quickly and immediately began preparing for
10 an Honest IPO. Moreover, this directive to go public as fast as possible was imposed
11 on Morgan Stanely. For example, in a November 9–10, 2020 internal Morgan Stanley
12 email, Jeffrey Hogan, a Morgan Stanley Vice Chairman, stressed that Defendant
13 Dahnke was “very focused” on the IPO and it would “likely [occur] ASAP which
14 means as soon as the audits are ready.” *See* Ex. H, at MS_HONEST_00000000-
15 00068730.

16 **2. Catterton Exercised Substantial Control Over the Mechanics**
17 **of the IPO and the Contents of the Offering Documents**

18 90. Throughout the IPO process, Catterton exercised substantial dominion
19 over the Offering and how it was conducted, by directly participating in the preparation
20 of the Offering Documents, including the prospectus summary, business summaries,
21 management’s discussion and analysis (“MD&A”), applicable risk factors, F-pages,
22 and the audit of the Company’s financials.

23 91. For example, a December 4, 2020 internal Morgan Stanley email
24 scheduling drafting sessions for the Registration Statement made clear that “[f]or all
25 sessions, we plan to include . . . L Catterton.” *See* Ex. I, at MS_HONEST_00000000-
26 00040296. Further, in a December 14, 2020 PowerPoint presentation titled “Project

27
28 ⁶ The “Nick” referenced in this email is Defendant Vlahos.

1 Horizon Organizational Meeting,” which contains working group lists as well as
2 workstreams for the IPO, Honest and Catterton are grouped together in the “Horizon”
3 group meaning that Catterton shared responsibility with Honest for each action item to
4 which Honest was assigned. *See* Ex. J, at 7. This included drafting the Registration
5 Statement’s management discussion and analysis (MD&A) section (among others),
6 conducting third-party due diligence calls and analyst/roadshow presentations, and
7 working out terms of the underwriting and lock up agreements. *Id.* Critically, the
8 earlier mentioned MD&A section ***contains multiple statements allegedly to be***
9 ***materially false and misleading herein.*** *See* ¶¶113-14, 119-20. Catterton was further
10 involved in the Company’s CFO search and evaluating hiring needs; selecting from the
11 Underwriter Defendants bookrunners and co-managers for the Offering; quarterly dry-
12 runs of disclosing and validating metrics and guidance; corporate governance matters
13 and board composition; compensation plans; internal and external communications;
14 FINRA approvals; exchange listing and listing approval; share class structure; and
15 selecting a transfer agent. *Id.* at 8. Notably, the only other party included in this group
16 was ICR, an outside public relations firm, hired solely for marketing purposes. As a
17 result, Catterton had at least as much influence on the content of the Offering
18 Documents and related materials as Honest.

19 92. Similarly, a December 18, 2020 email amongst Morgan Stanley
20 employees forwarding notes from a “S-1 drafting session” states a number of areas of
21 the Registration Statement which Catterton was either tasked with drafting itself or
22 directing the content, including the first half of the business section; the “Our Story”⁷
23 section; and the “Honest Difference” section. *See* Ex. K, at MS_HONEST_00000000-
24 00003071-3072. Notably, several of the alleged misstatements are found in the first
25 half of the business section of the Offering Documents, (*see infra* ¶¶ 112-14, 116, 120),
26

27 ⁷ The Offering Documents do not contain a section titled “Our Story,” which may
28 have been omitted, as was then discussed as a possibility. *See* Ex. K, at
MS_HONEST_00000000-00003071.

1 most of which are contained in a sub-section titled “The Honest Difference” (*see infra*
2 ¶¶ 113-14, 120).

3 93. At one point, Morgan Stanley reached out directly to Catterton employees,
4 not including any Honest employees or board members, seeking information related to
5 Honest’s brand awareness, which was to be included in the S-1 business section. *See*
6 Ex. L at MS_HONEST_00000000-00041384-41385.

7 94. As a result, in connection with the IPO, Catterton significantly
8 participated in the purported due diligence process, such as the review of the
9 Company’s business and financials, including issues pertaining to legal, intellectual
10 property, regulatory and cybersecurity risks, vendors, auditors, and analysts—
11 functions generally reserved for an issuer and its management.

12 95. Catterton’s role in the IPO did not end at Offering Documents, and as the
13 IPO process proceeded, Catterton continued to play an outsized role in facilitating the
14 process, including with regard to monitoring the Company’s sales growth and other
15 operational metrics that could have had an impact on the Company’s ability to
16 successfully complete an IPO at Catterton’s desired price. Specifically, each month
17 Catterton received detailed internal Honest reports which showed the Company’s total
18 sales and growth or decline over certain time periods. For example, in a February 5,
19 2021 email from an Honest employee to Defendant Kennedy attaching a “topline
20 report[,]” “which is a report that [Honest’s] Category Insights team produces each
21 month showing [their] most recent 4, 12, and 52 week consumption for Diapers, Wipes
22 and Personal care,” the Honest employee references sending this report to the Catterton
23 team so “they get a bit of additional detail into [Honest’s] consumption data.” *See* Ex.
24 M, at HNST_0095658.

25 96. Relatedly, Catterton also played a substantial role in the review of
26 Honest’s financials which were included in the Offering Documents and/or factored
27 into the Company’s forecasts. This included Public Company Accounting Oversight
28 Board (PCAOB) audits for 2019 and 2020; 2018 historical financials; the three-year

1 analyst model; both quarterly and annual; Honest’s guidance strategy; and the
2 Company’s tax structure and related net operating loss (NOL). *See, e.g.*, Ex. N at
3 HNST_0108490.

4 97. As to the marketing strategy for the Offering, Catterton again directly
5 participated. For example, the Catterton Defendants were involved in testing-the-
6 waters (*see* Ex. O, at MS_HONEST_00000000-00078407), and roadshow
7 presentations and videos (*see* Ex. P, at MS_HONEST_00000000-00041034).

8 98. In addition to the above, Catterton selected Morgan Stanley as the lead
9 underwriter for the Offering. *See* Ex. Q, at MS_HONEST_00000000-00041724.
10 Moreover, during the selection process for the lead underwriter, Morgan Stanley
11 internally acknowledged that Catterton had an “outsize[d] influence” (Ex. R, at
12 MS_HONEST_00000000-00091276), and was a “key decision maker” for advisor
13 selection (Ex. S, at MS_HONEST_00000000-00080758). The selection of the lead
14 underwriter is a major decision during an IPO, usually reserved for the issuer, and gave
15 Morgan Stanley a significant incentive to pander to Catterton and garner their favor.

16 99. Even after Morgan Stanley was picked as a lead underwriter, they
17 continued to work closely with Catterton, affording it special treatment and running
18 most decisions past Catterton employees for approval. Indeed, this is likely so because
19 Morgan Stanley saw Catterton as potentially lucrative partner given that Catterton
20 regularly engages in IPOs and private sales of companies in which it has invested.
21 Indeed, Morgan Stanley stated this directly in an email with Defendant Pramanik. Ex.
22 T, at MS_HONEST_00000000-00060351.

23 100. The documents make it clear that Morgan Stanley wanted to keep
24 Catterton happy. Indeed, after being selected as a lead underwriter, Morgan Stanley
25 provided Catterton with briefings, sometimes daily. *See* Ex. O, at
26 MS_HONEST_00000000-00078406. Catterton also participated in IPO meetings with
27 Morgan Stanley without any non-Catterton Honest personnel present. *Id.* Catterton,
28 happy to have been consulted at each step of the Offering, paid Morgan Stanley’s

1 incentive fee upon closing of the Offering. Ex. T, at MS_HONEST_00000000-
2 00060351.

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

8 **E. Honest's IPO**

9 102. On or about May 4, 2021, Honest conducted its IPO, in which it sold
10 29,678,050 shares of common stock to the public, including an underwriter over-
11 allotment option of 3,871,050 shares. Of the shares of common stock offered in the
12 IPO, the Honest Company received the proceeds from 6,451,613 shares and the selling
13 stockholders (as identified in the Prospectus) received the proceeds for the remainder.

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

23 104. The Offering Documents state that "[n]either [Honest], the selling
24 stockholders, nor any of the underwriters have authorized anyone to provide any
25 information or to make any representations other than those contained in this
26 prospectus or in any free writing prospectuses [Honest] ha[s] prepared."
27
28

1 105. Lead Plaintiff and other members of the Class purchased or otherwise
2 acquired Honest common stock pursuant and/or traceable to the IPO and the Offering
3 Documents, and were damaged thereby.

4 **F. The Offering Documents Contained Materially False and**
5 **Misleading Statements of Fact and Omitted Material Information**

6 106. The Offering Documents were negligently prepared, and as a result,
7 contained untrue statements of material fact, omitted material facts necessary to make
8 the statements contained therein not misleading, and failed to make adequate
9 disclosures required under the rules and regulations governing its preparation.

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

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

21 109. Further, Defendants were required to comply with Item 303 of Regulation
22 S-K, 17 C.F.R. § 229.303. Specifically, Item 303 and the SEC’s related interpretive
23 releases thereto, requires issuers to disclose events and uncertainties, including any
24 known trends that have had or are reasonably likely to cause the issuer’s financial
25 information not to be indicative of future operating results.

26 110. Moreover, Defendants were also required to comply with Item 105 of
27 Regulation S-K, 17 C.F.R. § 229.105. Specifically, Item 105 requires that the Offering
28

1 Documents furnish, among other things, a discussion of the most significant factors
2 that make the Offering speculative or risky.

3 **1. The Offering Documents Contained Misstatements and**
4 **Omissions About Honest’s Product Innovation and its Clean**
5 **Conscious Diaper**

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

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

17 **Our Growth Strategy**

18 * * *

19 ***Drive Accretive Product Innovation***

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

29 113. Likewise, the Offering Documents stated that since its launch in 2012,
30 Honest was “dedicated to developing *clean, sustainable, effective and thoughtfully*
31 *designed products.*”

32 114. Specifically, with respect to Honest’s diapers, the Offering Documents
33 touted to investors that “[a]t the center of our product ecosystem are our diapers,

1 *which are a strategic consumer acquisition tool* that acts as an entry point for our
2 portfolio, as new parents often go on the purchase products from our other categories
3 for their everyday family needs.”

4 115. The statements in ¶¶112-14 were false and misleading statements of
5 material fact when made because they failed to disclose the following material adverse
6 facts, material adverse trends, material uncertainties, or significant risks that existed at
7 the time of the IPO:

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

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

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

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

18 116. The Offering Documents also described product innovation as “the heart
19 of [Honest’s] business,” touting Honest’s product development and “direct connection
20 with [its] community” as a competitive advantage. The Offering Documents also
21 acknowledged the importance of customer reviews and Honest’s ability to reformulate
22 products to improve performance. The Offering Documents state:

23 ***In-House Product Development Capabilities that Power***
24 ***Innovation***

25 Product innovation lies at the heart of our business. *We have*
26 *built a high-performance product development team that*
27 *sets new standards with a proven track record of bringing*
28 *innovative, award-winning products to market. To*
maximize the impact of our product development
capabilities, our direct connection with our community
enables us to understand what consumers’ needs are and
inspires our product innovation pipeline, which we believe

1 *generates a significant competitive advantage over more*
2 *traditional CPG peers.* Our product innovation is inspired by
3 feedback from our consumers that we receive through
4 multiple avenues, including through our internal customer
5 service team, comments left by consumers on our social
6 media platforms and product ratings on our website and
7 retailer’s websites. For example, we created and brought to
8 market a new Stay Safe cleaning collection, a complete set
9 of cleaning, sanitizing and disinfecting solutions, in less than
10 six months after the onset of COVID-19. In 2020, 22% of our
11 revenue was generated from stock keeping units, or SKUs,
12 introduced in 2020. *In addition to using these capabilities to*
13 *innovate new products to bring to market, we also regularly*
14 *reformulate or update existing products, improving*
15 *performance and expanding gross margin.* We have won
16 over 100 awards, including the 2020 “Parents” Best for Baby
17 Award and seven Allure Best of Beauty awards.

18 117. The statements in ¶116 were false and misleading statements of material
19 fact when made because they failed to disclose the following material adverse facts,
20 material adverse trends, material uncertainties, or significant risks that existed at the
21 time of the IPO:

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

25 (b) As a result, Honest’s Clean Conscious Diaper was not “improving
26 performance,” as evidenced by a multitude of consumer reviews describing its
27 defective features;

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

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

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

118. The Offering Documents failed to disclose the extent to which consumers’
COVID-19 stockpiling of Honest products was negatively impacting the Company at

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

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

14 *Impact of COVID-19* disruption worldwide beginning in
15 January 2020. *The full extent to which the COVID-19*
16 *pandemic will directly or indirectly impact our cash flow,*
17 *business, financial condition, results of operations and*
18 *prospects will depend on future developments that are*
19 *uncertain.*

20 * * *

21 We believe COVID-19 has been one of the drivers of demand
22 in our Digital channel as consumers have shifted to online
23 shopping amid the pandemic. Additionally, our Household
24 and Wellness product category has benefitted from
25 increasing demand for sanitization products. We accelerated
26 our development timeline for certain product launches,
27 launching our disinfecting spray and alcohol wipes in 2020.
28 There is no assurance that we will continue to experience
such increases in demand. *We may see a decline in use of*
online shopping and demand for sanitization products
when the COVID-19 pandemic subsides.

120. Nevertheless, the Offering Documents also told investors that the
Company’s omnichannel approach was “*agnostic* as to the channel where consumers
purchase [its] products.” The Offering Documents stated, in pertinent part, as follows:

Our omnichannel approach seeks to meet consumers
however they want to shop, balancing deep consumer

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

13 121. The statements in ¶¶119-20 were false and misleading statements of
14 material fact when made because they failed to disclose the following material adverse
15 facts, material adverse trends, material uncertainties, or significant risks that existed at
16 the time of the IPO:

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

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

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

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; and
27

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

3 **3. The Offering Documents Failed to Disclose and**
4 **Misrepresented Significant Risks That Made the Offering**
5 **More Speculative and Risky**

6 122. The Offering Documents falsely represented the negative impact of
7 consumers' COVID-19 stock-up, decreasing demand, and Honest's omnichannel
8 strategy which purportedly positioned the Company for continued growth. As a result,
9 the Offering Documents contained untrue statements of material facts, omitted to state
10 other facts necessary to make the statements contained in the Offering Documents not
11 misleading, and was not prepared in accordance with the rules and regulations
12 governing its preparation.

13 123. The Offering Documents inaccurately described as *potential*, certain
14 future risks associated with consumer perception of the health and safety of Honest's
15 product and demand for those products which "could" have an adverse effect on its
16 business, financial condition, and results of operations, rather than disclosing the actual
17 events and trends or uncertainties that had already manifested. The Offering
18 Documents stated, in pertinent part, that:

19 *Economic downturns or a change in consumer*
20 *preferences, perception and spending habits in the clean*
21 *products categories, in particular, could limit consumer*
22 *demand for our products and negatively affect our*
23 *business.*

24 We have positioned our brand to capitalize on growing
25 consumer interest in clean conscious products. The clean
26 conscious consumer product industry is sensitive to national
27 and regional economic conditions and the demand for the
28 products that we distribute may be adversely affected from
time to time by economic downturns that impact consumer
spending, including discretionary spending. Future economic
conditions such as employment levels, business conditions,
housing starts, interest rates, inflation rates, energy and fuel
costs and tax rates could reduce consumer spending or
change consumer purchasing habits. Among these changes
could be a reduction in the number of clean conscious
consumer products that consumers purchase where there are
alternatives, given that many products in this category often

1 have higher retail prices than do their conventional
2 counterparts.

3 ***Further, the Diapers and Wipes, Skin and Personal Care
4 and Household and Wellness markets in which we operate
5 are subject to changes in consumer preference, perception
6 and spending habits. Our performance depends
7 significantly on factors that may affect the level and pattern
8 of consumer spending in the markets in which we operate.
9 Such factors include consumer preference, consumer
10 confidence, consumer income, consumer perception of the
11 safety and quality of our products and shifts in the
12 perceived value for our products relative to alternatives.***

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

16 124. The statements in ¶123 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

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

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

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

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

For example, in 2015, multiple class action lawsuits were filed against us claiming that certain of our products, including our sunscreen, were ineffective and were not “natural.” In 2017, we settled these class action lawsuits by agreeing to labeling changes and a \$7.4 million settlement fund. In 2016, multiple class action lawsuits were filed against us claiming that we misled buyers about ingredients in our laundry detergent, dish soap and multisurface cleaner. In 2017, we settled these class action lawsuits by agreeing to marketing or reformulating changes and a settlement fund of \$1.6 million. We have also been the subject of litigation claiming our labels contain inaccurate or misleading information. In response, we are in the process of updating

1 the language on certain of our labels. In addition, we
2 voluntarily recalled certain of our baby wipes and baby
3 powder products in 2017 and one of our bubble bath products
4 in January 2021 due to concerns about potential
5 contamination. These incidents negatively affected our brand
6 image and required significant time and resources to address.

7 We also have no control over our products once purchased
8 by consumers. For example, consumers may store or use our
9 products under conditions and for periods of time
10 inconsistent with approved directions for use or the listed
11 "Period After Opening," or required warnings or other
12 governmental guidelines on our labels, which may adversely
13 affect the quality and safety of our products.

14 ***If our products are found to be, or perceived to be, defective
15 or unsafe, or if they otherwise fail to meet our consumers'
16 expectations, our relationships with consumers could
17 suffer, the appeal of our brand could be diminished, we may
18 need to recall some of our products and/or become subject
19 to regulatory action, and we could lose sales or market
20 share or become subject to boycotts or liability claims.*** In
21 addition, safety or other defects in our competitors' products
22 or products using the Honest name in other consumer
23 categories, like beverages and pet food in which we do not
24 own the Honest brand, could reduce consumer demand for
25 our own products if consumers view them to be similar. Any
26 such adverse effect could be exacerbated by our market
27 positioning as a purveyor of clean, sustainable, well-
28 designed, and effective products and may significantly
reduce our brand value. ***Issues regarding the safety,
efficacy, quality or environmental impact of any of our
products, regardless of the cause, may have an adverse
effect on our brand, reputation and operating results.
Further, the growing use of social and digital media by us,
our consumers and third parties increases the speed and
extent that information or misinformation and opinions
can be shared. Negative publicity about us, our brand or
our products on social or digital media could seriously
damage our brand and reputation. Any loss of confidence
on the part of consumers in the quality, safety, efficacy or
environmental suitability of our products would be difficult
and costly to overcome, even if such concerns were based
on inaccurate or misleading information. If we do not
maintain the favorable perception of our brand, our
business, financial condition, results of operations and
prospects could be adversely affected.***

126. The statements in ¶125 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

1 following significant, *then-existing* material events and adverse trends or uncertainties
2 that Honest *had already been* facing at the time of the IPO:

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

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

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

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

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

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

20 * * *

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

1 128. The statements in ¶127 were each inaccurate statements of material fact
2 when made while noting only the *potential* negative impacts on its business, financial
3 condition, and results of operations, the Offering Documents failed to disclose the
4 following significant, *then-existing* material events and adverse trends or uncertainties
5 that Honest *had already been* facing at the time of the IPO:

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

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

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

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

16 129. Further, the Offering Documents inaccurately described as *potential*,
17 certain risks associated with the impact of COVID-19, fluctuation in sales through the
18 Company’s retail and digital channels, and timing and success of Honest’s product
19 launches, which *may* have an adverse effect on its business, financial condition, and
20 results of operations, rather than disclosing the actual events and trends or uncertainties
21 that had already manifested. The Offering Documents stated, in pertinent part, that:

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

24 *Our quarterly operating results may fluctuate for a variety*
25 *of reasons, many of which are beyond our control,*
26 *including:*

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

• the amount and timing of our operating expenses;

- our success in attracting new and maintaining relationships with existing retail and ecommerce partners;
 - ***our success in executing on our strategy and the impact of any changes in our strategy;***
 - ***the timing and success of product launches, including new products that we may introduce, such as our launch of clean conscious diapers in January 2021;***
 - the success of our marketing efforts;
 - ***adverse economic and market conditions, such as those related to the current COVID-19 pandemic, currency fluctuations and other adverse global events;***
 - disruptions or defects in our technology platform, such as privacy or data security breaches, errors in our 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.

130. The statements in ¶129, 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:

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

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

(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 lose customers and revenue.

3 131. The statements in ¶129, particularly those concerning COVID-19, were
4 each inaccurate statements of material fact when made while noting only the *potential*
5 negative impacts on its business, financial condition, and results of operations, the
6 Offering Documents failed to disclose the following significant, *then-existing* material
7 events and adverse trends or uncertainties that Honest *had already been* facing at the
8 time of the IPO:

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

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

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

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

19 132. The Offering Documents also inaccurately described as *potential*, certain
20 risks associated with Honest’s ability to acquire new customers and retain existing
21 customers, which *may* have an adverse effect on its business, financial condition, and
22 results of operations, rather than disclosing the actual events and trends or uncertainties
23 that had already manifested. The Offering Documents stated, in pertinent part, that:

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

27 Our success, and our ability to increase revenue and achieve
28 profitability, depend in part on our ability to cost-effectively
acquire new consumers, retain existing consumers and keep

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

12 133. The statements in ¶132 were each inaccurate statements of material fact
13 when made while noting only the ***potential*** negative impacts on its business, financial
14 condition, and results of operations, the Offering Documents failed to disclose the
15 following significant, ***then-existing*** material events and adverse trends or uncertainties
16 that Honest ***had already been*** facing at the time of the IPO:

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

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

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

25 (d) As a result of the Clean Conscious Diaper’s new technology and
26 defective design, Honest would lose customers and revenue.
27
28

1 134. The statements in ¶132 were also each inaccurate statements of material
2 fact when made while noting only the *potential* negative impacts on its business,
3 financial condition, and results of operations, the Offering Documents failed to disclose
4 the following significant, *then-existing* material events and adverse trends or
5 uncertainties that Honest *had already been* facing at the time of the IPO:

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

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

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

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

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

21 *The COVID-19 pandemic could have an adverse effect on*
22 *our business, financial condition, results of operations and*
23 *prospects.*

24 * * *

25 *The extent of the COVID-19 pandemic’s effect on our*
26 *operational and financial performance will depend on*
27 *future developments, including the duration and intensity*
28 *of the pandemic, all of which are uncertain and difficult to*
predict considering the rapidly evolving landscape. As a
result, it is not currently possible to ascertain the overall
impact of the COVID-19 pandemic on our business.
However, if the pandemic continues to persist as a severe
worldwide health crisis, the disease could have an adverse

1 effect on our business, financial condition, results of
2 operations and prospects, and may also have the effect of
3 heightening many of the other risks described in this “Risk
4 Factors” section.

5 136. The statements in ¶135 were each inaccurate statements of material fact
6 when made while noting only the *potential* negative impacts on its business, financial
7 condition, and results of operations, the Offering Documents failed to disclose the
8 following significant, *then-existing* material events and adverse trends or uncertainties
9 that Honest *had already been* facing at the time of the IPO:

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

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

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

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

20 **G. Post-IPO Events Demonstrate that the Offering Documents Were**
21 **Materially False and Misleading at the Time of the Offering**

22 137. In its first press release just weeks after the IPO, on June 16, 2021, Honest
23 reported the Company’s first quarter 2021 financial results. Honest’s revenue in its
24 Company’s Diapers and Wipes category was down, and the Company recorded a \$4.5
25 million net loss in the first quarter of 2021 as compared to net income of \$0.6 million
26 in the first quarter of 2020.

27 138. On the same day, during the earnings call to discuss the quarterly results,
28 Defendant Kennedy explained that the decrease in Diapers and Wipes was attributable
to COVID-19 pantry loading back in 2020 and the Company’s transition to Clean
Conscious Diapers, stating:

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

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

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

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

23 Yes, I'll take the first one, Dana, thank you for the question.
24 ***And I would say on the [Clean] Conscious Diaper is we've***
25 ***kind of built out that innovation. We do this type of work***
26 ***when it comes to the performance and being able to address***
27 ***these key consumer dissatisfiers. And we've done this in a***
28 ***way now where we're also increasing the margin structure***
against that business. So it's got the right proposition for us
because we talk about good growth always, which is this
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.

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

142. The next quarter, on August 13, 2021, Honest issued a press release
reporting the Company's second quarter 2021 financial results and a net loss of \$20
million for the second quarter 2021 as compared to a net loss of only \$0.4 million for
the second quarter of 2020. The Company noted its revenue grew only 3% as compared
to the second quarter of 2020 because it was negatively impacted by "an estimated \$3.7

1 million COVID-19 stock-up impact primarily in Diapers and Wipes in the prior year
2 period.”

3 143. Honest further reported that revenue for its top category, Diapers and
4 Wipes, declined 2% compared to the second quarter of 2020 and revenue for Household
5 and Wellness declined 6% from the second quarter of 2020 as “sales have been softer
6 than expected as consumer demand has decreased as more consumers have become
7 vaccinated and retailers continue to manage heavy inventories of sanitization and
8 disinfecting products in stores.” Gross margin decreased by 50 basis points from the
9 second quarter of 2020.

10 144. Honest’s digital channel revenue also decreased 24% to \$34.8 million in
11 the second quarter of 2021 as compared to the second quarter of 2020, due largely to
12 the reduction in inventory on-hand by one of Honest’s “key digital partner[s]” who “cut
13 inventory in consumables in the second quarter to free up space for other products.”
14 During the quarter, revenue from that customer declined by \$6.4 million.

15 145. On the related earnings call held the same day to discuss these results,
16 Defendant Vlahos acknowledged the true extent of Honest’s COVID-19 stock up,
17 noting Honest’s “mid-single-digit growth for the quarter on [its] Diaper business
18 despite COVID-19 stock-up impact *in the year ago period.*”

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

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

25 148. In an August 13, 2021 report from Morgan Stanley, analysts noted
26 “[c]learly the quarter is disappointing, particularly so soon after the IPO” recognizing
27 that Honest’s Diapers and Wipes segment was down -2% year-over-year “as the
28 [C]ompany cycles through elevated comparisons due to pandemic pantry loading.” The

1 report recognized “slowing e-commerce momentum, a drop in demand following
2 COVID stock up” as among the downside risks.

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

7 **V. CLASS ALLEGATIONS**

8 150. Lead Plaintiff brings this action as a class action pursuant to Rules 23(a)
9 and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the following certified
10 “Class”:

11 All persons and entities that purchased or otherwise acquired
12 Honest publicly traded common stock pursuant and traceable
13 to the Offering Documents for the IPO prior to August 19,
14 2021, as well as all persons and entities that acquired
15 ownership of a trading account, retirement account, or any
16 other similar investment account or portfolio containing
17 Honest’s publicly traded common stock that was purchased
18 or otherwise acquired pursuant and traceable to the Offering
19 Documents for Honest’s IPO prior to August 19, 2021, and
20 were damaged thereby. Excluded from the Class are: (i)
21 Defendants and the Individual Defendants’ immediate
22 family members;² (ii) the officers, directors, affiliates, and
23 subsidiaries of Honest and the Underwriter Defendants, at all
24 relevant times; (iii) Honest’s affiliates and employee
25 retirement and/or benefit plan(s) and their participants and/or
26 beneficiaries to the extent they purchased or acquired
27 Honest’s common stock pursuant or traceable to the Offering
28 Documents through any such plan(s); (iv) any person who
had or has a controlling interest in Honest, at all relevant
times; (v) any entity in which any of the Defendants have or
had a controlling interest, provided, however, that any
“Investment Vehicle” shall not be excluded from the Class;
and (vi) the legal representatives, heirs, successors, or
assigns of any such excluded person or entity, in their
capacity as such.

25 151. The members of the Class are so numerous that joinder of all members is
26 impracticable. The exact number of Class members is unknown to Lead Plaintiff at this
27 time and can only be ascertained through appropriate discovery. Lead Plaintiff believes
28 there are at least thousands of members in the proposed Class as the Company offered

1 over 25 million shares of common stock in the IPO. Record owners and other members
2 of the Class may be identified from records maintained by Honest or its transfer agent
3 and may be notified of the pendency of this action by mail, using the form of notice
4 similar to that customarily used in securities class actions.

5 152. Lead Plaintiff's claims are typical of the claims of the members of the
6 Class as all members of the Class are similarly affected by Defendants' wrongful
7 conduct in violation of the Securities Act as set forth herein.

8 153. Lead Plaintiff will fairly and adequately protect the interests of the
9 members of the Class and has retained counsel competent and experienced in class and
10 securities litigation.

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

- 14 (a) whether Defendants violated the Securities Act;
15 (b) whether the Offering Documents contained inaccurate statements
16 of material fact and/or omitted material information required to be stated therein; and
17 (c) to what extent the members of the Class have sustained damages
18 and the proper measure of damages.

19 155. A class action is superior to all other available methods for the fair and
20 efficient adjudication of this controversy since joinder of all members is impracticable.
21 Furthermore, as damages suffered by individual Class members may be relatively
22 small, the expense and burden of individual litigation make it impossible for members
23 of the Class to individually redress the wrongs done to them. There will be no difficulty
24 in the management of this action as a class action.

1 **VI. CAUSES OF ACTION**

2 **COUNT I**
3 **FOR VIOLATION OF SECTION 11 OF THE SECURITIES ACT**
4 **Against Honest, the Individual Defendants, and the Underwriter Defendants**

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

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

10 158. This cause of action does not sound in fraud. Lead Plaintiff does not claim
11 that any of the Defendants committed intentional or reckless misconduct or that any of
12 the Defendants acted with scienter or fraudulent intent. This Count is based solely on
13 strict liability as to Honest and negligence as to the remaining Defendants. 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.

18 159. The Registration Statement, which includes the Prospectus, issued in
19 connection with the IPO was inaccurate and misleading, contained untrue statements
20 of material facts, omitted material facts necessary to make the statements made not
21 misleading, and omitted material facts required to be stated therein.

22 160. Honest is the registrant and issuer of the common stock sold pursuant to
23 the Registration Statement. As such, Honest is strictly liable for the materially
24 inaccurate statements contained in the Registration Statement and the failure of the
25 Registration Statement to be complete and accurate. By virtue of the Registration
26 Statement containing material misrepresentations and omissions of material fact
27 necessary to make the statements therein not false and misleading, Honest is liable
28 under Section 11 of the Securities Act to Lead Plaintiff and the Class.

1 161. None of the Defendants named herein made a reasonable investigation or
2 possessed reasonable grounds for the belief that the statements contained in the
3 Registration Statement were true and without omissions of any material facts and were
4 not misleading.

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

15 163. Each of the Underwriter Defendants served as the underwriters for the IPO
16 and qualify as such according to the definition contained in Section 2(a)(11) of the
17 Securities Act, 15 U.S.C. § 77b(a)(11). As such, they participated in the solicitation,
18 offering, and sale of the securities to the investing public pursuant to the Offering
19 Documents. Each of the Underwriter Defendants, as an underwriter of the securities
20 offered in the IPO pursuant to the Registration Statement, had a duty to make a
21 reasonable and diligent investigation of the truthfulness and accuracy of the statements
22 contained in the Registration Statement. They each had a duty to ensure that such
23 statements were true and accurate and that there were no omissions of material fact that
24 would make the statements misleading. By virtue of each of the Underwriter
25 Defendants' failure to exercise reasonable care, the Registration Statement contained
26 misrepresentations of material facts and omissions of material facts necessary to make
27 the statements therein not misleading. As such, each of the Underwriter Defendants is
28 liable under Section 11 of the Securities Act to Lead Plaintiff and the Class.

1 164. None of the untrue statements or omissions of material fact in the
2 Registration Statement alleged herein was a forward-looking statement. Rather, each
3 such statement concerned existing facts. Moreover, the Registration Statement did not
4 properly identify any of the untrue statements as forward-looking statements and did
5 not disclose information that undermined the putative validity of those statements.

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

12 166. Lead Plaintiff and the Class have sustained damages. The value of Honest
13 common stock has declined substantially subsequent to and due to violations by
14 Defendants named in this Count.

15 167. At the time of their purchases of Honest common stock, Lead Plaintiff and
16 other members of the Class were without knowledge of the facts concerning the
17 wrongful conduct alleged herein and could not have reasonably discovered those facts
18 prior to the disclosures alleged herein. Less than one year has elapsed from the time
19 that Lead Plaintiff discovered or reasonably could have discovered the facts upon
20 which this Complaint is based and the time that this action was commenced. Less than
21 three years have elapsed between the time that the securities upon which this cause of
22 action is brought were offered to the public and the time that this action was
23 commenced.

24 **COUNT II**
25 **FOR VIOLATION OF SECTION 15 OF THE SECURITIES ACT**
26 **Against the Individual Defendants and the Catterton Defendants**

27 168. Lead Plaintiff repeats and realleges each and every allegation above as if
28 fully set forth herein.

1 169. This cause of action is brought pursuant to Section 15 of the Securities
2 Act, 15 U.S.C. § 77o, on behalf of the Class, against each of the Individual Defendants
3 and the Catterton Defendants.

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

12 171. Each of the Individual Defendants and the Catterton Defendants were
13 control persons of Honest by virtue of their positions as directors and/or senior officers
14 and/or major shareholders of Honest. The Individual Defendants and the Catterton
15 Defendants each had a series of direct and/or indirect business and/or personal
16 relationships with other directors and/or officers and/or major shareholders of Honest.

17 172. Each of the Individual Defendants and the Catterton Defendants
18 participated in the preparation and dissemination of the Offering Documents, and
19 otherwise participated in the process necessary to conduct the IPO. Because of their
20 positions of control and authority as senior officers and/or directors and/or major
21 shareholders of the Company, each of the Individual Defendants and the Catterton
22 Defendants were able to, and did, control the contents of the Offering Documents,
23 which contained materially untrue information and/or omitted material information
24 required to be disclosed to prevent the statements made therein from being misleading.

25 173. As control persons of Honest, each of the Individual Defendants and the
26 Catterton Defendants are liable jointly and severally with and to the same extent as
27 Honest for its violation of Section 11 of the Securities Act.

28

1 174. At the time of their purchases of Honest common stock, Lead Plaintiff and
2 other members of the Class were without knowledge of the facts concerning the
3 wrongful conduct alleged herein and could not have reasonably discovered those facts
4 prior to the disclosures alleged herein. Less than one year has elapsed from the time
5 that Lead Plaintiff discovered or reasonably could have discovered the facts upon
6 which this Complaint is based and the time that this action was commenced. This is
7 particularly true for the Catterton Defendants as the Offering Documents failed to
8 disclose its high degree of involvement and control over the Offering and the Company.
9 Without the non-public documents received from Honest and the Underwriter
10 Defendants referenced above Lead Plaintiff had no way of discovering that the
11 Offering was conceived by, directed, and controlled by Catterton. Indeed, the Offering
12 Documents disclosed nothing more than the facts that (1) two members of Honest’s
13 Board of Directors that were affiliated with the Catterton Defendants, (2) the Catterton
14 Defendants held a minority share (approximately 37%) of Honest’s stock prior to the
15 IPO, and (3) the Catterton Defendants would be selling between approximately 48% to
16 60% of their Honest stock in the Offering.

17 175. The earliest Honest produced documents in this action, including those
18 referenced above with Bates numbers starting with “HNST,” was May 23, 2023. The
19 earliest the Underwriter Defendants produced documents in this action, including those
20 referenced above with Bates numbers starting with “MS_HONEST,” was June 13,
21 2023.

22 176. Less than three years have elapsed between the time that the securities
23 upon which this cause of action is brought were offered to the public and the time that
24 this action was commenced.

25 **VII. PRAYER FOR RELIEF**

26 177. WHEREFORE, Lead Plaintiff on behalf of itself and the other members
27 of the Class, prays for relief and judgment as follows:
28

1 (a) Determining that this action is a proper class action under Rule
2 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined
3 herein;

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

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

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

12
13 * * *

1 **VIII. JURY TRIAL DEMANDED**

2 178. Lead Plaintiff demands a trial by jury.

3 Dated: February 14, 2024

4 Respectfully Submitted,

5 **LABATON KELLER SUCHAROW LLP**

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

8 Jonathan Gardner
9 Alfred L. Fatale III
10 David J. Schwartz
11 Joseph N. Cotilletta
12 Charles Wood
13 Robert S. Rowley
14 140 Broadway
15 New York, New York 10005
16 Telephone: (212) 907-0700
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20 dschwartz@labaton.com
21 jcotilletta@labaton.com
22 cwood@labaton.com
23 rrowley@labaton.com

24 *Lead Counsel for Lead Plaintiff Kathie Ng
25 and the Class*

26 **THE SCHALL LAW FIRM**

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Los Angeles, California 90067
Telephone: (310) 301-3335
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Email: brian@schallfirm.com
rina@schallfirm.com

*Liaison Counsel for Lead Plaintiff
Kathie Ng and the Class*

EXHIBIT A

1 MICHAEL C. TU (State Bar No. 186793)
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2 BENJAMIN B. SWEENEY (State Bar No. 313650)
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3 COOLEY LLP
1333 2nd Street, Suite 400
4 Santa Monica, California 90401
Telephone: (310) 883-6400
5 Facsimile: (310) 883-6500

6 KOJI F. FUKUMURA (State Bar No. 189719)
kfukumura@cooley.com
7 COOLEY LLP
4401 Eastgate Mall
8 San Diego, California 92121
Telephone: (858) 550-6000
9 Facsimile: (858) 550-6420

10 Attorneys for Defendants
THE HONEST COMPANY, INC., KATIE
11 BAYNE, SCOTT DAHNKE, KELLY KENNEDY,
ERIC LIAW, JEREMY LIEW, AVIK PRAMANIK,
12 NIKOLAOS VLAHOS, and JESSICA WARREN

13
14 **UNITED STATES DISTRICT COURT**
15 **CENTRAL DISTRICT OF CALIFORNIA**
16 **WESTERN DIVISION**

17 IN RE THE HONEST COMPANY,
18 INC. SECURITIES LITIGATION.

Case No. 2:21-cv-7405-MCS-PLA

**THE HONEST DEFENDANTS’
INITIAL DISCLOSURES
PURSUANT TO FEDERAL RULE
OF CIVIL PROCEDURE
26(a)(1)(A)**

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

INITIAL DISCLOSURES

1
2 Defendants The Honest Company, Inc. (“Honest” or the “Company”), Katie
3 Bayne, Scott Dahnke, Kelly Kennedy, Eric Liaw, Jeremy Liew, Avik Pramanik,
4 Nikolaos Vlahos, and Jessica Warren (collectively, the “Honest Defendants”) hereby
5 make the following initial disclosures pursuant to Rule 26(a) of the Federal Rules of
6 Civil Procedure. These initial disclosures are based upon a reasonable construction of
7 the consolidated and amended complaint (ECF No. 59) (the “Complaint” or “CAC”) in
8 this case and are based solely upon the information which has been discovered by the
9 Honest Defendants as of this date.

10 These disclosures in no way constitute a waiver of the Federal Rules of Evidence,
11 including without limitation the protections of the attorney-client privilege, work
12 product doctrine, any other applicable privilege and the law governing the requirements
13 for admission of evidence. The Honest Defendants make no representation or
14 admission concerning the relevance, authenticity or admissibility of any document
15 identified in the disclosures. The Honest Defendants make these disclosures based on
16 information reasonably known, following a good faith inquiry. The Honest Defendants’
17 investigation is ongoing, and they reserve the right to modify, amend, or otherwise
18 supplement these disclosures, pursuant to Rule 26(c) of the Federal Rules of Civil
19 Procedure, as additional information becomes available during the course of this action,
20 and to rely on such information as evidence in this action. The Honest Defendants
21 further reserve the right to object to production and/or introduction into evidence of any
22 document within the categories described herein or any testimony of the witnesses
23 identified herein on the basis of privilege, relevance, or otherwise as appropriate.

24 **I. RULE 26(A)(1)(A) - INDIVIDUALS LIKELY TO HAVE**
25 **DISCOVERABLE INFORMATION**

26 Set forth below are the names of individuals currently known to the Honest
27 Defendants who may have discoverable information that the Honest Defendants may
28 use to support their claims or defenses, unless solely for impeachment. Also set forth

1 below is the contact information for each individual and the probable subject matter of
 2 the discoverable information that the Honest Defendants may use. By including an
 3 individual on this list, the Honest Defendants do not waive, and rather preserve, their
 4 rights to object to any deposition or trial testimony of each individual.

Name	Contact Information	Subject(s) of Information
Bayne, Katie	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company’s business, public statements, Securities and Exchange Commission (“SEC”) filings, and related matters.
Berkus, Bob	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company’s initial public offering (“IPO”).
Burckhardt, JuliAnn	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company’s IPO.
Carlson, Lindsay	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company’s IPO.

Name	Contact Information	Subject(s) of Information
1 2 3 4 5 6 Connell, Robert	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company’s business, public statements, SEC filings, and related matters.
7 8 9 10 Dahnke, Scott	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company’s business, public statements, SEC filings, and related matters.
11 12 13 14 15 16 Daumlechner, Tanja	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company’s IPO.
17 18 19 20 21 22 23 Dillard, Sidney	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company’s IPO.

Name	Contact Information	Subject(s) of Information
Goldman, Lawrence	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.
Hogan, Jeffrey	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.
Kennedy, Kelly	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Kim, Sung	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Lanza, Melanie	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.

Name	Contact Information	Subject(s) of Information
Liaw, Eric	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company’s business, public statements, SEC filings, and related matters.
Liew, Jeremy	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company’s business, public statements, SEC filings, and related matters.
Misa, Sherman	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company’s business, public statements, SEC filings, and related matters.
Ng, Kathie	c/o Jonathan Gardner David J. Schwartz Alfred L. Fatale III Lisa Strejlau Labaton Sucharow LLP 140 Broadway New York, NY 10005 (212) 907-0700	Allegations of the Complaint.
Park, Kristin	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company’s IPO.

Name	Contact Information	Subject(s) of Information
Pascente, John	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.
Persel, Elmi	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Pramanik, Avik	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Rexing, Rick	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Rifkin, Adam	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.

Name	Contact Information	Subject(s) of Information
Roosth, Chad	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.
Rossi, Kristen	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.
Shahzad, Muhammad	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Schmitz, William	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.

Name	Contact Information	Subject(s) of Information
Serewicz, Anne	c/o Daniel H.R. Laguardia Daniel Lewis Elizabeth J. Stewart SHEARMAN & STERLING LLP 535 Mission Street, 25th Floor San Francisco, California 94105 (415) 616-1100	Underwriting for the Company's IPO.
Vlahos, Nikolaos	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
Warren, Jessica	c/o Michael C. Tu Koji F. Fukumura Benjamin B. Sweeney Cooley LLP 1333 2nd Street, Suite 400 Santa Monica, CA 90401 (310) 883-6400	The Company's business, public statements, SEC filings, and related matters.
CW-1	Unknown	Allegations in the Complaint.
CW-2	Unknown	Allegations in the Complaint.

In addition, the Honest Defendants incorporate and join in the identification of witnesses in the Rule 26(a) disclosures made by all other defendants in this action.

II. RULE 26(A)(1)(B) - DOCUMENTS

The Honest Defendants presently believe that the categories of documents, data compilations, and tangible things in their possession, custody, and control, described below, are likely to contain non-privileged, discoverable information that the Honest Defendants may use to support their defenses (except for documents and things that the Honest Defendants may use solely for impeachment). By providing this information pursuant to Federal Rule of Civil Procedure 26(a)(1)(B), the Honest Defendants do not waive any of their rights under the Federal Rules of Evidence, the Federal Rules of Civil

1 Procedure, or any other applicable rule or statute including, but not limited to, any
2 privilege or work product doctrine. The Honest Defendants have described such
3 documents by category. The categories of documents, data compilations, and tangible
4 things in the Honest Defendants' possession, custody, and control likely to contain non-
5 privileged, discoverable information that the Honest Defendants may use to support
6 their defenses include:

- 7 a. Documents that have been or will be made available through discovery in
8 this litigation;
- 9 b. Motions, pleadings, exhibits, and other public filings in this litigation;
- 10 c. Documents quoted or referenced in the Complaint;
- 11 d. Public filings or disclosures of the Honest Defendants or any related parties
12 with or to the SEC, related to this litigation or the subject matter thereof;
- 13 e. Press releases and public statements made by officers or directors of the
14 Honest Company, the Underwriter Defendants, or parties related to any of
15 the Defendants, related to this litigation or the subject matter thereof;
- 16 f. Non-privileged communications by and/or between officers or directors of
17 the Honest Company, related to this litigation or the subject matter thereof;
- 18 g. Non-privileged communications by and/or between the Honest Defendants
19 and the Underwriter Defendants, related to this litigation or the subject
20 matter thereof;
- 21 h. Such other records, files or communications that may be discovered, or
22 whose importance and relevance may be determined in the course of this
23 litigation.

24 The Honest Defendants have not concluded their investigation of the facts in this
25 litigation and, other than as set forth above, additional documents may be found or may
26 become relevant in the future. The Honest Defendants expressly reserve the right to
27 make additional disclosures in the future and to utilize any documents subsequently
28 produced that may support any of their claims or defenses in this action. The Honest
Defendants also reserve the right to introduce as evidence and rely upon documents that

1 are not within their possession, custody, or control, but are produced by other parties in
2 this litigation.

3 The Honest Defendants incorporate and join in the identification of documents
4 or document categories in the Rule 26(a) disclosures made by all other defendants in
5 this action.

6 **III. RULE 26(A)(1)(C) - DAMAGES**

7 The Honest Defendants contend that they are not liable to plaintiff for any
8 damages. At this time, the Honest Defendants are not seeking damages. The Honest
9 Defendants reserve the right, however, to assert a claim for damages in the future based
10 on information revealed during discovery.

11 **IV. RULE 26(A)(1)(D) - INSURANCE COVERAGE**

12 The Honest Defendants agree, subject to the entry of an appropriate
13 confidentiality order, to make all applicable insurance policies in their possession,
14 custody, and control (including directors' and officers' liability insurance policies, to
15 the extent they exist) available for inspection.

16
17 Dated: October 14, 2022

Respectfully submitted,

18 COOLEY LLP

19 By: /s/ Michael C. Tu
Michael C. Tu

20
21 Attorney for Defendants
22 THE HONEST COMPANY, INC., KATIE
23 BAYNE, SCOTT DAHNKE, KELLY
24 KENNEDY, ERIC LIAW, JEREMY LIEW,
25 AVIK PRAMANIK, NIKOLAOS VLAHOS,
26 and JESSICA WARREN
27
28

PROOF OF SERVICE

I am a citizen of the United States and employed in Los Angeles County, California. I am over the age of eighteen years and not a party to the within action. I am a resident of or employed in the county where the service described below occurred. My business address is 1333 2nd Street, Suite 400, Santa Monica, CA 90401. On October 14, 2022, I transmitted from my business email account, bsweeney@cooley.com, an electronic copy of the following:

THE HONEST DEFENDANTS’ INITIAL DISCLOSURES PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 26(a)(1)(A)

together with an electronic copy of this declaration, to the following, at the email addresses indicated below:

<p>LABATON SUCHAROW LLP Jonathan Gardner David J. Schwartz Alfred L. Fatale III Joseph Cotilletta Lisa Strejlau 140 Broadway New York, New York 10005 Telephone: (212) 907-0700 Facsimile: (212) 818-0477 Email: jgardner@labaton.com dschwartz@labaton.com afatale@labaton.com jcotilletta@labaton.com lstrejlau@labaton.com</p> <p><i>Lead Counsel for Lead Plaintiff Kathie Ng and the Putative Class</i></p>	<p>THE SCHALL LAW FIRM Brian Schall Rina Restaino 2049 Century Park East, Suite 2406 Los Angeles, California 90067 Telephone: (310) 301-3335 Facsimile: (213) 519-5876 Email: brian@schallfirm.com rina@schallfirm.com</p> <p><i>Liaison Counsel for Lead Plaintiff Kathie Ng and the Putative Class</i></p>
---	---

SHEARMAN & STERLING LLP

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*Counsel For Defendants
Morgan Stanley & Co. LLC, J.P.
Morgan Securities LLC, Jefferies LLC,
BofA Securities, Inc., Citigroup Global
Markets, Inc., William Blair &
Company, L.L.C., Guggenheim
Securities, LLC, Telsey Advisory Group
LLC, C.L. King & Associates, Inc., Loop
Capital Markets LLC, Penserra
Securities LLC, And Samuel A. Ramirez
& Company, Inc.*

I declare under penalty of perjury under the laws of the United States of America that the above is true and correct. Executed on October 14, 2022, at Los Angeles, California.



Benjamin B. Sweeney

EXHIBIT B

1 Daniel H.R. Laguardia (State Bar No. 314654)
2 *daniel.laguardia@shearman.com*
3 SHEARMAN & STERLING LLP
4 535 Mission Street, 25th Floor
5 San Francisco, CA 94105
6 Telephone: (415) 616-1100
7 Facsimile: (415) 616-1199

8 *Attorney for Defendants*
9 MORGAN STANLEY & CO. LLC, J.P.
10 MORGAN SECURITIES LLC, JEFFERIES LLC,
11 BOFA SECURITIES, INC., CITIGROUP
12 GLOBAL MARKETS, INC., WILLIAM BLAIR
13 & COMPANY, L.L.C., GUGGENHEIM
14 SECURITIES, LLC, TELSEY ADVISORY
15 GROUP LLC, C.L. KING & ASSOCIATES,
16 INC., LOOP CAPITAL MARKETS LLC,
17 PENSERRA SECURITIES LLC, and SAMUEL
18 A. RAMIREZ & COMPANY, INC.

11
12 **UNITED STATES DISTRICT COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**
14 **WESTERN DIVISION**

15 IN RE THE HONEST COMPANY,
16 INC. SECURITIES LITIGATION.

Case No. 2:21-cv-07405-MCS- PLA
**UNDERWRITER DEFENDANTS’
INITIAL DISCLOSURES
PURSUANT TO FEDERAL RULE
OF CIVIL PROCEDURE 26(a)(1)**

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1 Defendants Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, Jefferies
2 LLC, BofA Securities, Inc., Citigroup Global Markets, Inc., William Blair &
3 Company, L.L.C., Guggenheim Securities, LLC, Telsey Advisory Group LLC, C.L.
4 King & Associates, Inc., Loop Capital Markets LLC, Penserra Securities LLC, and
5 Samuel A. Ramirez & Company, Inc. (collectively, the “Underwriter Defendants”),
6 by and through their undersigned counsel and pursuant to Rule 26(a)(1) of the Federal
7 Rules of Civil Procedure, hereby submit their initial disclosures (“Initial
8 Disclosures”).

9 **GENERAL OBJECTIONS**

10 1. The Underwriter Defendants’ Initial Disclosures are made without
11 waiving any rights or objections they may have with respect to any discovery,
12 including their rights to object to discovery on the grounds of relevancy, competency,
13 privilege, work product, hearsay, undue burden, or any other applicable ground. The
14 Underwriter Defendants also reserve the right to object to any discovery request by
15 Plaintiffs, even if directed to subject matter described herein and to object to the use
16 of any information provided herein, for any purpose, in whole or in part, in this action
17 or in any other action or proceeding.

18 2. These Initial Disclosures are based upon information currently in the
19 Underwriter Defendants’ possession, custody, or control. Discovery, fact
20 investigation, and trial preparation are ongoing, and the Underwriter Defendants
21 reserve the right to supplement or amend these Initial Disclosures in light of the same.

22 **RULE 26(a)(1) DISCLOSURES**

23 **A. The name and, if known, the address and telephone number of each**
24 **individual likely to have discoverable information—along with the**
25 **subjects of that information—that the disclosing party may use to support**
26 **its claims or defenses, unless the use would be solely for impeachment.**

27 Based on current information, the individuals identified below are believed
28 likely to be the most knowledgeable concerning the underwriters’ work on The
Honest Company, Inc.’s initial public offering of common stock on or around May

1 4, 2021 (the “Offering”) by virtue of their roles as core members of the teams working
2 on the Offering. The Underwriter Defendants may accordingly use such information
3 to support their claims or defenses other than for impeachment purposes.¹ All titles
4 are as of the time of the working group list for the Offering. All contact information,
5 including for former employees, is based on last known information.

6 The inclusion of a name on this list is not a statement by the Underwriter
7 Defendants that a named individual necessarily has discoverable information.² This
8 list does not include experts and/or consultants who might be retained.

9 In making these disclosures, the Underwriter Defendants do not waive their
10 rights to object, pursuant to the applicable Federal and Local Rules, to the deposition
11 or testimony of any individual or entity, including those identified below.

12 The Underwriter Defendants do not authorize communication by Plaintiffs, or
13 any other party, with current or former employees or consultants of the Underwriter
14 Defendants, and nothing herein should be construed to authorize Plaintiffs or any
15 other party to contact any individuals where such contact would violate applicable
16 law, abridge any rule of professional conduct, induce breach of any contract, or
17 infringe any confidentiality agreement. In particular, all individuals identified below
18 should be contacted only through undersigned counsel.

19 In addition to the below, other persons whose names appear in the documents
20 described in Section B below may be likely to have discoverable information that the
21 Underwriter Defendants may use to support their claims or defenses. The
22

23 ¹ For the purposes of these Initial Disclosures, the Underwriter Defendants have
24 construed Federal Rule of Civil Procedure 26(a)(1)(A) to require the disclosure of
25 the name and, if known, the contact information of those core employees at each of
26 the various organizations referenced herein that were involved in the Offering. To
27 the extent that additional personnel have relevant knowledge, the Underwriter
28 Defendants reserve the right to amend these Initial Disclosures as this action
evolves to include such personnel.

² The Underwriter Defendants reserve the right to rely on discoverable information
from sources identified in the initial disclosures of each of the defendants.

1 Underwriter Defendants reserve the right to expand discovery to include additional
2 Underwriter Defendants and to seek discovery from, and relating to, persons who
3 may subsequently become known as persons likely to have discoverable information
4 relevant to the disputed facts. The Underwriter Defendants reserve the right to
5 modify the list below and to identify and call as witnesses additional persons if,
6 during the course of discovery and investigation relating to this case, the Underwriter
7 Defendants learn that such additional persons have knowledge or information that
8 the Underwriter Defendants may use to support their claims or defenses.

<u>Underwriter</u>	<u>Name</u>	<u>Contact Information</u>
Morgan Stanley & Co. LLC	Kristen Rossi <i>Managing Director, Global Co-Head of Consumer & Retail Investment Banking</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Morgan Stanley & Co. LLC	Jeffrey Hogan <i>Vice Chairman, Consumer & Retail Investment Banking</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Morgan Stanley & Co. LLC	Tanja Daumlechner <i>Vice President, Consumer & Retail Investment Banking</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
J.P. Morgan Securities LLC	Bob Berkus <i>Head of Southern California Investment Banking, Investment Banking Coverage</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Jefferies LLC	William Schmitz <i>Managing Director</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000

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BofA Securities, Inc.	JuliAnn Burckhardt <i>Managing Director</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Citigroup Global Markets, Inc.	Kristin Park <i>Vice President</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
William Blair & Company, L.L.C.	Lindsay Carlson <i>Head of Beauty</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Guggenheim Securities, LLC	Adam Rifkin <i>Senior Managing Director</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Telsey Advisory Group LLC	Chad Roosth <i>Vice President</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
C.L. King & Associates, Inc.	Anne Serewicz <i>Senior Managing Director</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Loop Capital Markets LLC	Sidney Dillard <i>Head of Corporate Investment Banking Division</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Penserra Securities LLC	John Pascente <i>Managing Director</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000
Samuel A. Ramirez & Company, Inc.	Lawrence Goldman <i>Managing Director</i>	Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022 (212) 848-4000

1 **B. A copy—or a description by category and location—of all documents,**
2 **electronically stored information, and tangible things that the disclosing**
3 **party has in its possession, custody, or control and may use to support its**
4 **claims or defenses, unless the use would be solely for impeachment.**

5 The Underwriter Defendants’ evaluation of documents relevant to this lawsuit
6 and information they may use to support their claims or defenses is ongoing, and the
7 Underwriter Defendants expressly reserve the right to supplement these Initial
8 Disclosures with such additional documents and information. The Underwriter
9 Defendants reserve the right to supplement, change, or modify these Initial
10 Disclosures. To the extent they exist, copies of all documents identified below are
11 located at the Underwriter Defendants’ respective places of business.

12 1. Hard copy and electronic deal files, and related communications,
13 concerning the underwriting of the Offering.

14 2. In addition to the above-described documents, the Underwriter
15 Defendants may also rely on publicly available documents and on documents
16 produced by Plaintiffs, other defendants, or third-parties in this or other litigation.

17 **C. A computation of each category of damages claimed by the disclosing**
18 **party—who must also make available for inspection and copying under**
19 **Rule 34 the documents or other evidentiary material, unless privileged or**
20 **protected from disclosure, on which each computation is based, including**
21 **materials bearing on the nature and extent of injuries suffered.**

22 Not applicable.

23 **D. For inspection and copying as under Rule 34, any insurance agreement**
24 **under which an insurance business may be liable to satisfy all or part of a**
25 **possible judgment in the action or to indemnify or reimburse for**
26 **payments made to satisfy the judgment.**

27 The Underwriter Defendants will provide at the appropriate time relevant
28 portions of insurance agreements, if any, under which an insurer may be liable to
satisfy all or party of a judgment which may be entered in the action or to indemnify
or reimburse payments made to satisfy the judgment.

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Dated: October 14, 2022

SHEARMAN & STERLING LLP

By: /s/ Daniel H.R. Laguardia
Daniel H.R. Laguardia

Attorney for Defendants
MORGAN STANLEY & CO. LLC, J.P.
MORGAN SECURITIES LLC,
JEFFERIES LLC, BOFA SECURITIES,
INC., CITIGROUP GLOBAL
MARKETS, INC., WILLIAM BLAIR &
COMPANY, L.L.C., GUGGENHEIM
SECURITIES, LLC, TELSEY
ADVISORY GROUP LLC, C.L. KING &
ASSOCIATES, INC., LOOP CAPITAL
MARKETS LLC, PENSERRA
SECURITIES LLC, and SAMUEL A.
RAMIREZ & COMPANY, INC.

EXHIBIT F

From: Rossi, Kristen C. [REDACTED]@morganstanley.com]
Sent: 11/7/2020 12:58:25 AM
To: Avik Pramanik [avik.pramanik@lcatterton.com]
CC: Adam Hasiba [adam.hasiba@lcatterton.com]; Hogan, Jeffrey N [REDACTED]@morganstanley.com]; Dunlop, Jonathan [REDACTED]@morganstanley.com]; Kwak, Paul [REDACTED]@morganstanley.com]
Subject: Re: Harmony call tonight?

Thanks, Avik - sounds like exactly the encouragement he needed.

We will wait to hear from you about Monday.

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking
Morgan Stanley | Investment Banking Division
440 South LaSalle St., 37th Floor | Chicago, IL 60605
Phone: [REDACTED]
Fax: [REDACTED]
[REDACTED]@morganstanley.com

On Nov 6, 2020, at 6:48 PM, Avik Pramanik <avik.pramanik@lcatterton.com> wrote:

Just off the phone with him [REDACTED]
[REDACTED] He's ok and already thinking about the opportunity. We will huddle with Scott and we will revert with a time for Monday.

Avik Pramanik
L Catterton
(908) 601-5269

On Nov 6, 2020, at 7:38 PM, Rossi, Kristen C. <[REDACTED]@morganstanley.com> wrote:

**** This e-mail originated outside of L. Catterton ****
Avik and Adam - We briefed Nick. He was disappointed, of course.

He asked to have the weekend to process and suggested a call at 10am PT on Monday with this group and Scott. Expect he will be coming your way shortly to discuss. We are available over the weekend as well if you are successful in convincing Nick that a call sooner is the best option.

We are standing by.
Kristen

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking
Morgan Stanley | Investment Banking Division
440 South LaSalle St., 37th Floor | Chicago, IL 60605
Phone: [REDACTED]
Fax: [REDACTED]
[REDACTED]@morganstanley.com

On Nov 6, 2020, at 6:03 PM, Adam Hasiba <adam.hasiba@lcatterton.com> wrote:

Team, does now work?

Adam

Adam T. Hasiba

Principal | L Catterton

T: 203.742.5131 | M: 847.710.1302 | E: Adam.Hasiba@LCatterton.com

From: Rossi, Kristen C. <[REDACTED]@morganstanley.com>

Sent: Friday, November 6, 2020 6:57 PM

To: Avik Pramanik <Avik.Pramanik@lcatterton.com>; Adam Hasiba <Adam.Hasiba@lcatterton.com>

Cc: Hogan, Jeffrey N <[REDACTED]@morganstanley.com>; Dunlop, Jonathan <[REDACTED]@morganstanley.com>; Kwak, Paul <[REDACTED]@morganstanley.com>

Subject: Harmony call tonight?

**** This e-mail originated outside of L Catterton ****

Avik and Adam - can we speak tonight about Harmony? Have an update to share.

Thanks,
Kristen

Kristen C. Rossi, Managing Director

Global Head of Consumer Retail Investment Banking

Morgan Stanley | Investment Banking Division

440 South LaSalle St., 37th Floor | Chicago, IL 60605

Phone [REDACTED]

Fax: [REDACTED]

[REDACTED]@morganstanley.com

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EXHIBIT H

From: Purcell, Joe (IBD) [REDACTED]@morganstanley.com]
Sent: 11/10/2020 4:53:17 PM
To: Hogan, Jeffrey N (IBD) [REDACTED]@morganstanley.com]
CC: Smith, Eamonn P (IBD) [REDACTED]@morganstanley.com]; Rossi, Kristen C. (IBD) [REDACTED]@morganstanley.com]; Dunlop, Jonathan (IBD) [REDACTED]@morganstanley.com]; Kwak, Paul (IBD) [REDACTED]@morganstanley.com]
Subject: Re: Materials for 630pm ET Call

Thanks Jeff.

Joe Purcell
Vice Chairman
Financial Sponsors Group
Morgan Stanley
[REDACTED]

> On Nov 10, 2020, at 9:28 AM, Hogan, Jeffrey N (IBD) <[REDACTED]@morganstanley.com> wrote:
>
> Board meeting today to decide on path forward. If IPO, then likely ASAP which means as soon as the audits are ready, which likely means a June IPO (maybe faster if audits are done faster). If IPO, then probably discuss organizational matters later this week (early next at the latest)

>
>
> Jeffrey N. Hogan, Vice Chairman
> Morgan Stanley | Investment Banking Division
> 1585 Broadway, 36th Floor | New York, NY 10036
> Phone: [REDACTED]
> Mobile: [REDACTED]
> [REDACTED]@morganstanley.com
>
>

> -----Original Message-----

> From: Purcell, Joe (IBD)
> Sent: Tuesday, November 10, 2020 9:20 AM
> To: Hogan, Jeffrey N (IBD)
> Cc: Smith, Eamonn P (IBD); Rossi, Kristen C. (IBD); Dunlop, Jonathan (IBD); Kwak, Paul (IBD)
> Subject: Re: Materials for 630pm ET call

> Jeff - good to hear.

> What is the timing on the IPO path - is there going to be a call with the client on that soon?

> Joe Purcell
> Vice Chairman
> Financial Sponsors Group
> Morgan Stanley
> [REDACTED]
>

>> On Nov 9, 2020, at 10:45 PM, Hogan, Jeffrey N (IBD) <[REDACTED]@morganstanley.com> wrote:

>> Seemed to go well. Scott is very focused. He seems confident that the IPO is an attractive path

>>
>> Jeffrey N. Hogan, Vice Chairman
>> Morgan Stanley | Investment Banking Division
>> 1585 Broadway, 36th Floor | New York, NY 10036
>> Phone: [REDACTED]
>> Mobile: [REDACTED]
>> [REDACTED]@morganstanley.com
>>
>>

>> -----Original Message-----

>> From: Purcell, Joe (IBD)
>> Sent: Monday, November 09, 2020 9:30 PM
>> To: Hogan, Jeffrey N (IBD)
>> Cc: Smith, Eamonn P (IBD); Rossi, Kristen C. (IBD); Dunlop, Jonathan (IBD); Kwak, Paul (IBD)
>> Subject: Re: Materials for 630pm ET call

>> Jeff - sorry to have missed the call.

>>

>> How did it seem to go/next steps?

>>

>> Joe

>>

>> Joe Purcell

>> Vice Chairman

>> Financial Sponsors Group

>> Morgan Stanley

>>

>>> On Nov 9, 2020, at 6:29 PM, Hogan, Jeffrey N (IBD) <[REDACTED]@morganstanley.com> wrote:

>>>

>>> FYI - for the 6:30 call

>>>

>>>

>>> Jeffrey N. Hogan, Vice Chairman

>>> Morgan Stanley | Investment Banking Division

>>> 1585 Broadway, 36th Floor | New York, NY 10036

>>> Phone: [REDACTED]

>>> Mobile: [REDACTED]

>>> [REDACTED]@morganstanley.com<mailto:[REDACTED]@morganstanley.com>

>>>

>>>

>>> From: Dunlop, Jonathan (IBD)

>>> Sent: Monday, November 09, 2020 6:24 PM

>>> To: 'Nick Vlahos'; 'scott@catterton.com'; Avik Pramanik (Avik.Pramanik@catterton.com); Adam Hasiba (adam.hasiba@catterton.com); Sung Kim ([REDACTED]@thehonestcompany.com)

>>> Cc: Rossi, Kristen C. (IBD); Hogan, Jeffrey N (IBD); Dias, Thilakshani (GCM)

>>> Subject: Materials for 630pm ET Call

>>>

>>> All,

>>>

>>> Ahead of our call in 10 minutes, please see attached for the latest draft of the board materials. Speak soon.

>>>

>>> Jonathan

>>>

>>> Jonathan Dunlop, Managing Director

>>> Morgan Stanley | Investment Banking Division

>>> 1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067

>>> Phone: [REDACTED]

>>> Mobile: [REDACTED]

>>> [REDACTED]@morganstanley.com<mailto:[REDACTED]@morganstanley.com>

>>>

>>>

From: Vorse, Lili (IBD) [REDACTED]@morganstanley.com]
Sent: 12/4/2020 12:31:01 AM
To: Daumlechner, Tanja (IBD) [REDACTED]@morganstanley.com]
CC: Mooradian, George A (IBD) [REDACTED]@morganstanley.com]; Ochoa, Daniel (IBD) [REDACTED]@morganstanley.com]
Subject: RE: Project Horizon | Drafting Session Scheduling

Hi Tanja,

Please see below proposed schedule reflecting the sessions confirmed by the company as well as the new proposals. Schedules were quite tight for the near term sessions – let us know your thoughts on whether the new windows (in blue) would be okay to propose to the Company. Windows in green have been confirmed by the Company.

Additionally, we will begin sending zoom invites for the confirmed sessions shortly, but wanted to confirm attendees. For all sessions, we plan to include Honest, L. Catterton, Cooley, DPW, and ICR. Should we include PwC and / or Zeno for any of these sessions, and if so, which ones?

Please let us know if anything else would be helpful.

Best,
Lili

KPI Discussion – to confirm with Company

- 12 / 9 at 2:30-4 PT – Jeff to drop at 3, no Kristen (double checking with Keith)

1st Half of Business #3 – to confirm with Company

- Option 1: 12/10 at 2-4 PT – Kyle joins at 3, no Kristen or Jeff
- Option 2: 12/11 at 1:30-3:30 PT – no George, Jeff and Kristen drop at 2

MD&A #1

- 12/14 at 11-1 PT

Risk Factors – to confirm with Company

- Option 1: 12/16 at 9-11 PT – Jeff and Kristen drop at 10, Kyle drops at 10:30
- Option 2: 12/16 at 2:30-4:30 PT – Jeff and Kristen drop at 3 (potentially stay on), Kyle joins at 4

1st Half of Business #4 – to confirm with Company

- 12/18 at 9-11 PT – Kristen drops at 10

2nd Half of Business

- 12/21 at 9-11 PT

MD&A #2 – to confirm with Company

- 1/6 at 12-2 PT – works for full MS team

Box / Full S-1 #1

- 1/11 at 9-11 PT

Full S-1 #2

- 12/21 at 9-11 PT

Full S-1 #3

- 1/13 at 9-11 PT

Full S-1 #4

1/20 at 9-11 PT

Lili Vorse, Analyst

Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067

Office: [REDACTED]

Mobile: [REDACTED]

[REDACTED]@morganstanley.com

From: Robert Connell <[REDACTED]@thehonestcompany.com>

Sent: Wednesday, December 2, 2020 7:50 PM

To: Vorse, Lili (IBD) <[REDACTED]@morganstanley.com>

Cc: [REDACTED]@thehonestcompany.com; Daumlechner, Tanja (IBD) <[REDACTED]@morganstanley.com>; Mooradian, George A (IBD) <[REDACTED]@morganstanley.com>; Ochoa, Daniel (IBD) <[REDACTED]@morganstanley.com>

Subject: Re: Project Horizon | Drafting Session Scheduling

Hi Lili,

Also apologies for the double email but in relation to the KPI session next week on 12/8, we would also ask if we could move that to either Monday 12/7 or Wednesday 12/9. On Monday, we could do anytime in the morning PST or from 2PM-3:30PM PST. On Wednesday, we could do anytime after 2PM PST.

Thanks so much for your help!

Best,
Bobby

On Wed, Dec 2, 2020 at 7:26 PM Robert Connell <[REDACTED]@thehonestcompany.com> wrote:

Hi Lili,

Please find below our responses:

12/10 – 1st Half of Business #3

- 9-11 PT - No. Nick is available 1-5pm PT

12/14 – MD&A #1

- 11-1 PT - Yes, available all day

12/15 – Risk Factors

- 12-2 PT - Honest Leadership Team Weekly Meeting - Can we move this to sometime on 12/16

12/17 – 1st Half of Business #4

- 9-11 PT - No. Available 12-5pm PT

12/21 – 2nd Half of Business

- 9-11 PT - Yes, available all day

1/5 – MD&A #2

- 12-2 PT - HLT Weekly Meeting - Can we move this to 1/6?

1/7 – Box / Full S-1 #1

- 9-11 PT - Yes, available all day

1/11 – Full S-1 #2

- 9-11 PT - Yes, available all day

1/13 – Full S-1 #3

- 9-11 PT - Yes, available all day

1/20 – Full S-1 #4

- 9-11 PT - Yes, available all day

I think the biggest changes on our sides are to try to move some of the Tuesday sessions to Wednesday if possible given our leadership team meeting structure.

Let us know if that would be possible or if you have any other questions.

Best,

Bobby

On Wed, Dec 2, 2020 at 6:28 PM Robert Connell <[REDACTED]@thehonestcompany.com> wrote:

Hi Lili,

Thanks for reaching out. We are confirming with our Executive Assistant team now and will be back in touch to get all of these scheduled shortly.

Best,
Bobby

On Wed, Dec 2, 2020 at 6:18 PM Vorse, Lili <[REDACTED]@morganstanley.com> wrote:

Hi Bobby,

We wanted to follow up with an additional window for next Tuesday's KPI Discussion – would 12-1:30 PM PT work for your team? Also, please let us know if you have any updates on the drafting session scheduling.

Thank you!

Best,

Lili

Lili Vorse, Analyst

Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067

Phone: [REDACTED]
[REDACTED]@morganstanley.com

From: Vorse, Lili (IBD)

Sent: Tuesday, December 01, 2020 10:03 PM

To: Robert Connell

Cc: Daumlechner, Tanja (IBD); Mooradian, George A (IBD); Ochoa, Daniel (IBD)

Subject: Project Horizon | Drafting Session Scheduling

Hi Bobby,

I hope you had a relaxing Thanksgiving! We are looking to schedule the remaining S-1 drafting sessions, and were hoping to align with your team's availability. When you have a moment, could you please let us know which of the below timeslots would work on your end?

12/10 – 1st Half of Business #3

- 9-11 PT

12/14 – MD&A #1

- 11-1 PT

12/15 – Risk Factors

- 12-2 PT

12/17 – 1st Half of Business #4

- 9-11 PT

12/21 – 2nd Half of Business

- 9-11 PT

1/5 – MD&A #2

- 12-2 PT

1/7 – Box / Full S-1 #1

- 9-11 PT

1/11 – Full S-1 #2

- 9-11 PT

1/13 – Full S-1 #3

- 9-11 PT

1/20 – Full S-1 #4

- 9-11 PT

Happy to take another look at our calendars if any issues with these windows – please let us know.

Best,

Lili

Lili Vorse, Analyst

Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067
Phone [REDACTED]

[REDACTED]@morganstanley.com

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--

Robert Connell
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--

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[REDACTED]
[REDACTED]@honest.com

--

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[REDACTED]
[REDACTED]@honest.com

EXHIBIT L

From: Adam Hasiba [Adam.Hasiba@lcatterton.com]
Sent: 12/8/2020 8:22:54 PM
To: Daumlechner, Tanja [REDACTED]@morganstanley.com]
Subject: RE: Horizon / McKinsey / Brand Awareness

Tanja, they are aware. No issue with you reaching out.

Adam

Adam T. Hasiba
Principal | L Catterton
T: 203.742.5131 | M: 847.710.1302 | E: Adam.Hasiba@LCatterton.com

From: Daumlechner, Tanja <[REDACTED]@morganstanley.com>
Sent: Tuesday, December 8, 2020 2:07 PM
To: Adam Hasiba <Adam.Hasiba@lcatterton.com>
Subject: RE: Horizon / McKinsey / Brand Awareness

*** This e-mail originated outside of L. Catterton ***

Hi Adam,

Also wanted to make sure, is McKinsey aware of the shift to IPO? We might want to ask them for permission to cite various of their datapoints in the S-1, so think they will have to know sooner or later. Let us know how you'd like us to handle, we'd be happy to set up a call to discuss with them if you think that makes sense.

Thanks!

Tanja Daumlechner, Vice President
Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067
Phone: [REDACTED]
Mobile: [REDACTED]@morganstanley.com

From: Adam Hasiba <Adam.Hasiba@lcatterton.com>
Sent: Tuesday, December 8, 2020 10:49 AM
To: Daumlechner, Tanja (IBD) <[REDACTED]@morganstanley.com>; Yujie Zeng <yujie.zeng@lcatterton.com>; Sarah Fossett <Sarah.Fossett@lcatterton.com>
Cc: project-horizon-core <project-horizon-core@morganstanley.com>
Subject: RE: Horizon / McKinsey / Brand Awareness

Feel free to ping Christina and the McK team. I don't think we have anything else but no harm in asking them.

Adam

Adam T. Hasiba
Principal | L Catterton
T: 203.742.5131 | M: 847.710.1302 | E: Adam.Hasiba@LCatterton.com

From: Daumlechner, Tanja <[REDACTED]@morganstanley.com>
Sent: Tuesday, December 8, 2020 1:45 PM
To: Adam Hasiba <Adam.Hasiba@lcatterton.com>; Yujie Zeng <yujie.zeng@lcatterton.com>; Sarah Fossett <Sarah.Fossett@lcatterton.com>

Cc: project-horizon-core <project-horizon-core@morganstanley.com>

Subject: Horizon / McKinsey / Brand Awareness

*** This e-mail originated outside of L. Caferton ***

Hi Adam and team,

Hope you are well. As we plan to reference Honest's brand awareness in the S-1 business section, we wanted to follow up with you on potential datapoints. What we have from the McKinsey work is aided brand awareness for Honest diapers. It would be also helpful to look at brand awareness from a broader perspective (not just diapers) and also see what the "unaided" brand awareness might look like. Is that something the McKinsey team might have looked into during the course of their study? Let us know your thoughts and happy to discuss live.

Thank you,

Tanja Daumlechner, Vice President

Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067

Phone: [REDACTED]

Mobile: [REDACTED]

[REDACTED]@morganstanley.com

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EXHIBIT O

From: Rossi, Kristen C. (IBD) [REDACTED@morganstanley.com]
Sent: 4/1/2021 12:49:56 PM
To: Broughton, Keith (IBD) [REDACTED@morganstanley.com]
Subject: RE: Horizon check-in

You're probably right that today will be tough. Need Tilli on, so let's schedule around her. Next week is fine.

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking

Morgan Stanley | Investment Banking Division
233 South Wacker Drive, 34th Floor | Chicago, IL 60606
Phone: [REDACTED]
Mobile: [REDACTED]
[REDACTED@morganstanley.com]

From: Broughton, Keith (IBD) <[REDACTED@morganstanley.com]>
Sent: Thursday, April 01, 2021 7:44 AM
To: Rossi, Kristen C. (IBD) <[REDACTED@morganstanley.com]>
Subject: RE: Horizon check-in

I assume this won't get scheduled for today. Am I scheduling for next week or should I push to the week of the 12th?

Keith Broughton

Morgan Stanley | Investment Banking Division
1585 Broadway, 36th Floor | New York, NY 10036
Phone: [REDACTED]
[REDACTED@morganstanley.com]

From: Rossi, Kristen C. (IBD) <[REDACTED@morganstanley.com]>
Sent: Wednesday, March 31, 2021 10:30 PM
To: Avik Pramanik <Avik.Pramanik@lcatterton.com>
Cc: Scott Dahnke <scott@lcatterton.com>; Adam Hasiba <adam.hasiba@lcatterton.com>; Hogan, Jeffrey N (IBD) <[REDACTED@morganstanley.com]>; Dias, Thilakshani (GCM) <[REDACTED@morganstanley.com]>; Dunlop, Jonathan (IBD) <[REDACTED@morganstanley.com]>; Alyssa Lacey <Alyssa.Lacey@lcatterton.com>; Broughton, Keith (IBD) <[REDACTED@morganstanley.com]>
Subject: Re: Horizon check-in

Thanks much, Avik. Speak soon.

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking

Morgan Stanley | Investment Banking Division
233 South Wacker Drive, 34th Floor | Chicago, IL 60606
Phone: [REDACTED]
Cell: [REDACTED]
[REDACTED@morganstanley.com]

On Mar 31, 2021, at 9:05 PM, Avik Pramanik <Avik.Pramanik@lcatterton.com> wrote:

Hi Kristen,

That would be great. I'm copying Alyssa to help coordinate a day/time that works for Scott, Adam and me later this week or early next. Looking forward to speaking soon.

From: Rossi, Kristen C. <[REDACTED]@morganstanley.com>
Sent: Wednesday, March 31, 2021 9:17 PM
To: Scott Dahnke <scott@lcatterton.com>; Avik Pramanik <Avik.Pramanik@lcatterton.com>; Adam Hasiba <Adam.Hasiba@lcatterton.com>
Cc: Hogan, Jeffrey N <[REDACTED]@morganstanley.com>; Dias, Thilakshani <[REDACTED]@morganstanley.com>; Dunlop, Jonathan <[REDACTED]@morganstanley.com>
Subject: Horizon check-in

*** This e-mail originated outside of L. Catterton ***

Scott, Avik and Adam – Hope all is well. Quick check-in as we are progressing well through the Testing the Waters process with the Horizon team, and we thought it might be timely to arrange a brief session to touch base with you and share perspectives on next steps in the process. Let us know if best to circle a window with your offices so we can get aligned.

Thanks much, and speak soon.
Kristen

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking
Morgan Stanley | Investment Banking Division
233 South Wacker Drive, 34th Floor | Chicago, IL 60606
Phone: [REDACTED]
Mobile: [REDACTED]
[REDACTED]@morganstanley.com

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EXHIBIT P

From: Robert Connell [REDACTED]@thehonestcompany.com]
Sent: 12/8/2020 4:05:38 AM
To: Ochoa, Daniel [REDACTED]@morganstanley.com]
CC: Daumlechner, Tanja [REDACTED]@morganstanley.com]; Mooradian, George A [REDACTED]@morganstanley.com]; Sung Kim [REDACTED]@thehonestcompany.com]
Subject: Re: Project Horizon IPO Video Precedents

Thanks Daniel. We will let you guys know if we have any other questions.

Best,
Bobby

On Mon, Dec 7, 2020 at 8:04 PM Ochoa, Daniel <[REDACTED]@morganstanley.com> wrote:

Hi Bobby,

Hope you're doing well too. Apologies for that, just sent the invite to Sung. Let us know if you have any trouble.

Best,

Daniel

Daniel Ochoa, Associate

Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067

Mobile: [REDACTED]
[REDACTED]@morganstanley.com

From: Robert Connell <[REDACTED]@thehonestcompany.com>
Sent: Monday, December 7, 2020 8:02 PM
To: Daumlechner, Tanja (IBD) <[REDACTED]@morganstanley.com>; Ochoa, Daniel (IBD) <[REDACTED]@morganstanley.com>; Mooradian, George A (IBD) <[REDACTED]@morganstanley.com>
Cc: Sung Kim [REDACTED]@thehonestcompany.com>
Subject: Fwd: Project Horizon IPO Video Precedents

Hi Tanja / Daniel / George,

Hope you guys are doing well. Our team is going through the video precedents that you sent across and we noticed that Sung did not have access to the Box folder. Can you add Sung to the folder as soon as possible so he can see them as well?

Thanks so much for your help!

Best,
Bobby

----- Forwarded message -----

From: **Daumlechner, Tanja** <[REDACTED]@morganstanley.com>

Date: Wed, Dec 2, 2020 at 8:21 PM

Subject: Project Horizon IPO Video Precedents

To: Nick Vlahos ([REDACTED]@thehonestcompany.com) <[REDACTED]@thehonestcompany.com>,
[REDACTED]@thehonestcompany.com [REDACTED]@thehonestcompany.com>, Robert Connell

([REDACTED]@thehonestcompany.com) <[REDACTED]@thehonestcompany.com>, [REDACTED]@thehonestcompany.com

[REDACTED]@thehonestcompany.com>, avik.pramanik@lcatterton.com <avik.pramanik@lcatterton.com>,
adam.hasiba@lcatterton.com <adam.hasiba@lcatterton.com>, phil.wood@lcatterton.com

<phil.wood@lcatterton.com>, yujie.zeng@lcatterton.com <yujie.zeng@lcatterton.com>,
sarah.fossett@lcatterton.com <sarah.fossett@lcatterton.com>

Cc: project-horizon-all <project-horizon-all@morganstanley.com>

Horizon and L Catterton Teams,

Following up on our discussion regarding video content for the IPO, we strongly recommend creating a Brand Video / Sizzle Reel for the Analyst Day as well as a professionally produced IPO Roadshow Video. Please see attached for a few precedent IPO Roadshow Video and Sizzle Reel examples for reference, some of which we will share with you via Box shortly. We have also included an overview of reputable creative video agencies with IPO Video experience inclusive of contact information.

We would be happy to set up a call to discuss at your convenience once you have had a chance to review. Note that the Sizzle Reel would need to be ready for the Analyst Day in early March and the IPO Roadshow Video preparations typically start after the Analyst Day. Separately, we are thinking through potential additional creative content ideas for the Analyst Day, which we will include in our RfP due next week.

Welcome any comments or questions you may have.

Thank you,

Tanja Daumlechner, Vice President

Morgan Stanley | Investment Banking Division
1999 Avenue of the Stars, Suite 2400 | Los Angeles, CA 90067

Phone: [REDACTED]

Mobile: [REDACTED]

[REDACTED]@morganstanley.com

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--

Robert Connell

The Honest Company

[REDACTED]

[REDACTED]@honest.com

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--

Robert Connell
The Honest Company

[REDACTED]

[REDACTED]@honest.com

EXHIBIT Q

From: Rossi, Kristen C. [REDACTED]@morganstanley.com]
Sent: 12/15/2020 12:44:33 PM
To: Scott Dahnke [scott@lcatterton.com]
CC: Purcell, Joe [REDACTED]@morganstanley.com]
Subject: Re: Project Horizon - Thank you

Absolutely. We're on it!

Talk soon.
Kristen

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking
Morgan Stanley | Investment Banking Division
233 South Wacker Drive, 34th Floor | Chicago, IL 60606
Phone: [REDACTED]
Cell: [REDACTED]
[REDACTED]@morganstanley.com

On Dec 14, 2020, at 9:19 PM, Scott Dahnke <scott@lcatterton.com> wrote:

Congrats to you and the entire team.

Now the "real work" begins!

From: Rossi, Kristen C. <[REDACTED]@morganstanley.com>
Sent: Monday, December 14, 2020 9:17 PM
To: Scott Dahnke <scott@lcatterton.com>
Cc: Purcell, Joe <[REDACTED]@morganstanley.com>
Subject: Project Horizon - Thank you

*** This e-mail originated outside of L. Catterton ***

Scott – Hope all is well and you are beginning to wind down as we approach the holidays. Rest assured, there is still much to do on our side before we head into year end, and on that front – we wanted to thank you for the opportunity lead the upcoming IPO for The Honest Company. Our entire team is thrilled to partner with you, Nick and the team, and we are fully focused on delivering the best outcome for all.

Thank you also for the guidance as we worked through the bake-off process. Your insights were tremendously helpful, and we are grateful for the counsel.

Looking forward to reconnecting soon – and if we don't speak before, wishing you Happy Holidays.

My best,
Kristen

Kristen C. Rossi, Managing Director
Global Head of Consumer Retail Investment Banking
Morgan Stanley | Investment Banking Division
233 South Wacker Drive, 34th Floor | Chicago, IL 60606
Phone: [REDACTED]

Mobile: [REDACTED]
[REDACTED]@morganstanley.com

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EXHIBIT T

From: Hogan, Jeffrey N [REDACTED]@morganstanley.com
Sent: 5/5/2021 2:59:46 AM
To: Adam Hasiba [Adam.Hasiba@lcatterton.com]; Dias, Thilakshani [REDACTED]@morganstanley.com; Scott Dahnke [scott@lcatterton.com]; Avik Pramanik [Avik.Pramanik@lcatterton.com]; Phil Wood [phil.wood@lcatterton.com]
CC: Rossi, Kristen C. [REDACTED]@morganstanley.com; Purcell, Joe [REDACTED]@morganstanley.com; Daumlechner, Tanja [REDACTED]@morganstanley.com; Murphy, Jacqueline N [REDACTED]@morganstanley.com; Kamboj, Josh [REDACTED]@morganstanley.com; Smith, Eamonn P [REDACTED]@morganstanley.com; Malik, Amna [REDACTED]@morganstanley.com; Mooradian, George A [REDACTED]@morganstanley.com; project-horizon-core [project-horizon-core@morganstanley.com]
Subject: RE: Thank you

Adam,

As I mentioned to Avik this evening, it seems like you all have made about 10 additional significant investments during the 9'ish months that we toiled away with Honest. We look forward to continuing to build our partnership with L Catterton!

Jeff

Jeffrey N. Hogan, Vice Chairman

Morgan Stanley | Investment Banking Division
1585 Broadway, 36th Floor | New York, NY 10036
Phone [REDACTED]
Mobile: [REDACTED]
[REDACTED]@morganstanley.com

From: Adam Hasiba <Adam.Hasiba@lcatterton.com>
Sent: Tuesday, May 04, 2021 9:54 PM
To: Dias, Thilakshani (GCM) <[REDACTED]@morganstanley.com>; Scott Dahnke <scott@lcatterton.com>; Avik Pramanik <Avik.Pramanik@lcatterton.com>; Phil Wood <phil.wood@lcatterton.com>
Cc: Rossi, Kristen C. (IBD) [REDACTED]@morganstanley.com; Hogan, Jeffrey N (IBD) [REDACTED]@morganstanley.com; Purcell, Joe (IBD) [REDACTED]@morganstanley.com; Daumlechner, Tanja (IBD) <[REDACTED]@morganstanley.com>; Murphy, Jacqueline N (GCM) [REDACTED]@morganstanley.com; Kamboj, Josh (GCM) <[REDACTED]@morganstanley.com>; Smith, Eamonn P (IBD) [REDACTED]@morganstanley.com; Malik, Amna (GCM) <[REDACTED]@morganstanley.com>; Mooradian, George A (IBD) <[REDACTED]@morganstanley.com>; project-horizon-core <project-horizon-core@morganstanley.com>
Subject: RE: Thank you

MS team, thank you all for the partnership and stewardship over the last 9'ish months. We're excited to be taking this next step but just remember that you're not done with us just yet 😊

Adam

Adam T. Hasiba

Principal | L Catterton

T: 203.742.5131 | M: 847.710.1302 | E: Adam.Hasiba@LCatterton.com

From: Dias, Thilakshani <[REDACTED]@morganstanley.com>
Sent: Tuesday, May 4, 2021 7:39 PM
To: Scott Dahnke <scott@lcatterton.com>; Avik Pramanik <Avik.Pramanik@lcatterton.com>; Adam Hasiba <Adam.Hasiba@lcatterton.com>; Phil Wood <phil.wood@lcatterton.com>
Cc: Rossi, Kristen C. [REDACTED]@morganstanley.com; Hogan, Jeffrey N [REDACTED]@morganstanley.com;

Purcell, Joe <[REDACTED]@morganstanley.com>; Daumlechner, Tanja <[REDACTED]@morganstanley.com>;
Murphy, Jacqueline N <[REDACTED]@morganstanley.com>; Kamboj, Josh <[REDACTED]@morganstanley.com>;
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Subject: Thank you

**** This e-mail originated outside of L. Catterton ****

Scott / Avik / Adam and Phil -

Thank you for rewarding us with the incentive fee, and including us on the journey with the Honest company. We appreciate the partnership. Speak tomorrow!

The Morgan Stanley Team

Tilli Dias, Managing Director
Global Capital Markets
Morgan Stanley
C: [REDACTED]

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17
18 **UNITED STATES DISTRICT COURT**
19 **CENTRAL DISTRICT OF CALIFORNIA**

20 IN RE THE HONEST COMPANY,
21 INC. SECURITIES LITIGATION

2:21-CV-07405-MCS-PLA

ECF CASE

22 **SECOND AMENDED**
23 **CONSOLIDATED CLASS**
24 **ACTION COMPLAINT FOR**
25 **VIOLATIONS OF THE FEDERAL**
26 **SECURITIES LAWS**

27 **DEMAND FOR JURY TRIAL**

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

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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 [Keller](#) Sucharow LLP, which included a review and analysis of: (i) regulatory filings
7 made by The Honest Company, Inc. (“The Honest Company,” “Honest,” or the
8 “Company”) with the U.S. Securities and Exchange Commission (the “SEC”);
9 (ii) Company press releases, transcripts of earnings calls, and other public statements
10 issued and disseminated by the Company; (iii) Company website and marketing
11 materials; (iv) price and volume data for Honest common stock; (v) research reports
12 from securities and financial analysts; (vi) news and media reports concerning the
13 Company and other facts related to this action; (vii) interviews with former Honest
14 employees; (viii) other publicly available materials and data; and (ix) and documents
15 produced by Defendants ~~in this Action~~ (as defined herein) [in this action](#). Lead
16 Counsel’s investigation into the factual matters alleged herein continues and many of
17 the relevant facts are known only by the Defendants or are exclusively within their
18 custody or control. Lead Plaintiff believes that substantial additional evidentiary
19 support will exist for the allegations set forth herein after a reasonable opportunity for
20 discovery.

21 **I. NATURE OF THE ACTION**

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

1 stock pursuant and/or traceable to the Offering Documents (as defined herein) issued
2 in connection with the IPO, and who were damaged thereby.

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

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

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

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

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

1 sustainability, efficacy, and design and touted Honest’s omnichannel strategy as central
2 to its growth by having Honest products available wherever customers want to shop—
3 whether in-store at major retailers, online, or at Honest.com.

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

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

20 9. As a result of these undisclosed, adverse facts, Honest’s stock plummeted,
21 falling from its offering price of \$16.00 per share to close at \$10.55 on September 15,
22 2021, the day this action was filed.

23 **II. JURISDICTION AND VENUE**

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

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

1 12. Venue is properly laid in this District pursuant to Section 22 of the
2 Securities Act and 28 U.S.C. § 1391(b), (c), and (d). Many of the acts and transactions
3 that constitute violations of law complained of herein, including the dissemination to
4 the public of untrue statements of material facts, occurred in this District.

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

9 **III. PARTIES**

10 **A. Lead Plaintiff**

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

18 **B. Defendants**

19 **1. The Corporate Defendant**

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

26
27
28 ¹ Honest refers to itself as “digitally-native,” meaning that it launched the Company as a digital platform.

1 **2. The Individual Defendants**

2 16. Defendant Nikolaos Vlahos (“Vlahos”) served at all relevant times as
3 Chief Executive Officer (“CEO”) and as a member of Honest’s Board of Directors.
4 Defendant Vlahos reviewed, contributed to, and signed the Company’s Registration
5 Statement filed with the SEC.

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

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

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

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

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

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

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

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

11 **3. The Underwriter Defendants**

12 26. Defendant Morgan Stanley & Co. LLC (“Morgan Stanley”) was an
13 underwriter for the Company’s IPO, serving as a financial advisor for and assisting in
14 the preparation and dissemination of the materially inaccurate, misleading, and
15 incomplete Offering Documents. Defendant Morgan Stanley acted as a representative
16 of all of the underwriters. In the IPO, Defendant Morgan Stanley was allocated
17 9,627,997 shares of the Company’s common stock, exclusive of the over-allotment
18 option, to sell to the investing public.

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

26 28. Defendant Jefferies LLC (“Jefferies”) was an underwriter for the IPO,
27 serving as a financial advisor for and assisting in the preparation and dissemination of
28 the materially inaccurate, misleading, and incomplete Offering Documents. Defendant

1 Jeffries acted as a representative of all of the underwriters. In the IPO, Defendant
2 Jefferies was allocated 3,771,792 shares of the Company’s common stock, exclusive
3 of the over-allotment option, to sell to the investing public.

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

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

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

21 32. Defendant Guggenheim Securities, LLC (“Guggenheim”) was an
22 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 Guggenheim was allocated 774,210 shares
25 of the Company’s common stock, exclusive of the over-allotment option, to sell to the
26 investing public.

27 33. Defendant Telsey Advisory Group LLC (“Telsey”) was an underwriter for
28 the IPO, serving as a financial advisor for and assisting in the preparation and

1 dissemination of the materially inaccurate, misleading, and incomplete Offering
2 Documents. In the IPO, Defendant Telsey was allocated 416,882 shares of the
3 Company's common stock, exclusive of the over-allotment option, to sell to the
4 investing public.

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

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

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

23 37. Defendant Samuel A. Ramirez & Company, Inc. ("Samuel A. Ramirez")
24 was an underwriter for the IPO, serving as a financial advisor for and assisting in the
25 preparation and dissemination of the materially inaccurate, misleading, and incomplete
26 Offering Documents. In the IPO, Defendant Samuel A. Ramirez was allocated 178,664
27 shares of the Company's common stock, exclusive of the over-allotment option, to sell
28 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.

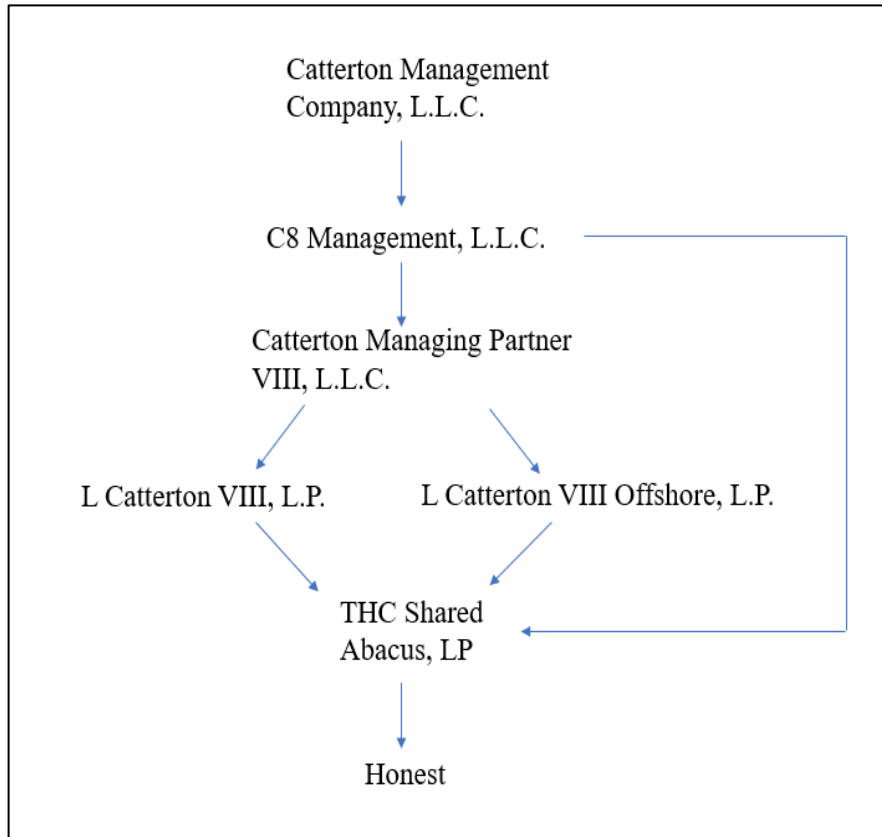
12 44. The Underwriter Defendants caused the Offering Documents to be filed
13 with the SEC and to be declared effective in connection with offers and sales of the
14 Company’s common stock pursuant and/or traceable to the IPO and the Offering
15 Documents, including to Lead Plaintiff and other members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

16 **4. The Catterton Defendants**

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

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

1 and Catterton VIII Offshore. Defendant C8 Management, L.L.C. (“C8 Management”)
2 was at all relevant times the general partner of Defendant Shared Abacus and the
3 managing partner of Defendant Catterton Managing Partner VIII. Defendant Dahnke
4 was at all relevant times a managing member of Defendant C8 Management.



19 47. Defendants Catterton Management, C8 Management, Catterton Managing
20 Partner VIII, Catterton VIII, Catterton VIII Offshore, and Shared Abacus, are
21 collectively referred to hereinafter as “Catterton” or the “Catterton Defendants.” None
22 of the Catterton Defendants were identified in the initial disclosures served on Lead
23 Plaintiff by Honest, the Individual Defendants—including Defendants Dahnke or
24 Pramanik—or the Underwriter Defendants on October 14, 2022 pursuant to Federal
25 Rule of Civil Procedure 26(a)(1) (the “Initial Disclosures”). See Exs. A-B. No
26 individuals associated with Catterton other than Defendants Dahnke and Pramanik
27 were identified in the Initial Disclosures and the subjects of information Defendants
28 Dahnke and Pramanik were identified for was identical to the information listed for

1 each of the other Individual Defendants, i.e., Honest’s “business, public statements,
2 SEC filings, and related matters.”

3 ~~47. Defendants Catterton, C8 Management, Catterton Managing Partner VIII,~~
4 ~~Catterton VIII, Catterton VIII Offshore, Shared Abacus, Dahnke, and Pramanik, are~~
5 ~~collectively referred to hereinafter as the “Catterton Defendants.”~~

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

9 ~~49. The Catterton Defendants exercised substantial dominion over the Offering.~~
10 ~~For instance, the Catterton Defendants directly participated in the preparation of the~~
11 ~~Offering Documents, including the prospectus summary, business summaries,~~
12 ~~management’s discussion and analysis, applicable risk factors, F pages, and the audit~~
13 ~~of the Company’s financials.~~

14 ~~50. Relatedly, the Catterton Defendants played a substantial role in the review~~
15 ~~of Honest’s financials which were included in the Offering Documents and/or factored~~
16 ~~into the Company’s forecasts. This included Public Company Accounting Oversight~~
17 ~~Board (PCAOB) audits for 2019 and 2020, 2018 historical financials, the three year~~
18 ~~analyst model, both quarterly and annual, Honest’s guidance strategy, and the~~
19 ~~Company’s tax structure and related net operating loss (NOL).~~

20 ~~51. The Catterton Defendants significantly participated in the purported due~~
21 ~~diligence process, including the review of the Company’s business and financials, as~~
22 ~~well as issues pertaining to legal, intellectual property, regulatory and cybersecurity~~
23 ~~risks, vendors, auditors, and analysts.~~

24 ~~52. As to the marketing strategy for the Offering, the Catterton Defendants again~~
25 ~~directly participated. For example, the Catterton Defendants were involved in testing~~
26 ~~the waters, roadshow presentations and videos, public filings, determining and~~
27 ~~messaging the Offering size and structure, investor targeting, Honest’s valuation, and~~
28 ~~the directed share program and insider participation.~~

1 ~~53. Finally, the Catterton Defendants directly managed Honest’s business and~~
2 ~~other affairs leading up to the IPO. This included a CFO search and evaluating hiring~~
3 ~~needs, selecting bookrunners and co-managers for the Offering, quarterly dry runs of~~
4 ~~disclosing and validating metrics and guidance, corporate governance matters and~~
5 ~~board composition, compensation plans, internal and external communications,~~
6 ~~FINRA approvals, exchange listing and listing approval, share class structure, and~~
7 ~~selecting a transfer agent.~~

8 ~~54. In addition to the above, the Catterton Defendants selected Morgan Stanley~~
9 ~~as the lead underwriter for the Offering. Afterwards, Morgan Stanley provided the~~
10 ~~Catterton Defendants with briefings, sometimes daily. The Catterton Defendants also~~
11 ~~participated in IPO meetings with Morgan Stanley without any non-Catterton Honest~~
12 ~~personnel present. Finally, the Catterton Defendants were responsible for Morgan~~
13 ~~Stanley’s incentive fee upon closing of the Offering.~~

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

17 48. ~~56. At bottom, each of the~~ As explained below, the Catterton Defendants
18 participated in the preparation of the Registration Statement and in the making of the
19 materially inaccurate, misleading, and incomplete statements alleged herein. The
20 Catterton Defendants reviewed, edited, approved, and controlled the Offering
21 Documents, participated in the IPO, and solicited the purchase of Honest’s common
22 stock in the IPO.

23 **IV. SUBSTANTIVE ALLEGATIONS**

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

25 49. ~~57.~~ Honest describes itself as a digitally-native, mission-driven brand
26 focused on leading the “clean lifestyle movement,” creating a community for conscious
27 consumers and seeking to disrupt multiple consumer product categories. According to
28 Honest, since its launch in 2012, Honest has been dedicated to developing clean,

1 sustainable, effective and thoughtfully designed products with transparency. Honest’s
2 products contain primarily “better-for-you” products, including clean and natural
3 categories of diapers, personal care, and household wellness products. According to
4 the Company, Honest had developed its products with transparency and as a result had
5 “cultivated deep trust around what matters most to [its] consumers: their health, their
6 families and their homes.”

7 50. ~~58.~~ Honest’s three main categories are: (i) Diapers and Wipes; (ii) Skin
8 and Personal Care—which includes shampoo, conditioner, body wash, lotions and the
9 Company’s Clean Beauty category; and (iii) Household and Wellness, which includes
10 cleaning supplies, sanitizers and disinfectants, feminine care products, and vitamins.
11 These categories represented 63%, 26% and 11% of the Company’s 2020 revenue,
12 respectively.

13 51. ~~59.~~ Its largest segment, Diapers and Wipes, is described in the Offering
14 Documents as the center of Honest’s product ecosystem, serving as an entry point for
15 new parents to become customers for everyday family needs. According to Honest, its
16 multi-category product architecture is designed to drive loyalty, increase its consumer
17 wallet share and generate attractive consumer lifetime value.

18 52. ~~60.~~ According to the Company, Honest’s diapers serve as a strategic
19 customer acquisition tool, as new parents then often purchase wipes and other Honest
20 products from the Company’s Skin and Personal Care and Household and Wellness
21 categories. In 2020, the Company commissioned a third-party study that showed nearly
22 90% of its diaper buyers expanded their purchases beyond diapers and nearly half of
23 diaper buyers have purchased two or more of Honest’s non-diaper products.

24 53. ~~61.~~ Honest describes itself as an omnichannel brand, meaning its products
25 are available regardless of where customers shop, whether through Honest’s own
26 ecommerce site, another online retailer, or in the traditional retail space. In other words,
27 as stated in the Offering Documents, Honest’s “omnichannel approach seeks to meet
28 consumers however they want to shop.” According to its Offering Documents,

1 Honest’s “differentiated platform positions [it] for continued growth through [its]
2 trusted brand, award-winning multi-category product offering, deep digital-first
3 connection with consumers and omnichannel accessibility.”

4 54. ~~62.~~ Honest’s products are sold on its flagship digital platform and in retail
5 channels that include Costco, Target, and Amazon. In 2020, Honest generated 55% of
6 its revenue from its Digital channel and 45% of its revenue from its Retail channels.
7 Honest’s products can be found in approximately 32,000 retail locations across the
8 United States, Canada, and Europe.

9 55. ~~63.~~ According to the Company “[t]his distinctive business model has
10 allowed us to efficiently scale our business while *remaining agnostic as to the channel*
11 *where consumers purchase our products.*”

12 56. ~~64.~~ Nevertheless, Honest told investors that there is “a fundamental
13 channel shift [] underway across the Diapers and Wipes, Skin and Personal Care and
14 Household and Wellness markets.” According to Honest, these products had
15 historically been sold through traditional, wholesale, store-based channels, which
16 accounted for approximately 80% of U.S. retail sales in these markets in 2019.
17 According to Honest, however, from 2014 to 2019, total ecommerce sales grew at
18 seven times the rate of brick and mortar store-based sales. To this point, Honest touted
19 to investors that it expected these trends would not only continue but would accelerate
20 globally.

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

22 57. ~~65.~~ According to Honest, diapers are at the “center of [Honest’s] product
23 ecosystem,” serving as a strategic customer acquisition tool that acts as an entry point
24 for Honest’s product portfolio and leads to the purchase products from other categories.
25 Put differently, the diapers category serves as an integral entry point for Honest which
26 materially impacts customer purchasing and retention of the Company’s other
27 products. As explained in the Prospectus, Honest commissioned a third-party study in
28 2020 that found nearly 90% of Honest’s surveyed diaper buyers expanded their

1 purchases. Nearly half of diaper buyers surveyed purchased two or more of Honest’s
2 non-diaper products.

3 58. ~~66.~~—To the point of purported customer synergies, Honest’s self-
4 proclaimed mantra is “costovation,” which, as defined, refers to Honest’s touted goal
5 of continuously improving the safety, sustainability, efficacy, and design profile of its
6 existing suite of products.

7 59. ~~67.~~—Relevant here, a key example of Honest’s “costovation” strategy was
8 the introduction of the Clean Conscious Diapers line of products in January 2021.
9 According to Honest, these diapers are made with plant-based materials, packaged in
10 100% recyclable boxes, and premised on new technology which improves absorption
11 while at the same time reducing the material used for each diaper.

12 60. ~~68.~~—The Clean Conscious Diapers design includes a quilted bubble liner,
13 toxicologist-verified wetness indicator, and a quick absorb channel to better help
14 control leaks and keep the baby dry. The Clean Conscious Diapers also offer
15 customized enhancements for each age, including a belly button cutout for additional
16 comfort (Newborns), double poo pockets to prevent blowouts (Sizes 1–2), and stretch
17 comfort for more active babies (Sizes 3–6).




18 61. ~~69.~~—In reality, however, shortly after its introduction—and months prior to
19 the IPO—Honest’s Clean Conscious Diaper caused leaks, blowouts and rashes on its
20 child users.

21 62. ~~70.~~—CW-1 started working for Honest in early 2020 and was a Manager of
22 Social Marketing for all of Honest’s products from the start of 2021 through her
23 departure a month after the IPO.³


27 ³ For ease of comprehension and readability, the Complaint uses the pronoun “she”
28 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.

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Constant leaks lead to canceled subscription

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

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

 3

Cannot trust Honest after chemical irritation, leaks and blowouts

 Liz Phillips Myrick  doesn't recommend The Honest Company.
April 29, 2021 · 

Dear Honest,
You've been my go to, my ride or die, my forever thing for the past 2.5 years. You were perfect just the way you were. But then you decided to change. I was worried when you said you were adding a chemical strip after all the no strip was the reason we got together in the first place. But I decided to give you a chance. I wanted to still believe in you. Here we are less than a week later. You never let me down before. But chemical irritation, 3 big leaks and 2 blow outs in 5 days of your new "improved" design tell me we're over. I just can't trust you anymore.

  2

“Hands down the worst diapers I have ever used”



Ana De Weerd doesn't recommend The Honest Company.

October 7, 2021 ·

Honest diapers used to be the absolute best, but ever since they switched to “clean conscious”, they have been garbage. Every single diaper leaks within an hour of putting it on my baby. These are hands down the worst diapers I have ever used in my life. It blows my mind that they cost so much when they are so horrible. Since they got rid of the diapers that actually work, I have had to do so much laundry and scrubbing messes that I might as well have been cloth diapering the whole time. It would have been less mess.

Buy other clean brands before “these poorly made diapers”

New line indicator diapers are terrible

★☆☆☆☆ | Would not recommend

CcN - 1 year ago

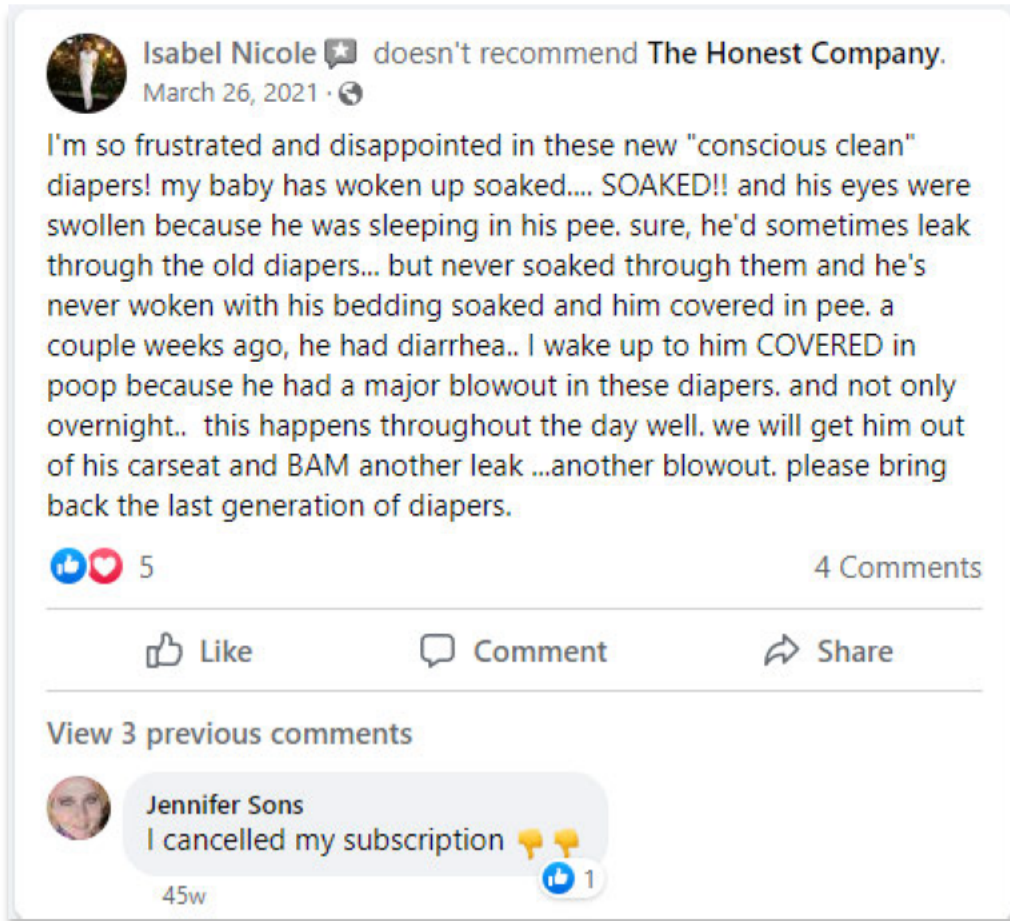
These new and “improved” diapers are terrible. I've been purchasing honest diapers since my baby was 4weeks old never had a problem with them, we loved them. Now these new prints the lining of the diapers are NOT the same. My baby's diaper is not close to being full and he's pee is already leaking out. 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




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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  
45w  1

Leaks every day and rash

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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!

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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.

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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!

“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!

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Leaks and “no longer buying”

Leak through and cheap

★☆☆☆☆ | ⓧ Would not recommend

Elirad244 - 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 Elirad244, 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!

“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!

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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!

“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!

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“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!

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

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Dianne Gonzalez Has anyone from [The Honest Company](#) tried to respond to these reviews? I have to add my voice to the list. We used the diapers since 2015. These new ones are TERRIBLE. Every day is a leak. They do NOT hold urine well at all. They either leak at the top or out of the legs.

49w



Author

The Honest Company We're sorry to hear you're experiencing this issue with our diapers. 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!

48w



Emily Kowalski These new clean conscious diapers are terrible! 😞 I loved honest diapers and have always sworn by them and recommended them to all of my friends until these new diapers arrived. We've used honest diapers for 2.5+ years and my lo has never leaked until we used these!! So disappointed ❤️ We unfortunately will cancel our subscription unless they bring back the classics.

1y - Edited



[View 4 more replies](#)







Author

The Honest Company We appreciate you reaching out to share your feedback, Emily. We're so sorry to hear you had this experience with our new Clean Conscious Diapers. They were mindfully designed to be super absorbent and feature new technology that absorbs faster and disperses liquid to keep your little one feeling dry and comfortable. When it comes to leaks, we often find that size can be the issue and we'd be happy to advise on the best fit for your baby. Your satisfaction means the world to us and we'd like to help make this right. So our team can best assist, please give us a call at 1.888.862.8818. We're always happy to help!


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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

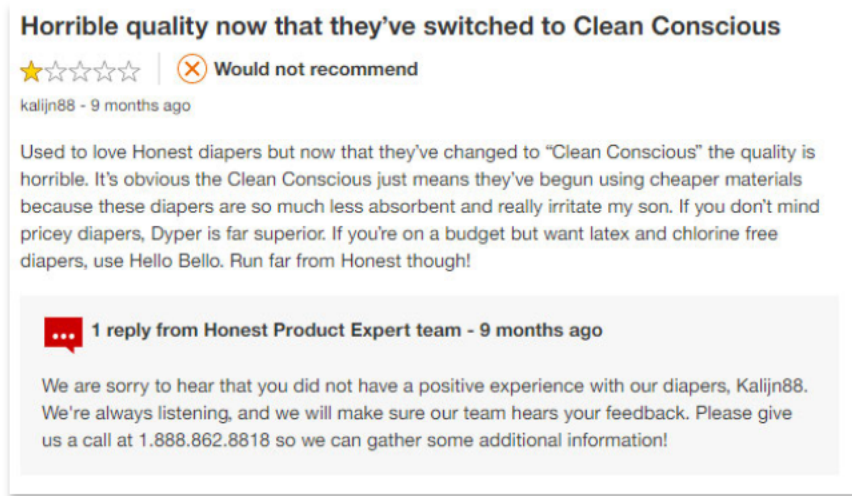
 **The Honest Company** ✓ We apologize for the frustration you've experienced with our new Clean Conscious diapers, Jillian. We'd like to learn more about your experience and gather additional details. So we can best assist, please send us a Facebook direct message. Thank you!
41w

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

“Run far from Honest”



“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 Conscicus 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"

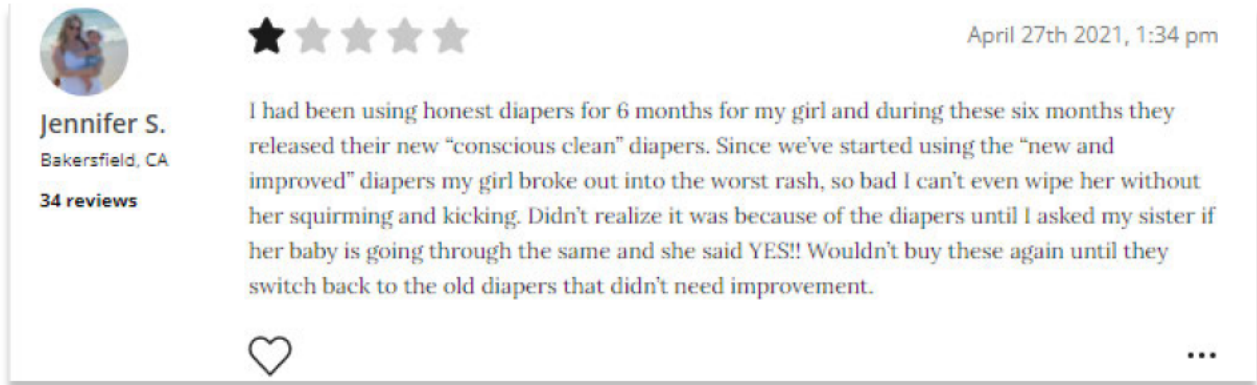
★☆☆☆☆

 **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”



67. ~~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”

68. ~~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.

69. ~~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.

70. ~~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

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

3 71. ~~79.~~ As Honest has explained, “[w]hen the COVID-19 pandemic hit and
4 we 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 72. ~~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 73. ~~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 74. ~~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 75. ~~83.~~ CW-2 was an accountant at Honest in 2021.

23 76. ~~84.~~ CW-2 was on a distribution list that received a daily report that
24 detailed all of the Company’s inventory. CW-2 explained that Honest also monitored
25 trends on a monthly basis to compare how inventory was moving across time periods.
26 According to CW-2, it was clear from the reports and meetings related to those reports
27 that there was a significant decline in the sale of wipes and sanitizers, which she called
28 “COVID products.”

1 77. ~~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 78. ~~86.~~ According to CW-1, the bulk of Honest’s business was in the Diaper
8 and Wipes category. Although Honest had always offered sanitizers and wipes, there
9 was a surge in sales of those products during the COVID-19 pandemic.

10 79. ~~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. The Catterton Defendants Controlled the IPO and the Company**

14 **1. Catterton Controlled the Timing of the IPO as a Means to**
15 **Urgently Exit Its Investment**

16 80. With the Company’s revenues receiving a significant yet fleeting boost
17 due to the COVID-19 stock up, the Catterton Defendants sought to exit their investment
18 in Honest in a way that would afford them the highest possible return. But the Catterton
19 Defendants did more than push for an exit at a favorable price—they put their finger
20 on the scale. Indeed, documents produced to Lead Plaintiff in this Action from May
21 23, 2023 onwards, demonstrate that as early as March 2020, Catterton encouraged
22 Honest employees to boost the Company’s valuation however possible.

23 81. [REDACTED]

24 [REDACTED]

25 [REDACTED]

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[REDACTED]

88.

89. Catterton did indeed move quickly and immediately began preparing for an Honest IPO. Moreover, this directive to go public as fast as possible was imposed on Morgan Stanely. For example, in a November 9–10, 2020 internal Morgan Stanley email, Jeffrey Hogan, a Morgan Stanley Vice Chairman, stressed that Defendant Dahnke was “very focused” on the IPO and it would “likely [occur] ASAP which means as soon as the audits are ready.” See Ex. H, at MS_HONEST_00000000-00068730.

2. Catterton Exercised Substantial Control Over the Mechanics of the IPO and the Contents of the Offering Documents

90. Throughout the IPO process, Catterton exercised substantial dominion over the Offering and how it was conducted, by directly participating in the preparation of the Offering Documents, including the prospectus summary, business summaries, management’s discussion and analysis (“MD&A”), applicable risk factors, F-pages, and the audit of the Company’s financials.

91. For example, a December 4, 2020 internal Morgan Stanley email scheduling drafting sessions for the Registration Statement made clear that “[f]or all sessions, we plan to include . . . L Catterton.” See Ex. I, at MS_HONEST_00000000-00040296. Further, in a December 14, 2020 PowerPoint presentation titled “Project

⁶ The “Nick” referenced in this email is Defendant Vlahos.

1 Horizon Organizational Meeting,” which contains working group lists as well as
2 workstreams for the IPO, Honest and Catterton are grouped together in the “Horizon”
3 group meaning that Catterton shared responsibility with Honest for each action item to
4 which Honest was assigned. See Ex. J, at 7. This included drafting the Registration
5 Statement’s management discussion and analysis (MD&A) section (among others),
6 conducting third-party due diligence calls and analyst/roadshow presentations, and
7 working out terms of the underwriting and lock up agreements. Id. Critically, the
8 earlier mentioned MD&A section *contains multiple statements allegedly to be*
9 *materially false and misleading herein.* See ¶¶113-14, 119-20. Catterton was further
10 involved in the Company’s CFO search and evaluating hiring needs; selecting from the
11 Underwriter Defendants bookrunners and co-managers for the Offering; quarterly dry-
12 runs of disclosing and validating metrics and guidance; corporate governance matters
13 and board composition; compensation plans; internal and external communications;
14 FINRA approvals; exchange listing and listing approval; share class structure; and
15 selecting a transfer agent. Id. at 8. Notably, the only other party included in this group
16 was ICR, an outside public relations firm, hired solely for marketing purposes. As a
17 result, Catterton had at least as much influence on the content of the Offering
18 Documents and related materials as Honest.

19 92. Similarly, a December 18, 2020 email amongst Morgan Stanley
20 employees forwarding notes from a “S-1 drafting session” states a number of areas of
21 the Registration Statement which Catterton was either tasked with drafting itself or
22 directing the content, including the first half of the business section; the “Our Story”⁷
23 section; and the “Honest Difference” section. See Ex. K, at MS_HONEST_00000000-
24 00003071-3072. Notably, several of the alleged misstatements are found in the first
25 half of the business section of the Offering Documents, (see *infra* ¶¶ 112-14, 116, 120),
26

27 ⁷ The Offering Documents do not contain a section titled “Our Story,” which may
28 have been omitted, as was then discussed as a possibility. See Ex. K, at
MS_HONEST_00000000-00003071.

1 most of which are contained in a sub-section titled “The Honest Difference” (see *infra*
2 ¶¶ 113-14, 120).

3 93. At one point, Morgan Stanley reached out directly to Catterton employees,
4 not including any Honest employees or board members, seeking information related to
5 Honest’s brand awareness, which was to be included in the S-1 business section. See
6 Ex. L at MS_HONEST_00000000-00041384-41385.

7 94. As a result, in connection with the IPO, Catterton significantly
8 participated in the purported due diligence process, such as the review of the
9 Company’s business and financials, including issues pertaining to legal, intellectual
10 property, regulatory and cybersecurity risks, vendors, auditors, and analysts—
11 functions generally reserved for an issuer and its management.

12 95. Catterton’s role in the IPO did not end at Offering Documents, and as the
13 IPO process proceeded, Catterton continued to play an outsized role in facilitating the
14 process, including with regard to monitoring the Company’s sales growth and other
15 operational metrics that could have had an impact on the Company’s ability to
16 successfully complete an IPO at Catterton’s desired price. Specifically, each month
17 Catterton received detailed internal Honest reports which showed the Company’s total
18 sales and growth or decline over certain time periods. For example, in a February 5,
19 2021 email from an Honest employee to Defendant Kennedy attaching a “topline
20 report[,]” “which is a report that [Honest’s] Category Insights team produces each
21 month showing [their] most recent 4, 12, and 52 week consumption for Diapers, Wipes
22 and Personal care,” the Honest employee references sending this report to the Catterton
23 team so “they get a bit of additional detail into [Honest’s] consumption data.” See Ex.
24 M, at HNST_0095658.

25 96. Relatedly, Catterton also played a substantial role in the review of
26 Honest’s financials which were included in the Offering Documents and/or factored
27 into the Company’s forecasts. This included Public Company Accounting Oversight
28 Board (PCAOB) audits for 2019 and 2020; 2018 historical financials; the three-year

1 analyst model; both quarterly and annual; Honest’s guidance strategy; and the
2 Company’s tax structure and related net operating loss (NOL). See, e.g., Ex. N at
3 HNST_0108490.

4 97. As to the marketing strategy for the Offering, Catterton again directly
5 participated. For example, the Catterton Defendants were involved in testing-the-
6 waters (see Ex. O, at MS_HONEST_00000000-00078407), and roadshow
7 presentations and videos (see Ex. P, at MS_HONEST_00000000-00041034).

8 98. In addition to the above, Catterton selected Morgan Stanley as the lead
9 underwriter for the Offering. See Ex. Q, at MS_HONEST_00000000-00041724.
10 Moreover, during the selection process for the lead underwriter, Morgan Stanley
11 internally acknowledged that Catterton had an “outsize[d] influence” (Ex. R, at
12 MS_HONEST_00000000-00091276), and was a “key decision maker” for advisor
13 selection (Ex. S, at MS_HONEST_00000000-00080758). The selection of the lead
14 underwriter is a major decision during an IPO, usually reserved for the issuer, and gave
15 Morgan Stanley a significant incentive to pander to Catterton and garner their favor.

16 99. Even after Morgan Stanley was picked as a lead underwriter, they
17 continued to work closely with Catterton, affording it special treatment and running
18 most decisions past Catterton employees for approval. Indeed, this is likely so because
19 Morgan Stanley saw Catterton as potentially lucrative partner given that Catterton
20 regularly engages in IPOs and private sales of companies in which it has invested.
21 Indeed, Morgan Stanley stated this directly in an email with Defendant Pramanik. Ex.
22 T, at MS_HONEST_00000000-00060351.

23 100. The documents make it clear that Morgan Stanley wanted to keep
24 Catterton happy. Indeed, after being selected as a lead underwriter, Morgan Stanley
25 provided Catterton with briefings, sometimes daily. See Ex. O, at
26 MS_HONEST_00000000-00078406. Catterton also participated in IPO meetings with
27 Morgan Stanley without any non-Catterton Honest personnel present. Id. Catterton,
28 happy to have been consulted at each step of the Offering, paid Morgan Stanley’s

1 incentive fee upon closing of the Offering. Ex. T, at MS_HONEST_00000000-
2 00060351.

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

8 E. ~~D.~~ Honest's IPO

9 102. ~~88.~~ On or about May 4, 2021, Honest conducted its IPO, in which it sold
10 29,678,050 shares of common stock to the public, including an underwriter over-
11 allotment option of 3,871,050 shares. Of the shares of common stock offered in the
12 IPO, the Honest Company received the proceeds from 6,451,613 shares and the selling
13 stockholders (as identified in the Prospectus) received the proceeds for the remainder.

14 103. ~~89.~~ The IPO, which was priced at \$16 per share, generated over \$400
15 million in proceeds for Honest and the selling stockholders. The IPO was conducted
16 pursuant to, and the sale of Honest stock was solicited by, several documents filed by
17 Honest and the Underwriter Defendants with the SEC and disseminated to the investing
18 public, including (i) an April 9, 2021 registration statement on Form S-1, which
19 following amendment, was declared effective by the SEC on May 4, 2021 (the
20 "Registration Statement"), and (ii) a May 4, 2021 final prospectus, which forms part of
21 the Registration Statement, on Form 424(b)(4) (the "Prospectus" and, together with the
22 Registration Statement, the "Offering Documents.").

23 104. ~~90.~~ The Offering Documents state that "[n]either [Honest], the selling
24 stockholders, nor any of the underwriters have authorized anyone to provide any
25 information or to make any representations other than those contained in this
26 prospectus or in any free writing prospectuses [Honest] ha[s] prepared."

1 105. ~~91.~~ Lead Plaintiff and other members of the Class purchased or otherwise
2 acquired Honest common stock pursuant and/or traceable to the IPO and the Offering
3 Documents, and were damaged thereby.

4 F. ~~E.~~ **The Offering Documents Contained Materially False and**
5 **Misleading Statements of Fact and Omitted Material Information**

6 106. ~~92.~~ The Offering Documents were negligently prepared, and as a result,
7 contained untrue statements of material fact, omitted material facts necessary to make
8 the statements contained therein not misleading, and failed to make adequate
9 disclosures required under the rules and regulations governing its preparation.

10 107. ~~93.~~ Section 11 creates liability against each of the Defendants for each
11 (1) misstatement, (2) omission in contravention of an affirmative legal disclosure
12 obligation, and (3) omission of information that is necessary to prevent existing
13 disclosures from being misleading, in the Offering Documents.

14 108. ~~94.~~ Additionally, pursuant to SEC Regulation C, the Offering Documents
15 were required to disclose material information necessary to ensure that representations
16 in the Offering Documents were not misleading. Specifically, Rule 408, 17 C.F.R. §
17 230.408(a), states that “[i]n addition to the information expressly required to be
18 included in a registration statement, there shall be added such further material
19 information, if any, as may be necessary to make the required statements, in light of
20 the circumstances under which they are made, not misleading.”

21 109. ~~95.~~ Further, Defendants were required to comply with Item 303 of
22 Regulation S-K, 17 C.F.R. § 229.303. Specifically, Item 303 and the SEC’s related
23 interpretive releases thereto, requires issuers to disclose events and uncertainties,
24 including any known trends that have had or are reasonably likely to cause the issuer’s
25 financial information not to be indicative of future operating results.

26 110. ~~96.~~ Moreover, Defendants were also required to comply with Item 105 of
27 Regulation S-K, 17 C.F.R. § 229.105. Specifically, Item 105 requires that the Offering
28

1 Documents furnish, among other things, a discussion of the most significant factors
2 that make the Offering speculative or risky.

3 **1. The Offering Documents Contained Misstatements and**
4 **Omissions About Honest’s Product Innovation and its Clean**
5 **Conscious Diaper**

6 111. ~~97.~~ The Offering Documents failed to disclose that Honest’s introduction
7 of its “clean conscious diaper” was negatively received by customers at the time of the
8 IPO. Although the Offering Documents touted Honest’s product innovation and
9 product efficacy as central to its growth and success, in reality, at the time of the IPO,
10 Honest’s new Clean Conscious Diaper was causing leaks and rashes among users, such
11 that one of Honest’s pivotal products was defective. As a result, the Offering
12 Documents contained untrue statements of material facts, omitted to state other facts
13 necessary to make the statements contained therein not misleading, and was not
14 prepared in accordance with the rules and regulations governing its preparation.

15 112. ~~98.~~ For example, the Offering Documents told investors that a key aspect
16 of Honest’s growth strategy was its ability to drive product innovation, stating:

17 **Our Growth Strategy**

18 * * *

19 ***Drive Accretive Product Innovation***

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

29 113. ~~99.~~ Likewise, the Offering Documents stated that since its launch in 2012,
30 Honest was “dedicated to developing *clean, sustainable, effective and thoughtfully*
31 *designed products.*”

32 114. ~~100.~~ Specifically, with respect to Honest’s diapers, the Offering
33 Documents touted to investors that “[a]t the center of our product ecosystem are our

1 *diapers, which are a strategic consumer acquisition tool* that acts as an entry point for
2 our portfolio, as new parents often go on the purchase products from our other
3 categories for their everyday family needs.”

4 115. ~~101.~~ The statements in ¶¶ ~~98-100~~ 112-14 were false and misleading
5 statements of material fact when made because they failed to disclose the following
6 material adverse facts, material adverse trends, material uncertainties, or significant
7 risks that existed at the time of the IPO:

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

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

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

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

18 116. ~~102.~~ The Offering Documents also described product innovation as “the
19 heart of [Honest’s] business,” touting Honest’s product development and “direct
20 connection with [its] community” as a competitive advantage. The Offering
21 Documents also acknowledged the importance of customer reviews and Honest’s
22 ability to reformulate products to improve performance. The Offering Documents state:

23 ***In-House Product Development Capabilities that Power***
24 ***Innovation***

25 Product innovation lies at the heart of our business. *We have*
26 *built a high-performance product development team that*
27 *sets new standards with a proven track record of bringing*
28 *innovative, award-winning products to market. To*
maximize the impact of our product development
capabilities, our direct connection with our community
enables us to understand what consumers’ needs are and
inspires our product innovation pipeline, which we believe

1 *generates a significant competitive advantage over more*
2 *traditional CPG peers.* Our product innovation is inspired by
3 feedback from our consumers that we receive through
4 multiple avenues, including through our internal customer
5 service team, comments left by consumers on our social
6 media platforms and product ratings on our website and
7 retailer’s websites. For example, we created and brought to
8 market a new Stay Safe cleaning collection, a complete set
9 of cleaning, sanitizing and disinfecting solutions, in less than
10 six months after the onset of COVID-19. In 2020, 22% of our
11 revenue was generated from stock keeping units, or SKUs,
12 introduced in 2020. *In addition to using these capabilities to*
13 *innovate new products to bring to market, we also regularly*
14 *reformulate or update existing products, improving*
15 *performance and expanding gross margin.* We have won
16 over 100 awards, including the 2020 “Parents” Best for Baby
17 Award and seven Allure Best of Beauty awards.

18 117. ~~103.~~ The statements in ¶~~102~~116 were false and misleading statements of
19 material fact when made because they failed to disclose the following material adverse
20 facts, material adverse trends, material uncertainties, or significant risks that existed at
21 the time of the IPO:

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

25 (b) As a result, Honest’s Clean Conscious Diaper was not “improving
26 performance,” as evidenced by a multitude of consumer reviews describing its
27 defective features;

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

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

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

118. ~~104.~~ The Offering Documents failed to disclose the extent to which
consumers’ COVID-19 stockpiling of Honest products was negatively impacting the

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

10 119. ~~105.~~ For example, the Offering Documents told investors that the
11 Company benefitted from the increased demand for Honest’s products amidst the
12 COVID-19 pandemic while stating the impact of the COVID-19 pandemic on Honest’s
13 business could not be ascertained:

14 *Impact of COVID-19*

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

21 * * *

22 We believe COVID-19 has been one of the drivers of demand
23 in our Digital channel as consumers have shifted to online
24 shopping amid the pandemic. Additionally, our Household
25 and Wellness product category has benefitted from
26 increasing demand for sanitization products. We accelerated
27 our development timeline for certain product launches,
28 launching our disinfecting spray and alcohol wipes in 2020.
There is no assurance that we will continue to experience
such increases in demand. *We may see a decline in use of
online shopping and demand for sanitization products
when the COVID-19 pandemic subsides.*

29 120. ~~106.~~ Nevertheless, the Offering Documents also told investors that the
30 Company’s omnichannel approach was “*agnostic* as to the channel where consumers
31 purchase [its] products.” The Offering Documents stated, in pertinent part, as follows:

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

14 121. ~~107.~~ The statements in ¶¶ ~~105-06~~ 119-20 were false and misleading
15 statements of material fact when made because they failed to disclose the following
16 material adverse facts, material adverse trends, material uncertainties, or significant
17 risks that existed at the time of the IPO:

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

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

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

26 (d) As Defendant Vlahos would later admit, Honest’s COVID-19 stock
27 up began as early as August 2020—nine months before the IPO; and
28

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

3 **3. The Offering Documents Failed to Disclose and**
4 **Misrepresented Significant Risks That Made the Offering**
5 **More Speculative and Risky**

6 122. ~~108.~~ The Offering Documents falsely represented the negative impact of
7 consumers' COVID-19 stock-up, decreasing demand, and Honest's omnichannel
8 strategy which purportedly positioned the Company for continued growth. As a result,
9 the Offering Documents contained untrue statements of material facts, omitted to state
10 other facts necessary to make the statements contained in the Offering Documents not
11 misleading, and was not prepared in accordance with the rules and regulations
12 governing its preparation.

13 123. ~~109.~~ The Offering Documents inaccurately described as *potential*, certain
14 future risks associated with consumer perception of the health and safety of Honest's
15 product and demand for those products which "could" have an adverse effect on its
16 business, financial condition, and results of operations, rather than disclosing the actual
17 events and trends or uncertainties that had already manifested. The Offering
18 Documents stated, in pertinent part, that:

19 *Economic downturns or a change in consumer*
20 *preferences, perception and spending habits in the clean*
21 *products categories, in particular, could limit consumer*
22 *demand for our products and negatively affect our*
23 *business.*

24 We have positioned our brand to capitalize on growing
25 consumer interest in clean conscious products. The clean
26 conscious consumer product industry is sensitive to national
27 and regional economic conditions and the demand for the
28 products that we distribute may be adversely affected from
time to time by economic downturns that impact consumer
spending, including discretionary spending. Future economic
conditions such as employment levels, business conditions,
housing starts, interest rates, inflation rates, energy and fuel
costs and tax rates could reduce consumer spending or
change consumer purchasing habits. Among these changes
could be a reduction in the number of clean conscious
consumer products that consumers purchase where there are
alternatives, given that many products in this category often

1 have higher retail prices than do their conventional
2 counterparts.

3 *Further, the Diapers and Wipes, Skin and Personal Care*
4 *and Household and Wellness markets in which we operate*
5 *are subject to changes in consumer preference, perception*
6 *and spending habits. Our performance depends*
7 *significantly on factors that may affect the level and pattern*
8 *of consumer spending in the markets in which we operate.*
9 *Such factors include consumer preference, consumer*
10 *confidence, consumer income, consumer perception of the*
11 *safety and quality of our products and shifts in the*
12 *perceived value for our products relative to alternatives.*

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

16 124. ~~110.~~ The statements in ¶~~109~~123 were each inaccurate statements of
17 material fact when made while noting only the *potential* negative impacts on its
18 business, financial condition, and results of operations, the Offering Documents failed
19 to disclose the following significant, *then-existing* material events and adverse trends
20 or uncertainties 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

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

3 125. ~~111.~~ Further, the Offering Documents inaccurately described as *potential*,
4 certain risks associated with perceived quality, safety and efficacy issues with Honest’s
5 products and social media scrutiny, which *may* have an adverse effect on its business,
6 financial condition, and results of operations, rather than disclosing the actual events
7 and trends or uncertainties that had already manifested. The Offering Documents
8 stated, in pertinent part, that:

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

14 We believe our consumers rely on us to provide them with
15 clean, sustainable, well-designed, and effective products.
16 *Any loss of confidence on the part of consumers in our*
17 *products or the ingredients used in our products, whether*
18 *related to product contamination or product safety or*
19 *quality failures, actual or perceived, environmental*
20 *impacts, or inclusion of prohibited ingredients, or*
21 *ingredients that are perceived to be “toxic”, could tarnish*
22 *the image of our brand and could cause consumers to*
23 *choose other products. Allegations of contamination or*
24 *other adverse effects on product safety or efficacy or*
25 *suitability for use by a particular consumer or on the*
26 *environment, even if untrue, may require us to expend*
27 *significant time and resources responding to such*
28 *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
could negatively affect our ability to achieve or maintain
profitability and brand image.

For example, in 2015, multiple class action lawsuits were filed against us claiming that certain of our products, including our sunscreen, were ineffective and were not “natural.” In 2017, we settled these class action lawsuits by agreeing to labeling changes and a \$7.4 million settlement fund. In 2016, multiple class action lawsuits were filed against us claiming that we misled buyers about ingredients in our laundry detergent, dish soap and multisurface cleaner. In 2017, we settled these class action lawsuits by agreeing to marketing or reformulating changes and a settlement fund of \$1.6 million. We have also been the subject of litigation claiming our labels contain inaccurate or misleading information. In response, we are in the process of updating

1 the language on certain of our labels. In addition, we
2 voluntarily recalled certain of our baby wipes and baby
3 powder products in 2017 and one of our bubble bath products
4 in January 2021 due to concerns about potential
5 contamination. These incidents negatively affected our brand
6 image and required significant time and resources to address.

7 We also have no control over our products once purchased
8 by consumers. For example, consumers may store or use our
9 products under conditions and for periods of time
10 inconsistent with approved directions for use or the listed
11 "Period After Opening," or required warnings or other
12 governmental guidelines on our labels, which may adversely
13 affect the quality and safety of our products.

14 ***If our products are found to be, or perceived to be, defective
15 or unsafe, or if they otherwise fail to meet our consumers'
16 expectations, our relationships with consumers could
17 suffer, the appeal of our brand could be diminished, we may
18 need to recall some of our products and/or become subject
19 to regulatory action, and we could lose sales or market
20 share or become subject to boycotts or liability claims.*** In
21 addition, safety or other defects in our competitors' products
22 or products using the Honest name in other consumer
23 categories, like beverages and pet food in which we do not
24 own the Honest brand, could reduce consumer demand for
25 our own products if consumers view them to be similar. Any
26 such adverse effect could be exacerbated by our market
27 positioning as a purveyor of clean, sustainable, well-
28 designed, and effective products and may significantly
reduce our brand value. ***Issues regarding the safety,
efficacy, quality or environmental impact of any of our
products, regardless of the cause, may have an adverse
effect on our brand, reputation and operating results.
Further, the growing use of social and digital media by us,
our consumers and third parties increases the speed and
extent that information or misinformation and opinions
can be shared. Negative publicity about us, our brand or
our products on social or digital media could seriously
damage our brand and reputation. Any loss of confidence
on the part of consumers in the quality, safety, efficacy or
environmental suitability of our products would be difficult
and costly to overcome, even if such concerns were based
on inaccurate or misleading information. If we do not
maintain the favorable perception of our brand, our
business, financial condition, results of operations and
prospects could be adversely affected.***

25 126. ~~112.~~ The statements in ¶~~111~~125 were each inaccurate statements of
26 material fact when made while noting only the *potential* negative impacts on its
27 business, financial condition, and results of operations, the Offering Documents failed
28

1 to disclose the following significant, *then-existing* material events and adverse trends
2 or uncertainties that Honest *had already been* facing at the time of the IPO:

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

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

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

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

13 127. ~~113.~~ Further, the Offering Documents inaccurately described as *potential*,
14 certain risks associated with social media scrutiny, which *may* have an adverse effect
15 on its business, financial condition, and results of operations, rather than disclosing the
16 actual events and trends or uncertainties that had already manifested. The Offering
17 Documents stated, in pertinent part, that:

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

20 * * *

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

1 128. ~~114.~~ The statements in ¶~~113~~127 were each inaccurate statements of
2 material fact when made while noting only the *potential* negative impacts on its
3 business, financial condition, and results of operations, the Offering Documents failed
4 to disclose the following significant, *then-existing* material events and adverse trends
5 or uncertainties that Honest *had already been* facing at the time of the IPO:

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

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

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

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

16 129. ~~115.~~ Further, the Offering Documents inaccurately described as *potential*,
17 certain risks associated with the impact of COVID-19, fluctuation in sales through the
18 Company’s retail and digital channels, and timing and success of Honest’s product
19 launches, which *may* have an adverse effect on its business, financial condition, and
20 results of operations, rather than disclosing the actual events and trends or uncertainties
21 that had already manifested. The Offering Documents stated, in pertinent part, that:

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

24 ***Our quarterly operating results may fluctuate for a variety***
25 ***of reasons, many of which are beyond our control,***
26 ***including:***

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

 • the amount and timing of our operating expenses;

- our success in attracting new and maintaining relationships with existing retail and ecommerce partners;
 - ***our success in executing on our strategy and the impact of any changes in our strategy;***
 - ***the timing and success of product launches, including new products that we may introduce, such as our launch of clean conscious diapers in January 2021;***
 - the success of our marketing efforts;
 - ***adverse economic and market conditions, such as those related to the current COVID-19 pandemic, currency fluctuations and other adverse global events;***
 - disruptions or defects in our technology platform, such as privacy or data security breaches, errors in our 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.

130. ~~116.~~ The statements in ¶ ~~115~~129, 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:

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

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

(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 lose customers and revenue.

3 131. ~~117.~~ The statements in ¶~~115~~129, particularly those concerning COVID-
4 19, were each inaccurate statements of material fact when made while noting only the
5 *potential* negative impacts on its business, financial condition, and results of
6 operations, the Offering Documents failed to disclose the following significant, *then-*
7 *existing* material events and adverse trends or uncertainties that Honest *had already*
8 *been* facing at the time of the IPO:

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

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

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

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

19 132. ~~118.~~ The Offering Documents also inaccurately described as *potential*,
20 certain risks associated with Honest’s ability to acquire new customers and retain
21 existing customers, which *may* have an adverse effect on its business, financial
22 condition, and results of operations, rather than disclosing the actual events and trends
23 or uncertainties that had already manifested. The Offering Documents stated, in
24 pertinent part, that:

25 *If we fail to cost-effectively acquire new consumers or*
26 *retain our existing consumers, our business could be*
27 *adversely affected. Our sales and profit are dependent upon*
28 *our ability to expand our existing consumer relationships*
and acquire new consumers.

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

14 133. ~~119.~~ The statements in ¶~~118~~132 were each inaccurate statements of
15 material fact when made while noting only the *potential* negative impacts on its
16 business, financial condition, and results of operations, the Offering Documents failed
17 to disclose the following significant, *then-existing* material events and adverse trends
18 or uncertainties that Honest ***had already been*** facing at the time of the IPO:

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

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

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

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

1 effect on our business, financial condition, results of
2 operations and prospects, and may also have the effect of
3 heightening many of the other risks described in this “Risk
4 Factors” section.

5 136. ~~122.~~ The statements in ¶~~121~~135 were each inaccurate statements of
6 material fact when made while noting only the *potential* negative impacts on its
7 business, financial condition, and results of operations, the Offering Documents failed
8 to disclose the following significant, *then-existing* material events and adverse trends
9 or uncertainties that Honest *had already been* facing at the time of the IPO:

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

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

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

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

20 G. ~~F.~~ **Post-IPO Events Demonstrate that the Offering Documents Were
21 Materially False and Misleading at the Time of the Offering**

22 137. ~~123.~~ In its first press release just weeks after the IPO, on June 16, 2021,
23 Honest reported the Company’s first quarter 2021 financial results. Honest’s revenue
24 in its Company’s Diapers and Wipes category was down, and the Company recorded a
25 \$4.5 million net loss in the first quarter of 2021 as compared to net income of \$0.6
26 million in the first quarter of 2020.

27 138. ~~124.~~ On the same day, during the earnings call to discuss the quarterly
28 results, Defendant Kennedy explained that the decrease in Diapers and Wipes was
attributable to COVID-19 pantry loading back in 2020 and the Company’s transition
to Clean Conscious Diapers, stating:

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

11 139. ~~125.~~ Defendant Kennedy also explained that Honest was starting to see
12 some retailers destock sanitization and disinfecting products, stating in relevant part:

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

20 140. ~~126.~~ In response to an analyst question regarding Honest's Clean
21 Conscious Diaper initiative going forward, Defendant Vlahos acknowledged some
22 dissatisfaction but claimed Honest had the ability to "address [] key consumer
23 dissatisfiers":

24 Yes, I'll take the first one, Dana, thank you for the question.
25 ***And I would say on the [Clean] Conscious Diaper is we've***
26 ***kind of built out that innovation. We do this type of work***
27 ***when it comes to the performance and being able to address***
28 ***these key consumer dissatisfiers. And we've done this in a***
way now where we're also increasing the margin structure
against that business. So it's got the right proposition for us
because we talk about good growth always, which is this
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.

29 141. ~~127.~~ On this news, the Company's stock price fell \$1.30 per share, or 7%
30 to close at \$16.35 on June 17, 2021.

31 142. ~~128.~~ The next quarter, on August 13, 2021, Honest issued a press release
32 reporting the Company's second quarter 2021 financial results and a net loss of \$20
33 million for the second quarter 2021 as compared to a net loss of only \$0.4 million for
34 the second quarter of 2020. The Company noted its revenue grew only 3% as compared

1 to the second quarter of 2020 because it was negatively impacted by “an estimated \$3.7
2 million COVID-19 stock-up impact primarily in Diapers and Wipes in the prior year
3 period.”

4 [143.](#) ~~129.~~ Honest further reported that revenue for its top category, Diapers and
5 Wipes, declined 2% compared to the second quarter of 2020 and revenue for Household
6 and Wellness declined 6% from the second quarter of 2020 as “sales have been softer
7 than expected as consumer demand has decreased as more consumers have become
8 vaccinated and retailers continue to manage heavy inventories of sanitization and
9 disinfecting products in stores.” Gross margin decreased by 50 basis points from the
10 second quarter of 2020.

11 [144.](#) ~~130.~~ Honest’s digital channel revenue also decreased 24% to \$34.8 million
12 in the second quarter of 2021 as compared to the second quarter of 2020, due largely
13 to the reduction in inventory on-hand by one of Honest’s “key digital partner[s]” who
14 “cut inventory in consumables in the second quarter to free up space for other
15 products.” During the quarter, revenue from that customer declined by \$6.4 million.

16 [145.](#) ~~131.~~ On the related earnings call held the same day to discuss these results,
17 Defendant Vlahos acknowledged the true extent of Honest’s COVID-19 stock up,
18 noting Honest’s “mid-single-digit growth for the quarter on [its] Diaper business
19 despite COVID-19 stock-up impact *in the year ago period.*”

20 [146.](#) ~~132.~~ Defendant Kennedy noted that “[t]rends for the back half of the year
21 remain volatile as we navigate an environment that is dynamic with significant input
22 cost pressure and continuing uncertainty around the COVID-19 pandemic and its
23 impact on consumer behavior.”

24 [147.](#) ~~133.~~ On this news, the Company’s stock price fell \$3.98 per share, or 28%,
25 to close at \$10.07 per share on August 13, 2021.

26 [148.](#) ~~134.~~ In an August 13, 2021 report from Morgan Stanley, analysts noted
27 “[c]learly the quarter is disappointing, particularly so soon after the IPO” recognizing
28 that Honest’s Diapers and Wipes segment was down -2% year-over-year “as the

1 [C]ompany cycles through elevated comparisons due to pandemic pantry loading.” The
2 report recognized “slowing e-commerce momentum, a drop in demand following
3 COVID stock up” as among the downside risks.

4 149. ~~135.~~ On August 19, 2021, the Company’s stock closed at a low of \$9.16
5 per share, a nearly 43% decline from the IPO price. Since its IPO, the value of Honest’s
6 common stock has collapsed from its \$16 per share offering price to as low as \$5.54
7 per share.

8 **V. CLASS ALLEGATIONS**

9 150. ~~136.~~ Lead Plaintiff brings this action as a class action pursuant to Rules
10 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the following
11 certified “Class”:

12 All persons and entities that purchased or otherwise acquired
13 Honest publicly traded common stock pursuant and traceable
14 to the Offering Documents for the IPO prior to August 19,
15 2021, as well as all persons and entities that acquired
16 ownership of a trading account, retirement account, or any
17 other similar investment account or portfolio containing
18 Honest’s publicly traded common stock that was purchased
19 or otherwise acquired pursuant and traceable to the Offering
20 Documents for Honest’s IPO prior to August 19, 2021, and
21 were damaged thereby. Excluded from the Class are: (i)
22 Defendants and the Individual Defendants’ immediate
23 family members;² (ii) the officers, directors, affiliates, and
24 subsidiaries of Honest and the Underwriter Defendants, at all
25 relevant times; (iii) Honest’s affiliates and employee
26 retirement and/or benefit plan(s) and their participants and/or
27 beneficiaries to the extent they purchased or acquired
28 Honest’s common stock pursuant or traceable to the Offering
Documents through any such plan(s); (iv) any person who
had or has a controlling interest in Honest, at all relevant
times; (v) any entity in which any of the Defendants have or
had a controlling interest, provided, however, that any
“Investment Vehicle” shall not be excluded from the Class;
and (vi) the legal representatives, heirs, successors, or
assigns of any such excluded person or entity, in their
capacity as such.

26 151. ~~137.~~ The members of the Class are so numerous that joinder of all
27 members is impracticable. The exact number of Class members is unknown to Lead
28 Plaintiff at this time and can only be ascertained through appropriate discovery. Lead

1 Plaintiff believes there are at least thousands of members in the proposed Class as the
2 Company offered over 25 million shares of common stock in the IPO. Record owners
3 and other members of the Class may be identified from records maintained by Honest
4 or its transfer agent and may be notified of the pendency of this action by mail, using
5 the form of notice similar to that customarily used in securities class actions.

6 152. ~~138.~~ Lead Plaintiff's claims are typical of the claims of the members of
7 the Class as all members of the Class are similarly affected by Defendants' wrongful
8 conduct in violation of the Securities Act as set forth herein.

9 153. ~~139.~~ Lead Plaintiff will fairly and adequately protect the interests of the
10 members of the Class and has retained counsel competent and experienced in class and
11 securities litigation.

12 154. ~~140.~~ Common questions of law and fact exist as to all members of the
13 Class and predominate over any questions solely affecting individual members of the
14 Class. Among the questions of law and fact common to the Class are:

- 15 (a) whether Defendants violated the Securities Act;
- 16 (b) whether the Offering Documents contained inaccurate statements
17 of material fact and/or omitted material information required to be stated therein; and
- 18 (c) to what extent the members of the Class have sustained damages
19 and the proper measure of damages.

20 155. ~~141.~~ A class action is superior to all other available methods for the fair
21 and efficient adjudication of this controversy since joinder of all members is
22 impracticable. Furthermore, as damages suffered by individual Class members may be
23 relatively small, the expense and burden of individual litigation make it impossible for
24 members of the Class to individually redress the wrongs done to them. There will be
25 no difficulty in the management of this action as a class action.

1 VI. CAUSES OF ACTION

2 **COUNT I**
3 **FOR VIOLATION OF SECTION 11 OF THE SECURITIES ACT**
4 **Against ~~All~~Honest, the Individual Defendants, and the Underwriter Defendants**

5 156. ~~142.~~ Lead Plaintiff repeats and realleges each and every allegation above
6 as if fully set forth herein.

7 157. ~~143.~~ This cause of action is brought pursuant to Section 11 of the
8 Securities Act, 15 U.S.C. § 77k, on behalf of the Class, against Defendant Honest, each
9 of the Individual Defendants, and each of the Underwriter Defendants.

10 158. ~~144.~~ This cause of action does not sound in fraud. Lead Plaintiff does not
11 claim that any of the Defendants committed intentional or reckless misconduct or that
12 any of the Defendants acted with scienter or fraudulent intent. This Count is based
13 solely on strict liability as to Honest and negligence as to the remaining Defendants.
14 Lead Plaintiff expressly disclaims any allegations of scienter or fraudulent intent in
15 these non-fraud claims except that any challenged statements of opinion or belief made
16 in connection with the IPO are alleged to have been materially misstated statements of
17 opinion or belief when made.

18 159. ~~145.~~ The Registration Statement, which includes the Prospectus, issued in
19 connection with the IPO was inaccurate and misleading, contained untrue statements
20 of material facts, omitted material facts necessary to make the statements made not
21 misleading, and omitted material facts required to be stated therein.

22 160. ~~146.~~ Honest is the registrant and issuer of the common stock sold pursuant
23 to the Registration Statement. As such, Honest is strictly liable for the materially
24 inaccurate statements contained in the Registration Statement and the failure of the
25 Registration Statement to be complete and accurate. By virtue of the Registration
26 Statement containing material misrepresentations and omissions of material fact
27 necessary to make the statements therein not false and misleading, Honest is liable
28 under Section 11 of the Securities Act to Lead Plaintiff and the Class.

1 161. ~~147.~~—None of the Defendants named herein made a reasonable
2 investigation or possessed reasonable grounds for the belief that the statements
3 contained in the Registration Statement were true and without omissions of any
4 material facts and were not misleading.

5 162. ~~148.~~—The Individual Defendants each signed the Registration Statement
6 and caused its issuance. The Individual Defendants each had a duty to make a
7 reasonable and diligent investigation of the truthfulness and accuracy of the statements
8 contained in the Registration Statement. They each had a duty to ensure that such
9 statements were true and accurate and that there were no omissions of material fact that
10 would make the statements misleading. By virtue of each of the Individual Defendants’
11 failure to exercise reasonable care, the Registration Statement contained
12 misrepresentations of material facts and omissions of material facts necessary to make
13 the statements therein not misleading. As such, each of the Individual Defendants is
14 liable under Section 11 of the Securities Act to Lead Plaintiff and the Class.

15 163. ~~149.~~—Each of the Underwriter Defendants served as the underwriters for
16 the IPO and qualify as such according to the definition contained in Section 2(a)(11)
17 of the Securities Act, 15 U.S.C. § 77b(a)(11). As such, they participated in the
18 solicitation, offering, and sale of the securities to the investing public pursuant to the
19 Offering Documents. Each of the Underwriter Defendants, as an underwriter of the
20 securities offered in the IPO pursuant to the Registration Statement, had a duty to make
21 a reasonable and diligent investigation of the truthfulness and accuracy of the
22 statements contained in the Registration Statement. They each had a duty to ensure that
23 such statements were true and accurate and that there were no omissions of material
24 fact that would make the statements misleading. By virtue of each of the Underwriter
25 Defendants’ failure to exercise reasonable care, the Registration Statement contained
26 misrepresentations of material facts and omissions of material facts necessary to make
27 the statements therein not misleading. As such, each of the Underwriter Defendants is
28 liable under Section 11 of the Securities Act to Lead Plaintiff and the Class.

1 169. ~~155.~~ This cause of action is brought pursuant to Section 15 of the
2 Securities Act, 15 U.S.C. § 77o, on behalf of the Class, against each of the Individual
3 Defendants and the Catterton Defendants.

4 170. ~~156.~~ This cause of action does not sound in fraud. Lead Plaintiff does not
5 allege that any of the Defendants committed intentional or reckless misconduct or that
6 any of the Defendants acted with scienter or fraudulent intent, which are not elements
7 of a Section 15 claim. This Count is based solely on negligence and/or strict liability.
8 Lead Plaintiff expressly disclaims any allegations of scienter or fraudulent intent in
9 these non-fraud claims except that any challenged statements of opinion or belief made
10 in connection with the IPO are alleged to have been materially misstated statements of
11 opinion or belief when made.

12 171. ~~157.~~ Each of the Individual Defendants and the Catterton Defendants were
13 control persons of Honest by virtue of their positions as directors and/or senior officers
14 and/or major shareholders of Honest. The Individual Defendants and the Catterton
15 Defendants each had a series of direct and/or indirect business and/or personal
16 relationships with other directors and/or officers and/or major shareholders of Honest.

17 172. ~~158.~~ Each of the Individual Defendants and the Catterton Defendants
18 participated in the preparation and dissemination of the Offering Documents, and
19 otherwise participated in the process necessary to conduct the IPO. Because of their
20 positions of control and authority as senior officers and/or directors and/or major
21 shareholders of the Company, each of the Individual Defendants and the Catterton
22 Defendants were able to, and did, control the contents of the Offering Documents,
23 which contained materially untrue information and/or omitted material information
24 required to be disclosed to prevent the statements made therein from being misleading.

25 173. ~~159.~~ As control persons of Honest, each of the Individual Defendants and
26 the Catterton Defendants are liable jointly and severally with and to the same extent as
27 Honest for its violation of Section 11 of the Securities Act.

28

1 174. At the time of their purchases of Honest common stock, Lead Plaintiff and
2 other members of the Class were without knowledge of the facts concerning the
3 wrongful conduct alleged herein and could not have reasonably discovered those facts
4 prior to the disclosures alleged herein. Less than one year has elapsed from the time
5 that Lead Plaintiff discovered or reasonably could have discovered the facts upon
6 which this Complaint is based and the time that this action was commenced. This is
7 particularly true for the Catterton Defendants as the Offering Documents failed to
8 disclose its high degree of involvement and control over the Offering and the Company.
9 Without the non-public documents received from Honest and the Underwriter
10 Defendants referenced above Lead Plaintiff had no way of discovering that the
11 Offering was conceived by, directed, and controlled by Catterton. Indeed, the Offering
12 Documents disclosed nothing more than the facts that (1) two members of Honest’s
13 Board of Directors that were affiliated with the Catterton Defendants, (2) the Catterton
14 Defendants held a minority share (approximately 37%) of Honest’s stock prior to the
15 IPO, and (3) the Catterton Defendants would be selling between approximately 48% to
16 60% of their Honest stock in the Offering.

17 175. The earliest Honest produced documents in this action, including those
18 referenced above with Bates numbers starting with “HNST,” was May 23, 2023. The
19 earliest the Underwriter Defendants produced documents in this action, including those
20 referenced above with Bates numbers starting with “MS_HONEST,” was June 13,
21 2023.

22 176. Less than three years have elapsed between the time that the securities
23 upon which this cause of action is brought were offered to the public and the time that
24 this action was commenced.

25 **VII. PRAYER FOR RELIEF**

26 177. ~~160.~~ WHEREFORE, Lead Plaintiff on behalf of itself and the other
27 members of the Class, prays for relief and judgment as follows:
28

1 (a) Determining that this action is a proper class action under Rule
2 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined
3 herein;

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

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

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

12
13 * * *

1 **VIII. JURY TRIAL DEMANDED**

2 178. ~~161.~~ Lead Plaintiff demands a trial by jury.

3 Dated: ~~July 27~~ February 14, 2023—2024 Respectfully Submitted,

4 **LABATON KELLER SUCHAROW LLP**

5
6
7 By: /s/ Alfred L. Fatale III

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Summary report: Litera Compare for Word 11.5.0.74 Document comparison done on 2/14/2024 9:55:02 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: Final - Honest Amended Consolidated Complaint(3441025.1).docx	
Modified filename: DRAFT - Honest Second Amended Consolidated Complaint(3438977.8).docx	
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<u>Add</u>	245
Delete	169
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
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