

1 AMY JANE LONGO (Cal. Bar No. 198304)

2 Email: longoa@sec.gov

3 JANET RICH WEISSMAN (Cal. Bar No. 137023)

4 Email: weissmanj@sec.gov

5 Attorneys for Plaintiff

6 Securities and Exchange Commission

7 Michele Wein Layne, Regional Director

8 Alka N. Patel, Associate Regional Director

9 444 S. Flower Street, Suite 900

10 Los Angeles, California 90071

11 Telephone: (323) 965-3998

12 Facsimile: (213) 443-1904

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

17 **SECURITIES AND EXCHANGE**
18 **COMMISSION,**

19 Plaintiff,

20 vs.

21 **SHE BEVERAGE COMPANY, INC.,**
22 **LUPE L. ROSE, SONJA F. SHELBY**
23 **AND KATHERINE E. DIRDEN,**

24 Defendants.

Case No. 2:21-cv-7339

COMPLAINT

25 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

26 **JURISDICTION AND VENUE**

27 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
28 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the

1 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
2 78u(d)(3)(A), 78u(e) & 78aa(a).

3 2. Defendants have, directly or indirectly, made use of the means or
4 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
5 securities exchange in connection with the transactions, acts, practices and courses of
6 business alleged in this complaint.

7 3. Venue is proper in this district pursuant to Section 22(a) of the Securities
8 Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a),
9 because certain of the transactions, acts, practices and courses of conduct constituting
10 violations of the federal securities laws occurred within this district. In addition,
11 venue is proper in this district because Defendants Lupe Rose, Sonja Shelby and
12 Katherine Dirden reside in this district, and Defendant SHE Beverage Company, Inc.
13 has its principal place of business in this district.

14 **SUMMARY**

15 4. This civil enforcement action involves an offering fraud perpetrated by
16 Defendants SHE Beverage Company, Inc. (“SHE Beverage”) and its principals Lupe
17 L. Rose, Sonja F. Shelby and Katherine E. Dirden. Located in Lancaster, California,
18 SHE Beverage produces beverages targeting female customers. Between 2017 and
19 2019, SHE Beverage raised over \$15 million from unregistered stock sales to more
20 than 2,000 investors from across the country. SHE Beverage and its principals
21 falsely represented to investors that they would use 30% of the offering proceeds to
22 purchase beverage inventory. In fact, they spent only approximately 2% of the
23 monies they raised on beverages. In the meantime, they misappropriated roughly half
24 the offering proceeds—at least \$7.5 million—in cash withdrawals and to pay personal
25 expenses such as cars and trucks, rent, luxury retail goods, and trips to casinos.

26 5. Defendants carried out their aggressive fund-raising by falsely
27 promoting the company as being successful in a variety of ways. Defendants
28 overstated and mischaracterized the revenues earned by the company since its

1 inception. Defendants claimed the company had launched its own brewery, whereas
2 it had not even completed its construction. They falsely touted the company's bottled
3 water as "proprietary" and "FDA approved," when it was neither. Defendants
4 claimed the company had received acquisition offers in the hundreds of millions of
5 dollars; in reality, it had no such offers. The principals claimed to have millions of
6 their own money invested in the company, whereas their investments were much
7 more modest. They frequently represented that the company's planned initial public
8 offering ("IPO") was imminent, when they had not yet even filed a registration
9 statement with the SEC. They touted the acquisition of a cannabis-related company,
10 concealing that it was obtained from affiliates (sisters of one of the Defendants) with
11 no independent valuation, and had no operations or sales.

12 6. SHE Beverage's fraudulent stock offering was not registered with the
13 SEC; thus investors lacked important information about the company's financial
14 condition. Defendants raised money from thousands of investors in numerous states,
15 including from unaccredited investors. The company engaged in general solicitation
16 over the internet and solicited investors to deposit by cash, checks, credit cards and
17 electronic payment processor, at times offering referral, two-for-one, and other
18 bonuses, and frequently hyping investors' last chance to invest pre-IPO. The only
19 Form S-1 registration statement ever filed by the Defendants, in January 2020, never
20 went effective and was declared abandoned in 2021.

21 7. By their conduct, Defendants violated Sections 5 and 17(a) of the
22 Securities Act, 15 U.S.C. §§ 77(e)(a), 77(e)(c), 77q(a), and Section 10(b) of the
23 Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-
24 5(a)-(c).

25 8. The SEC seeks findings that the Defendants committed these violations;
26 permanent injunctions, disgorgement with prejudgment interest, civil penalties, and
27 against Defendants Rose, Shelby, and Dirden, officer and director bars.
28

1 **THE DEFENDANTS**

2 9. **SHE Beverage Company, Inc.** (“SHE Beverage”), is a California
3 corporation, which was incorporated in or about 2015, with its principal place of
4 business in Lancaster, California. SHE Beverage promotes itself primarily as a
5 beverage company targeted at female consumers, along with several additional lines
6 of business. SHE Beverage has never been registered with the SEC in any capacity,
7 has never had a class of securities registered with the SEC, and its securities have
8 never been publicly traded. SHE Beverage is controlled by Defendants Rose, Shelby
9 and Dirden.

10 10. **Lupe L. Rose** (“Rose”), 52, lives in Palmdale, California and holds
11 herself out as SHE Beverage’s co-founder, owner, chief executive officer (“CEO”),
12 president and chair of the board of directors. Rose has never been registered with the
13 SEC in any capacity and has never held any securities licenses.

14 11. **Sonja F. Shelby** (“Shelby”), 58, lives in Palmdale, California and holds
15 herself out as SHE Beverage’s co-founder, owner, vice president, treasurer, vice
16 chair, chief financial officer (“CFO”), principal financial officer, and member of the
17 board of directors. Shelby has never been registered with the SEC in any capacity
18 and has never held any securities licenses.

19 12. **Katherine E. Dirden** (“Dirden”), 46, lives in Lancaster, California and
20 holds herself out as SHE Beverage’s chief operations officer (“COO”), investor
21 relations director, and a member of the board of directors. Dirden has never been
22 registered with the Commission in any capacity and has never held any securities
23 licenses.

24 **THE ALLEGATIONS**

25 **A. SHE Beverage and its Principals**

26 13. Rose and Shelby co-founded and began working on the concept for SHE
27 Beverage in or around 2009; Rose subsequently incorporated SHE Beverage in or
28 about 2015.

1 14. In or around February 2016, SHE Beverage hired Dirden as its COO.

2 15. SHE Beverage was promoted primarily as a women-owned beverage
3 manufacturer, selling beer and other brewed drinks, wine, and bottled water, aimed at
4 female consumers.

5 16. SHE Beverage's offering documents identify Rose as the co-founder,
6 owner, chief executive officer, president and chair of the board of directors.

7 17. SHE Beverage's offering documents identify Shelby as the co-founder,
8 owner, vice president, treasurer, vice chair, chief financial officer, principal financial
9 officer, and member of the board of directors.

10 18. SHE Beverage's offering documents identify Dirden as the chief
11 operations officer, investor relations director, and a member of the board of directors.

12 19. As its most senior executive, Rose had ultimate decision-making
13 authority for SHE Beverage. During the relevant period, Rose exercised day-to-day
14 control over SHE Beverage, including meeting with beverage manufacturers,
15 purchasing inventory, and marketing and delivering product. Along with Shelby and
16 Dirden, Rose was a member of SHE Beverage's three-person executive team.

17 20. Although SHE Beverage identified her as the CFO and treasurer,
18 Shelby's primary responsibilities during the relevant period were for human resources
19 and other administrative duties. Along with Rose and Dirden, Shelby was a member
20 of SHE Beverage's three-person executive team.

21 21. Dirden functioned as SHE Beverage's chief operating officer, including
22 selling product and taking care of internal reporting systems. During the relevant
23 period, Dirden had primary responsibility for investor relations, including answering
24 questions of prospective and actual investors about SHE Beverage's offering. Along
25 with Rose and Shelby, Dirden was a member of SHE Beverage's three-person
26 executive team.

27 22. Rose, Shelby and Dirden are all signatories on the company's bank
28 accounts.

1 23. SHE Beverage's website addresses during the relevant period included:

2 • <http://www.shebeverages.com>

3 and

4 • <http://sheinvestmentguide.com>.

5 24. During the relevant period, Defendants utilized the following email
6 addresses:

7 • Rose: lupe@shebeverages.com, luperosetheceo@gmail.com,

8 • Shelby: sonjashelby@vahoo.com, sonja@shebeverages.com,
9 sshelby@sheverages.com,

10 and

11 • Dirden: kat@shebeverages.com.

12 **B. Defendants' Offer and Sale of Securities**

13 25. Between 2017 and 2019, SHE Beverage raised over \$15 million from
14 more than 2,000 investors nationwide.

15 26. SHE Beverage issued securities in the form of shares of SHE Beverage.

16 27. Investors purchased shares from SHE Beverage through a variety of
17 means, including cashier's checks, personal checks, wires, credit cards, transactions
18 through PayPal, cash or by deposits directly into SHE Beverage's bank account.

19 28. SHE Beverage offered and sold securities using offering memoranda,
20 investment guides, its websites, emails, and verbal communications.

21 29. Between approximately October 2017 and mid-June 2018, SHE
22 Beverage offered and sold its shares through an offering memorandum (the "2017
23 OM").

24 30. SHE Beverage utilized an outside consultant to prepare the 2017 OM.

25 31. The 2017 OM offered shares of SHE Beverage's common stock at \$2.50
26 per share.

27 32. The 2017 OM included a cover letter and subscription agreement. The
28 subscription agreement requested prospective investors to provide information as to

1 their status as an accredited investor.

2 33. SHE Beverage provided the 2017 OM to prospective investors during in-
3 person meetings.

4 34. Beginning in or about mid-June 2018, SHE Beverage offered and sold
5 stock to investors through a private placement memorandum dated June 20, 2018 (the
6 “2018 PPM”).

7 35. Rose, Shelby and Dirden worked with an outside consultant to prepare
8 the 2018 PPM.

9 36. The 2018 PPM offered up to \$25 million of SHE Beverage’s common
10 stock at \$2.50 per share.

11 37. The 2018 PPM stated that the shares were exempt from registration
12 under Securities Act Sections 3(b), 4(2), and Rule 506 thereunder, and that
13 prospective investors were required to meet “suitability standards” set forth in the
14 2018 PPM.

15 38. SHE Beverage provided the 2018 PPM to prospective investors during
16 in-person meetings or by email.

17 39. Rose, Shelby and Dirden reviewed the 2018 PPM before it was provided
18 to investors, including the disclosures on the use of proceeds.

19 40. SHE Beverage also solicited investors using a 2018 SHE Beverage
20 Investment Guide and Corporate Update (the “2018 Investment Guide”).

21 41. Rose created the 2018 Investment Guide and it was distributed at
22 investor meetings along with the 2018 PPM.

23 42. During SHE Beverage’s offering, the 2018 PPM and the 2018
24 Investment Guide were available on SHE Beverage’s websites.

25 43. The 2018 Investment Guide included a “New Member Welcome Letter”
26 signed by Rose, Shelby and Dirden.

27 44. SHE Beverage also solicited investors using a 2019 SHE Brand
28 Beverage Investment Guide (the “2019 Investment Guide”).

1 45. The 2019 Investment Guide was available on SHE Beverage’s website
2 from at least May 2019 to December 2019.

3 46. Rose assisted with the preparation of the 2019 Investment Guide, and
4 Rose and Dirden knew it was accessible on the company’s website.

5 47. SHE Beverage publicly offered its securities to investors through its
6 websites through at least December 2019.

7 48. SHE Beverage’s website included a section titled “Why You Should
8 Invest In Our Beverage Company” with a link to two letters from Rose, Shelby and
9 Dirden.

10 49. The SHE Investment Guide website promoted that the company was
11 accepting investments and provided a link to the 2018 PPM.

12 50. Beginning in or around December 2017 and throughout the offering,
13 SHE Beverage sent email messages to existing investors approximately once a
14 month. The messages promoted additional investment in SHE Beverage and included
15 information about SHE Beverage’s securities offering.

16 51. The investor email messages were formatted as letters to investors with
17 signatures variously from “the SHE Beverage Team” or individually from Rose or
18 Dirden.

19 52. For example, in or around the end of December 2018, in an email to
20 investors signed “SHE Beverage Executive Team,” SHE Beverage promoted a
21 “Limited Time Offer” to purchase two for one shares, noting that Rose, Shelby and
22 Dirden wanted to “provide our current investors one final amazing opportunity” to
23 invest at this price, through early January 2019.

24 53. As another example, in one 2019 email signed by Rose, SHE Beverage
25 promoted a “new minimum level of investment of \$1,000 at \$2.50 per share...[for]
26 new and existing investors,” and that investors could “invest an ADDITIONAL
27 investment” of at least \$1,000 to obtain a chance to win a free trip.

28 54. In another email dated on or about April 24, 2019, signed by Rose, SHE

1 Beverage promoted the opportunity to “purchase at a discounted rate” and “refer
2 friends and family.”

3 55. In another email dated on or around November 10, 2019, signed by
4 Rose, SHE Beverage promoted the opportunity to invest \$50,000 and receive
5 “advisory board shares,” stating, “can you imagine when we open larger or grow to
6 50 dollars a share?”

7 56. In another email dated in or around 2019, Dirden wrote that SHE
8 Beverage was “still fund-raising during this process so please continue to send us
9 anybody interested in investing or if you’d like to add to you (*sic*) portfolio please
10 feel free to do so,” directing prospective investors to contact her with any questions.

11 57. Rose approved the investor messages for distribution, and Dirden sent
12 them out.

13 58. Between approximately 2018 and 2019, SHE Beverage hosted three to
14 four in-person investor meetings a year, attended by SHE Beverage’s principals and
15 prospective and actual investors. Some investor meetings were streamed to out-of-
16 town investors.

17 59. With Shelby and Dirden in attendance, Rose ran the investor meetings
18 and presented at them.

19 60. At the investor meetings, SHE Beverage updated investors about the
20 business and provided its beverage products for sampling.

21 61. At the investor meetings, SHE Beverage made available its offering
22 materials, including the 2018 PPM and the 2018 Investment Guide.

23 62. During SHE Beverage’s offering, Rose and Dirden each directly
24 solicited investors.

25 63. For example, on or about August 6, 2018, Rose hosted a “meet & greet”
26 for new investors to discuss the Investment Guide.

27 64. Dirden spoke to prospective and actual investors to answer questions
28 about the offering, and was identified as the person to contact with inquiries.

1 65. Defendants initially solicited friends and family to invest.
2 Subsequently, they began soliciting friends and family of their investors, and engaged
3 in a general solicitation of investors for SHE Beverage's offering.

4 66. SHE Beverage offered referral bonuses, in the form of additional shares,
5 for investors who brought in additional investors to SHE Beverage.

6 67. SHE Beverage's offering was nationwide with more than 2,000 investors
7 who live in at least 38 states, and Guam, Puerto Rico, and Washington, D.C.

8 **C. Defendants' Fraudulent Scheme and Material Misrepresentations**
9 **and Omissions**

10 68. SHE Beverage and its principals engaged in a scheme to defraud and
11 made material misrepresentations and omissions to prospective and actual investors
12 during the offering.

13 69. SHE Beverage was the maker of the statements in its offering
14 memoranda, investment guides, websites, press releases, and investor emails.

15 70. As SHE Beverage's principals with day-to-day control over its
16 operations and disclosures, Rose, Shelby, and Dirden were makers of the statements
17 in SHE Beverage's offering memoranda, investment guides, websites, press releases,
18 and investor emails.

19 71. Rose, Shelby and Dirden each directly made and signed their names on
20 statements to investors, including signing the investment guides, signing investor
21 emails as the executive team, and for Rose and Dirden, signing investor emails
22 individually. Rose was also listed as the contact on SHE Beverage's press releases.

23 **1. Defendants' misuse and misappropriation of investor proceeds**

24 72. SHE Beverage and its principals misused investor proceeds by utilizing
25 only 2% of investor funds to purchase beverage inventory, contrary to the disclosures
26 in SHE Beverage's offering materials.

27 73. Additionally, Defendants misappropriated investor funds by spending
28 millions on personal expenses and cash withdrawals, far in excess of any disclosed

1 amounts of salary or compensation to the principals.

2 74. SHE Beverage’s 2017 OM represented that the “proceeds of the offering
3 will be used for the Company’s Business Plan and management has retained
4 discretion to use the proceeds according to the Use of Proceeds of the Offering and
5 for other related uses.”

6 75. The 2017 OM did not include either a business plan or a use of proceeds
7 section, but described the business as “selling high quality beverages with a focus on
8 elite branding and brand management.”

9 76. SHE Beverage’s 2018 PPM included a use of proceeds section:

USE OF PROCEEDS		
Amount	Item	Percentage
\$12,500,000	Working Capital/Operating Expenses	50%
\$7,500,000	Inventory	30%
\$5,000,000	Sales, Marketing, Salaries	20%
\$25,000,000	Total	100%

14
15 77. The 2018 PPM thus represented that approximately 30% of offering
16 proceeds, or approximately \$4.5 million (representing 30% of the offering proceeds
17 actually raised), would be used on inventory.

18 78. During SHE Beverage’s offering, Defendants reiterated the intended
19 uses of investor proceeds in other documents provided to investors.

20 79. For example, the 2018 Investment Guide included descriptions of the
21 company and its beverage products, stating that the company would “create an elite
22 line that will not only dominate the Beverage Industry, but also change the way we
23 drink one SIP at a time.” The 2018 Investment Guide further stated that “owner
24 funding and further investor generated cash flow will enable the expansion plan.”

25 80. Similarly, the 2019 Investment Guide featured descriptions of SHE
26 Beverage’s beverage products and explained that “the goal is to raise 1 billion dollars
27 to grow the brand.”

28 81. Contrary to its representations to investors, between 2015 and 2021,

1 SHE Beverage spent only approximately \$321,971 on beverage inventory, or
2 approximately 2% of the offering proceeds, as follows:

3 (a) from 2015 to 2019, SHE Beverage paid approximately \$195,375
4 to three breweries to brew craft beer and hard punch for retail sale under the SHE
5 Beverage brand name;

6 (b) from 2018 to 2021, SHE Beverage paid approximately \$71,550 to
7 a California distributor for its proprietary alkaline, electrolyte, purified and spring
8 bottled waters for retail sale under the SHE Beverage brand name;

9 (c) in or around 2019, SHE Beverage paid approximately \$26,007 to
10 a Florida distributor for its CBD bottled water to sell under the SHE Beverage brand
11 name; and

12 (d) in or around 2019, SHE Beverage paid approximately \$29,039 for
13 a Lancaster winery to create a private-label rosé wine.

14 82. Given the limited amounts spent on beverage inventory during the
15 offering, Defendants' representations that they would use 30% of investor proceeds
16 on inventory were materially false and misleading.

17 83. Defendants did not disclose to investors that their purchases of inventory
18 were materially lower than the offering materials represented.

19 84. Reasonable investors would have found it important to their investment
20 decision to know that Defendants were not purchasing the amounts of inventory the
21 offering materials represented, which would necessarily impact the potential sales of
22 SHE Beverage product.

23 85. Defendants Rose, Shelby and Dirden knew, or were reckless in not
24 knowing, that SHE Beverage was misusing investor funds by not purchasing
25 beverage inventory consistent with their representations to investors.

26 86. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
27 care as to SHE Beverage's use of investor funds, by not purchasing beverage
28 inventory consistent with their representations to investors.

1 87. Rose, Shelby and Dirden also misappropriated investor funds.

2 88. The 2017 OM did not disclose that any proceeds would be used for
3 executive compensation.

4 89. The 2018 PPM represented that approximately 20% of the offering
5 proceeds, or \$3 million (representing 20% of the \$15 million of offering proceeds
6 actually raised), would be used for sales, salaries and marketing.

7 90. However, between 2016 and 2021, Rose, Shelby and Dirden took out at
8 least \$7.5 million in investor proceeds, as follows:

9 (a) approximately \$6 million in cash withdrawals and transfers to
10 Rose, Shelby and Dirden's personal bank accounts;

11 (b) approximately \$1.2 million spent at casinos;

12 (c) approximately \$180,000 to purchase 8 cars and trucks for personal
13 use and for payment of a title loan on Shelby's Porsche;

14 (d) approximately \$100,000 in payments for the lease on the house
15 occupied by Rose and Shelby; and

16 (e) approximately \$50,000 in purchases from luxury clothing retailers
17 such as Gucci and Louis Vuitton.

18 91. The amounts Rose, Shelby and Dirden received from the offering
19 proceeds materially exceeded the amount allocated for the entire company's sales,
20 salary and marketing expenses in the 2018 PPM.

21 92. Investors were not told that SHE Beverage's principals would use
22 investor money for their personal expenses.

23 93. Reasonable investors would have found it important to their investment
24 decision to know that SHE Beverage's principals used roughly half of all proceeds to
25 pay their personal expenses and for cash withdrawals.

26 94. Defendants Rose, Shelby and Dirden knew, or were reckless in not
27 knowing, that they were misappropriating investor funds.

28 95. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable

1 care as to their expenditures of investor funds.

2 **2. Defendants falsely represented the amount of revenues earned**
 3 **from product sales**

4 96. The 2018 PPM represented that “[t]he Company is a relatively new
 5 venture, which has generated approximately \$4-5 million dollars in revenue and has
 6 an average profit margin of 40% across the span of its product lines.”

7 97. The product lines identified in the 2018 PPM were beer and bottled
 8 water.

9 98. The PPM 2018 PPM did not identify events as a source of revenues.

10 99. The statement that the company had generated \$4-5 million dollars in
 11 revenue was false.

12 100. As of the end of fiscal year 2018, SHE Beverage had sold less than
 13 \$263,000 of merchandise.

14 101. SHE Beverage’s audited financial statements, disclosed for the first time
 15 to investors with the company’s January 2020 Form S-1 filed with the SEC, stated
 16 that the company had only the following revenues as of December 31, 2017 and
 17 December 31, 2018:

18 REVENUE	19 Year ended Dec. 31, 2018	20 Year ended Dec. 31, 2017
21 Event revenue	22 \$1,628,875	23 \$1,569,690
24 Merchandise revenue	25 \$110,324	26 \$152,670
27 Total revenue	28 \$1,729,199	\$1,722,360

102. The company did not have \$4-5 million in revenues in 2018, and of the
 25 revenues it had, more than 90% was from event rentals, rather than any product sales.

103. Reasonable investors would have found it important to their investment
 27 decision to know that SHE Beverage’s revenues did not approach the \$4-5 million
 28 described to investors, and that the revenues it did have came overwhelmingly from

1 events.

2 104. Defendants Rose, Shelby and Dirden knew, or were reckless in not
3 knowing, that the company's statements of earned revenues were materially
4 overstated and omitted the source of the majority of the company's revenues.

5 105. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
6 care as to their statements of revenues purportedly earned by SHE Beverage.

7 **3. Defendants falsely depicted the status of SHE Beverage's**
8 **brewery**

9 106. In or around 2018 through 2020, SHE Beverage falsely promoted to
10 prospective and actual investors that it had opened and was operating a brewery for
11 its alcoholic beverages.

12 107. For example, in or around October 2018, SHE Beverage sent an email
13 message to its existing investors promoting the "grand opening" of its Lancaster
14 brewery.

15 108. As another example, on or about December 11, 2018, SHE Beverage
16 issued a press release titled "SHE Beverage Company, Inc. Announces Acquisitions,
17 Re-Brandings, and Public Offering."

18 109. In the December 11, 2018 press release, SHE Beverage claimed that its
19 locations included "a brewery and manufacturing site."

20 110. The December 11, 2018 press release also stated that:

21 SHE Beverage Company *has grown* its brand to
22 unbelievable heights within the last four years. *Opening its*
23 *10,000 square foot brewery* in Lancaster CA..." (emphasis
24 added).

25 111. SHE Beverage repeated the description of its purported brewery in seven
26 additional press releases, from January 2019 through January 2020.

27 112. Additionally, in press releases issued on or about January 22, 2019 and
28 March 26, 2019, SHE Beverage described itself as "the female-owned and operated

1 craft beer brewery...” and the “female-owned and renowned craft beer brewery...”

2 113. The 2019 Investment Guide listed a brewery as among SHE Beverage’s
3 assets.

4 114. SHE Beverage’s Form S-1 filed in January 2020, however, revealed that
5 the company was “currently in process of constructing a brewery....”

6 115. Contrary to its representations, SHE Beverage has never had an
7 operational brewery.

8 116. The only beer SHE Beverage sold to consumers came from contract
9 brewers.

10 117. As of at least January 2021, SHE Beverage had not installed the brewery
11 equipment it had purchased.

12 118. SHE Beverage had not, as of at least January 2021, completed the
13 construction of the brewery.

14 119. SHE Beverage had not, as of at least January 2021, obtained a certificate
15 of occupancy for the brewery.

16 120. Other than test batches, as of January 2021, SHE Beverage had not
17 brewed any beverages at the site of its planned brewery.

18 121. In January 2021, the California Department of Alcoholic Beverage
19 Control indefinitely suspended SHE Beverage’s small beer manufacturer license
20 because, among other reasons, SHE Beverage had not engaged in commercial beer
21 manufacturing.

22 122. Reasonable investors would have found it important to their investment
23 decision to know that SHE Beverage’s brewery was not yet constructed, nor
24 operational.

25 123. Defendants Rose, Shelby and Dirden knew, or were reckless in not
26 knowing, that the company’s statements regarding the status of its brewery were false
27 and misleading.

28 124. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable

1 care as to SHE Beverage’s statements regarding the status of its purported brewery.

2 **4. Defendants misrepresented the status of SHE Beverage’s**
3 **“proprietary” water formula**

4 125. Defendants falsely represented in the 2018 PPM that SHE Beverage sold
5 bottled water made with a proprietary formula that cured cancer and spina bifida, had
6 other health benefits (for heart health, fertility, aging, anxiety, PMS, and menopause)
7 and was approved by the FDA.

8 126. The 2018 Investment Guide also claimed that the company used a
9 “proprietary process [that] allow[ed it] to transform water from any source...”

10 127. Rose repeated these claims in a recorded investor meeting on or about
11 June 2, 2019.

12 128. Contrary to Defendants’ representations, the bottled water sold under the
13 SHE Beverage private label was not proprietary and was not FDA-approved.

14 129. Prior to 2017, SHE Beverage purchased bottled water and antioxidant
15 shots from a third party contractor, but neither product was sold to consumers.

16 130. After 2017, SHE Beverage purchased bottled water from third party
17 distributors, to sell as SHE Beverage-branded product.

18 131. SHE Beverage did not make and sell its own proprietary water, but
19 purchased commercially available bottled water from distributors for resale.

20 132. SHE Beverage’s bottled water has never had FDA approval.

21 133. Reasonable investors would have found it important to their investment
22 decision to know that SHE Beverage’s water was not proprietary and did not have
23 FDA approval.

24 134. Defendants Rose, Shelby and Dirden knew, or were reckless in not
25 knowing, that the company’s statements regarding the nature and status of its bottled
26 water were false and misleading.

27 135. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
28 care as to their statements regarding the nature and status of SHE Beverage’s bottled

1 water.

2 **5. Defendants misrepresented the acquisition offers received for**
3 **SHE Beverage**

4 136. In or around 2018, SHE Beverage represented to investors that it had
5 received acquisition offers ranging from \$120 million to \$500 million.

6 137. For example, the 2018 Investment Guide stated: “Alongside SHE
7 Beverage Company’s current growth, and public attention we know based upon
8 recent offers to buy our brand (which range from 120 Million to 500 Million) that
9 SHE Beverage Company’s ‘Public Announcement’ will deliver the expectation to
10 catapult our stock to a billion-dollar offer.”

11 138. On or about June 2, 2019, Rose touted the acquisition offers at a
12 recorded investor meeting, identifying the \$120 million offer as coming from a global
13 spirits company (“Beverage Company A”) and the \$500 million offer as coming from
14 a multilevel marketing company (“Network Marketing Company B”).

15 139. Defendants’ statements concerning the purported offers to acquire SHE
16 Beverage were false.

17 140. Beverage Company A never made an offer or engaged in substantive
18 negotiations to acquire SHE Beverage.

19 141. Network Marketing Company B has no record of any association or
20 communication with SHE Beverage, including of any offer to acquire SHE Beverage.

21 142. Reasonable investors would have found it important to their investment
22 decision to know that SHE Beverages had not received offers in the hundreds of
23 millions of dollars from these two companies.

24 143. Defendants Rose, Shelby and Dirden knew, or were reckless in not
25 knowing, that the company’s statements regarding acquisition offers received for
26 SHE Beverage were false or misleading.

27 144. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
28 care as to SHE Beverage’s statements regarding purported acquisition offers.

1 **6. Defendants overstated the principals' investments in the**
2 **business**

3 145. The 2019 Investment Guide stated that Rose, Shelby and Dirden had
4 “personally invested [\$]3.7 [m]illion foundational capital to create the brand, refine
5 its packaging, build a trusted distribution network, and gain first-hand exposure to
6 several industry barriers that routinely blind-side new brands.”

7 146. SHE Beverage records show that Rose, Shelby and Dirden invested less
8 than \$200,000.

9 147. Reasonable investors would have found it important to their investment
10 decision to know that the principals had substantially less money invested in the
11 business as their “skin in the game.”

12 148. Defendants Rose, Shelby and Dirden knew, or were reckless in not
13 knowing, that they were overstating the amount of their personal financial investment
14 in the company.

15 149. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
16 care with respect to statements of their personal financial investment in the company.

17 **7. Defendants falsely portrayed the imminence of the company's**
18 **planned initial public offering**

19 150. During the offering, SHE Beverage made a series of materially
20 misleading statements regarding the company's planned IPO, encouraging existing
21 investors to invest additional monies while the company was still “pre-IPO” and the
22 share price was \$2.50 per share. Defendants encouraged investors to purchase shares
23 right away, stating that the stock price would be higher after the IPO.

24 151. Defendants repeatedly created the false appearance that the company's
25 IPO was imminent, variously, within days, weeks or months, as a means to encourage
26 prospective or actual investors to invest their monies.

27 152. For example, on or about February 8, 2018, in an email to investors
28 signed by Rose, SHE Beverage stated that investors who invested “within the next

1 week or so will have the registered shares through the SEC.”

2 153. As another example, in or about October 2018, in a “notice to
3 shareholders,” SHE Beverage told investors the “IPO will open at \$15.00, that’s
4 right! \$15...,” encouraging existing shareholders to buy stock at \$2.50/share and refer
5 friends and family to purchase at \$5.00/share.

6 154. As another example, on or about March 26, 2019, SHE Beverage issued
7 a press release stating that it was “[d]ays away from its public offering.”

8 155. As another example, on or about April 24, 2019, a SHE Beverage email
9 to investors, signed by Rose, stated that the company was “days away from ringing
10 that bell.”

11 156. As another example, on or about May 14, 2019, a SHE Beverage email
12 to investors stated that “market opening day” was “drawing near,” and that investors
13 had their “final opportunity” to purchase shares at \$2.50 per share.

14 157. On or about August 1, 2019, SHE Beverage again announced in a press
15 release that it was “days away from going public and qualifying for NASDAQ.”

16 158. It was not until on or about January 2020, that SHE Beverage first filed a
17 Form S-1 registration statement with the SEC for an initial public offering.

18 159. The audited financial statements filed with SHE Beverage’s Form S-1 on
19 January 2020 only covered the fiscal years 2017 and 2018; the company did not file
20 any audited financial statements for its fiscal year 2019.

21 160. Reasonable investors would have found it important to their investment
22 decision to know that SHE Beverage’s IPO was not as imminent as described.

23 161. Defendants Rose, Shelby and Dirden knew, or were reckless in not
24 knowing, that the company’s statements regarding the imminence of the company’s
25 anticipated IPO were false and misleading.

26 162. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
27 care as to SHE Beverage’s statements regarding its purportedly imminent IPO.
28

1 **8. Defendants falsely portrayed SHE Beverage’s acquisition of**
2 **Elite Green**

3 163. On or about September 9, 2018, SHE Beverage acquired Elite Green
4 Solutions (“Elite Green”), a cannabis-related product company, for a combination of
5 cash and stock.

6 164. On or about December 11, 2018, SHE Beverage issued a press release
7 detailing its “incredible advancements,” including SHE Beverage’s acquisition of
8 Elite Green, stating that the company had been “rebranded” as “The Pink Leaf.”

9 165. SHE Beverage also promoted the Elite Green acquisition in investor
10 emails.

11 166. For example, in an email to investors on or about 2019 signed by Rose
12 soliciting additional investments in SHE Beverage, the company touted its plans for
13 Elite Green (re-branded as the Pink Leaf), stating that it “recently hired its growers”
14 for a cannabis grow farm and that it “will begin manufacturing CBD, THC, and
15 Cannabis Products.”

16 167. At the time it was acquired, Elite Green did not have any cannabis
17 licenses or growing facilities and had not sold any product.

18 168. SHE Beverage did not obtain an independent valuation of Elite Green
19 before acquiring it.

20 169. The 2018 PPM stated that the company is “not expected to have
21 significant dealings with affiliates.”

22 170. Prior to its acquisition by SHE Beverage, Elite Green was owned by
23 Shelby’s sisters.

24 171. SHE Beverage’s Form S-1 filed in January 2020 revealed that the Elite
25 Green subsidiary, subsequently renamed “Pink Leaf by SHE,” as of 2020, had “no
26 assets or operations, other than capitalized product formulations purchased by the
27 Company.”

28 172. Defendants failed to disclose to SHE Beverage investors that Elite Green

1 had no revenues, no licenses to sell cannabis and that it was acquired from related
2 parties without any independent valuation.

3 173. Reasonable investors would have found it important to their investment
4 decisions to know that SHE Beverage's acquisition had no business operations and
5 had not been independently valued prior to its acquisition, as well as that Elite Green
6 was acquired from related parties.

7 174. Defendants Rose, Shelby and Dirden knew, or were reckless in not
8 knowing, that the company's disclosures regarding SHE Beverage's acquisition of
9 Elite Green were false and misleading.

10 175. In the alternative, Rose, Shelby and Dirden failed to exercise reasonable
11 care as to SHE Beverage's disclosures regarding its acquisition of Elite Green.

12 **D. SHE Beverage's Form S-1 Filing**

13 176. On or about January 2020, SHE Beverage filed a Form S-1 registration
14 statement with the SEC for an initial public offering.

15 177. The S-1 offered approximately 6.8 million shares at \$15 per share.

16 178. Rose, Shelby and Dirden signed the Form S-1 on behalf of SHE
17 Beverage.

18 179. Rose, Shelby and Dirden assisted in preparation of the Form S-1 and
19 reviewed it before it was filed with the SEC.

20 180. Rose, Shelby and Dirden signed a management representation letter to
21 SHE Beverage's outside auditor for purposes of the financial statements.

22 181. The Form S-1 filing was the first time that SHE Beverage made its
23 audited financial statements available to investors.

24 182. In or about February 2021, the SEC issued an order declaring the
25 registration statement abandoned.

26 **E. Defendants Acted with Scienter and Failed to Exercise Reasonable**
27 **Care**

28 183. Defendants Rose, Shelby and Dirden acted with scienter, and failed to

1 exercise reasonable care.

2 184. Rose was SHE Beverage's most senior executive and had ultimate
3 decision-making authority for SHE Beverage. She reviewed the disclosures made to
4 investors during the offering and/or signed her name to them, including the offering
5 memoranda, the investment guides, press releases, investor emails, and the
6 company's Form S-1. She spoke at investor meetings and directly solicited SHE
7 Beverage's investors during the offering. She worked directly with the consultant
8 who assisted in the preparation of SHE Beverage's offering materials.

9 185. Shelby was held out as SHE Beverage's most senior financial officer.
10 She reviewed the disclosures made to investors during the offering and/or signed her
11 name to them, including the offering memoranda, the investment guides, and the
12 company's Form S-1. She signed SHE Beverage investor emails as a member of
13 SHE Beverage's executive team. She attended investor meetings where offering
14 materials were provided. She worked directly with the consultant who assisted in the
15 preparation of SHE Beverage's offering materials.

16 186. Dirden was SHE Beverage's point of contact for SHE Beverage's
17 investor relations. She reviewed the disclosures made to investors during the offering
18 and signed her name to them, including the offering memoranda, the investment
19 guides, investor emails, and the company's Form S-1. She attended investor
20 meetings where offering materials were provided, and directly solicited SHE
21 Beverage's investors during the offering. She worked directly with the consultant
22 who assisted in the preparation of SHE Beverage's offering materials.

23 187. Rose, Shelby and Dirden each had access to and control over SHE
24 Beverage's bank accounts.

25 188. Because Rose, Shelby and Dirden were SHE Beverage's principals, their
26 scienter and failure to exercise reasonable care are imputed to SHE Beverage.

27 **F. Defendants' Registration Violations**

28 189. SHE Beverage's offering was not registered with the SEC, and no

1 exemption from registration applied to the offering.

2 190. SHE Beverage's 2017 OM and 2018 PPM asked prospective investors to
3 attest that they were accredited investors.

4 191. Defendants did not take steps to verify prospective investors' financial
5 sophistication or whether they were accredited investors.

6 192. SHE Beverage engaged in a general solicitation for investors.

7 193. SHE Beverage's offering included investors across numerous states.

8 194. SHE Beverage's investors included investors who were not accredited
9 investors.

10 195. Defendants did not provide prospective investors with detailed financial
11 information about the offering prior to their investments.

12 196. As the issuer of its shares, SHE Beverage offered and sold securities to
13 prospective and actual investors.

14 197. Rose, Shelby and Dirden directly offered and sold SHE Beverage
15 securities. Each communicated with investors concerning the offering, individually
16 or as a member of the company's three-person executive team, by email, in-person, or
17 by phone, and/or attended investor meetings where prospective and actual investors
18 were provided SHE Beverage's offering materials.

19 198. Rose, Shelby and Dirden indirectly offered and sold SHE Beverage
20 securities. Each was a substantial factor and a necessary participant in the SHE
21 Beverage stock sales.

22 **FIRST CLAIM FOR RELIEF**

23 **Fraud in the Connection with the Purchase and Sale of Securities**

24 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

25 **(against all Defendants)**

26 199. The SEC realleges and incorporates by reference paragraphs 1 through
27 198 above.

28 200. Defendants SHE Beverage, Rose, Shelby and Dirden carried out a

1 fraudulent offering and made material misrepresentations and omissions to
2 prospective and actual investors. Touting SHE Beverage as a successful beverage
3 company, Defendants concealed that minimal funds were spent to purchase
4 inventory, while Rose, Shelby and Dirden funneled investor monies to their personal
5 expenses and withdrew it in cash. Defendants overstated and mischaracterized the
6 company's revenues and their own investments in the company; advertised offers to
7 buy the company they had never received; and falsely portrayed the company's
8 products and the imminence of its IPO, all in an effort to continue bringing in
9 investor monies that they spent in ways that were never disclosed to investors.

10 201. By engaging in the conduct described above, Defendants SHE Beverage,
11 Rose, Shelby and Dirden, and each of them, have, directly or indirectly, in connection
12 with the purchase or sale of a security, by the use of means or instrumentalities of
13 interstate commerce, of the mails, or of the facilities of a national securities
14 exchange: (a) employed devices, schemes, or artifices to defraud; (b) made untrue
15 statements of a material fact or omitted to state a material fact necessary in order to
16 make the statements made, in the light of the circumstances under which they were
17 made, not misleading; and (c) engaged in acts, practices, or courses of business which
18 operated or would operate as a fraud or deceit upon other persons.

19 202. Defendants SHE Beverage, Rose, Shelby and Dirden have, with scienter,
20 employed devices, schemes and artifices to defraud; made untrue statements of a
21 material fact or omitted to state a material fact necessary in order to make the
22 statements made, in the light of the circumstances under which they were made, not
23 misleading; and engaged in acts, practices or courses of conduct that operated as a
24 fraud on the investing public by the conduct described in detail above.

25 203. By engaging in the conduct described above, Defendants SHE Beverage,
26 Rose, Shelby and Dirden have violated, and unless restrained and enjoined will
27 continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules
28 10b-5(a), 10b-5(b), and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a), 240.10b-5(b)

1 & 240.10b-5(c).

2 **SECOND CLAIM FOR RELIEF**

3 **Fraud in the Offer or Sale of Securities**

4 **Violations of Section 17(a) of the Securities Act**

5 **(against all Defendants)**

6 204. The SEC realleges and incorporates by reference paragraphs 1 through
7 198 above.

8 205. Defendants SHE Beverage, Rose, Shelby and Dirden carried out a
9 fraudulent offering and made material misrepresentations and omissions to
10 prospective and actual investors. Touting SHE Beverage as a successful beverage
11 company, Defendants concealed that minimal funds were spent to purchase
12 inventory, while Rose, Shelby and Dirden funneled investor monies to their personal
13 expenses and withdrew it in cash. Defendants overstated and mischaracterized the
14 company's revenues and their own investments in the company; advertised offers to
15 buy the company they had never received; and falsely portrayed the company's
16 products and the imminence of its IPO, all in an effort to continue bringing in
17 investor monies that they spent in ways that were never disclosed to investors.

18 206. By engaging in the conduct described above, Defendants SHE Beverage,
19 Rose, Shelby and Dirden, and each of them, have, directly or indirectly, in the offer
20 or sale of securities, and by the use of means or instruments of transportation or
21 communication in interstate commerce or by use of the mails directly or indirectly:
22 (a) employed devices, schemes, or artifices to defraud; (b) obtained money or
23 property by means of untrue statements of a material fact or by omitting to state a
24 material fact necessary in order to make the statements made, in light of the
25 circumstances under which they were made, not misleading; and (c) engaged in
26 transactions, practices, or courses of business which operated or would operate as a
27 fraud or deceit upon the purchaser.

28 207. Defendants SHE Beverage, Rose, Shelby and Dirden, with scienter,

1 employed devices, schemes and artifices to defraud; with scienter or negligence,
2 obtained money or property by means of untrue statements of a material fact or by
3 omitting to state a material fact necessary in order to make the statements made, in
4 light of the circumstances under which they were made, not misleading; and, with
5 scienter or negligence, engaged in transactions, practices, or courses of business
6 which operated or would operate as a fraud or deceit upon the purchaser.

7 208. By engaging in the conduct described above, Defendants SHE Beverage,
8 Rose, Shelby and Dirden have violated, and unless restrained and enjoined will
9 continue to violate, Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act, 15
10 U.S.C. §§ 77q(a)(1), 77q(a)(2), & 77q(a)(3).

11 **THIRD CLAIM FOR RELIEF**

12 **Unregistered Offer and Sale of Securities**

13 **Violations of Sections 5(a) and 5(c) of the Securities Act**

14 **(against all Defendants)**

15 209. The SEC realleges and incorporates by reference paragraphs 1 through
16 198 above.

17 210. Defendants' offers and sale of SHE Beverage's stock were never
18 registered with the SEC, nor were they subject to any exemption from registration.
19 Defendants engaged in a nationwide offering using general solicitation; sold to
20 unaccredited investors; and took no steps to verify the sophistication or accreditation
21 status of prospective investors. Defendants directly offered and sold SHE Beverage's
22 stock and Defendants Rose, Shelby and Dirden also indirectly offered and sold the
23 company's stock, as each was a necessary participant and a substantial factor in the
24 company's millions of dollars in stock sales to its thousands of investors.

25 211. By engaging in the conduct described above, Defendants SHE Beverage,
26 Rose, Shelby and Dirden, and each of them, directly or indirectly, singly and in
27 concert with others, have made use of the means or instruments of transportation or
28 communication in interstate commerce, or of the mails, to offer to sell or to sell

1 securities, or carried or caused to be carried through the mails or in interstate
2 commerce, by means or instruments of transportation, securities for the purpose of
3 sale or for delivery after sale, when no registration statement had been filed or was in
4 effect as to such securities, and when no exemption from registration was applicable.

5 212. By engaging in the conduct described above, Defendants SHE Beverage,
6 Rose, Shelby and Dirden have violated, and unless restrained and enjoined, are
7 reasonably likely to continue to violate, Sections 5(a) and 5(c), 15 U.S.C. §§ 77e(a) &
8 77e(c).

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the SEC respectfully requests that the Court:

11 **I.**

12 Issue findings of fact and conclusions of law that Defendants committed the
13 alleged violations.

14 **II.**

15 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
16 Civil Procedure, permanently enjoining Defendants SHE Beverage, Rose, Shelby and
17 Dirden, and their officers, agents, servants, employees and attorneys, and those
18 persons in active concert or participation with any of them, who receive actual notice
19 of the judgment by personal service or otherwise, and each of them, from violating
20 Securities Act Section 17(a) [15 U.S.C. §77q(a)], and Exchange Act Section 10(b)
21 [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

22 **III.**

23 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
24 Civil Procedure, permanently enjoining Defendants SHE Beverage, Rose, Shelby and
25 Dirden, and their officers, agents, servants, employees and attorneys, and those
26 persons in active concert or participation with any of them, who receive actual notice
27 of the judgment by personal service or otherwise, and each of them, from violating
28 Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)].

1 **IV.**

2 Order Defendants to disgorge all funds received from their illegal conduct,
3 together with prejudgment interest thereon.

4 **V.**

5 Order Defendants to pay civil penalties under Section 20(d) of the Securities
6 Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §
7 78u(d)(3)].

8 **VI.**

9 Enter an order against Defendants Rose, Shelby and Dirden, pursuant to
10 Sections 20(e) of the Securities Act, 15 U.S.C. § 77t(e) and Sections 21(d)(2) of the
11 Exchange Act, 15 U.S.C. § 78u(d)(2), prohibiting each of them from acting as an
12 officer or director of any issuer that has a class of securities registered pursuant to
13 Section 12 of the Exchange Act, 15 U.S.C. § 781 or that is required to file reports
14 pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

15 **VII.**

16 Retain jurisdiction of this action in accordance with the principles of equity and
17 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
18 all orders and decrees that may be entered, or to entertain any suitable application or
19 motion for additional relief within the jurisdiction of this Court.

20 **VIII.**

21 Grant such other and further relief as this Court may determine to be just and
22 necessary.

23 Dated: September 14, 2021

24 /s/ Amy Jane Longo

25 Amy Jane Longo

26 Janet Rich Weissman

27 Attorneys for Plaintiff

28 Securities and Exchange Commission