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

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

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

Defendants.

Case No. 2:21-cv-7339

COMPLAINT

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

JURISDICTION AND VENUE

1. The Court has jurisdiction over this action pursuant to Sections 20(b), 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.

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