UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF TENNESSEE, NASHVILLE DIVISION

Rodney Riley, et al. v. Phoenix Community Capital, et al.

Riley · No. 3:25-cv-00036 · Decided March 23, 2026

SUMMARY

The document is a memorandum opinion from the United States District Court for the Middle District of Tennessee addressing motions to dismiss in a cryptocurrency-investment fraud action. The court analyzes personal jurisdiction over individual defendants under the Securities Exchange Act and RICO, including purposeful availment and relatedness, and concludes that most plaintiffs' RICO claims should be dismissed for lack of personal jurisdiction while considering the claims of two Tennessee plaintiffs. The opinion also references fraud, deceit, conversion, and securities-law claims.

CASE DETAILS

COURT	United States District Court for the Middle District of Tennessee, Nashville Division
JURISDICTION	United States District Court for the Middle District of Tennessee, Nashville Division
DECIDED	March 23, 2026
DOCKET	3:25-cv-00036
DISPOSITION	dismissed
PROCEDURAL POSTURE	Plaintiffs brought federal securities-fraud and RICO claims, along with Tennessee-law fraud, deceit, and conversion claims. Defendants Sgherzi, Minty, and Ianello moved to dismiss under Federal Rules of Civil Procedure 12(b)(2) and 12(b)(6).
STANDARD OF REVIEW	On a Rule 12(b)(2) motion decided on written submissions, the plaintiff must make a prima facie showing of personal jurisdiction, and the court construes pleadings and affidavits in the plaintiff's favor without weighing conflicting defense assertions. On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, draws reasonable inferences for the plaintiff, and determines whether the complaint plausibly states a claim. Fraud-based claims must satisfy Federal Rule of Civil Procedure 9(b), and securities-fraud claims must also satisfy the PSLRA's heightened pleading requirements.
PRECEDENTIAL VALUE	unpublished

PARTIES	Rodney Riley, Daniel Megibben, Thomas Spence, John Sauter, Jennifer Sue Martin, Nicholas Sgherzi, Calum Courtney-Harris, Jorge Delgado, Luis Palacio, Matthew Greentree, Michael Elkhoen, Daniel Quintana, Jeffrey Paul Martin, Darren Horner, Ross Keeley, Michael Citro, Andres Carneiro, Solange Picorelli, Jordan Branaugh, Tomas Zatloukal, Alif Ahamed, German Berlasso, Charlie Cowley, Christopher Wilson, Chandler Whitbord, Vincent Ocaima, Guillermo Villa-Valdes v. Phoenix Community Capital, XETA Capital, LLC, Matthew Sgherzi, Gavin Minty, Eric Marshall, Daniel Ianello

TOPICS

personal jurisdiction · motions to dismiss · pleadings · securities fraud · commercial litigation

PRACTICE AREAS

civil procedure · securities litigation · commercial litigation · torts · corporate law

QUESTIONS PRESENTED

1. Whether the court could exercise personal jurisdiction over Sgherzi, Minty, and Ianello under the Exchange Act and RICO.
2. Whether plaintiffs other than Megibben and Spence established that their RICO claims arose from defendants' contacts with Tennessee.
3. Whether the securities-fraud claims satisfied Federal Rule of Civil Procedure 9(b) and the PSLRA's particularity and scienter requirements.
4. Whether Megibben and Spence sufficiently pleaded RICO predicate acts of wire fraud and money laundering under Rule 9(b).
5. Whether the court should exercise supplemental jurisdiction over the state-law fraud, deceit, and conversion claims after dismissing the federal claims.

HOLDINGS

1. Section 78aa of the Securities Exchange Act confers personal jurisdiction in a federal district court over defendants with minimum contacts with the United States, and the court had personal jurisdiction over Sgherzi, Minty, and Ianello for the securities-fraud claims.
2. For RICO claims, Section 1965(a) does not itself establish personal jurisdiction; the court must first identify a defendant with traditional forum-state contacts under Rule 4(k)(1)(A) and the forum's long-arm statute, after which Section 1965(b) may extend jurisdiction to other defendants if the ends of justice require it.
3. Plaintiffs other than Megibben and Spence failed to establish that their RICO claims were connected to or arose from defendants' contacts with Tennessee, so those claims were dismissed for lack of personal jurisdiction.

4. The securities-fraud claims failed because the complaint did not plead the alleged misrepresentations with the who, what, where, when, and why required by Rule 9(b) and the PSLRA, and did not plead particularized facts creating a strong inference of scienter.
5. Megibben and Spence's RICO claims failed because the alleged wire fraud and money laundering predicate acts were not pleaded with the particularity required by Rule 9(b).
6. After dismissing all claims within original federal jurisdiction, the court declined to exercise supplemental jurisdiction over the state-law fraud, deceit, and conversion claims.

KEY QUOTATIONS

> *"[Section] 1965(a) provides for venue, not jurisdiction."* (Section IV.B.ii)

> *"In short, to survive the heightened pleading requirements of Rule 9(b) and the PSLRA, a securities fraud complaint must "allege the who, what, where, when, and why of the fraudulent statements.""* (Section V.B.i)

> *"If the federal claims are dismissed before trial, the state claims generally should be dismissed as well."* (Section VI)

FACTUAL BACKGROUND

Twenty-six plaintiffs alleged that defendants operated cryptocurrency-investment schemes involving PCC, Xeta, and related entities, induced investments through false representations, and misappropriated investor funds. The complaint identified only two Tennessee-based investors, Megibben and Spence, and alleged that defendants communicated with Tennessee investors directly and through an alleged Tennessee agent. The complaint asserted Exchange Act and Rule 10b-5, RICO, fraud and deceit, and conversion claims.

PROCEDURAL HISTORY

Plaintiffs filed a First Amended Complaint alleging cryptocurrency-investment fraud and related federal and state claims. Only Minty, Sgherzi, and Ianello had been served and moved to dismiss. The court granted the motions, dismissed most federal claims for lack of personal jurisdiction, dismissed the remaining federal claims for failure to satisfy heightened pleading requirements, and declined supplemental jurisdiction over the state-law claims.

DISPOSITION

dismissed

CASES CITED

- Erickson v. Pardus, 551 U.S. 89, 94 (2007)
- Malone v. Stanley Black & Decker, Inc., 965 F.3d 499, 505 (6th Cir. 2020)
- Schneider v. Hardesty, 669 F.3d 693, 697, 703–04 (6th Cir. 2012)
- Neogen Corp. v. Neo Gen Screening, Inc., 282 F.3d 883, 887, 891–92 (6th Cir. 2002)
- AlixPartners, LLP v. Brewington, 836 F.3d 543, 549–50 (6th Cir. 2016)

- Medical Mutual of Ohio v. deSoto, 245 F.3d 561, 567 (6th Cir. 2001)
- United Liberty Life Insurance Co. v. Ryan, 985 F.2d 1320 (6th Cir. 1993)
- Intera Corp. v. Henderson, 428 F.3d 605, 615–16 (6th Cir. 2005)
- Concord Music Group, Inc. v. Anthropic PBC, 738 F. Supp. 3d 973, 981 (M.D. Tenn. 2024)
- International Shoe Co. v. State of Washington, International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945)
- Walden v. Fiore, Walden v. Fiore, 571 U.S. 277, 285 (2014)
- Rice v. Karsch, 154 F. App'x 454, 462–63 (6th Cir. 2005)
- Serras v. First Tennessee Bank National Association, 875 F.2d 1212, 1217 (6th Cir. 1989)
- Neal v. Janssen, 270 F.3d 328, 332 (6th Cir. 2001)
- American Greetings Corp. v. Cohn, 839 F.2d 1164, 1170 (6th Cir. 1988)
- Youn v. Track, Inc., 324 F.3d 409, 419 (6th Cir. 2003)
- Cabinets to Go, LLC v. Qingdao Haiyan Real Estate Group Co., Ltd., 605 F. Supp. 3d 1051, 1062 (M.D. Tenn. 2022)
- Cooperrider v. Woods, 127 F.4th 1019, 1027 (6th Cir. 2025)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007)
- Doe v. Baum, 903 F.3d 575, 581 (6th Cir. 2018)
- Ryan v. Blackwell, 979 F.3d 519, 524 (6th Cir. 2020)
- City of Taylor General Employees' Retirement System v. Astec Industries, Inc., 29 F.4th 802, 810, 812 (6th Cir. 2022)
- Sanderson v. HCA-The Healthcare Co., 447 F.3d 873, 876 (6th Cir. 2006)
- Louisiana School Employees' Retirement System v. Ernst & Young, LLP, 622 F.3d 471, 478 (6th Cir. 2010)
- Doshi v. General Cable Corp., 823 F.3d 1032, 1039–40 (6th Cir. 2016)
- Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 314 (2007)
- Helwig v. Vencor, Inc., 251 F.3d 540, 552 (6th Cir. 2001)
- Ashland, Inc. v. Oppenheimer & Co., 648 F.3d 461, 468 (6th Cir. 2011)
- Heinrich v. Waiting Angels Adoption Services, Inc., 668 F.3d 393, 404–05 (6th Cir. 2012)
- Williams v. Duke Energy International, Inc., 681 F.3d 788, 802 (6th Cir. 2012)
- Fremont Reorganizing Corp. v. Duke, 811 F. Supp. 2d 1323, 1336–37 (E.D. Mich. 2011)
- Begala v. PNC Bank, 214 F.3d 776, 781 (6th Cir. 2000)
- Lillard v. Shelby County Board of Education, 76 F.3d 716, 726 (6th Cir. 1996)
- Brooks v. Rothe, 577 F.3d 701, 709 (6th Cir. 2009)