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8 *and Relief Defendant CJ Investments, LLC*

9 **UNITED STATES DISTRICT COURT**

10 **DISTRICT OF NEVADA**

11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 v.

15 MATTHEW WADE BEASLEY; BEASLEY
16 LAW GROUP PC; JEFFREY J. JUDD;
17 CHRISTOPHER R. HUMPHRIES; J&J
18 CONSULTING SERVICES, INC., an Alaska
19 Corporation; J&J CONSULTING SERVICE,
20 INC., a Nevada Corporation; J AND J
PURCHASING, LLC; SHANE M. JAGER;
21 JASON M. JONEGARD; DENNY
22 SEYBERT; and RONALD TANNER,

23 Defendants,

24 THE JUDD IRREVOCABLE TRUST; PAJ
25 CONSULTING INC; BJ HOLDINGS LLC;
26 STIRLING CONSULTING, L.L.C.; CJ
27 INVESTMENTS, LLC; JL2
28 INVESTMENTS, LLC; ROCKING HORSE
PROPERTIES, LLC; TRIPLE THREAT
BASKETBALL, LLC; ACAC LLC;
ANTHONY MICHAEL ALBERTO, JR.; and
MONTY CREW LLC;

Relief Defendants

CASE NO.: 2:22-cv-00612

**DEFENDANT CHRISTOPHER
HUMPHRIES AND RELIEF
DEFENDANT CJ INVESTMENTS,
LLC'S REPLY IN SUPPORT OF
MOTION TO DISMISS THE
SECURITIES EXCHANGE
COMMISSION'S AMENDED
COMPLAINT**

CHRISTIANSEN
— TRIAL LAWYERS —



1 Defendant Christopher R. Humphries (“Chris” or “Mr. Humphries”), and Relief
2 Defendant CJ Investments, LLC, (collectively, the “Humphries Defendants”) by and through
3 Peter S. Christiansen, Esq., Kendeleo L. Works, Esq., and Keely P. Chippoletti, Esq. of
4 Christiansen Trial Lawyers, their Counsel of Record, hereby submit their Reply in Support of
5 Motion to Dismiss the Securities Exchange Commission’s Amended Complaint against them.

6 This Reply is based upon the pleadings and papers on file in this action, the Points and
7 Authorities set forth herein, and argument to be made by counsel at the time of hearing.

8 **MEMORANDUM OF POINTS AND AUTHORITIES**

9 **I.**

10 **ARGUMENT IN REPLY**

11 The Securities and Exchange Commission (“SEC”) charges Defendant Christopher
12 Humphries (“Mr. Humphries”) with perpetrating a “long-running fraudulent offering of
13 securities” and alleges Mr. Humphries “promoted the investment to people at his gym and church,
14 as well as through friends and family.” Amended Compl. at ¶¶ 1, 48. Relying on non-binding
15 cases from other district courts, the SEC urges this Court to adopt a “relaxed” pleading standard
16 for fraudulent or manipulative scheme claims such as the one alleged here. Notably, the SEC fails
17 to cite any Ninth Circuit authority to support such a proposition. Indeed, the SEC’s reliance on
18 *ATSI Communications, Inc. v. Shaar Fund, Ltd.*, 493 F.3d 87, 102 (2d Cir. 2007) is misplaced, as
19 that case undermines the SEC’s position.

20 In *ATSI*, the Second Circuit Court of Appeals clearly and unambiguously stated,
21 “Securities fraud claims are subject to heightened pleading requirements that the plaintiff must
22 meet to survive a motion to dismiss.” A complaint alleging securities fraud must satisfy Rule
23 9(b), which requires that “the circumstances constituting fraud . . . shall be stated with
24 particularity. *Id.* (citing Rule 9(b)). “In pleading scienter in an action of money damages requiring
25 proof of a particular state of mind, ‘the complaint shall, with respect to each act or omission
26 alleged . . ., state with particularly facts giving rise to a strong inference that the defendant acted
27 with the required state of mind.’” *Id.* (citing *Rombach v. Change*, 355 F.3d 164, 171 (2d Cir.
28 2004).



1 The SEC does not deny it failed to allege Mr. Humphries had any direct knowledge the
2 scheme was a fraud. The SEC’s failure to allege any direct knowledge on behalf of Mr.
3 Humphries is telling, particularly where the SEC’s own allegations establish that Mr. Humphries
4 was acting as a promoter of the investment scheme on behalf of Judd and Beasley, simply doing
5 what he was told. Mr. Humphries was, in essence, a salesman who was kept away from the monies
6 and did not have access to the financial records and performance side of the business. The SEC
7 wholly fails to allege Mr. Humphries actually knew what he was promoting was false.

8 Rule 9(b) requires specificity—specifically, that Mr. Humphries was *knowingly* involved
9 in a fraudulent scheme, not just mere involvement. The Court should look carefully at Mr.
10 Humphries and the SEC’s allegations related to his conduct, as Mr. Humphries is situated
11 differently than Judd and Beasley. Yet, the SEC consistently and categorically lumps Mr.
12 Humphries in with other Defendants. Aside from sweeping allegations of fraud, the SEC offers
13 very little, if any, specificity as to which statements can be linked directly to Mr. Humphries.
14 Unlike Judd and Beasley, Mr. Humphries had no access to the money or had any knowledge of
15 how it was being spent. The SEC essentially assumes Mr. Humphries knew what was going on
16 and knew the monies were not being used as represented. Based on Beasley’s confession, upon
17 which the SEC relies in bringing this case in the first instance, this is patently false.

18 Mr. Humphries personally invested his own money with Judd and Beasley. Until such
19 time that the SEC possesses proof that it is willing to plead that shows Mr. Humphries knew the
20 money was being misspent, he should not be named in an SEC fraud complaint. He is a victim
21 who has had his life torn apart by this complaint and the freeze order. Rule 9(b) exists to protect
22 persons like Mr. Humphries from an overzealous government agency like the SEC. If the SEC
23 has something more than just hunches and guilt by association, the Court should require the SEC
24 to plead it so that he can defend against such allegations. Right now, the SEC’s Amended
25 Complaint is deficient and falls short of what Rule 9(b) requires.

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CERTIFICATE OF SERVICE

Pursuant to FRCP 5 and LR-5.1, I certify that I am an employee of CHRISTIANSEN TRIAL LAWYERS, and that on this 17th day of August, 2022, I caused the foregoing document entitled **DEFENDANT CHRISTOPHER HUMPHRIES AND RELIEF DEFENDANT CJ INVESTMENTS, LLC’S REPLY IN SUPPORT OF MOTION TO DISMISS THE SECURITIES EXCHANGE COMMISSION’S AMENDED COMPLAINT** to be filed and served via the Court’s CM/ECF electronic filing system upon all registered parties and their counsel.



An employee of Christiansen Trial Lawyers

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