

# Chancery lets suit over who caused Get Together Inc.'s break-up continue

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The Delaware Court of Chancery recently declined to dismiss claims that three venture capital firms disloyally caused the collapse of Get Together Inc. by hastily pulling out of the troubled social media start-up and allegedly abusing their preferred shareholder power to empty GTI's \$40 million cash reserve in [\*Shafi v. Chien, et. al.\*](#), C.A. No. 2023-1157-LWW (Del. Ch. March 3, 2025).

Vice Chancellor Lori Will allowed GTI's founders and common shareholders to continue most of their derivative and direct claims after finding an adequate basis for claims that three directors representing the three venture capital firms on GTI's six-director board put their interests ahead of GTI's corporate survival.

She ruled that on a motion to dismiss for failure to make a pre-suit demand on the board, the plaintiffs have met their burden to control the suit for now because they may be able to show that a majority of the defendant directors could not make an objective decision on the suit's merits.

## ***Competing histories***

But the Vice Chancellor noted that while plaintiffs generally get the benefit of the doubt at this early stage of the litigation, there are two competing versions of GTI's collapse and a more developed record could later reveal that the defendant's is the accurate one. That version claims the founders sold three investors a large stake in the company by hiding significant development problems.

The litigation will likely be followed in boardrooms and corporate law offices because of its potential to clarify the power of venture capital and other activist investors to cause big changes in both the course and the wheelhouse of companies in which they have major stakes. The final decision could affect the guidelines for conflicts that can arise for "dual fiduciaries" — who are officers, directors or controllers of both investor entities and their investment prospects.

## ***Background***

According to court records, plaintiffs Abraham Shafi, Krutal Desai and Genrikh "Henry" Khachatryan in 2016 founded Get Together Inc. based on a social media platform called In Real Life Inc. that purportedly enabled users to make "real life" connections. Reports indicated major user growth.

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Meanwhile, RLI conducted three rounds of funding from three venture capital firms; Goodwater Capital LLC, Softbank Investment Advisers and Floodgate Fund V.

But then rumors began to circulate that much of the activity on the Get Together site was not of human origin but the work of “bots”—software that mimics human activity. After a web trade journal published several stories looking into the rumor, the Securities and Exchange Commission launched an investigation. The VC-affiliated directors then commissioned a consultant report on the matter.

While that investigation was getting underway, the VC directors replaced founder/CEO Shafi with an outsider who assumed the power to vote common shares in support of a move to shut down GTI/IRL. That enabled the venture capital investors to assert their preferred shareholder liquidation preference to the company’s \$40 million in cash reserves—with nothing left for the common shareholders.

### ***Who caused the collapse?***

In litigation filed first in federal court in California—where the companies are located—and later in Delaware—where they are chartered—the VC directors charged that their investments were obtained by fraud and the founders claimed that although Silicon Valley startups must often navigate rough early-development seas, the VC investors panicked at the first sight of dark clouds in the future, feared for their investments and hastily seized control of the company and its assets.

### ***Two coasts, two suits***

The California action, filed by SoftBank, alleged securities fraud by Abraham Shafi who claimed they were intentionally misled by highly inflated reports of GTI’s early growth. .

In this Chancery suit, Shafi and co-founder Khachatryan on November 15, 2023, filed direct claims and derivative charges on behalf of IRL against Goodwater, SoftBank, Floodgate, their respective board representatives and Scott Kauffman, the replacement CEO they chose.

The claims were for:

- Count 1 – Removing Shafi, installing Kauffman, and shutting down IRL, violating IRL’s bylaws
- Count 2 – Appointing Kauffman CEO
- Count 3 – Against Kauffman for damaging IRL’s business
- Count 4 – Breach of IRL’s Voting Agreement for Kauffman’s vote as a proxy for common stockholders;
- Count 5 – Vicarious liability and *respondeat superior* against the VC firms;
- Count 6 -Tortious interference with prospective economic advantage for impairing the value of stock options and;
- Counts 7 & 8 – Defamation and false light invasion of privacy for making false statements about Shafi’s “pattern of misconduct”.

The court ruled that:

As to Count 1: The plaintiffs adequately plead that the VC Directors put their interests, and those of the VC Funds, ahead of common stockholders.

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