

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

GREENFIELD ONE III GMBH & CO.)
KG, FAFA SPORTS GMBH, PK)
PROJECTS GMBH, EMANUEL)
HENRICH COEN, ROMM HOLDING)
GMBH, COMPANION-M GMBH,)
and GREGOIRE LE JEUNE,)

Plaintiffs,)

v.)

C.A. No. 2024-0663-LWW

CHRIS CHANEY and 1ZER0 LABS,)
INC., d/b/a FANCURVE, a Delaware)
corporation,)

Defendants.)

MEMORANDUM OPINION

Date Submitted: July 17, 2026

Date Decided: October 9, 2026

Andrew H. Lippstone, LIPPSTONE TWEEDIE LLC, New Castle, Delaware;
Timothy W. Grinsell & Joshua S. Molder, REITLER KAILAS & ROSENBLATT
LLP, New York, New York; *Counsel for Plaintiffs Greenfield One III GmbH & Co.
KG, FAFA Sports GmbH, PK Projects GmbH, Emanuel Henrich Coen, Romm
Holding GmbH, Companion-M GmbH, and Gregoire Le Jeune*

Evan O. Williford, THE WILLIFORD FIRM LLC, Wilmington, Delaware; *Counsel
for Defendant Chris Chaney*

WILL, Vice Chancellor

This post-trial decision resolves a dispute arising from the collapse of a digital wearables startup doing business as Fancurve. In late 2021, the plaintiffs invested millions in Fancurve's seed round. Soon after, Fancurve's founder and CEO, defendant Chris Chaney, transferred over \$2.7 million of the company's operating capital to repay his personal loans.

When the non-fungible token market crashed months later, Fancurve failed. The plaintiffs sued Fancurve and Chaney to recover their investments.

Fancurve defaulted, establishing its liability for breaching the plaintiffs' simple agreements for future equity and a side letter agreement with lead investor Greenfield One III GmbH & Co. KG. The sole issue left for trial was whether Chaney is personally liable to Greenfield for breach of the side letter. He is not. The side letter imposed the relevant use-of-funds obligations on Fancurve, rather than its founder. Because Greenfield failed to prove that Chaney breached any contractual obligation he owed individually, judgment is entered in his favor. As for Fancurve, I reserve decision on monetary relief pending a supplemental submission.

I. FACTUAL BACKGROUND

The following facts were stipulated to by the parties or proven by a preponderance of the evidence at trial.¹

A. Greenfield's Fancurve Investment

Greenfield Capital Management is a German venture capital firm that invests in early-stage cryptocurrency and blockchain start-ups.² In summer 2021, it identified defendant 1zer0 Labs, Inc. (the “Company”)—a Delaware corporation then conducting business as Fancurve—as a potential investment.³ Founded by defendant Chris Chaney and two non-parties, Fancurve was a “digital fashion and wearables platform” that planned to create soccer jersey non-fungible tokens (NFTs) that fans could wear “across the metaverse and [on] various blockchain games.”⁴

¹ Stipulation and Pre-trial Order (Dkt. 140) (“PTO”). The trial record includes live testimony of two fact witnesses, 167 joint exhibits, and three deposition transcripts. Trial testimony is cited as “[Name] Tr.” See Trial Tr. Vols. I and II (Dkts. 157-58) (“Trial Tr.”). Exhibits are cited by the numbers provided on the parties’ joint exhibit list as “JX __,” unless otherwise defined. See Joint Trial Exs. List (Dkt. 151). Of eight exhibits produced by Chaney on the eve of trial, four (JXs 166-69) were excluded from evidence and the remaining four (JXs 124-25, JXs 300-01) were permitted to be introduced. See Trial Tr. 17-18, 22, 106-07, 114. Pincites refer to pagination stamped with the parties’ joint exhibit numbers. Deposition transcripts are cited as “[Name] Dep. __.” See Notice of Lodging of Dep. Trs. (Dkt. 113); Notice of Lodging of Dep. Tr. (Dkt. 154).

² Samadi Tr. 23; *id.* at 26.

³ Samadi Tr. 31; *see* PTO ¶¶ 1, 10.

⁴ JX 29 at 2, 6.

Chaney served as Fancurve’s Chief Executive Officer, President, and sole board member, and was its majority stockholder.⁵

In November 2021, Greenfield Capital Management sent Chaney a preliminary term sheet contemplating a seed round investment in Fancurve through plaintiff Greenfield One III GmbH & Co. KG (“Greenfield”).⁶ Greenfield told Chaney that its “biggest concern” was entering an “NFT bear market at some point in the next 12-18 months,” but that the additional capital “would be a great way to circumvent the risk of running into it towards the end of [Fancurve’s] seed runway.”⁷ Chaney represented that Fancurve would have “24 months of runway post-funding.”⁸

After negotiations over the next month, Greenfield agreed to be the lead investor in Fancurve’s seed round.⁹ Greenfield invested \$2.5 million in Fancurve under a Simple Agreement for Future Equity (“SAFE”), which gave it a contingent right to Fancurve equity upon an “Equity Financing.”¹⁰ The same SAFE, which

⁵ JX 34; PTO ¶ 9.

⁶ JX 23 at 3.

⁷ *Id.* at 4.

⁸ *Id.*

⁹ PTO ¶ 12; Samadi Tr. 54-55.

¹⁰ JX 43 (“Greenfield SAFE”); *see also* JX 46; JX 48; JX 50; JX 52; JX 55; JX 57; *see also* JX 126. Because each SAFE has identical terms, I generally cite to JX 43 when discussing them.

Chaney took from an “off the shelf” form created by a startup accelerator, was separately executed with each of the 40-plus seed round investors.¹¹ The SAFE structure allowed Fancurve to “wrap up the funding round relatively fast” without the need for an equity valuation, and gave investors the potential for upside through future equity rights.¹² Greenfield and each other seed round investor also executed a Warrant to Purchase Tokens (the “Token Warrant”) with Fancurve, which gave the investor the right to purchase a fixed allocation of digital tokens at a predetermined rate if Fancurve ever launched a token network.¹³

Greenfield, Fancurve, Chaney, and his co-founders signed a Side Letter Agreement (the “Side Letter”), which granted Greenfield additional protections not found in the SAFE or Token Warrant.¹⁴ No other seed round investor was a party to a similar agreement.¹⁵ Chaney did not read the Side Letter before signing it.¹⁶

In Section 1 of the Side Letter, Fancurve agreed to “use the proceeds from the sale of the Tokens under the Warrant and the proceeds received under the SAFE to

¹¹ Chaney Tr. 166; *see supra* note 10.

¹² Samadi Tr. 55.

¹³ JX 44 (“Token Warrant”); *see also* JX 47; JX 49; JX 51; JX 53; JX 56; JX 58; Samadi Tr. 54.

¹⁴ PTO ¶ 12; JX 45 (“Side Letter”); Samadi Tr. 55 (explaining that the Side Letter was designed to “balance” investment risks of the SAFE).

¹⁵ *See* PTO ¶ 2.

¹⁶ Chaney Tr. 168.

finance the business activities of the Company and the development of [its] Network.”¹⁷ In Section 4, Chaney committed to “devote substantially all of his professional efforts to the Company.”¹⁸ Section 5 entitled Greenfield to send a non-voting observer to all Fancurve board and shareholder meetings.¹⁹ Section 7 required Fancurve to prepare “financial statements and/or a budget” and to deliver a copy to Greenfield “upon request, as soon as reasonably practical.”²⁰ Section 13 required Fancurve to “adopt a customary conflicts of interest policy” within 60 days of the Side Letter’s execution.²¹

Fancurve received Greenfield’s investment in two tranches: \$625,000 on December 30, 2021, and \$1,875,000 on January 3, 2022.²²

B. Chaney’s Personal Debts

While Fancurve was closing seed round investments, Chaney was struggling with two high-interest personal loans.

¹⁷ Side Letter § 1 (describing permitted activities as including “administrative, legal and marketing / adoption costs of the Network as well as to acquire licenses for the products offered by [Fancurve] from clubs, players and other participants in the sports world”).

¹⁸ *Id.* § 4.

¹⁹ *Id.* § 5. Fancurve “reserve[d] the right to exclude” Greenfield’s observer “if attendance at [the] meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or a conflict of interest, or if [Greenfield] or its representative [became] a competitor of the Company.” *Id.*

²⁰ *Id.* § 7.

²¹ *Id.* § 13; Samadi Tr. 58-59.

²² JX 60; JX 72.

On November 27, 2020, Chaney had obtained a \$1,250,000 loan from Valliance Bank (the “Valliance Loan”).²³ The note bore an initial interest rate of 5.75%, and the loan was scheduled to mature on November 26, 2021, when the principal and outstanding interest became due.²⁴ After that, the interest rate increased to 18% per year or the maximum otherwise permitted by law.²⁵

On February 22, 2021, Chaney’s entity Aurelius Esports, LLC had borrowed \$1,200,000 from South River Capital, LLC (the “South River Loan”).²⁶ The loan carried an annual interest rate of 12%, plus a 10% late charge for any payment not received within one calendar day of its due date.²⁷ Principal and interest were due on December 1, 2021.²⁸ Chaney personally guaranteed the loan.²⁹

On December 20, 2021, Chaney refinanced the South River Loan by obtaining a \$1,450,274.66 loan from another lender—Trip S Holdings, LLC (the “Trip S Loan”).³⁰ The Trip S Loan was due in full on February 1, 2022.³¹

²³ JX 4.

²⁴ *Id.*

²⁵ *Id.*

²⁶ JX 13 at 2.

²⁷ *Id.* at 21-22.

²⁸ *Id.* at 21.

²⁹ *Id.* at 12.

³⁰ JX 59 at 2.

³¹ *Id.* at 21.

C. Chaney's Repayment

Within weeks of receiving Greenfield's investment, Chaney repaid his loans with funds from Fancurve's bank account.³² On January 18, 2022, he transferred \$1,464,777.40 to pay off the Trip S Loan.³³ And on January 27, he transferred \$1,250,000 to pay off the Valliance Loan.³⁴

Fancurve was left with less than \$1 million in operating capital on hand and was on the verge of insolvency.³⁵ It fell short of every milestone Chaney had presented to investors, such as securing 10 to 15 licensing partners by the first quarter of 2022 and releasing 500,000 digital jerseys into the marketplace by the end of the second quarter.³⁶

Fancurve's struggles coincided with the NFT market crashing over the span of a few weeks in the second quarter of 2022.³⁷ After the "proverbial bubble . . . popped," the NFT industry effectively "ceased to exist."³⁸ "[T]here was no interest in buying a digital soccer jersey."³⁹

³² JX 60; JX 72; Chaney Tr. 263.

³³ JX 62; JXs 63-64; JX 72.

³⁴ JX 70; JX 66; JX 72.

³⁵ JX 72.

³⁶ JX 29 at 15; *see* Chaney Dep. 176-77.

³⁷ Chaney Tr. 202; Samadi Tr. 128.

³⁸ Chaney Tr. 197.

³⁹ *Id.* at 203.

In August 2022, Chaney approached Greenfield for funding.⁴⁰ This request came as a “surprise” to Greenfield’s Jascha Samadi, as less than a year had passed since Greenfield’s initial \$2.5 million investment.⁴¹ Samadi felt it was “too early” and “too difficult” to commit additional capital.⁴²

On October 21, Chaney told Samadi that Fancurve was running out of money and that he intended to wind the company down.⁴³ He attributed Fancurve’s financial difficulties to having raised only \$4 million of its anticipated \$6.25 million seed round; that was false.⁴⁴ Chaney told Samadi that the \$4 million had been spent primarily on salaries and partnership agreements, but that Chaney had not taken a salary.⁴⁵

Samadi was “shocked” to learn that Fancurve had spent the seed round funds.⁴⁶ He asked Chaney for financial documents and materials to “get to the bottom” of what happened.⁴⁷ Greenfield did not receive all of the requested

⁴⁰ Samadi Tr. 74 (testifying that, “as far as [he] remember[s], in that call, Mr. Chaney was . . . floating the idea or asking if [Greenfield] w[as] open to reinvest[ing] and invest[ing] more capital into the company”).

⁴¹ *Id.*

⁴² *Id.* at 74-75.

⁴³ *Id.* at 77, 79-80 (describing his impressions of the phone call with Chaney in October); JX 102.

⁴⁴ Samadi Tr. 77; JX 102; JX 104.

⁴⁵ Samadi Tr. 80; JX 102.

⁴⁶ Samadi Tr. 80.

⁴⁷ *Id.* at 84.

financial information, and some of the information Chaney provided was incomplete.⁴⁸

D. Chaney Panics

Although Chaney used Fancurve funds to repay his personal creditors in January 2022, he did not document the transaction until November 2022.⁴⁹ Three documents backdated to January 27, 2022 purportedly authorized the payments.⁵⁰ The documents were prepared by Chaney’s attorney, Matthew Melville, who acted on behalf of Chaney and Fancurve.⁵¹

A promissory note, which Chaney signed as both borrower and lender (as sole director of Fancurve), outlined the terms of Fancurve’s purported loan to Chaney.⁵² It stated that Fancurve had agreed to lend \$2,714,777.40 to Chaney, with an annual interest rate of 1.82% “compounded annually, on the unpaid balance.”⁵³ The note purported to limit Chaney’s personal liability to 50% of the principal.⁵⁴ As

⁴⁸ *Id.* at 84-85.

⁴⁹ *See* PTO ¶¶ 15-16, 40; JX 62; JX 70; JX 72; Chaney Tr. 321.

⁵⁰ JXs 67-68; JX 71; *see* Chaney Tr. 321 (acknowledging that though the documents are dated January 27, 2022, they were drafted months later).

⁵¹ *See* Chaney Tr. 210-11; *see also* JX 67 § 8 (naming Melville as counsel representing both Chaney and Fancurve); PTO ¶ 42.

⁵² JX 71.

⁵³ *Id.* at 1.

⁵⁴ *Id.* at 4.

Fancurve's sole director, Chaney could waive his own default.⁵⁵ A pledge agreement, which Chaney signed as the borrower and lender (in his capacity as Fancurve's CEO), secured the loan with Chaney's shares in Fancurve, which he had acquired for \$59 two months earlier.⁵⁶

Both the pledge agreement and the promissory note were purportedly ratified by unanimous written consent of Fancurve's board—i.e., Chaney—dated January 27, 2022.⁵⁷ The payment to Trip S Holdings occurred nine days earlier, on January 18.⁵⁸ Chaney resolved “that the terms and conditions” of the pledge agreement and promissory note were “just, equitable and fair as to the Company.”⁵⁹ The consent stated that the loan to Chaney was “in the best interests of the Company and the stockholders of the Company.”⁶⁰ And it purported to “ratif[y], authorize[,] and approve” the Pledge Agreement and Promissory Note in the aggregate amount of \$2,714,777.40.⁶¹

⁵⁵ *Id.*

⁵⁶ JX 67 at 11; *id.* at sched. A; JX 34.

⁵⁷ JX 68.

⁵⁸ PTO ¶ 15; JX 62.

⁵⁹ JX 68 at 1.

⁶⁰ *Id.*

⁶¹ *Id.*

E. This Litigation

On June 17, 2024, Greenfield and six other investors, the latter of whom had contributed a combined \$250,000 of the \$6.25 million seed round (together, the “Fancurve Investors”), sued Chaney and Fancurve in this court.⁶² On April 30, 2025, I dismissed the plaintiffs’ claims for breach of fiduciary duty, fraudulent transfer, breach of the implied covenant of good faith and fair dealing, and unjust enrichment.⁶³ Left to be resolved were Greenfield’s claim for breach of the Side Letter and the plaintiffs’ claim for breach of their respective SAFEs.⁶⁴

On September 24, 2025, I granted counsel for the defendants’ motion to withdraw.⁶⁵ Chaney opted to proceed pro se. Fancurve—an entity that cannot represent itself pro se—failed to obtain counsel and defaulted. On February 24, 2026, I granted the plaintiffs’ motion for a default judgment against Fancurve.⁶⁶ I

⁶² *See* Verified Compl. for Breach of Fiduciary Duty/Self-Dealing (Dkt. 1) (“Compl.”). The plaintiffs are Greenfield, FAFA Sports GmbH, PK Projects GmbH, Emanuel Henrich Coen, ROMM Holding GmbH, Companion-M GmbH, and Gregoire le Jeune. PTO ¶¶ 5-8. The other seed investors did not join as plaintiffs.

⁶³ Order Granting in Part Defs.’ Mot. to Dismiss and to Strike (Dkt. 31); Tr. of Telephonic Ruling of Ct. on Defs.’ Mot. to Dismiss (Dkt. 35). I also rejected the plaintiffs’ request for veil piercing.

⁶⁴ *See* Compl. ¶¶ 79-93.

⁶⁵ Order Granting Motion for Leave to Withdraw as Counsel for Defs. (Dkt. 49); Tr. of Hr’g and Rulings Regarding Morris James LLP’s and Bauman Law Gp.’s Mot. to Withdraw as Counsel for Defs. (Dkt. 51).

⁶⁶ *See* Mot. for Default J. Against Def. 1zer0 Labs, Inc. d/b/a Fancurve (Dkt. 70); Order Granting Entry of Default J. Against Def. 1zer0 Labs, Inc. d/b/a Fancurve (Dkt. 90) (“Default J. Order”). Chaney did not object to the entry of a default judgment against

deferred determining the damages award against Fancurve until the claims against Chaney were adjudicated.⁶⁷ Chaney later retained counsel.⁶⁸

Trial on the breach of contract claims against Chaney was held on July 13 and 14, 2026.⁶⁹ At the conclusion of trial, I informed counsel that post-trial briefing was unnecessary.⁷⁰ The matter was taken under advisement as of July 17.⁷¹

II. ANALYSIS

Two breach of contract claims survived past the pleading stage: one brought by Greenfield for breach of the Side Letter against Chaney and Fancurve, and another by the Fancurve Investors for breach of their SAFEs against Fancurve.⁷² These claims reach me in different procedural postures. A default judgment was entered against Fancurve, while the claim against Chaney proceeded to trial.

Fancurve. *See* Tr. of Feb. 24, 2026 Telephonic Hr’g and Rulings of Ct. on Pls.’ Mot. for Default J. (Dkt. 93) (“Default J. Hr’g Tr.”).

⁶⁷ *See* Default J. Order ¶ 2.

⁶⁸ Entry of Appearance on Behalf of C. Chaney (Dkt. 123).

⁶⁹ Judicial Action Form (Dkt. 155).

⁷⁰ *See* Trial Tr. 339-44. The issues were thoroughly presented in four pre-trial briefs. *See* Pls.’ Pre-trial Opening Br. (Dkt. 112); Def.’s Pre-trial Opening Br. (Dkt. 115); Pls.’ Pre-trial Answering Br. (Dkt. 135); Def.’s Pre-trial Answering Br. (Dkt. 134).

⁷¹ Minute Order (Dkt. 159); *see* Joint Letter Regarding Agreement Not to Submit Post-trial Brs. (Dkt. 156).

⁷² PTO ¶¶ 45-51.

The elements of the claims are: “1) a contractual obligation; 2) a breach of that obligation by the defendant; and 3) a resulting damage to the plaintiff.”⁷³ Settled principles of contract interpretation apply.⁷⁴ When interpreting a contract, the court gives priority to the parties’ intent.⁷⁵ To determine that intent, the court looks within “the four corners of the agreement” and “construes the agreement as a whole.”⁷⁶ It must interpret the plain text as it “would be understood by an objective, reasonable third party.”⁷⁷ The court must also read the contract in a way that gives meaning to each term, avoiding surplusage and “reconcil[ing] all of [its] provisions in order to determine the meaning intended to be given to any portion of it.”⁷⁸

Because Fancurve’s default establishes its liability as a matter of law, I begin by addressing the effect of that judgment. I then turn to the contested trial record to resolve Chaney’s liability. Finally, I address the Fancurve Investors’ request for damages and the parties’ cross-requests for fee shifting.

⁷³ *H-M Wexford LLC v. Encorp, Inc.*, 832 A.2d 129, 140 (Del. Ch. 2003).

⁷⁴ See Side Letter § 20 (incorporating Token Warrant § 8 *mutatis mutandis*); Token Warrant § 8.1 (setting out rights governed by Delaware law).

⁷⁵ *GMG Cap. Invs., LLC v. Athenian Venture P’rs I, L.P.*, 36 A.3d 776, 779 (Del. 2012).

⁷⁶ *Id.*; see also *Chi. Bridge & Iron Co. N.V. v. Westinghouse Elec. Co. LLC*, 166 A.3d 912, 913-914 (Del. 2017) (“In giving sensible life to a real-world contract, [Delaware] courts must read the specific provisions of the contract in light of the entire contract.”).

⁷⁷ *Salamone v. Gorman*, 106 A.3d 354, 367-68 (Del. 2014) (citation omitted).

⁷⁸ *Warner Commc’ns Inc. v. Chris-Craft Indus., Inc.*, 583 A.2d 962, 967 (Del. Ch. 1989) (citation omitted), *aff’d*, 567 A.2d 419 (Del. 1989).

A. Liability Against Fancurve

Two claims remained against Fancurve at the time of its default: for breach of the Side Letter (Count IV), and for breach of the SAFEs (Count V). The allegations in the Complaint support judgment on Count V in full and on Count IV in part. As a result of its default, Fancurve “admitted all the well-pleaded facts in the complaint.”⁷⁹ “A plaintiff is only entitled to a default judgment if those facts, taken together, state a claim upon which relief can be granted.”⁸⁰

1. Breach of the SAFEs

On December 15, 2021, Fancurve executed separate SAFEs and Token Warrants with each of the Fancurve Investors.⁸¹ The SAFEs are “valid and enforceable contracts.”⁸² “Under the SAFEs, the Fancurve Investors were entitled to receive an amount equal to their investment, ‘due and payable . . . immediately prior to the consummation of [a] Dissolution Event,’ including a ‘voluntary termination of operations’ or ‘any other liquidation, dissolution or winding up of the Company . . . whether voluntary or involuntary.’”⁸³

⁷⁹ *Hauspie v. Stonington P’rs, Inc.*, 945 A.2d 584, 586 (Del. 2008); *see also* Default J. Hr’g Tr. 7 (“[A]t this point, the allegations regarding the company are admitted as true.”).

⁸⁰ *Hauspie*, 945 A.2d at 586.

⁸¹ Compl. ¶¶ 26-30. The SAFEs and Token Warrants with the seven Fancurve Investors are attached to the Complaint. *Id.* at Exs. B-O.

⁸² Compl. ¶ 88.

⁸³ *Id.* ¶ 89 (quoting SAFE §§ 1(c), 2); *see* Greenfield SAFE § 1(c) (“If there is a dissolution event before the termination of this S[AFE], the Investor will automatically be entitled

A “Dissolution Event” occurred in or around October 2022, when Chaney told Greenfield that Fancurve “had voluntarily terminated operations and that he intended to imminently wind down the Company.”⁸⁴ At that point, under Section 1(c) of the SAFEs, the Fancurve Investors became entitled to a portion of “Proceeds” equal to their “Cash-Out Amount[s].”⁸⁵ The “Fancurve Investors fully performed” their contractual obligations.⁸⁶ Fancurve “breached the SAFEs by failing to pay the Fancurve Investors the amounts owed ‘immediately prior’ to its voluntary termination of operations or at any time since.”⁸⁷

2. Breach of the Side Letter

Fancurve and Greenfield executed the Side Letter on December 15, 2021 “in connection with” the SAFE and Token Warrant.⁸⁸ The Side Letter is a “valid and enforceable contract.”⁸⁹ The Side Letter restricted how Fancurve could use the

(subject to the liquidation priority set forth in Section 1(d) . . .) to receive a portion of Proceeds equal to the Cash-Out Amount, due and payable to the Investor immediately prior to the consummation of the dissolution event.”); *id.* § 2 (defining “Dissolution Event” to include “a voluntary termination of operations”).

⁸⁴ Compl. ¶¶ 39, 90. Chaney confirmed that Fancurve voluntarily ceased operations around that time. Chaney Dep. 109; *see* JX 102.

⁸⁵ Greenfield SAFE § 1(c).

⁸⁶ Compl. ¶ 92.

⁸⁷ *Id.* ¶ 91.

⁸⁸ Side Letter, Recitals.

⁸⁹ Compl. ¶ 80.

funds invested by Greenfield and entitled Greenfield to a non-voting board observer and information rights.

Greenfield's primary claim concerns Fancurve's use of funds covenant.

Section 1 of the Side Letter provides:

In accordance with the directions of the Board of Directors, *the Company will use the proceeds from the sale of the Tokens under the Warrant and the proceeds received under the SAFE to finance the business activities of the Company and the development of the Network*, as well as administrative, legal and marketing / adoption costs of the Network as well as to acquire licenses for the products offered by the Company from clubs, players and other participants in the sports world. No proceeds from the investment shall be used to purchase or redeem or pay or declare any dividend or make any distribution on any shares of capital stock or other equity interests of the Company or any of its Affiliates or to repay any shareholder loans.⁹⁰

This provision imposed on Fancurve an affirmative obligation to use the proceeds of Greenfield's investment to finance Fancurve's business activities and develop Fancurve's token-based network.⁹¹ Fancurve is deemed to have admitted it breached this obligation by using Greenfield's invested funds to pay Chaney's personal loan, "which was not a legitimate business purpose."⁹²

⁹⁰ Side Letter § 1 (emphasis added).

⁹¹ The Side Letter also barred certain uses of the funds that fall within a broad definition of "business activities of the Company." *Id.* This list does not override the affirmative use of funds obligation. Otherwise, the affirmative obligation would be surplusage.

⁹² Compl. ¶ 83.

Greenfield also claimed that Fancurve breached provisions of the Side Letter concerning governance and information rights. Section 5 of the Side Letter, titled “Observer Seat,” entitled Greenfield to “send (1) non-voting observer to any board or shareholders’ meeting of the Company.”⁹³ Section 7, titled “Information Rights,” obligated Fancurve to “deliver to [Greenfield] a copy” of any “financial statements and/or a budget” prepared by Fancurve or an affiliate.⁹⁴ Fancurve allegedly violated these obligations by failing to “notif[y] Greenfield of any Board or shareholder meeting or activities” or provide “any ‘financial statements’ or ‘budgets.’”⁹⁵

The Complaint does not support a viable claim against Fancurve for breaching Section 5. Although Greenfield alleges that Fancurve concealed “Board activities,”⁹⁶ it did not plead that Fancurve ever held a board or shareholders’ meeting that Greenfield could have observed. The allegations that Fancurve actively

⁹³ Side Letter § 5; *see* Compl. ¶ 82.

⁹⁴ Side Letter § 7; *see* Compl. ¶ 82. Greenfield did not claim that Fancurve breached Section 13 of the Side Letter, which concerns a promised conflict of interest policy. Side Letter § 13. It only asserted that the failure to implement such a policy breached the implied covenant of good faith and fair dealing. Compl. ¶¶ 96-97; *see also id.* ¶ 34. I dismissed that claim before Fancurve defaulted. Tr. of Telephonic Ruling of Ct. on Defs.’ Mot. to Dismiss (Dkt. 35) 19-21.

⁹⁵ Compl. ¶ 35; *see id.* ¶ 83 (alleging that Fancurve breached the Side Letter “by actively concealing all related Board activities and financial information until Fancurve was insolvent”).

⁹⁶ *Id.* ¶ 83.

concealed its financial information and failed to deliver financial statements, however, support a claim for a breach of Section 7.⁹⁷

* * *

Through its default and the well-pleaded allegations of the Complaint, Fancurve breached Section 1(c) of each SAFE with a Fancurve Investor. Fancurve also breached Sections 1 and 7 of the Side Letter with Greenfield. The Fancurve Investors and Greenfield were harmed as a result.⁹⁸ I address damages against Fancurve below.⁹⁹

B. Liability Against Chaney

The sole claim against Chaney, brought by Greenfield, is for breach of the Side Letter.¹⁰⁰ Greenfield bore the burden of proving the elements of this claim by a preponderance of the evidence.¹⁰¹ It did not meet it. The obligations at issue were largely owed by Fancurve, not Chaney individually. As for the sole relevant obligation Chaney owed under the Side Letter, Greenfield failed to prove a breach.

⁹⁷ *Id.*

⁹⁸ *Id.* ¶¶ 86, 93.

⁹⁹ *See infra* Section II.C.

¹⁰⁰ Compl. ¶¶ 79-86.

¹⁰¹ *See Revolution Retail Sys., LLC v. Sentinel Techs., Inc.*, 2015 WL 6611601, at *9 (Del. Ch. Oct. 30, 2015) (“Proof by a preponderance of the evidence means proof that something is more likely than not.”); *see supra* note 73 and accompanying text (listing the elements for a breach of contract claim).

1. The Obligations Chaney Did Not Owe

The Side Letter is an agreement between Fancurve and Greenfield.¹⁰² Chaney signed it twice: once as Fancurve’s Chief Executive Officer, and again in his individual capacity as a founder.¹⁰³ “As a material inducement” to Greenfield’s investment, Chaney “confirm[ed] and agree[d]” to the Side Letter’s provisions.¹⁰⁴

The principal provision underlying Greenfield’s claim is Section 1 of the Side Letter, which governs Fancurve’s use of proceeds received under the SAFE.¹⁰⁵ As quoted above, Section 1 dictates that “*the Company*” will “use the proceeds from the sale of the Tokens under the Warrant and the proceeds received under the SAFE to finance the business activities of the Company.”¹⁰⁶ It does not require any founder to direct those funds or to guarantee Fancurve’s compliance with Section 1.¹⁰⁷

¹⁰² Side Letter, Recitals.

¹⁰³ *Id.* at 4 (signature page); *id.* at Recitals, 4. Chaney’s co-founders also signed the Side Letter. *Id.* at 4.

¹⁰⁴ *Id.* at Recitals. The founders’ general promise to “confirm and agree” to the terms of the Side Letter is not the same as personally guaranteeing express corporate obligations, absent language providing otherwise. If the general confirmation meant Chaney was personally liable for every obligation in the Side Letter, it would render the section-by-section assignment of duties between “the Company” and “Founders” meaningless.

¹⁰⁵ *Id.* § 1; *see* PTO ¶ 3.

¹⁰⁶ *See supra* note 90 (quoting Section 1 in full); Side Letter § 1.

¹⁰⁷ *See In re P3 Health Gp. Hldgs., Inc.*, 2022 WL 16548567, at *11 (Del. Ch. Oct. 31, 2022) (“A plaintiff only can assert a breach of contract claim against a party that owed the pertinent obligation under the agreement.”); *see also infra* note 115 (citing cases).

The parties were explicit when placing obligations on the founders individually. For example, Section 2 is a representation by “[t]he Founders” regarding a planned public offering of tokens.¹⁰⁸ Section 4, discussed below, imposes on each founder a duty to “devote substantially all of his professional efforts to the Company Group.”¹⁰⁹ Section 19 also describes separate obligations of “[t]he Company” and “[e]ach Founder” regarding Fancurve’s intellectual property.¹¹⁰ Section 1 does not mention the founders at all. This exclusion is presumed to be intentional.¹¹¹

Greenfield’s claims for breach of Sections 5, 7, and 13 of the Side Letter suffer from the same defect.¹¹² Section 5 states that “the Company” must allow an observer to attend meetings, Section 7 requires “the Company” to deliver financial statements,

¹⁰⁸ Side Letter § 2.

¹⁰⁹ See *infra* Section II.B.2; Side Letter § 4.

¹¹⁰ Side Letter § 19 (“*The Company* undertakes to use best efforts to ensure that each Founder and each employee involved in the development of the Company’s technology undertake to transfer all intellectual property in connection with the Company’s technology held by such persons to the Company, if any. *Each Founder* undertakes to agree to respective arrangements as reasonably proposed by the Board of Directors.” (emphasis added)).

¹¹¹ See *Williams Cos., Inc. v. Energy Transfer LP*, 2020 WL 3581095, at *12 n.123 (Del. Ch. July 2, 2020) (“[T]he use of different language in different sections of a contract suggests the difference is intentional—*i.e.*, the parties intended for the sections to have different meanings.”).

¹¹² Greenfield did not plead a claim for breach of the express terms of Section 13 in its Complaint. See *supra* note 94. It raised this specific claim in the Pre-trial Order. PTO ¶ 46. Chaney did not object. To the extent the claim is fairly presented, I consider it for the sake of completeness.

and Section 13 mandates that “the Board” adopt a conflicts policy.¹¹³ The Side Letter does not impose on Chaney, in his capacity as a founder, a duty to satisfy these obligations.

The parties could have negotiated additional personal obligations for the founders. They did not. Delaware courts “will not rewrite contracts to read in terms that a sophisticated party could have, but did not, obtain at the bargaining table.”¹¹⁴ Thus, Chaney cannot be held personally liable for breaching Sections 1, 5, 7, or 13 of the Side Letter.¹¹⁵

¹¹³ Side Letter §§ 5, 7, 13.

¹¹⁴ *GRT, Inc. v. Marathon GTF Tech., Ltd.*, 2012 WL 2356489, at *6 (Del. Ch. June 21, 2012).

¹¹⁵ *See, e.g., P3 Health*, 2022 WL 16548567, at *11 (holding that a member of a limited liability company who was a party to the relevant contract could not be liable for breach because “each of the provisions that [the plaintiff] invoke[d] impose[d] an obligation on the Company” rather than the individual members); *see also In re Kinder Morgan, Inc. Corp. Reorg. Litig.*, 2015 WL 4975270, at *5 (Del. Ch. Aug. 20, 2015) (dismissing a breach of contract claim against an entity that “did not owe the contractual obligation that the Complaint [sought] to enforce”); *CMS Inv. Hldgs., LLC v. Castle*, 2015 WL 3894021, at *13 (Del. Ch. June 23, 2015) (dismissing a breach of contract claim against a defendant who was not a party to the underlying agreement, explaining that “only a party to a contract may be sued for breach of that contract,” and holding that the plaintiff failed to plead facts demonstrating the defendant undertook any contractual obligations to the plaintiff); *H-M Wexford LLC v. Encorp, Inc.*, 832 A.2d 129, 140–41 (Del. Ch. 2003) (stating that the first element of a breach of contract claim is “a contractual obligation” and dismissing the plaintiff’s claim because the purchase agreement’s integration clause excluded the disputed documents, meaning the defendant owed no pertinent contractual obligation regarding that information).

2. The Obligation Chaney Owed

Greenfield also claims that Chaney breached Section 4 of the Side Letter, which required him to devote his professional time to the enterprise. Section 4, titled “Founder,” states:

For so long as a Founder is employed by the Company Group, the Founder will devote substantially all of his professional efforts to the Company Group (including the development of the Network) until at least the later of the (i) the date the Tokens are generated or (ii) such time as the Founder’s equity is fully vested.¹¹⁶

Unlike the provisions discussed above,¹¹⁷ Section 4 imposes an obligation on the founders individually. It requires that Chaney—a founder—commit “substantially all of his professional efforts” to Fancurve.¹¹⁸

Greenfield contends that outside ventures distracted Chaney, but offered no proof. Instead, Chaney testified that he performed no “substantial work that took away [his] focus or obligation from [Fancurve].”¹¹⁹ He detailed his associations with certain outside entities and confirmed that he did not work for several of them during

¹¹⁶ Side Letter § 4.

¹¹⁷ *See supra* Section II.B.1.

¹¹⁸ Side Letter § 4.

¹¹⁹ Chaney Tr. 218.

his Fancurve tenure.¹²⁰ His remaining advisory roles required, at most, an hour of his time every two months.¹²¹

This testimony went un rebutted. Greenfield’s counsel did not cross-examine Chaney about his time commitments to these outside entities or introduce any evidence suggesting that Chaney abandoned his focus on Fancurve.¹²² Greenfield therefore did not meet its burden of proving that Chaney breached Section 4 of the Side Letter.¹²³

C. Damages

Due to the default judgment, Fancurve is liable to the Fancurve Investors for breaching the SAFEs and to Greenfield for breaching certain provisions of the Side Letter.¹²⁴ A default judgment does not, however, resolve whether the Fancurve Investors are entitled to monetary damages.¹²⁵

¹²⁰ *Id.* at 218-20 (testifying that he did no work for Meta One, Hidden Worlds, or Stemuli during his time at Fancurve).

¹²¹ *Id.* at 219-20 (testifying he spent “an hour every two to three months” advising Afriguild, an hour every three to four months advising Galaxies, and an hour every two months advising The Audacity Company).

¹²² *See generally id.* at 224-71, 278-336.

¹²³ Side Letter § 4.

¹²⁴ *See supra* Sections II.A.1-2.

¹²⁵ *See Tack v. Lipetz*, 2021 WL 4595660, at *3 (Del. Ch. Oct. 6, 2021); *see also* Default J. Order ¶ 2 (“In the interest of judicial economy, the determination of damages as to Fancurve is DEFERRED until after final adjudication of claims against defendant Chris Chaney, without prejudice to the Court’s authority to conduct such hearings or order such references as may be necessary and proper.”). The plaintiffs’ pre-trial brief addressed their request for damages from Fancurve. *See* Pls.’ Pre-trial Opening Br. 25-28 (arguing its

Under Delaware law, the standard remedy for breach of contract is expectation damages, which aim to place the plaintiff in the position it would have occupied had the defendant performed as promised.¹²⁶ Alternatively, a plaintiff may seek reliance damages, which are designed to restore the plaintiff to its financial position before the transaction occurred.¹²⁷ Restitution may also be available as a remedy for breach. In the contractual context, that term can describe either relief unwinding the exchange or an alternative measure of damages based on the plaintiff's

damages for breach of the SAFEs). Chaney objected, arguing that the plaintiffs' attempt to calculate damages against Fancurve on this record was improper without a separate damages phase. Def.'s Pre-trial Answering Br. 5 n.3. *See* Ct. Ch. R. 55(b)(4). But Chaney cannot assert defenses on behalf of a defaulted co-defendant that he does not represent.

¹²⁶ *See Stephenson v. Capano Dev., Inc.*, 462 A.2d 1069, 1076 (Del. 1983) (explaining that expectation damages “put the plaintiff in the same financial position that [it] would have been in if the defendant's representations had been true”); Restatement (Second) of Contracts § 347, cmt. a (1981) (“Contract damages are ordinarily based on the injured party's expectation interest and are intended to give him the benefit of his bargain by awarding him a sum of money that will . . . put him in as good a position as he would have been in had the contract been performed.”).

¹²⁷ *See LCT Cap., LLC v. NGL Energy P'rs LP*, 249 A.3d 77, 91 (Del. 2021) (explaining that reliance damages “are equal to ‘the difference between what [the plaintiff] paid and actual value of the item’ that the plaintiff received” (quoting *Stephenson*, 462 A.2d at 1076)).

performance.¹²⁸ The plaintiff bears the burden of establishing its entitlement to monetary relief.¹²⁹

1. Damages for Breach of the SAFEs

Fancurve’s liability for breach of the SAFEs is established by default.¹³⁰ The plaintiffs’ damages are measured by the payments Fancurve was required to make under the SAFEs upon a “Dissolution Event.”¹³¹ Each SAFE defines a “Dissolution Event” to include a “voluntary termination of operations.”¹³² Fancurve voluntarily terminated operations.¹³³

Upon that event, each SAFE investor became “automatically entitled (subject to the liquidation priority set forth in Section 1(d) . . .) to receive a portion of Proceeds equal to the Cash-Out Amount.”¹³⁴ “Proceeds” are “cash and other assets (including without limitation stock consideration) that are proceeds from . . . the

¹²⁸ See Restatement (Third) of Restitution and Unjust Enrichment §§ 37-38 (Am. L. Inst. 2011); *Schock v. Nash*, 732 A.2d 217, 232 (Del. 1999) (“Restitution serves to ‘deprive the defendant of benefits that in equity and good conscience he ought not to keep’” (citation omitted)).

¹²⁹ See, e.g., *Maverick Therapeutics, Inc. v. Harpoon Therapeutics, Inc.*, 2021 WL 1592473, at *9 (Del. Ch. Apr. 23, 2021) (citing *Medicalalgorithmics S.A. v. AMI Monitoring, Inc.*, 2016 WL 4401038, at *26 (Del. Ch. Aug. 18, 2016)).

¹³⁰ See *supra* Section II.A.1.

¹³¹ Greenfield SAFE § 1(c).

¹³² *Id.* § 2.

¹³³ See PTO ¶¶ 10, 41; Chaney Tr. 299.

¹³⁴ Greenfield SAFE § 1(c).

Dissolution Event . . . and legally available for distribution.”¹³⁵ The “Cash-Out Amount” equals the investor’s “Purchase Amount.”¹³⁶

The Fancurve Investors’ Cash-Out Amounts are:

<u>Investor</u>	<u>Cash-Out Amount</u>
Greenfield	\$2,500,000 ¹³⁷
Le Jeune	\$100,000 ¹³⁸
Coen	\$50,000 ¹³⁹
FAFA Sports	\$25,000 ¹⁴⁰
PK Projects	\$25,000 ¹⁴¹
ROMM Holding	\$25,000 ¹⁴²
Companion-M	\$25,000 ¹⁴³
TOTAL	\$2,750,000

Upon a Dissolution Event, these amounts are subject to the distribution priorities in Section 1(d).¹⁴⁴ The investors’ rights are “[j]unior to payment of

¹³⁵ *Id.* § 2 (defining “Proceeds”).

¹³⁶ *Id.* § 1(b) (defining the “Cash-Out Amount” as equal to the “Purchase Amount”); *id.* at Preamble (describing the “Purchase Amount” as the payment made in exchange for the right to “certain shares of [Fancurve’s] Capital Stock” in the future).

¹³⁷ *Id.* at Recitals.

¹³⁸ JX 52 at 1.

¹³⁹ JX 50 at 1.

¹⁴⁰ JX 46 at 1.

¹⁴¹ JX 48 at 1.

¹⁴² JX 55 at 1.

¹⁴³ JX 57 at 1.

¹⁴⁴ *See* Greenfield SAFE § 1(d).

outstanding indebtedness and creditor claims,” “[o]n par with payments for other S[AFE]s and/or Preferred Stock,” and “[s]enior to payments for Common Stock.”¹⁴⁵ If Proceeds are insufficient to pay the SAFEs and preferred stock in full, the available Proceeds are distributed proportionately among those holders according to the payments that would be otherwise due.¹⁴⁶

Read together, these provisions do not guarantee repayment of each investor’s full investment upon Fancurve’s dissolution. They entitle each investor to a distribution from legally available Proceeds, up to the investor’s Cash-Out Amount, subject to the waterfall in Section 1(d).

The NFT market crash does not excuse Fancurve’s failure to make the required distributions. But the collapse and resulting business losses bear on the assets available for distribution. Expectation damages place the injured party in the position it would have occupied had the contract been performed.¹⁴⁷ The Fancurve Investors’ expectation damages are the distributions they should have received under the SAFEs upon the Dissolution Event—not necessarily the \$2.75 million they collectively invested.

¹⁴⁵ *Id.*

¹⁴⁶ *See id.*

¹⁴⁷ *See Stephenson*, 462 A.2d at 1076; *see also Duncan v. TheraTx, Inc.*, 775 A.2d 1019, 1022 (Del. 2001) (explaining that expectation damages compensate the promisee for the value of the promised contractual performance).

The record identifies at least one corporate asset relevant to that calculation: Chaney's promissory note.¹⁴⁸ Chaney acknowledged that the note is in default.¹⁴⁹ The note has a principal amount of \$2,714,777.40, but its limited-recourse provision purports to restrict Chaney's personal liability to 50% of the principal, or \$1,357,388.70.¹⁵⁰ The Fancurve Investors' damages must account for the note's value under the SAFE distribution waterfall. The calculation must also include all claims sharing the SAFEs' distribution priority, including those of holders who are not plaintiffs here. Although the record identifies no senior debt, any other established senior claims must be satisfied before determining the Proceeds available to SAFE holders.

Accordingly, the Fancurve Investors are entitled to damages equal to their unpaid distributions under Sections 1(c) and 1(d) of their SAFEs. The aggregate Cash-Out Amount establishes the maximum principal recovery under Count V—not the amount established as due. Before fixing the awards, the Fancurve Investors must file a supplemental submission identifying the record support for the legally available Proceeds, the claims participating in the waterfall, and the resulting distribution due to each plaintiff. The supplemental submission must explain how

¹⁴⁸ See JX 71 (Promissory Note).

¹⁴⁹ Chaney Tr. 292-94.

¹⁵⁰ See JX 71 § 6.

the note should be accounted for as a corporate asset under the SAFEs' definition of Proceeds and distribution priorities, including the basis for any value assigned to it in calculating a monetary award.¹⁵¹

Any remaining factual issues necessary to complete these damages calculations will be addressed under Court of Chancery Rule 55(b)(4).¹⁵² Any interest owed on the principal damages will then be determined.

2. Damages for Breach of the Side Letter

Greenfield contends that Fancurve's diversion of funds to Chaney in breach of Section 1 of the Side Letter caused it financial harm. It views this breach as the catalyst for Fancurve's downward spiral: undercapitalization "led to missed launch milestones . . . and the failure to develop the token," "followed by Chaney's October 2022 notice that Fancurve was winding down."¹⁵³ Yet Greenfield concedes that "because [Fancurve] never generated profits, never issued equity in a subsequent round, and never developed the token for which investors held warrants, any attempt

¹⁵¹ This explanation must address what asset or claim existed when distributions became due. To be clear, I am not adjudicating Fancurve's rights against Chaney under the note.

¹⁵² Ct. Ch. R. 55(b)(4) (providing that the court "may conduct hearings, receive evidence, or make referrals when, to enter or effectuate default judgment, it needs to . . . determine the amount of damages" or "investigate any other matter").

¹⁵³ Pls.' Pre-trial Opening Br. 19.

to value Greenfield’s but-for equity position is uncertain.”¹⁵⁴ It now seeks the return of its \$2.5 million initial investment as “reliance or restitution damages.”¹⁵⁵

Greenfield invokes restitution under Section 373 of the Restatement (Second) of Contracts, asserting total breach and an absence of retained benefits.¹⁵⁶ Its argument concerns Chaney’s alleged breach and the benefit he received from the diversion. Because Chaney did not owe a personal obligation under Section 1 of the Side Letter, that argument cannot support a contractual recovery against him.¹⁵⁷

The availability of restitution against Fancurve presents a separate question. Restitution may describe an alternative measure of damages for breach based on the plaintiff’s performance.¹⁵⁸ A request measured by the amount invested does not, by itself, establish that the plaintiff seeks rescission.

Court of Chancery Rule 55(b)(1) provides that “[t]he relief sought in a default judgment may not differ in kind from, or exceed in amount, what is demanded in the

¹⁵⁴ *Id.* at 21.

¹⁵⁵ *Id.*

¹⁵⁶ *Id.* at 22-23; *see* Restatement (Second) of Contracts § 373; *see also* *Duncan*, 775 A.2d at 1022 (reflecting that Delaware courts follow the Restatement).

¹⁵⁷ *See supra* Section II.B.1.

¹⁵⁸ *See Gener8 LLC v. Castanon*, 2023 WL 6381635, at *31 n.390 (Del. Ch. Sept. 29, 2023) (“Performance-based damages under a theory of restitution can be measured by ‘the market value of the plaintiff’s uncompensated contractual performance, not exceeding the price of such performance as determined by reference to the parties’ agreement.’” (quoting Restatement (Third) of Restitution and Unjust Enrichment § 38(2)(b) (Am. L. Inst. 2011))).

pleadings.”¹⁵⁹ To the extent Greenfield seeks to unwind its investment, the Complaint’s general requests for damages and equitable relief did not give Fancurve notice of that rescissory remedy.¹⁶⁰ But that limitation does not categorically foreclose restitutionary contract damages. I reserve decision on whether Greenfield preserved and established a right to restitution damages against Fancurve pending the supplemental submission described below.

I first address Greenfield’s request for reliance damages in accordance with Section 349 of the Restatement (Second) of Contracts.¹⁶¹ Reliance damages compensate expenditures made in preparation for or in performance of a contract, subject to a deduction for any loss the breaching party establishes with reasonable

¹⁵⁹ Ct. Ch. R. 55(b)(1); *see also Steinberg v. Shields*, 152 A.2d 113, 115 (Del. Ch. 1959) (“A judgment by default shall not be different in kind from or exceed in amount that prayed for in the demand for judgment.” (citing the predecessor to Rule 55(b)(1))).

¹⁶⁰ Compl. 23-24 (Prayer for Relief); *see Winklevoss Cap. Fund, LLC v. Shaw*, 2024 WL 3888757, at *11-12 (Del. Ch. Aug. 21, 2024) (rejecting a post-default request for rescissory damages where the complaint sought compensatory damages and “such other and further relief as the Court deems just and appropriate”); *SPG Greensboro Equities, LLC v. Ivy Greensboro I, LLC*, 2026 WL 2211311, at *4-5 (Del. Ch. July 31, 2026) (declining after default to award damages “not even inferred in the Complaint and that nearly equal[ed] [the plaintiff’s] total capital investment” because the complaint must give the defendant “some notice” of its exposure).

¹⁶¹ Pls.’ Pre-trial Opening Br. 20-22; *see Restatement (Second) of Contracts* § 349 (“As an alternative to [expectation damages], the injured party has a right to damages based on his reliance interest, including expenditures made in preparation for performance or in performance, less any loss that the party in breach can prove with reasonable certainty the injured party would have suffered had the contract been performed.”).

certainty would have occurred had the contract been performed.¹⁶² This measure permits recovery where the plaintiff cannot establish its expectation interest with sufficient certainty, but does not shift the consequences of a losing bargain to the defendant.¹⁶³

As discussed, Fancurve's default establishes its liability for breach of the Side Letter. The admitted facts show that Greenfield invested \$2.5 million in reliance on contractual promises governing the use of its funds.¹⁶⁴ Fancurve breached those promises by using investment proceeds to repay Chaney's personal loans.¹⁶⁵ The Complaint alleges that the diversion deprived Fancurve of the capital needed to implement its business plan and significantly reduced the value of each seed round investment.¹⁶⁶ These allegations, together with the Complaint's request for damages, gave Fancurve notice of a claim to compensate Greenfield for the harm

¹⁶² See *Ramone v. Lang*, 2006 WL 905347, at *16 n.86 (Del. Ch. Apr. 3, 2006) ("Reliance damages are defined as 'reimbursement of the expenditures and losses incurred by the promisee with the value of the promised performance.'" (quoting Corbin on Contracts § 8.8)).

¹⁶³ See *L. Albert & Son v. Armstrong Rubber Co.*, 178 F.2d 182, 189 (2d Cir. 1949) ("We cannot agree that the promisor's default in performance should under this guise make him an insurer of the promisee's venture; yet it does not follow that the breach should not throw upon him the duty of showing that the value of the performance would in fact have been less than the promisee's outlay.").

¹⁶⁴ Compl. ¶¶ 13, 24, 26-27, 81, 85.

¹⁶⁵ *Id.* ¶¶ 3, 43, 45, 83.

¹⁶⁶ *Id.* ¶¶ 64, 66, 76, 79, 86.

caused by the diversion. Greenfield alleges that its investment lost value because Fancurve diverted the funds that Section 1 protected. Greenfield's \$2.5 million expenditure is therefore the starting point for measuring reliance damages—not an entitlement to repayment of the full investment. The calculation must deduct any loss Fancurve proves with reasonable certainty that Greenfield would have sustained had Fancurve performed.¹⁶⁷

The trial evidence bears on that deduction despite Fancurve's default. Samadi acknowledged that the NFT market declined by 80% to 90% in 2022 and that meaningful sales of Fancurve's digital jerseys were unlikely.¹⁶⁸ Chaney similarly testified that there was no demand for the product and that retaining the diverted funds would not have generated sales.¹⁶⁹ Based on this evidence, I find that the business would have failed irrespective of Fancurve's compliance with the Side Letter. As such, Greenfield's investment would have yielded a distribution of

¹⁶⁷ See Restatement (Second) of Contracts § 349; *Merry Gentleman, LLC v. George & Leona Prods., Inc.*, 799 F.3d 827, 830-32 (7th Cir. 2015) (recognizing that, once a plaintiff establishes the requisite causal connection between the breach and its claimed reliance losses, the burden shifts to the breaching party to prove a reduction, but rejecting recovery of the plaintiff's entire investment where that causal connection was lacking); *cf. Armstrong Rubber*, 178 F.2d at 189 (“[T]he proper solution would seem to be that the promisee may recover his outlay in preparation for the performance, subject to the privilege of the promisor to reduce it by as much as he can show that the promisee would have lost, if the contract had been performed.”).

¹⁶⁸ Samadi Tr. 127-29.

¹⁶⁹ Chaney Tr. 198; *see id.* at 204-05.

Fancurve's remaining assets upon dissolution, rather than value from a continuing business.

It does not follow, though, that Greenfield would have lost its entire investment had Fancurve performed. Fancurve's burn rate and the possibility of a strategic pivot suggest that the diverted capital could have funded continued operations.¹⁷⁰ But the record does not establish with reasonable certainty how much additional capital Fancurve would have spent or how much those expenditures would have reduced Greenfield's dissolution distribution. The risk of that uncertainty falls on Fancurve.¹⁷¹ I therefore calculate Greenfield's distribution as if Fancurve had retained the cash it was prohibited from diverting under Section 1, with no deduction for additional unproven losses.

Greenfield would not have been entitled to the total funds available. As explained in the preceding section, Greenfield's rights under the SAFE were subject to satisfaction of senior claims and proportionate distribution among holders sharing

¹⁷⁰ See Chaney Tr. 298-300; JX 60; JX 72; JX 102; JX 108; Samadi Tr. 71-72.

¹⁷¹ See *Siga Techs., Inc. v. PharmAthene, Inc.*, 132 A.3d 1108, 1131 n.132 (Del. 2015) ("Courts in Delaware and other jurisdictions have frequently applied the 'wrongdoer rule' where the wrongdoer's breach contributed to uncertainty over the amount of damages."); *Am. Gen. Corp. v. Cont'l Airlines Corp.*, 622 A.2d 1, 10 (Del. Ch. 1992) (explaining that if a defendant's wrongful conduct contributed to uncertainty in the calculation of damages, "the perils of such uncertainty should be 'laid at the defendant's door'" (quoting *Madison Fund, Inc. v. Charter Co.*, 427 F. Supp. 597, 608 (S.D.N.Y. 1977))).

the same priority.¹⁷² Greenfield’s recovery with performance would have been its share of the legally available Proceeds under the waterfall in SAFE Section 1(d).¹⁷³

From Greenfield’s \$2.5 million expenditure, I deduct the loss it would have sustained even with performance—the difference between its investment and the dissolution distribution it would have received absent the diversion.¹⁷⁴ This deduction leaves Greenfield bearing the investment loss that would have occurred despite Fancurve’s performance and limits any reliance damages to its share of the remaining value under the SAFE waterfall. Damages must also account for any value Greenfield has received or retains and any overlap with its recovery under its SAFE.¹⁷⁵ I will determine those adjustments after the supplemental submission to prevent double recovery.

The Fancurve Investors’ supplemental submission must calculate (1) Greenfield’s distribution under the SAFE waterfall absent the Side Letter

¹⁷² See *supra* Section II.C.1.

¹⁷³ See Greenfield SAFE § 1(d).

¹⁷⁴ The resulting amount measures Greenfield’s recovery before accounting for its remaining investment value and the overlapping SAFE claim. It is not an amount automatically recoverable in addition to its SAFE damages.

¹⁷⁵ The existence of an unpaid SAFE entitlement does not establish that Greenfield has received compensation. See *Paul v. Deloitte & Touche, LLP*, 974 A.2d 140, 146 (Del. 2009) (explaining that contract damages cannot serve as a “windfall”); *Armstrong Rubber*, 178 F.2d at 189 (“We will not in a suit for reimbursement of losses incurred in reliance on a contract knowingly put the plaintiff in a better position than he would have occupied, had the contract been fully performed.”).

breach;¹⁷⁶ and (2) its unpaid distribution under the SAFE. It must identify the record support for the diverted amount, assets, claims, and valuation dates used in those calculations. It must also account for any value Greenfield has received or retains, identify the overlap between its SAFE and Side Letter claims, and propose a judgment that prevents double recovery. Finally, the submission must address whether Greenfield preserved its request for restitution damages against Fancurve and is entitled to that relief. I reserve determination of the appropriate monetary relief for Fancurve's breach of the Side Letter, including the availability of restitution and any associated interest.¹⁷⁷

D. Fee Shifting

Greenfield seeks its attorneys' fees and costs against Chaney under the fee-shifting provision incorporated into the Side Letter; Chaney conversely seeks his fees and costs from Greenfield.¹⁷⁸ Section 20 of the Side Letter states that "Section

¹⁷⁶ In calculating the distribution Greenfield would have received absent the Side Letter breach, the submission must identify the amount of diverted cash Fancurve would have retained had it complied with Section 1. Because that provision governs the use of Greenfield's \$2,500,000 investment, the supplemental submission must explain the basis for treating the entire \$2,714,777.40 diversion as prevented by compliance. The calculation must exclude any corresponding portion of the loan asset attributable to the cash treated as retained.

¹⁷⁷ Greenfield has not established any separate compensatory damages resulting from Fancurve's breach of Section 7 of the Side Letter. The supplemental submission need address only damages resulting from the breach of Section 1.

¹⁷⁸ PTO ¶¶ 62, 65(a), 66(a).

8 (General Provisions) of the [Token Warrant] shall apply mutatis mutandis to this Agreement.”¹⁷⁹ Section 8.1 of the Token Warrant provides that: “In the event any party is required to engage the services of any attorneys for purposes of enforcing this Warrant, or any provision thereof, the prevailing party shall be entitled to recover its reasonable expenses and costs in enforcing this Warrant, including attorneys’ fees.”¹⁸⁰

A contractual fee shifting provision is an exception to the American Rule that parties bear their own attorneys’ fees.¹⁸¹ To recover under this provision, Greenfield must establish that it is the “prevailing party.”¹⁸² A prevailing party provision requires “an all-or-nothing approach involving an inquiry into which party predominated in the litigation” by prevailing on the case’s “chief issue.”¹⁸³

Here, Chaney prevailed on Greenfield’s claims against him under the Side Letter. Greenfield did not prove that he breached any provision of the Side Letter. He is entitled to recover his “reasonable expenses and costs in enforcing th[e] Side Letter, including attorneys’ fees” incurred in defending those claims.¹⁸⁴

¹⁷⁹ Side Letter § 20.

¹⁸⁰ Token Warrant § 8.1.

¹⁸¹ *Bako Pathology LP v. Bakotic*, 288 A.3d 252, 280 (Del. 2022).

¹⁸² Token Warrant § 8.1.

¹⁸³ *Bako Pathology*, 288 A.3d at 281.

¹⁸⁴ Token Warrant § 8.1; Side Letter § 20.

Greenfield, by contrast, established Fancurve's liability for breach of the Side Letter by default. The supplemental submission must address whether Greenfield is entitled to recover fees and costs from Fancurve under the incorporated fee-shifting provision, including whether it preserved that request and how the provision applies to the differing outcomes against Fancurve and Chaney. I reserve decision on Greenfield's entitlement to fees from Fancurve and the amounts of any fee award pending these submissions.

III. CONCLUSION

Greenfield failed to prove that Chaney breached the Side Letter. Judgment on Count IV is entered for Chaney. Insofar as Count IV concerns Sections 1 and 7 of the Side Letter, Fancurve's liability to Greenfield is established by default. Fancurve's breach of Section 1(c) of each SAFE under Count V is established by default. Judgment on Count IV as to Section 5 of the Side Letter is entered for Fancurve. The appropriate monetary relief against Fancurve—including the availability of restitution, the amounts recoverable, and associated interest—remains reserved pending the supplemental submission requested above.

Because it is not the prevailing party against Chaney, Greenfield's request for fees from him is denied. Chaney is the prevailing party under the Side Letter and entitled to recover his reasonable fees and costs. He must submit a Rule 88 affidavit

within 14 days. Greenfield will have 14 days to respond. Greenfield's entitlement to fees and costs from Fancurve remains reserved pending those submissions.

After the remaining remedial and fee-shifting issues are resolved, the parties will be directed to confer on and file a proposed final order and judgment.