

COURT OF CHANCERY OF THE STATE OF DELAWARE

The Gregory M. Raiff 2000 Trust v. Jenzabar, Inc.

C.A. No. 2024-0368-LWW (Del. Ch. Apr. 13, 2026) · No. C.A. No. 2024-0368-LWW · Decided April 13, 2026

SUMMARY

The Delaware Court of Chancery dismissed a stockholder action against Jenzabar, Inc. directors and related parties. The court held that the alleged dilution, overpayment, and fiduciary-duty claims were derivative rather than direct, that indemnification-related claims were unripe, and that the remaining claims were untimely. The action was dismissed in full under Rules 12(b)(1), 12(b)(6), and 23.1.

CASE DETAILS

COURT	Court of Chancery of the State of Delaware
WRITING FOR THE COURT	Will, Vice Chancellor
JURISDICTION	Court of Chancery of the State of Delaware
DECIDED	April 13, 2026
DOCKET	C.A. No. 2024-0368-LWW
DISPOSITION	dismissed
PROCEDURAL POSTURE	Defendants moved to dismiss the First Amended Complaint under Court of Chancery Rules 12(b)(1), 12(b)(6), and 23.1. After stockholder intervenors replaced the original plaintiff and adopted the operative complaint, the court granted the motions to dismiss.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, accepts vague allegations if they provide notice of the claim, and draws reasonable inferences for the nonmoving party, but need not accept strained interpretations or conclusory allegations unsupported by specific facts. The plaintiffs bore the burden on the Rule 12(b)(1) subject-matter-jurisdiction issue, and the court could consider evidence outside the pleadings. The direct-versus-derivative determination is a question of law.
PRECEDENTIAL VALUE	published

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QUESTIONS PRESENTED

1. Whether the plaintiffs' claims concerning dilution, overpayment, and extraction of corporate assets were direct claims, derivative claims, or both.
2. Whether the claims challenging Jenzabar's advancement or potential indemnification of Maginn were ripe for adjudication.
3. Whether the claims based on alleged misconduct occurring between 2010 and 2015 were barred by the applicable three-year limitations period and whether any tolling doctrine applied.
4. Whether the claims were subject to the standing and demand requirements applicable to derivative actions under Court of Chancery Rule 23.1.

HOLDINGS

1. Claims alleging that insiders caused Jenzabar to issue cash and equity to them, thereby harming the corporation and secondarily diluting minority stockholders, are exclusively derivative absent an applicable exception. A creeping accumulation of stock over a decade was not a Revlon transaction, and alleged dilution from corporate overpayment did not constitute the type of defensive entrenchment addressed in Gaylord.
2. Claims challenging or seeking relief concerning Maginn's indemnification were unripe because Jenzabar had advanced legal fees and posted an appeal bond but had not made a final indemnification determination, and the contractual adjudicatory process remained ongoing.
3. The claims based on alleged dilution, overpayment, and related misconduct occurring between 2010 and 2015 were subject to a three-year limitations period, accrued no later than 2015, and were time-barred when the action was filed in April 2024. None of the asserted tolling doctrines applied because the plaintiffs were on inquiry notice by at least July 2014.

KEY QUOTATIONS

"These are quintessential derivative claims." (10)

"Under settled principles of Delaware law, 'indemnification claims do not typically ripen until after the merits of an action have been decided, and all appeals have been resolved.'" (16-17)

"Because this suit was filed over six years after the statute of limitations expired, it is time-barred." (25-26)

FACTUAL BACKGROUND

Jenzabar, a Delaware corporation, was founded by Ling Chai and Robert A. Maginn, Jr., who served at various times as officers and directors. The plaintiffs alleged that Maginn, Chai, and affiliated insiders increased their ownership of Jenzabar from approximately 18% in 2010 to approximately 91% in 2021 through allegedly improper compensation, stock issuances, dilution, and removal of other holders from capitalization records. Jenzabar also advanced Maginn's legal fees and posted an appeal bond in connection with prior litigation in which Maginn was ordered to pay approximately \$30.7 million for usurping a corporate opportunity. At the time of this action, Jenzabar had not made a final determination whether Maginn was entitled to indemnification.

PROCEDURAL HISTORY

The Trust filed the action on April 5, 2024, and filed the First Amended Complaint on April 1, 2025, asserting thirteen causes of action styled as direct and derivative claims. The court permitted three stockholders to intervene and directed them to adopt the complaint; they dropped the civil-conspiracy count. The court dismissed the action because the purported direct claims were derivative, the indemnification-related claims were unripe, and the remaining claims were untimely.

DISPOSITION

dismissed

CASES CITED

- Freedman v. Adams, 2012 WL 1345638, at *5 (Del. Ch. Mar. 30, 2012)
- In re Books-A-Million, Inc. S'holders Litig., 2016 WL 5874974, at *1 (Del. Ch. Oct. 10, 2016), aff'd, 164 A.3d 56 (Del. 2017) (TABLE)
- Deane v. Maginn, 2022 WL 16557974 (Del. Ch. Nov. 1, 2022), aff'd, 338 A.2d 1292 (Del. 2025) (TABLE)
- TVI Corp. v. Gallagher, 2013 WL 5809271, at *14 (Del. Ch. Oct. 28, 2013)
- Brookfield Asset Mgmt., Inc. v. Rosson, 261 A.3d 1251, 1262-67 (Del. 2021)
- In re Gen. Motors (Hughes) S'holder Litig., 897 A.2d 162, 168 (Del. Ch. 2006)
- In re Lukens Inc. S'holders Litig., 757 A.2d 720, 727 (Del. Ch. 1999), aff'd sub nom. Walker v. Lukens, Inc., 757 A.2d 1278 (Del. 2000) (TABLE)
- Savor, Inc. v. FMR Corp., 812 A.2d 894, 896-97 (Del. 2002)
- Hartsel v. Vanguard Gp., Inc., 2011 WL 2421003, at *16 (Del. Ch. June 15, 2011), aff'd, 38 A.3d 1254 (Del. 2012) (TABLE)
- Tooley v. Donaldson, Lufkin & Jenrette, Inc., 845 A.2d 1031, 1033 (Del. 2004)
- Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc., 506 A.2d 173 (Del. 1986)
- In re Paxson Commc'n Corp. S'holders Litig., 2001 WL 812028, at *7 (Del. Ch. July 12, 2001)
- In re Gaylord Container Corp. S'holders Litig., 747 A.2d 71, 74, 79 (Del. Ch. 1999)
- In re MAXXAM, Inc./Federated Dev. S'holders Litig., 698 A.2d 949, 954 (Del. Ch. 1996)
- Advanced Min. Sys., Inc. v. Fricke, 623 A.2d 82, 84 (Del. Ch. 1992)
- Homestore, Inc. v. Tafeen, 888 A.2d 204, 211 (Del. Ch. 2005)
- Senior Tour Players 207 Mgmt. Co. v. Golftown 207 Hldg. Co., 853 A.2d 124, 128 (Del. Ch. 2004)

- XL Specialty Ins. v. WMI Liquidating Tr., 93 A.3d 1208, 1217-18 (Del. 2014)
- InterMune, Inc. v. Harkonen, 2024 WL 3619692, at *16 (Del. Ch. Aug. 1, 2024)
- Town of Cheswold v. Cent. Del. Bus. Park, 188 A.3d 810, 816 (Del. 2018)
- Kraft v. WisdomTree Invs., Inc., 145 A.3d 969, 983 (Del. Ch. 2016)
- In re Am. Int'l Gp., Inc., 965 A.2d 763, 812 (Del. Ch. 2009)
- Murray v. Rolquin, 2023 WL 2421687, at *10 (Del. Ch. Mar. 9, 2023), aff'd sub nom. McGuigan v. Murray, 319 A.3d 271 (Del. 2024) (TABLE)
- Pomeranz v. Museum P'rs, L.P., 2005 WL 217039, at *3 (Del. Ch. Jan. 24, 2005)
- Lebanon Cnty. Empls.' Ret. Fund v. Collis, 287 A.3d 1160, 1214 (Del. Ch. 2022)

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