Portfolio Media. Inc. | 101 Park Avenue 24th Floor | New York, NY 10178 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

AI Firm's $170M Merger Built On False Promises, Suit Says

By **Jarek Rutz**

Law360 (November 12, 2026, 8:04 PM EST) -- The founders of technology company Constellation Network Inc. have accused artificial intelligence holding company AIAI Holdings Corp. and its chairman of fraudulently enticing them into a $170 million merger, then withholding promised funding that left their business on the brink of collapse.

In a Delaware Chancery Court complaint unsealed Tuesday, Benjamin Jorgensen and Benjamin Diggles allege that AIAI and Chairman John P. Rochon misrepresented both the value of the company's AI technology and Rochon's willingness to finance the deal. Alongside a shareholder representative, they seek nearly $20 million in unpaid funding, 12.5 million additional AIAI shares and damages for alleged fraud.

In a June 6 email, Rochon warned Jorgensen that "[r]eal men don't sue and you are fully capable of showing up in the back alley alone!" according to the complaint.

Jorgensen and Diggles founded Constellation in 2017, developing technology to verify data through decentralized networks and serving customers including the U.S. Department of Defense, according to the complaint. AIAI agreed to acquire the company under a Jan. 23 merger agreement, and the transaction closed on May 6. Constellation's shareholders exchanged their equity for approximately 8.5 million AIAI shares and share-equivalents valued at $20 apiece, for a total of about $170.2 million.

The merger agreement required AIAI to contribute $5 million to Constellation within five days of closing and another $20 million within 45 days, providing cash to expand Constellation's operations. According to the complaint, neither deadline was met.

The plaintiffs say AIAI had contributed just under $5.1 million toward the $25 million commitment by Oct. 30, leaving about $19.9 million outstanding. Constellation furloughed or laid off most employees on Oct. 16, and both founders furloughed themselves on Oct. 26, according to the suit.

The agreement also required AIAI to give former Constellation shareholders 12.5 million additional shares if the promised funding was not provided on time, the complaint says. Shareholder Representative Services LLC, which represents the former shareholders, argues that the provision is mandatory and does not erase the cash obligation.

AIAI disputed the share count in a Sept. 29 response, saying "the 12,500,000 share figure reflects a scrivener's error; the agreed number is 1,250,000," according to the complaint. The plaintiffs counter that the larger figure appears in signed versions of the merger agreement filed with the U.S. Securities and Exchange Commission and that AIAI hasn't issued either of the share amounts.

The fraud allegations go beyond missed payments. Rochon allegedly claimed his family office had $75 million available to support AIAI and touted proprietary AI backed by more than a billion lines of code. The plaintiffs say the promised technology was never demonstrated or supplied to Constellation, while Rochon-controlled entities spent approximately $126.8 million buying AIAI shares from another shareholder without providing proceeds to Constellation.

The founders contend they would not have surrendered their equity had they known those assurances were false. They seek damages based on the value of their former Constellation holdings, less the value of AIAI shares retained.

The shareholder representative also seeks a court order compelling payment of the outstanding cash, delivery of the additional shares and a separate $200,000 expense fund. It argues the contract expressly permits court-ordered performance and reimbursement for losses from breaches and inaccurate disclosures.

Representatives for the parties did not immediately respond to requests for comment Thursday.

The plaintiffs are represented by William M. Alleman Jr. of Meluney Alleman & Spence LLC, and Aaron T. Morris, Andrew W. Robertson and William H. Spruance of Morris Kandinov LLP.

Counsel information for the defendants was not immediately available Thursday.

The case is Benjamin Jorgensen et al. v. AIAI Holdings Corporation et al., case number 2026-1468, in the Court of Chancery of the State of Delaware.

--Editing by Melissa Treolo.

All Content © 2003-2026, Portfolio Media, Inc.