

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

HAYDEN GATEWAY LLC, et al. v. ADVANCED FLOWER
CAPITAL INC., et al.

Hayden Gateway LLC v. Advanced Flower Capital Inc., Civil Action No. 25-2789 (ZNQ) (JBD) (D.N.J. Nov. 29, 2025) (not for publication) · No. Civil Action No. 25-2789 (ZNQ) (JBD) · Decided November 29, 2025

SUMMARY

The United States District Court for the District of New Jersey denied defendants’ motion to dismiss an amended complaint arising from cannabis-related financing agreements. The court held that plaintiffs plausibly alleged waiver of an audited-financial-statements requirement, an enforceable oral modification or equitable estoppel concerning reopening a Pennsylvania facility, breaches of the implied covenant of good faith and fair dealing, and a claim under New York UCC § 9-625. The court also held that plaintiffs’ declaratory-judgment claim concerning the loan balance presented a sufficiently live and relevant controversy.

CASE DETAILS

COURT	United States District Court for the District of New Jersey
WRITING FOR THE COURT	Zahid N. Quraishi
JURISDICTION	United States District Court for the District of New Jersey
DECIDED	November 29, 2025
DOCKET	Civil Action No. 25-2789 (ZNQ) (JBD)
DISPOSITION	denied
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the amended complaint, which asserted claims for breach of contract, breach of the implied covenant of good faith and fair dealing, relief under section 9-625 of the New York Uniform Commercial Code, and declaratory relief concerning the loan balance.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court identifies the elements of each claim, accepts well-pleaded factual allegations as true and construes the complaint in the plaintiff’s favor, disregards bare legal conclusions and unsupported accusations, and determines whether the alleged facts plausibly show entitlement to relief.
PRECEDENTIAL VALUE	unpublished, nonprecedential

PARTIES

Hayden Gateway LLC, Bloc Dispensary LLC, JG HoldCo LLC v.
Advanced Flower Capital Inc., AFC Agent LLC

TOPICS

breach of contract implied covenant of good faith motions to dismiss declaratory judgment
uniform commercial code

PRACTICE AREAS

contract law commercial litigation civil procedure secured transactions remedies

QUESTIONS PRESENTED

1. Whether Plaintiffs plausibly alleged breach of contract despite failing to provide audited financial statements when the complaint alleged that Defendants waived that requirement.
2. Whether Plaintiffs plausibly alleged an enforceable oral modification or equitable estoppel concerning Defendants' alleged promise not to foreclose on the Pennsylvania facility.
3. Whether Plaintiffs stated a claim for breach of the implied covenant of good faith and fair dealing based on Defendants' alleged waiver and conduct concerning the loan and Pennsylvania facility.
4. Whether Plaintiffs stated a claim under section 9-625 of the New York Uniform Commercial Code based on alleged threats to seize and sell collateral.
5. Whether Plaintiffs' declaratory-judgment claim concerning the amount due under the loan presented a ripe and appropriate controversy for federal adjudication.

HOLDINGS

1. Plaintiffs plausibly alleged adequate performance because Defendants' conduct could establish waiver of the contractual requirement to provide audited financial statements.
2. Plaintiffs plausibly alleged an enforceable oral modification of the parties' agreement and, independently, a basis for equitable estoppel; therefore, the breach-of-contract claim concerning the Pennsylvania facility survived dismissal.
3. Plaintiffs plausibly stated a claim for breach of the implied covenant based on allegations that Defendants waived the audited-financial-statement requirement and later attempted to enforce it, and the claim was not rendered moot by Defendants' other alleged defaults.
4. Plaintiffs plausibly stated a claim under New York UCC section 9-625 because they alleged that Defendants threatened to seize and sell collateral under section 9-610 despite plausible allegations of waiver and equitable estoppel.
5. Plaintiffs' claim seeking a declaration of the amount due under the loan was ripe and appropriate for adjudication because the parties had a concrete dispute over principal and interest, the loan maturity was imminent, and uncertainty impaired Plaintiffs' ability to refinance.

KEY QUOTATIONS

“A facially plausible claim “allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”” (Section III)

“Plaintiffs should not have to risk being unable to refinance the Loan merely because the parties dispute how much is due and owing.” (Section IV.B.1)

“For the reasons stated above, the Court will DENY Defendants’ Motion to Dismiss.” (Conclusion)

FACTUAL BACKGROUND

Plaintiffs, affiliated cannabis businesses operating in New Jersey and Pennsylvania, borrowed money from Defendants to finance cannabis facilities and dispensaries. The parties repeatedly amended the loan, ultimately entering a March 2024 forbearance agreement that included a cash sweep, account control, and other lender protections. Plaintiffs alleged that Defendants waived the requirement for audited financial statements and later agreed not to foreclose on a Pennsylvania facility while Plaintiffs pursued renewal of its operating license. Plaintiffs further alleged that Defendants breached those arrangements, seized nearly \$2 million from Plaintiffs' accounts, threatened collateral dispositions, and disputed the amount due under the loan, which matured in May 2026.

PROCEDURAL HISTORY

Plaintiffs filed the action on April 17, 2025, seeking emergency injunctive relief. The Court entered a temporary restraining order and later granted a preliminary injunction, finding that Plaintiffs were likely to succeed on claims concerning the Reopening Agreement and implied covenant and that Defendants had waived the audited-financial-statement requirement. Plaintiffs filed an amended complaint on July 11, 2025. After supplemental briefing concerning Internal Revenue Code section 856 and the parties' Credit Agreement, the Court denied Defendants' motion to dismiss in its entirety.

DISPOSITION

denied

CASES CITED

- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555 (2007)
- Conley v. Gibson, 355 U.S. 41, 47 (1957)
- Malleus v. George, 641 F.3d 560, 563 (3d Cir. 2011)
- Ashcroft v. Iqbal, 556 U.S. 662, 675, 678-79 (2009)
- Fowler v. UPMC Shadyside, 578 F.3d 203, 210-11 (3d Cir. 2009)
- Hedges v. United States, 404 F.3d 744, 750 (3d Cir. 2005)
- Kehr Packages, Inc. v. Fidelcor, Inc., 926 F.2d 1406, 1409 (3d Cir. 1991)
- Weiner v. AXA Equit. Life Ins. Co., 113 F.4th 201, 214 (2d Cir. 2024)
- Kamco Supply Corp. v. On the Right Track, LLC, 149 A.D.3d 275, 281 (N.Y. App. Div., 2d Dep't 2017)

- Rose v. Spa Realty Assocs., 366 N.E.2d 1279, 1283 (N.Y. 1977)
- Aiello v. Burns Int'l Sec. Svcs. Corp., 110 A.D.3d 234, 245 (N.Y. App. Div., 1st Dep't 2013)
- Stassa v. Stassa, 123 A.D.3d 804, 806 (N.Y. App. Div., 2d Dep't 2014)
- Fundamental Portfolio Advisors, Inc. v. Tocqueville Asset Mgmt., L.P., 850 N.E.2d 653, 658 (N.Y. 2006)
- Towers Charter & Marine Corp. v. Cadillac Insurance Co., Towers Charter & Marine Corp. v. Cadillac Ins. Co., 894 F.2d 516, 522 (2d Cir. 1990)
- L & B 57th St., Inc. v. E.M. Blanchard, Inc., 143 F.3d 88, 90 (2d Cir. 1998)
- John Street Leasehold LLC v. F.D.I.C., 196 F.3d 379, 381-82 (2d Cir. 1999)
- In re Ionosphere Clubs, Inc., 85 F.3d 992, 999 (2d Cir. 1996)
- Kosakow v. New Rochelle Radiology Assocs., P.C., 274 F.3d 706, 725 (2d Cir. 2001)
- In re Vebeliunas, 332 F.3d 85, 93-94 (2d Cir. 2003)
- Eujoy Realty Corp. v. Van Wagner Commc'ns, 4 N.E.3d 336, 344 (N.Y. 2013)
- Messner Vetere Berger McNamee Schmetterer Euro RSCG Inc. v. Aegis Grp. PLLC, 711 N.E.2d 953, 958 (N.Y. 1999)
- Pitcairn Props., Inc. v. LJI 33rd St. Assocs., LLC, Civ. No. 11-7318, 2012 WL 6082398, at *5 (S.D.N.Y. Nov. 20, 2012)
- Novick v. AXA Network, LLC, 642 F.3d 304, 312 (2d Cir. 2011)
- Dweck Law Firm, L.L.P. v. Mann, 340 F. Supp. 2d 353, 358 (S.D.N.Y. 2004)
- DAOL Rexmark Union Station LLC v. Union Station Sole Member, LLC, 772 F. Supp. 3d 373, 408 (S.D.N.Y. 2025)
- Nat'l Shooting Sports Found. v. Att'y Gen. of New Jersey, 80 F.4th 215, 219 (3d Cir. 2023)
- Foulke v. Twp. of Cherry Hill, Civ. No. 23-2543, 2025 WL 1245759, at *6 (D.N.J. Apr. 30, 2025)
- Texas v. U.S., 523 U.S. 296, 300 (1998)
- Abbott Lab'ys v. Gardner, 387 U.S. 136, 149 (1967)
- Califano v. Sanders, 430 U.S. 99 (1977)
- Phila. Fed'n of Teachers, Am. Fed'n of Teachers, Local 3, AFL-CIO v. Ridge, 150 F.3d 319, 323 (3d Cir. 1998)
- Felmeister v. Office of Atty. Ethics, 856 F.2d 529, 537 (3d Cir. 1988)
- Travelers Ins. Co. v. Obusek, 72 F.3d 1148, 1154-55 (3d Cir. 1995)
- Step-Saver Data Sys., Inc. v. Wyse Tech., 912 F.2d 643, 646-49 (3d Cir. 1990)
- Armstrong World Indus., Inc. v. Adams, 961 F.2d 405, 412 (3d Cir. 1992)
- Steffel v. Thompson, 415 U.S. 452, 460 (1974)
- Wilton v. Seven Falls Co., 515 U.S. 277, 286, 288 (1995)
- Kelly v. Maxum Specialty Ins. Grp., 868 F.3d 274, 282-83 (3d Cir. 2017)
- Reifer v. Westport Ins. Corp., 751 F.3d 129, 144 (3d Cir. 2014)