Mojtahedi v Craddock
2026 NY Slip Op 30550(U)
February 13, 2026
Supreme Court, New York County
Docket Number: Index No. 153659/2025
Judge: Lyle E. Frank

SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: **HON. LYLE E. FRANK** **PART** **11M**

Justice

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MICHAEL MOJTAHEDI,

Plaintiff,

- v -

CHRISTOPHER CRADDOCK, ROCKETSTAR, INC.

Defendant.

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INDEX NO. 153659/2025

MOTION DATE 09/17/2025

MOTION SEQ. NO. 003

DECISION + ORDER ON MOTION

The following e-filed documents, listed by NYSCEF document number (Motion 003) 36, 37, 38, 39, 40, 41, 53, 54

were read on this motion to/for DISMISSAL.

Upon the foregoing documents, the motion is granted in part.

Background

This proceeding is one of several lawsuits filed around the country that arises out of a dispute between shareholders and officers in an aerospace technology company, Rocketstar, Inc. Christopher Craddock is the founder of RocketStar (collectively, the "Defendants"), who solicited investment from individuals such as Plaintiff Mojtahedi, in part through the use of a Pitch Deck presentation. In early 2023, a merger with another technology company Miles Space, Inc., was proposed. A purported merger took place, but Miles Space now disclaims that merger, and it is the subject of other litigation.

Plaintiff alleges that he was fraudulently induced into investing one million into RocketStar based on representations made starting with the Pitch Deck and throughout the following years. Plaintiff made a further loan to RocketStar that was secured by a promissory note, and likewise alleges that false representations were made as to the intended use of the

funds. It is alleged that the funds from both investments were misappropriated and spent before the proposed merger was to take place. The merger, as stated above, failed.

The Agreements at Issue

Relevant for this motion, Plaintiff's investments into RocketStar and other agreements with the company were memorialized in the form of a convertible note in February of 2023 (the "Convertible Note), a series seed preferred stock purchase agreement in July of 2023 (the "2023 SPA"), an updated series seed preferred stock purchase agreement in January of 2024 (the "2024 SPA"), and a promissory note in April of 2024 (the "2024 Note"). In connection with the funding of the Miles Space acquisition, Plaintiff agreed to appoint a non-party, Mr. Berkson, to the RocketStar board of directors. He alleges that Defendants concealed certain information about Mr. Berkson's financial and legal troubles that they were obligated to disclose. In yet another agreement in December of 2023 (the "Compensation Agreement"), Plaintiff paid for RocketStar's legal fees leading up to the Miles Space acquisition and the company agreed to reimburse him for these fees. To date, the full amount has not been reimbursed.

RocketStar's Problems Mount

In late June of 2024, the company bank account was in the negative and Craddock announced that all RocketStar employees were furloughed. Shortly thereafter, Miles Space attempted to unilaterally rescind the merger that had purportedly closed in an October summit. At a RocketStar board meeting in August of 2024, Craddock was removed as CEO. The next day, Craddock purported to dissolve the entire board. An Article 78 books and records special proceeding filed by Plaintiff ensued, as a result of which Plaintiff was temporarily CEO of RocketStar. Plaintiff resigned as Interim CEO in December of 2024, and a few months later he instituted this present proceeding.

In the amended complaint, Plaintiff asserts claims for 1) breach of contract related to the Convertible Note, the 2023 and 2024 SPAs, the 2024 Note, and the Compensation Agreement; 2) fraudulent inducement as relates to the Convertible Note, the 2023 and 2024 SPAs, and the 2024 Note; 3) conversion; 4) constructive fraud; 5) negligent misrepresentation; and 6) negligence. Defendant Craddock is sued as an individual under a piercing the corporate veil theory. Defendants have appeared and bring the present pre-answer motion to dismiss the amended complaint. Plaintiff has moved (unopposed) to discontinue the cause of action for fraudulent inducement on the 2024 Note as against Defendant Craddock and the cause of action for breach of the 2024 Note as against Defendant RocketStar.

Standard of Review

It is well settled that when considering a motion to dismiss pursuant to CPLR § 3211, "the pleading is to be liberally construed, accepting all the facts alleged in the pleading to be true and according the plaintiff the benefit of every possible inference." *Avgush v. Town of Yorktown*, 303 A.D.2d 340, 341 [2d Dept. 2003]. Dismissal of the complaint is warranted "if the plaintiff fails to assert facts in support of an element of the claim, or if the factual allegations and inferences to be drawn from them do not allow for an enforceable right of recovery." *Connaughton v. Chipotle Mexican Grill, Inc*, 29 N.Y.3d 137, 142 [2017].

CPLR § 3211(a)(1) allows for a complaint to be dismissed if there is a "defense founded upon documentary evidence." Dismissal is only warranted under this provision if "the documentary evidence submitted conclusively establishes a defense to the asserted claims as a matter of law." *Leon v. Martinez*, 84 N.Y.2d 83, 88 [1994]. A party may move for a judgment from the court dismissing causes of action asserted against them based on the fact that the pleading fails to state a cause of action. CPLR § 3211(a)(7). For motions to dismiss under this

provision, "[i]nitially, the sole criterion is whether the pleading states a cause of action, and if from its four corners factual allegations are discerned which taken together manifest any cause of action cognizable at law." *Guggenheimer v. Ginzburg*, 43 N.Y. 2d 268, 275 [1977].

Discussion

Defendants move to dismiss the complaint on the grounds that the claims are barred by the terms of the various agreements or fail to state a claim. Plaintiff opposes. For the reasons that follow, the motion is granted as to the second cause of action but denied as to the remainder.

The Second Cause of Action is Barred by The Integration Clause in the 2023 Note

Plaintiff pleads several causes of action that are based on alleged misrepresentations and omissions. Defendants' arguments for dismissal of the claims sounding in fraud and misrepresentation are largely grounded in the integration clauses contained in the 2023 Note and both SPAs.[1] These provisions state that Plaintiff was not relying on representations and warranties made outside the terms of the agreements themselves and the representations made therein. In reply, Plaintiff argues that his claims are not barred by the respective integration clauses because the alleged misrepresentations are not disclaimed by the agreements.

The general rule is that a valid integration clause bars claims that rely on prior written or oral agreements that are contrary to the terms of the agreement containing the integration clause. *See, e.g., Societe Financiere de Banque v. Bitter-Larkin*, 248 A.D.2d 298, 298 [1st Dept. 1998]; *Suber v. Churchill Owners Corp.*, 228 A.D.3d 414, 415 [1st Dept. 2024] (holding that "the specific disclaimers and a merger clause bar claims arising out of reliance on purported representations). This is in part because under the parol evidence rule, extrinsic evidence is only

[1] The Court notes that while Defendants have a single conclusory statement that the second, fourth, fifth, sixth, eighth, and ninth causes of action should be dismissed based on integration clauses, they only make arguments regarding the 2023 Note and the two SPAs. Therefore, the Court will confine its dismissal analysis to the causes of action relating to these agreements.

permitted for consideration to interpret ambiguous terms in an agreement, not to add or alter a provision (such as an integration or warranties clause). *Schron v. Troutman Sanders LLP*, 20 N.Y.3d 430, 436 [2013].

Here, the merger clause in the 2023 Note states that Plaintiff acknowledges that he was only relying on the statements, warranties, and representations made by RocketStar within the 2023 Note, an independent investigation, and consultations with his legal and financial advisors. The provision ends by reiterating "in entering into this Note no reliance was placed by the Holder upon any representations or warranties other than those contained in this Note." The (mis)representations that Plaintiff alleges he relied on in relation to this document include those made around the time of the Pitch Deck, in which Craddock allegedly failed to disclose RocketStar's current financial condition and "grossly inflat[ed] the sales pipeline and future prospects of RocketStar." The 2023 Note states that it is one of a series of convertible promissory notes issued by RocketStar "in a debt financing in which the Borrower may raise up to $2,000,000."

Plaintiff argues that there were misrepresentations of then-present facts going to the intended purpose of the funds, which were not used for debt financing purposes. Generally, misrepresentations of then-present facts can sustain a claim for fraudulent inducement. *See, e.g., MREF REIT Lender 2 LLC v. FPG Maiden Holdings LLC*, 233 A.D.3d 482, 485 [1st Dept. 2024]. But when there is a valid merger clause, claims of fraudulent inducement are barred. *See, e.g., Gen. Bank v. Mark II Imps., Inc.*, 293 A.D.2d 328, 329 [1st Dept. 2002].

To the extent that Plaintiff relied on any representations as to the health of the company, such claims were extinguished when the merger clause was signed. To the extent that any reliance was made on representations that are in the 2023 Note and therefore not barred by a

merger clause (i.e., that the funds were to be used for debt financing and were in fact intended to be used for personal reasons), a fraudulent inducement claim would be duplicative of a breach of contract claim. Plaintiff cites to *TIAA*, but that is applying an exception to merger clauses found in real estate transactions. *TIAA Global Invs., LLC v. One Astoria Sq. LLC*, 127 A.D.3d 75, 87 [1st Dept. 2015]. Therefore, dismissal of the second cause of action is proper.

The Fifth Cause of Action Is Not Barred by the Merger Clause Under Delaware Law

Plaintiff's fifth cause of action is for fraudulent inducement as relates to the 2023 and 2024 SPAs. He alleges that Craddock, among other things, misrepresented the financial health of RocketStar, the intended purpose of the funds received, and that the funds would be held in escrow until closing. Defendant moves to dismiss this cause of action on the grounds that it is barred by the merger clause. This clause reads that the agreements are "the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled." Plaintiff opposes the motion, arguing that the escrow agreement was separate from the SPAs and was not covered by the SPA subject matter. Under clause 6.3 of the SPAs, these agreements are governed by Delaware law.

There are several reasons why the merger clauses do not bar the fifth cause of action. First, representations were made regarding the holding of the funds in escrow *after* the SPAs were signed. Therefore, the escrow agreement alleged is clearly a separate agreement. In that case, the merger clause does not bar the claim, as that clause applies only to the subject matter of the SPAs and not a separate agreement. Furthermore, in Delaware, claims of fraudulent inducement are distinguished based on "claims based on representations made *outside* of a merger agreement – which *can* be disclaimed through non-reliance language – with fraud claims

cased on 'false representation[s] of fact made *within* the contract itself' – which cannot be disclaimed." *RAA Mgmt., LLC v. Savage Sports Holdings, Inc.*, 45 A.3d 107, 117 [Del. Sup. 2012] (emphasis in original). Here, Plaintiff alleges that the representation in the SPAs that the funds would be used for general corporate purposes was an intentionally false statement of fact. And finally, that Plaintiff also alleges a claim for breach of contract for the SPAs does not bar the fraud claim. In Delaware, so long as a claim is "based on conduct that is separate and distinct from the conduct constituting" breach of contract, a fraud claim can be sustained. *Ashland LLC v. Samuel J. Heyman 1981 Continuing Trust ex rel. Heyman*, 2018 De. Super. LEXIS 267, * 35 [Del. Super. 2018]. Therefore, Defendants have not met their burden to dismiss the fifth cause of action.

The First Cause of Action States a Valid Claim

Plaintiff's first cause of action pleads breach of contract related to the 2023 Note. Specifically, Plaintiff alleges that the 2023 Note contains an express provision stating that the funds were to be used for debt financing. He also alleges that he was not issued shares upon the initial closing as contemplated by the 2023 Note, nor was he paid when the contemplated conversion to series seed equity failed to occur. Defendants move to dismiss based on the ground that this cause of action fails to state a valid claim. They argue that the language stating that the 2023 Note was part of a series of notes for the purposes of debt financing was not an express promise. This argument fails, however, to meet the high burden on a motion to dismiss. Defendants also argue that the funds were used for general corporate purposes. This is an area of disputed fact, however, as Plaintiff clearly alleges that the funds were used for Craddock's personal expenses. Finally, Defendant argues that the 2023 Note was in fact appropriately converted. But as Plaintiff points out, there are disputed areas of fact going to whether the

necessary preconditions to deem the 2023 Note satisfied were met. Furthermore, Defendants purported to convert the note funds into shares six months after the purported merger occurred. Such a delay, given the alleged factual circumstances here, would not bar a claim that the 2023 Note was breached. *See, e.g.*, *My Size, Inc. v. North Empire LLC*, 213 A.D.3d 613, 614 [1st Dept. 2023] (holding that summary judgment on a breach action is inappropriate when there are issues of fact going to whether an intention delay in delivering stock was due to a failure to satisfy condition precedents). Therefore, dismissal of this claim would be improper.

The Third Cause of Action States a Valid Claim

In the third cause of action, Plaintiff pleads breach of contract as relates to the 2023 and 2024 SPAs. Plaintiff pleads various forms of breach, including a failure to use the funds for general corporate purposes, using the funds without consulting with the Board, failing to issue shares due upon the initial closing, and using the funds before the initial closing. Defendants move to dismiss this claim for failing to state a cause of action. They argue that they were permitted to use the funds from the 2023 SPA as of July 6, 2023, and that it was in management's sole discretion to determine what defined a corporate purpose. These arguments fail at this stage, however, as there are disputed areas of fact going to when the initial closing took place and how exactly the funds were used. There are also disputes as to whether Craddock had Board approval for the use of the funds, as was required in the SPAs. Neither have Defendants established that the SPAs can only be enforced through a derivative action. Therefore, dismissal of this cause of action would be improper. Accordingly, it is hereby

ADJUDGED that motion is granted in part; and it is further

ADJUDGED that the second cause of action is dismissed; and it is further

ORDERED that defendants are directed to serve an answer to the amended complaint within 20 days after service of a copy of this order with notice of entry.

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2/13/2026
DATE

LYLE E. FRANK, J.S.C.

CHECK ONE:		CASE DISPOSED			X	NON-FINAL DISPOSITION	
		GRANTED		DENIED	X	GRANTED IN PART	OTHER
APPLICATION:		SETTLE ORDER				SUBMIT ORDER	
CHECK IF APPROPRIATE:		INCLUDES TRANSFER/REASSIGN				FIDUCIARY APPOINTMENT	REFERENCE