

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND

Democracy Capital Corporation v. Robert F. McDermott, Jr., et al.

Democracy Capital · No. Civil No. 25-1654-BAH · Decided February 13, 2026

SUMMARY

The United States District Court for the District of Maryland partially granted Defendants’ motion to stay proceedings in a dispute concerning payments allegedly subject to subordination agreements. The court stayed Count V, which concerns post-bankruptcy payments, pending the Bankruptcy Court’s interpretation of the confirmed Chapter 11 liquidation plan, while allowing Counts I through IV to proceed. The court denied Defendants’ motion to dismiss without prejudice.

CASE DETAILS

COURT	United States District Court for the District of Maryland
WRITING FOR THE COURT	Brendan A. Hurson
JURISDICTION	United States District Court for the District of Maryland
DECIDED	February 13, 2026
DOCKET	Civil No. 25-1654-BAH
DISPOSITION	other
PROCEDURAL POSTURE	Defendants removed Plaintiff's Maryland state-court action to federal district court and moved to stay the action pending the Bankruptcy Court's interpretation of a confirmed Chapter 11 liquidation plan and to dismiss Count V on res judicata grounds.
STANDARD OF REVIEW	A stay is committed to the district court's discretion and requires a case-specific balancing of judicial economy, hardship and equity to the moving party, and potential prejudice to the nonmoving party.
PRECEDENTIAL VALUE	unpublished district court memorandum opinion; precedential status unknown

TOPICS

[civil procedure](#) [motions to dismiss](#) [bankruptcy](#) [res judicata](#) [breach of contract](#)

PRACTICE AREAS

[civil procedure](#) [bankruptcy](#) [commercial litigation](#) [contracts](#)

QUESTIONS PRESENTED

1. Whether the action should be stayed, in whole or in part, pending the Bankruptcy Court's adjudication of Defendants' Motion to Interpret the confirmed Chapter 11 liquidation plan.
2. Whether the entire action should be stayed when the Bankruptcy Court proceeding concerns only the post-bankruptcy-payment claim in Count V.
3. Whether Defendants' motion to dismiss Count V should be decided before the Bankruptcy Court interprets its own confirmed plan.

HOLDINGS

1. A partial stay was warranted because the Bankruptcy Court was already considering a first-filed motion involving interpretation of its own confirmed plan, and that court had the better vantage point to resolve the plan's preclusive effect.
2. The stay was limited to Count V; Counts I through IV were permitted to proceed.
3. The motion to dismiss Count V was denied without prejudice to renewal after the Bankruptcy Court ruled on the Motion to Interpret and any appeal was resolved.

KEY QUOTATIONS

“District courts have discretion to stay proceedings under their inherent authority “to control the disposition of the causes on their docket with economy of time and effort for itself, for counsel, and for litigants.””

(Section II.A)

“The same principle applies here, and a stay of Count V in this action would permit the Bankruptcy Court to rule on the Motion to Interpret its own prior order.” (Section II.B)

“Count V is stayed, but the case will progress as to Counts I through IV.” (Conclusion)

FACTUAL BACKGROUND

Democracy and Defendants executed subordination agreements in 2018 concerning loans and credit accommodations extended to Tessemae's LLC. Tessemae's filed a voluntary Chapter 11 petition in February 2023, and the Bankruptcy Court confirmed a plan of liquidation in August 2024 that incorporated a settlement agreement and reserved certain rights and claims. Democracy's Count V alleges that Defendants improperly received three post-bankruptcy payments, while Defendants sought Bankruptcy Court interpretation of the plan and argued that the plan barred the claim.

PROCEDURAL HISTORY

Plaintiff filed suit in the Circuit Court for Baltimore City on April 23, 2025. Defendants removed the action to the District of Maryland on May 23, 2025. The federal court considered Defendants' motion to stay and motion to dismiss, stayed Count V pending the Bankruptcy Court's decision on Defendants' Motion to Interpret, permitted Counts I through IV to proceed, and denied the motion to dismiss without prejudice.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand. Count V is stayed pending adjudication of the Bankruptcy Court's Motion to Interpret and resolution of any appeal; Counts I through IV may proceed. The motion to dismiss may be renewed after those proceedings.

CASES CITED

- Landis v. North American Co., 299 U.S. 248 (1936)
- Maryland v. Universal Elections, Inc., 729 F.3d 370, 375 (4th Cir. 2013)
- United States v. Georgia-Pacific Corp., 562 F.2d 294, 296 (4th Cir. 1977)
- Gibbs v. Green, LLC, 331 F. Supp. 3d 518, 525 (E.D. Va. 2018)
- Buzzell v. JP Morgan Chase Bank, No. 3:13-CV-668, 2015 WL 5254768, at *2 (E.D. Va. Sept. 9, 2015)
- In re Varat Enterprises, Inc., 81 F.3d 1310, 1315 (4th Cir. 1996)
- Stoll v. Gottlieb, 305 U.S. 165, 170-71 (1938)
- In re Russo-Chestnut, 522 B.R. 148, 157-58 (Bankr. D.S.C. 2014)
- In re Hazelwood, 513 B.R. 323, 330-31 (Bankr. W.D. Ky. 2014)
- In re Railworks Corp., 325 B.R. 709, 716 (Bankr. D. Md. 2005)
- In re Tomlin, 105 F.3d 933, 935, 941 (4th Cir. 1997)
- Monarch Life Insurance Co. v. Ropes & Gray, 65 F.3d 973, 983 (1st Cir. 1995)
- MVP Group International, Inc. v. Smith Mountain Industries, Inc., No. 2:11-CV-2608, 2012 WL 425010, at *1 (D.S.C. Feb. 9, 2012)
- Ellicott Machine Corp. v. Modern Welding Co., 502 F.2d 178, 180 n.2 (4th Cir. 1974)
- Volvo Construction Equipment North America, Inc. v. CLM Equipment, 386 F.3d 581, 594-95 (4th Cir. 2004)
- Travelers Indemnity Co. v. Bailey, 557 U.S. 137, 151 (2009)
- Waterproofing Specialties, Inc. v. Weaver Cooke Construction, LLC, 564 B.R. 276, 283 (E.D.N.C. 2017)
- In re Baltimore Marine Industries, 476 F.3d 238, 243 (4th Cir. 2007)
- Franklin v. Cleo AI Inc., Civ. No. 24-00146-JMC, 2024 WL 5007366, at *3 (D. Md. Dec. 6, 2024)
- OT, LLC v. Harford County, Maryland, Civ. No. GLR-17-2812, 2019 WL 4598010, at *7 (D. Md. Sept. 23, 2019)

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