

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND

Securities and Exchange Commission v. Daryl M. Davis

Davis · No. JRR-24-1908 · Decided December 16, 2025

SUMMARY

The United States District Court for the District of Maryland grants the Securities and Exchange Commission leave to supplement its pending motion for default judgment against Daryl M. Davis. The court identifies deficiencies concerning the factual and legal bases for liability, damages, interest, and injunctive relief, and permits Davis to respond to any supplemental filing.

CASE DETAILS

COURT	United States District Court for the District of Maryland
WRITING FOR THE COURT	Erin Aslan
JURISDICTION	United States District Court for the District of Maryland
DECIDED	December 16, 2025
DOCKET	JRR-24-1908
DISPOSITION	other
PROCEDURAL POSTURE	The Securities and Exchange Commission moved for default judgment against Daryl M. Davis in an action seeking civil penalties, interest, and injunctive relief. The matter was referred to Magistrate Judge Erin Aslan for a report and recommendation. The court declined to determine the merits of the motion because the Commission's submissions did not adequately establish liability, damages, or the requested relief, and granted leave to supplement the motion.
STANDARD OF REVIEW	A default-judgment motion requires the court to determine whether the well-pleaded allegations state a plausible claim for liability and independently determine damages and other relief based on evidence. Relief is limited by the type and amount demanded in the pleadings.
PRECEDENTIAL VALUE	Nonprecedential memorandum order

TOPICS

- default judgment
- default
- remedies
- injunctions
- civil procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the Commission's motion for default judgment adequately established the factual and legal bases for liability, damages, post-judgment interest, and injunctive relief.
2. Whether the Commission could seek disgorgement in the default-judgment motion when the Complaint sought a civil penalty rather than disgorgement.
3. Whether the court should deny the motion or permit the Commission to supplement it.

HOLDINGS

1. The Commission's motion and supporting memorandum did not provide an adequate basis to evaluate liability, damages, or other requested relief because they did not identify the elements of the claims, explain how the well-pleaded allegations satisfied those elements, or substantiate the damages and relief requested.
2. A default judgment may not differ in kind from, or exceed in amount, the relief demanded in the pleadings; therefore, the Complaint's request for a civil penalty constrained the relief available on the pending motion, which sought disgorgement instead.
3. The Commission would be permitted to supplement its pending motion for default judgment rather than having the motion denied outright, and Davis would be permitted to respond.

KEY QUOTATIONS

“Although the United States Court of Appeals for the Fourth Circuit has a strong policy that cases be decided on the merits, default judgment is appropriate when the adversary process has been halted because of an essentially unresponsive party.”

“Disgorgement is distinct from a civil penalty and is not alleged in the Commission’s Complaint, which anchors and constrains the scope of available relief.”

FACTUAL BACKGROUND

The Commission brought the action to enforce Davis's compliance with an administrative cease-and-desist order issued under the Advisers Act and Investment Company Act. The Complaint sought a \$184,767 civil penalty, interest, and injunctive relief. The Commission's default-judgment submissions instead sought, among other relief, disgorgement of \$184,767 and various forms of injunctive relief without adequately explaining the factual and legal bases for the requested relief.

PROCEDURAL HISTORY

The Commission filed the enforcement action on July 1, 2024. After the court issued an order to show cause concerning failure to prosecute, the Commission obtained an entry of default on September 11, 2025. Davis moved to vacate the entry of default, but Judge Julie R. Rubin denied that motion. The Commission then moved

for default judgment, and the matter was referred to Magistrate Judge Aslan. The court granted the Commission leave to supplement its motion and granted Davis leave to respond.

DISPOSITION

other

CASES CITED

- Entrepreneur Media, Inc. v. JMD Ent. Grp., LLC, 958 F. Supp. 2d 588, 593 (D. Md. 2013)
- Securities & Exch. Comm'n v. Lawbaugh, 359 F. Supp. 2d 418, 422 (D. Md. 2005)
- Frozen Wheels, LLC v. Potomac Valley Home Med., Inc., 2024 WL 1132092, at *3 (D. Md. Mar. 15, 2024)
- Frozen Wheels, LLC v. Potomac Valley Home Med., Inc., 2024 WL 6084697 (D. Md. Apr. 2, 2024)
- Ashcroft v. Iqbal, 556 U.S. 662 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544 (2007)
- Select Specialty Hosp. - Quad Cities, Inc. v. WH Administrators, Inc., 2020 WL 4569521, at *3 (D. Md. Aug. 7, 2020)
- Monge v. Portofino Ristorante, 751 F. Supp. 2d 789, 795 (D. Md. 2010)
- Securities & Exch. Comm'n v. Miller, 2024 WL 4534512, at *11 (D. Md. Oct. 21, 2024)
- United States Sec. & Exch. Comm'n v. Melton, 2025 WL 2807651, at *4 (M.D.N.C. Oct. 2, 2025)
- United States Sec. & Exch. Comm'n v. Johnson, 43 F.4th 382, 393 (4th Cir. 2022)
- United States v. Vardoulakis, 2010 WL 5137653, at *1 (D. Md. Dec. 9, 2010)
- United States v. Vardoulakis, 2011 WL 255810, at *2 (D. Md. Jan. 26, 2011)