MARYLAND DEBT RELIEF GUIDE

Chapter 11 Bankruptcy in Maryland

A complete guide for Maryland businesses and high-debt individuals — Subchapter V, reorganization plans, costs, and timeline.

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Contents

1	What Is Chapter 11 Bankruptcy?	3
2	Who Should Consider Chapter 11	3
3	Subchapter V — Small Business Track	4
4	The Chapter 11 Process	4
5	Debtor-in-Possession Operations	5
6	Maryland Chapter 11 Timeline	5
7	What Does Chapter 11 Cost?	6
8	Individual Chapter 11 in Maryland	6
9	Frequently Asked Questions	6
	Schedule a Free Consultation	7

1. What Is Chapter 11 Bankruptcy?

Chapter 11 is **reorganization bankruptcy** — it lets a business (or a high-debt individual) restructure debts while continuing to operate. Maryland cases are filed in the **U.S. Bankruptcy Court for the District of Maryland**, and the debtor usually remains in control as a **debtor-in-possession** under court supervision.

Unlike Chapter 7, the goal of Chapter 11 is not liquidation. The goal is a confirmed **Plan of Reorganization** that adjusts payment terms with creditors, sheds unprofitable contracts, and gives the business a sustainable path forward.

> **Key takeaway**
> Chapter 11 keeps the business open and the employees working. Subchapter V has made it dramatically faster and cheaper for Maryland small businesses under $7.5M in debt.

2. Who Should Consider Chapter 11

- **Small businesses** needing to restructure secured debt, leases, or vendor contracts
- **Corporations and LLCs** (they cannot use Chapter 13)
- **Real estate investors** restructuring multiple mortgage obligations
- **High-debt individuals** whose debts exceed Chapter 13 limits ($2.75M combined)
- **Businesses with viable operations** but unsustainable balance sheets

3. Subchapter V — Small Business Chapter 11

The Small Business Reorganization Act of 2019 created **Subchapter V**, a streamlined Chapter 11 designed for businesses with debts under **$7.5 million**. It is the most important Chapter 11 development in a generation and dominates small-business filings in Maryland.

Feature	Traditional Chapter 11	Subchapter V
Plan deadline	No fixed deadline	90 days
Disclosure statement	Required	Not required
Standing trustee	No	Yes
Creditor committee	Usually	Rare
Owner equity	Often diluted	Owner keeps equity
Cost	$$$$	$$

4. The Chapter 11 Process

1. **Pre-filing planning** — Cash forecasts, restructuring strategy, secured-lender negotiations.
2. **Petition filed** — Automatic stay halts collections, lawsuits, and lockouts.
3. **First-day motions** — Authority to use cash collateral, pay critical vendors, continue payroll.
4. **Operating as debtor-in-possession** — Monthly operating reports to the U.S. Trustee.
5. **Plan of Reorganization** — Filed within 90 days (Subchapter V) or as negotiated.
6. **Creditor voting and confirmation** — Court confirms the plan if statutory requirements are met.
7. **Plan execution** — Payments and operations under the plan for 3–5 years; discharge follows.

5. Debtor-in-Possession Operations in Maryland

As a debtor-in-possession, the business keeps operating but takes on fiduciary duties:

- Open new **DIP bank accounts** at an approved depository
- File **Monthly Operating Reports** with the U.S. Trustee for the District of Maryland
- Obtain court approval for any sale or transaction outside the ordinary course
- Pay **quarterly U.S. Trustee fees** based on disbursements
- Maintain insurance and continue paying post-petition taxes on time

6. Maryland Chapter 11 Timeline (Subchapter V)

Day 0	Petition filed; automatic stay begins
Day 1–7	First-day motions heard
Day 14	Status conference with Subchapter V trustee
Day 21–40	341 Meeting of Creditors
Day 90	Plan of Reorganization filed
Day 120–180	Confirmation hearing
3–5 years	Plan payments; discharge upon completion

7. What Does Chapter 11 Cost in Maryland?

- **Court filing fee:** $1,738

- **Subchapter V attorney fees:** typically $7,500–$25,000
- **Traditional Chapter 11 attorney fees:** $25,000–$150,000+
- **U.S. Trustee quarterly fees:** based on disbursements (minimum $250/quarter)
- **Financial advisors / CRO:** only in larger or contested cases

8. Individual Chapter 11 in Maryland

Individuals whose secured + unsecured debts exceed the Chapter 13 limit (**$2.75M combined** in 2024) can file an **individual Chapter 11**. It mixes business-style reorganization with extra consumer protections, and is common for Maryland real-estate investors and high-net-worth professionals.

9. Frequently Asked Questions

Will my business stay open during Chapter 11?

Yes. The whole point of Chapter 11 is to keep operations running while debts are restructured.

Do I lose control of my company?

In most Maryland Subchapter V cases the owner remains in control as debtor-in-possession and keeps equity post-confirmation.

What happens to my employees?

Employees keep working. Wages, salaries, and benefits earned after filing are paid as administrative expenses.

Is Subchapter V really cheaper?

Yes — significantly. No disclosure statement, no creditor committee, a standing trustee, and a 90-day plan deadline dramatically reduce attorney time and case cost.

FREE CONSULTATION

Talk to a Maryland Chapter 11 attorney — free.

A 30-minute consultation is enough to tell whether Chapter 11 is the right path, what alternatives exist, and exactly what to expect. No pressure, no obligation.

Call (240) 372-5225 | info@gueramilaw.com

Schedule online at ifightdebt.com/contact

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This guide is for general informational purposes only and does not constitute legal advice. Bankruptcy laws and dollar limits change periodically. Consult a licensed Maryland attorney about your specific situation.