

## How A Weil Atty Opened A Path To The First Cannabis Ch. 15

By **Ben Zigterman**

*Law360 (May 15, 2026, 4:41 PM EDT)* -- As attitudes toward cannabis have relaxed in recent years in the U.S., Weil Gotshal & Manges LLP partner David J. Cohen saw an opening to restructure The Cannabist Co. Holdings Inc.'s business with Chapter 15 recognition of its Canadian insolvency proceeding, a strategy that hadn't been tried by any other marijuana businesses.

While Chapter 15 had been suggested as a possibility for marijuana companies for years, Cannabist was the first to try it, and its strategy was vindicated with U.S. Bankruptcy Judge Brendan L. Shannon's recognition last week of the Canadian restructuring, in which the debtor is hoping to sell off some operation it is running in the U.S.

The novel approach took "confidence," said Cohen, who is helping lead Cannabist through Chapter 15.

"Anytime you're the first, it certainly takes a little bit of confidence and conviction in your analysis and your strategy," he told Law360 in an interview about Cannabist's case.

But after years of more states legalizing marijuana, lax enforcement at the federal level and President Donald Trump's executive order in December instructing the U.S. attorney general to reclassify cannabis from a Schedule I substance to the looser Schedule III, Cohen said Weil "had a firm belief that this was the right answer." Acting Attorney General Todd Blanche ordered the reclassification of marijuana in April, after Cannabist filed for Chapter 15 relief.

While bankruptcy courts have generally not allowed marijuana businesses from restructuring under Chapter 11 — due to cannabis's status as a federally controlled substance — Cohen also noted there have been some Chapter 7 liquidations and Chapter 11 cases involving companies getting out of the marijuana business.

"How the law gets applied depends on whether you're in Chapter 7, Chapter 11, Chapter 15. It was untested in Chapter 15," he said. "In this circumstance, it just made a lot of common sense to go down this path, and I think the company and the stakeholders involved were all supportive."

This interview has been edited for length and clarity.



David J. Cohen

## **How was the strategy for this Chapter 15 filing developed, and why was it chosen for The Cannabist Co.?**

It's obviously a strategy that a lot of companies and industry pundits have contemplated in the past. With respect to Cannabist, it's a company that's structured as a Canadian holding company, where there's been a ton of capital raised there in the past, listed on a Canadian exchange, and the company actually previously did a restructuring in Canada under the CBCA [Canada Business Corporations Act]. So it was natural in this circumstance to have a primary restructuring case in Canada, and the question was really how to protect the group's assets in the United States. To do that, it's actually a very typical strategy and common to file a Chapter 15 case.

People think that there is some sort of ban in the Bankruptcy Code on cannabis companies accessing the courts. I think that's not true. The law is nuanced on this. How the law gets applied depends on whether you're in Chapter 7, Chapter 11, Chapter 15. It was untested in Chapter 15. In this circumstance, it just made a lot of common sense to go down this path, and I think the company and the stakeholders involved were all supportive.

## **Did you view this approach as risky?**

I wouldn't say that we viewed it as risky. We knew we needed to find a path to preserve the company's assets in the United States as a going concern and maximize value. We really believed that this path was available and that it was the right answer under the law. We had a firm belief that this was the right answer, and so I think that garnered the support of the company and the key creditor constituencies because I think people felt like it was the right thing to do.

There's always a backup plan, and a backup plan to the backup plan. Here, I think the backup plans weren't going to be as effective or efficient or as beneficial to the company and their creditors. You could always take the Canadian court's orders and go domesticate them on a court-by-court basis, which is just going to be less efficient, and you're going to be doing more hand-to-hand combat, which is something we've done with a lot of companies that we've represented in this space.

## **How did the US. Department Of Justice's rescheduling of cannabis last month impact the case? Do you think it played a role in the U.S. Trustee's Office not objecting?**

It's hard for me to speculate. I think certainly from our perspective, that was a helpful development. I would say just generally, there's been a much wider acceptance of cannabis across the country. There's now a legal framework in 47 states across the country, whether medicinal or adult use. And obviously, just from a public sentiment perspective, more support. And then obviously the recent rescheduling — first, the executive order by President Trump in December and subsequently the attorney general's order — I think is really just further evidence of the changing public policy around cannabis, and so I think it could only have been helpful in that regard.

Ultimately, the reason to do this was not only because of rescheduling. The reason to do this was more our experience in this industry. While we've probably worked on eight to 10 restructurings of large cannabis companies, you see how they play out [in state-level alternative restructuring proceedings] when you don't have the benefit of the United States bankruptcy court's assistance.

## **How did your team address the Bankruptcy Code's Section 1506 "public policy exception" that allows bankruptcy judges to reject requests for recognition?**

We do a ton of work doing cross-border transactions and Chapter 15s, and I think the history of Chapter 15 is that [Section 1506] is very narrowly applied, and the U.S. courts tend to defer to the sister courts in terms of their application of the law there. We know there are very few circumstances where that public policy exception has actually been utilized by the courts, and it's usually where an American citizen or company is actually having their rights violated. When you're dealing with a cannabis company, nobody's having their rights violated by having this company operated, by having a court basically facilitate a value maximizing outcome.

### **Beyond Chapter 15, do you see a path for cannabis companies to access other types of bankruptcy?**

Early on, judges were very hesitant to, for example, let a Chapter 7 trustee who didn't sign up to be a licensed person administering cannabis assets oversee the administration of a company that is involved in cannabis. There's more recent cases, particularly in California, where holding companies of cannabis companies have gone into Chapter 11 in an effort to basically sell their interest in the actual cannabis operator, much like you would see a company do a Section 363 sale and get out of the business. Those cases have actually withstood the objections of the U. S. Trustee's Office in Chapter 11 cases in California. Those courts have been very clear that there is no such thing as an outright ban for cannabis companies or companies that participate in something that might be legal at the state level and heavily regulated and taxed, but technically illegal at the federal level, even though there's no enforcement of those laws.

Even in Chapter 11, I think the door is open for more cannabis companies to consider that as an option. There's case law on both sides in different courts at different parts of the country. The continued shifting attitudes, the continued change in regulation in a favorable way toward the industry means that I think we will see not only more cannabis companies looking to file Chapter 15 petitions if they can, but also others exploring the Chapter 11 path. I wouldn't be surprised to see that in the coming years.

### **Is this Chapter 15 model something other cannabis companies can easily follow?**

I wouldn't say it's easy. Every situation is different. But I do anticipate there will be others that potentially pursue this path. A lot of the larger cannabis companies structured themselves initially as having Canadian parent companies and having their registered office and raising capital in Canada and being listed on a Canadian stock exchange and then having other operating entities in the U.S. So I think there are a number of similarly situated companies that could explore this avenue.

### **What do you see as the most significant outcome of obtaining recognition in this case?**

This is a real operating business with thousands of employees. This company had over one hundred retail locations, at one point, 20-ish manufacturing and cultivation facilities. So for me, the big deal is preserving people's jobs and preserving the business.

Anytime you're the first, it certainly takes a little bit of confidence and conviction in your analysis and your strategy, so from that perspective, I think that is a big deal, too, from an industry perspective. But I think from our perspective, just getting the sales done, making sure people land on their feet, is ultimately what our job is.

--Additional reporting by Sam Reisman, Emlyn Cameron and Rick Archer. Editing by Covey Son.

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