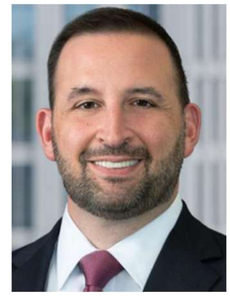
Ch. 15 Ruling Is A Restructuring Blueprint For Cannabis Cos.

By **Zachary Kobrin and Zev Shechtman** (June 11, 2026)



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On May 9, U.S. Bankruptcy Judge Brendan L. Shannon of the U.S. Bankruptcy Court for the District of Delaware issued a landmark order granting recognition of the Canadian restructuring proceedings of The Cannabist Company Holdings Inc. under Chapter 15 of the Bankruptcy Code.

This ruling in In re: The Cannabist Company Holdings Inc. marks the first time a U.S. federal bankruptcy court has granted full Chapter 15 recognition to a cannabis company — a development of extraordinary significance for the cannabis industry, its lenders, investors and restructuring practitioners nationwide.

Background

Cannabist is a Canadian-incorporated multistate operator formerly known as Columbia Care. At the time of filing, its U.S. subsidiaries operated 54 retail cannabis outlets and 15 production facilities across multiple states, including Virginia, Ohio, Delaware, Pennsylvania and New York.

The company carried approximately $220 million in total secured debt, consisting of $166.2 million in 9.25% senior secured notes due in 2028, $12.7 million in 9% senior secured convertible notes and $40.4 million in mortgage-secured real estate debt.[1]

After missing an interest payment on Dec. 31, 2025, and following five consecutive forbearance extensions with its senior secured noteholders, Cannabist initiated a sale process for its U.S. assets. A $130 million sale of its Virginia operations was completed prior to the bankruptcy filing.

On March 24, Cannabist commenced restructuring proceedings in the Ontario Superior Court of Justice under Canada's Companies' Creditors Arrangement Act, or CCAA, backed by holders of approximately 60% of the senior secured notes. One day later, Cannabist filed a Chapter 15 petition in the District of Delaware seeking U.S. recognition of its Canadian proceedings.

The Chapter 15 Framework and Why It Matters for Cannabis

Chapter 15 of the Bankruptcy Code, enacted to implement the United Nations Commission on International Trade Law Model Law on Cross-Border Insolvency, allows a foreign representative to seek U.S. recognition of insolvency proceedings already underway in another country. If recognized, the debtor benefits from an automatic stay halting U.S. creditor actions against its assets — protections functionally similar to those in a Chapter 11 reorganization, but without requiring a U.S. bankruptcy estate or reorganization plan under U.S. law.

Critically, cannabis companies have historically been barred from Chapter 7 and Chapter 11 relief. Federal courts have routinely dismissed such cases because marijuana remains a

Schedule I controlled substance under the Controlled Substances Act, and courts have held that neither a Chapter 7 liquidation nor a Chapter 11 plan can be administered in good faith when the debtor's core business activity is federally prohibited.

The U.S. Trustee Program has been a consistent opponent, filing motions to dismiss cannabis bankruptcy cases on public policy grounds.

Chapter 15 is architecturally distinct. Its denial standard is far narrower: Recognition is mandatory when the statutory requirements are met and can be refused only if granting relief would be "manifestly contrary to the public policy of the United States" under Section 1506 of the Bankruptcy Code. Courts have consistently held that this public policy override is an extremely high bar — reserved for violations of fundamental procedural fairness or core constitutional rights — not mere conflict with federal regulatory law.[2]

The Court's Rulings

Provisional Relief (March 26)

At the initial hearing, Judge Shannon granted provisional relief under Sections 105(a), 1519 and 1521 of the Bankruptcy Code, giving the Canadian CCAA initial order — including its stay of litigation and enforcement actions — full force and effect in the U.S. on a provisional basis.

Notably, the stay was extended not only to the Canadian debtor entities, but also to their nondebtor U.S. subsidiaries, which are directly engaged in the cultivation, manufacturing and retail sale of marijuana.

The U.S. Trustee's Office objected on two grounds: (1) that the Bankruptcy Code does not authorize stays against nondebtor entities; and (2) that two days' notice to a creditor list spanning 66 pages was constitutionally inadequate. The office also expressly reserved its Section 1506 public policy objection for the recognition stage.

Judge Shannon overruled these objections, finding a substantial likelihood that the Canadian proceeding would qualify as a foreign main proceeding and that the absence of immediate protection risked irreparable harm through piecemeal creditor collection efforts against U.S. assets.

Full Recognition (May 9)

Following a formal recognition hearing on May 12 that was closely watched by the bankruptcy and cannabis bars alike, Judge Shannon granted full recognition of Cannabist's CCAA proceedings as a foreign main proceeding, establishing that Cannabist's center of main interest is in Canada based on: (1) its incorporation and registered offices there; (2) its listing on the Cboe Canada exchange; (3) the Canadian law governing documents for its senior notes; and (4) the predominantly Canadian decision-making structure of the enterprise.

On the pivotal Section 1506 public policy question — the argument that recognizing proceedings involving federally illegal cannabis operations is "manifestly contrary" to U.S. policy — the court declined to deny recognition. Cannabist successfully argued that the nature of a debtor's underlying business has never constituted the sort of procedural unfairness or constitutional violation that the public policy override was designed to address.

The court also credited the broad normalization trend — including the U.S. Department of Justice's April 23 rescheduling of certain cannabis products under the Controlled Substances Act — as evidence that recognition would not affront fundamental U.S. policy.

A Landmark Opinion?

Yes — with important caveats. This is the first U.S. bankruptcy court to grant full Chapter 15 recognition to a cannabis company, and it resolves — at least provisionally — a legal debate that bankruptcy academics and practitioners have engaged in for years. The significance of the ruling is measured along several dimensions.

First U.S. Bankruptcy Protection for a Plant-Touching Operator

The nondebtor U.S. subsidiaries operate actual cannabis dispensaries and production facilities. Extending the automatic stay to these entities — even derivatively through a Canadian parent's Chapter 15 — is genuinely novel and previously untested.

Section 1506 Public Policy Exception Narrowed

The court's rejection of the public policy override sends a strong signal that mere federal illegality of the debtor's business does not satisfy the "manifestly contrary" standard — which is the highest hurdle to Chapter 15 recognition and had been the central concern for practitioners.

U.S. Trustee's Evolving Position

Significantly, the U.S. Trustee's Office did not ultimately oppose recognition at the final hearing on Section 1506 grounds, suggesting a softening posture from the DOJ and U.S. Trustee Program toward cannabis insolvency proceedings.

Fact-Specific and Without a Formal Written Opinion

The ruling was issued without a published written opinion, meaning it has persuasive — not precedential — authority. Future courts are not bound to follow it, and its application will depend heavily on the presence of a legitimate foreign proceeding, a demonstrably foreign center of main interest and creditor support structures similar to Cannabist's.

Implications for the Cannabis Industry

The Cannabist decision opens a new, viable restructuring pathway for certain cannabis companies. Its implications are significant but must be understood in context.

A New Tool for Foreign-Parent Multistate Operators

Canadian-parented multistate operators with meaningful U.S. operations are the immediate beneficiaries. Companies incorporated or headquartered in Canada — where cannabis has been federally legal since 2018 — can now seriously consider the Chapter 15 pathway to obtain U.S. stay protections, facilitate orderly asset sales and coordinate cross-border debt restructurings.

This may allow value-preserving transactions that would otherwise be impossible given the piecemeal risk of U.S. creditor enforcement.

Limitations: Domestically Organized Companies Remain Excluded

The Cannabist ruling does not open Chapter 11 or Chapter 7 to U.S.-incorporated cannabis operators. Purely domestic cannabis companies — i.e., those organized under U.S. law without a legitimate foreign parent or center of main interest — remain barred from traditional federal bankruptcy relief.

The decision's logic is anchored in Chapter 15's comity framework, which has no analog in Chapter 11 or Chapter 7. Companies without a credible foreign proceeding to anchor a Chapter 15 petition will find this pathway inaccessible.

Strategic Restructuring Implications

For cannabis companies with existing or contemplated foreign holding structures, this decision dramatically elevates the strategic value of maintaining a legitimate foreign parent.

Counsel advising cannabis operators should now evaluate: (1) whether existing corporate structures could support a foreign main proceeding; (2) how to proactively build a documented center of main interest in a cannabis-legal jurisdiction such as Canada; and (3) whether debt instruments and governance agreements should be governed by foreign law to strengthen a future Chapter 15 posture.

Lenders and investors should similarly assess how this pathway affects the credit risk profile and restructuring options for their portfolio companies.

Industrywide Signal on Normalization

The court's acknowledgment of the DOJ's cannabis rescheduling announcement reflects a judicial awareness of the rapidly evolving federal posture toward cannabis.

While rescheduling alone does not legalize cannabis or open Chapter 11 to domestic operators, it reinforces the broader trend toward normalization — and courts, regulators and legislators may increasingly be reluctant to enforce categorical exclusions of cannabis businesses from commercial legal frameworks that most other industries enjoy.

What to Watch Going Forward

This case is still pending, and several consequential issues remain open:

- Whether the reserved creditor objection based on Section 1506 is litigated and how the court rules on the merits of that challenge;
- Whether the Ohio and Delaware asset sales proceed smoothly, and how those transactions are treated under U.S. federal law in the context of a Chapter 15 recognition order;
- Whether other Canadian-parented cannabis multistate operators follow Cannabist's blueprint, and if courts in other districts are willing to grant similar relief;
- Whether the absence of a formal written opinion limits the ruling's persuasive authority in future cases or prompts the court to issue supplemental written findings; and

- Whether this ruling foretells a broader softening of judicial opposition to cannabis cases in Chapter 7 and Chapter 11.

The Cannabist Chapter 15 recognition order is arguably the most significant cannabis bankruptcy development in U.S. history. It provides, for the first time, a concrete and tested road map by which cannabis companies with foreign parent structures can access the protective machinery of U.S. bankruptcy law.

While the pathway remains narrow and its durability untested in other courts or circuits, practitioners, cannabis operators, lenders and investors should take careful note. We expect to see additional Chapter 15 filings from Canadian multistate operators in the near term and anticipate that this ruling will accelerate conversations in Congress about whether to amend federal law to provide more comprehensive relief to the cannabis industry.

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[1] See https://natlawreview.com/article/blazing-new-ground-cannabis-holding-company-obtains-chapter-15-recognition; https://www.veritaglobal.net/CCGroup; see also The Cannabist Company Holdings Inc., Current Report (Form 8-K), filed March 24, 2026 (SEC EDGAR, Acc. No. 0001140361-26-010926).

[2] See In re Fairfield Sentry Ltd., 714 F.3d 127, 139 (2d Cir. 2013) (the word "manifestly" restricts Section 1506 "to the most fundamental policies of the United States"); accord In re ABC Learning Centres Ltd., 728 F.3d 301, 309 (3d Cir. 2013) (public policy exceptions should be interpreted restrictively and applies only under "exceptional circumstances" of "fundamental importance"); In re Canterbury Securities, Ltd., 675 B.R. 109 (S.D.N.Y. 2025) (objector must demonstrate "procedural prejudice or violation of a constitutional or statutory right").