

GenCanna Bankruptcy Impacts Legal Landscape for the Cannabis & Hemp Industry

02.07.2020

Seven months after securing \$75 million in financing, GenCanna Global USA, Inc., a large Kentucky producer and distributor of hemp-derived substances such as CBD oils, filed for Chapter 11 bankruptcy protection on February 6, 2020. It had been the subject of an involuntary bankruptcy filing by three unsecured creditors on January 24.

The company's filing cited several factors leading to the bankruptcy filings. In addition to growing pains, the company cited plunging prices across all CBD product categories and a "less than clear regulatory landscape" that adversely affected the company's operations and ability to raise capital.

The case will be an interesting one to watch. The US government has, generally successfully, moved to dismiss bankruptcy cases involving debtors in or related to the marijuana industry. In its bankruptcy pleadings, GenCanna seemed to go out of its way to head off a possible motion to dismiss, disclosing an instance in which it inadvertently grew and then destroyed legally-noncompliant hemp and that its primary equity holder and creditor and potentially some of its customers are involved in the marijuana business. But, the company pointedly noted, its operations and revenues "have [nothing] to do with the sale of anything other than state and federally compliant hemp-derived products."

We are actively tracking the GenCanna case and will share any significant developments.

Attorneys

Kevin W. Barrett

Practice Areas

Bankruptcy & Business Reorganization

Cannabis Law