THE GLOBE AND MAIL

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Aphria's dealmaker: How a self-described outsider found himself in the hot seat

Christina Pellegrini Cannabis Industry Reporter
David Milstead Institutional Investment Reporter
Mark Rendell Cannabis Industry Reporter

Aphria Inc. turned itself from a tiny company into one of Canada's biggest cannabis producers. But after a flurry of controversial transactions and the loss of billions in stock-market value, the company, and dealmaker Andy DeFrancesco, are in the hot seat

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Andy DeFrancesco is a man under fire.

In early December, short-sellers took aim at cannabis grower Aphria Inc. over a series of deals. They alleged in a report that the Leamington, Ont., company issued almost $300-million in stock to buy assets in Jamaica, Colombia and Argentina that have almost no value and that, even worse, the deals enriched investors with ties to Aphria. They claimed it is all part of a "scheme orchestrated by a network of insiders to divert funds away from shareholders into their own pockets."

At the centre of those deals was the 48-year-old Mr. DeFrancesco, a long-time deal-maker and trader who helped get Aphria started, years before the cannabis industry captured the imagination of retail investors.

At the height of the frenzy in pot shares last year, Aphria was worth about $5-billion. After the short-sellers' report was published, the stock tanked, losing 50 per cent of its value in three days of trading. The company set up a special committee of the board to investigate and named a new independent board chairman, but the shares haven't fully recovered. Today, the company is worth $2-billion.

That instability has made Aphria, one of Canada's largest licensed cannabis growers, vulnerable to a takeover. Just after Christmas, Columbus, Ohio-based Green Growth Brands Ltd. said it would launch a hostile bid for Aphria in a share swap. That proposed transaction was quickly enmeshed in controversy, as critics pointed out that Green Growth has ties to Aphria insiders and backers – illustrating, once again, the web of connections and perceived conflicts in the nascent cannabis space.

The largest marijuana companies may be worth billions, but many still behave as if they are like startups, lacking the internal controls that investors have come to expect from larger firms. Aphria, for its part, has been an easy target for critics because of its earlier governance issues, which planted seeds of distrust among investors.

Aphria has not yet released its promised point-by-point rebuttal of the short-sellers' lengthy report. The company will publish its second-quarter earnings on Jan. 11. Chief executive Vic Neufeld says the special committee is still conducting its review, adding in a text message that it will "hopefully be completed by the end of the month."

That leaves Mr. DeFrancesco to defend himself and the deals at the centre of the controversy. It's what brought him to The Globe and Mail's Toronto offices in December – despite warnings from friends and colleagues, he said.

"They just said, 'What do you have to win?' And I said, 'At this point, what do I have to lose?,'" he said near the beginning of an interview that lasted more than four hours. Over that span, he barely touched his mushroom and prosciutto pizza, ignored a flurry of incoming calls and answered a barrage of questions – all for a chance to refute the short-sellers' report, which he said is littered with "half-truths" and facts that are "completely fabricated."

"I don't have anything to hide," he said. "I know right now I'm a lightning rod. I have to make sure everyone understands what the real facts are, and then we can go back to doing business."

Andy DeFrancesco is shown in this handout photo.

His business has always been finding the next big thing – and turning a profit, often by owning stock in small, thinly traded public companies and using deals to generate investor interest in them. He has done deals in the mining, energy, retail and real estate sectors, to name a few, using his Rolodex to open doors for smaller companies and help them go public.

Mr. DeFrancesco spotted the promise of legalized cannabis early on. A legal resident of the Bahamas, with a family in Florida, he also travels the world, procuring marijuana licences and setting up startups – some of which have been sold to Aphria for the eye-popping sums common in today's cannabis craze.

During his 26-year career on Bay Street, Mr. DeFrancesco said, he's hit some grand slams such as American Apparel, Dalradian Resources and Kahala Brands. At American Apparel, he and fellow investors provided rescue financing at 90 cents a share and watched the shares double in less than two years, selling "before the CEO messed up" and the company went bankrupt. Dalradian was sold last year for $537-million, seven years after its founding. In 2016, Montreal's MTY Brands bought Kahala for US$310-million.

But he's also had his fair share of deals that went sour, what he called "doozies." The short-sellers seized on his mixed track record, highlighting his connections to defendants in a U.S. Securities and Exchange Commission (SEC) action alleging a "pump-and-dump" scheme.

They also raised questions about the way he purchased licences and other early-stage cannabis assets in Jamaica, Colombia and Argentina, then sold them at a large markup to a different company, Scythian Biosciences Corp., to which he and Aphria were connected. In a matter of months, the assets were resold to Aphria at another big premium.

Mr. DeFrancesco said his cannabis deals – both those in the past and those to come – are a product of his hard work. He has a nose for value and is better at obtaining cannabis licences than anyone, he argued. And he said the deals are legal and he discloses what he needs to disclose by law.

"Someone's got to do the work," he said. "I'm willing to put – pardon my French – my balls on the line. That's risk capital. I'll make that investment."

Mr. DeFrancesco's business history is a tale of speculation, but also one of relationships – personal connections that have opened doors. Many of his deals involve an investment company called Delavaco Capital, which he said is owned by his wife, Catherine, and takes its name from the first letters of the names of his four children.

His wife doesn't manage the fund; until recently, he did. He said rich families and Bay Street firms have invested their money alongside Delavaco, but his wife is often publicly listed in corporate records as an initial shareholder – although she may not always own the largest stake. He won't name his partners.

He said he got his start in finance almost three decades ago, when he was dating the daughter of James F. O'Donnell, the then-CEO of Mackenzie Financial Corp., while he was studying at the University of Western Ontario. "I've always been a little reckless, and I bought a motorcycle. And he found out … he said 'You're staying in London this summer. You're going to sell that motorcycle and you're going to work at Richardson Greenshields in the research department.'" (Attempts to reach Mr. O'Donnell, now retired, were unsuccessful.)

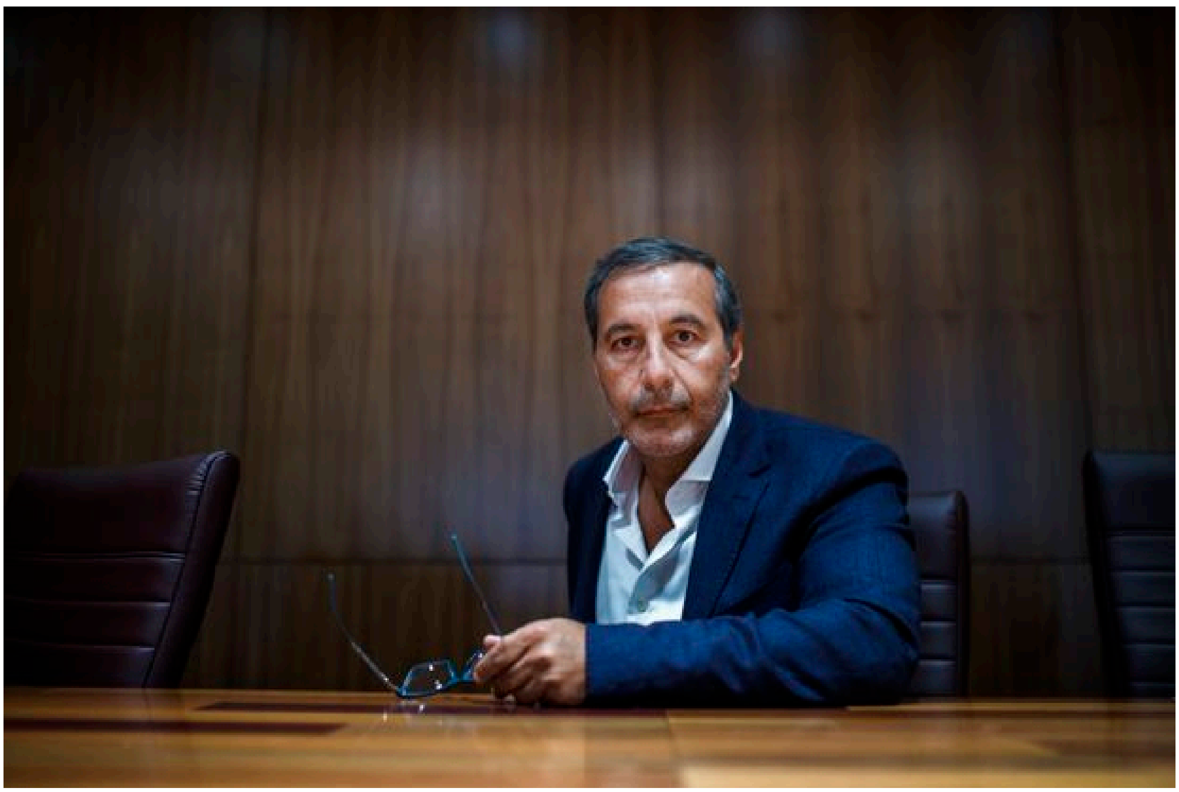
Mr. DeFrancesco said that summer in the commodities library "was horrible," but it led to a job in stock trading in Toronto that he loved. Soon after, he was working on deals and helping companies raise money.

“I’ve always told everybody that I’m not going to be a basketball player, clearly,” said Mr. DeFrancesco, who is 5 foot 4½. “This is the next best thing to being a rock star.”

A pivotal moment was when he aligned himself with the Serruya brothers, founders of the Yogen Früz frozen-yogurt chain, to whom he had been introduced by a mutual Bay Street contact.

When Mr. DeFrancesco joined Canaccord Genuity in 2001 and was in search of an investment-banking deal, he brought Yogen Früz into the firm, he said. He used a connection to a high-school classmate working for famed hedge-fund manager Steven Cohen to introduce the Serruyas to Mr. Cohen, and an investment by his firm, SAC Capital, in Yogen Früz followed. (A spokeswoman for Mr. Cohen said she could not confirm the meeting or the investment because it was so long ago.)

Mr. DeFrancesco went on to manage money for the Serruyas from 2005 to 2007. He began investing alongside the family through Delavaco, putting money into a number of Serruya consumer-goods deals, including Jamba Juice and American Apparel, as well as Swisher Hygiene Inc., which merged with CoolBrands International in 2010.



Michael Serruya poses for a picture at his office in Markham, Ont., in August, 2018.

MARK BLINCH

Some of them flamed out. Swisher went on an acquisition spree after the merger but later had to settle accounting-fraud charges with the SEC, which said the company “materially misstated” its results in 2011. By 2015, the company had sold off all its operations and its stock was delisted from multiple exchanges.

From 2011 to 2015, Mr. DeFrancesco led Delavaco Residential Properties Corp., a real estate firm backed by the Serruyas and several other wealthy Toronto families that invested in depressed U.S. properties.

He can rattle off at least 20 deals he’s done with the Serruyas. His relationship with them is a friendship, a partnership and a bit of a mentorship, too, with him being the mentee. “I don’t want to build Mike’s ego because we’re best friends. I still look up to him. He’s a very level-headed guy and not reactionary like I am," Mr. DeFrancesco said. Michael Serruya, a prominent investor in the cannabis sector and a director at Aphria, did not respond to a request for comment.

The Serruya-DeFrancesco team has been a force in the cannabis industry, investing across the sector early on and establishing a foothold as go-to financiers. "They are loyal," Mr. DeFrancesco said. That loyalty means everything to him – someone who sees himself as a Bay Street outsider.

He is an outsider in another sense, too. While he puts together deals that raise the profiles of small public companies – sometimes shell companies – he rarely accepts a board position or becomes a large enough shareholder to be required to file insider-trading reports. That means he can buy and sell without having to tell the world through disclosures. And when things go well, he looks for a moment to cash out. "You have to take chips off the table," he said. He often looks for an exit once companies stop taking his advice or valuing the introductions he makes.

Take Aphria, for example. Delavaco was an early backer, but by this summer – after a sector-wide rally in pot stocks – the firm no longer owned shares, fearing a looming sell-off.

"My head and spidey senses were going off, saying, 'This doesn't work. This is not going to end well,'" he said. "Remember, I started out as a trader, and everything I have is for sale – except for my kids, my wife and my puppy, Louie."

It was a "shell" – a publicly traded company with little to no assets – called Black Sparrow that Mr. DeFrancesco brought to the table to take Aphria public in 2014. That way of tapping the market helped Aphria raise money when conventional lenders weren't willing to step up.

Aphria co-founder Cole Cacciavillani is an industrial engineer and greenhouse grower who'd sold flowers to Mr. DeFrancesco's father, a produce buyer for Loblaws, and who also knew Andy because their boys raced go-karts together. Over family barbecues and cigars at the racetrack, Mr. DeFrancesco and Mr. Cacciavillani got to talking about a new crop Mr. Cacciavillani was looking to produce in his greenhouse: cannabis.

He initially didn't want Mr. DeFrancesco's money. That changed when his bank refused to give him a loan, putting at risk the deposits he and co-founder John Cervini had put down for cannabis licences.

Mr. Cacciavillani also found Aphria a CEO in his old friend Mr. Neufeld, who had just spent the past 21 years running vitamin maker Jamieson Laboratories and was on the verge of retiring. Mr. Cacciavillani didn't respond to requests for comment.

Vic Neufeld, CEO of Aphria, inspects some of the company's plants at their greenhouse in Leamington, Ont., in 2014.

GEOFF ROBINS

The organizers of Black Sparrow, a "pool capital" company, had been in search of an operating business since its 2011 founding. After flirting with becoming a mining company, Black Sparrow entered into a contract with Delavaco in May, 2014, that gave it 1.8 million shares as a "finder's fee" for a new deal. And on June 26 of that year, it entered into its agreement to acquire the corporation now known as Aphria. The announcement indicated Delavaco also "provided certain advisory services to Aphria" as part of the deal, meaning Mr. DeFrancesco represented both sides.

Black Sparrow issued more than 50 million shares to do the deal, giving the Aphria stockholders the vast majority of the new company. (A securities filing at the time said Delavaco "will hold less than 5.6 per cent" of the resulting company.) The Serruyas and Mr. DeFrancesco led a financing round for $6-million, which got the cannabis company off the ground.

"I went down, I spent time with them, I drafted how this would all work," Mr. DeFrancesco said. "Me and Mike Serruya explained how the whole capital markets worked. I believe they still have it – they call it a napkin, but it's a piece of paper [where I] sketched out how things would work, explained [reverse takeovers]. We said, 'This is what we do. We've done many of them. You're going to need a lawyer and an accounting firm. And we'll put that together.'"

While Mr. DeFrancesco remained a shareholder of Aphria for some time after the company went public, he was never a director or an executive. He did, however, describe himself on the Delavaco Group website – in a biography deleted late last year – as a "founding investor to Aphria, leading all rounds of financing and strategic advisor to the company since inception."

And he also took on an additional role: a deal-maker who assembled small cannabis companies that came to be desired by the industry's bigger, emerging players.

It was fertile ground. Some investors looked at cannabis and saw a generational opportunity akin to the end of the prohibition of alcohol – a brand-new, multibillion-dollar industry, freshly legal. As the

Trudeau government pressed forward with plans to legalize the recreational use of cannabis, Canadian producers positioned themselves as possible global leaders in the space. To do that, however, they needed to acquire licences abroad.

The investor mania drove publicly traded pot stocks ever higher, giving the companies a currency – their own shares – that made it easy to pay gigantic sums for companies with no revenue and few, if any, assets.

In this space, Mr. DeFrancesco seemed to be almost everywhere.

In March, 2018, Aphria spent $430-million in shares and cash for Nuuvera Inc., a company that was trying to obtain licences in Italy, Germany and Spain, just three weeks after Nuuvera went public. In a post on his personal Instagram account, Mr. DeFrancesco referred to himself as "the architect in bringing these 2 great brands together," although he later told The Globe that was an overstatement.

Delavaco was an early investor in Nuuvera – as were a number of Aphria insiders, including Mr. Neufeld – a fact that was first reported by The Globe. The transaction left the seven Aphria insiders with a multimillion-dollar windfall. Six directors who stood to personally benefit had voted on the deal.

Neither Aphria nor Nuuvera disclosed the insiders' ownership, which amounted to about 0.9 per cent of Nuuvera. At the time, an Aphria spokesman said there was no requirement to disclose this information per corporate law, as "the investments are immaterial to Nuuvera and to the individuals who made the investments." Mr. Neufeld agreed. Last March, he told The Globe that the personal investments were "totally immaterial."

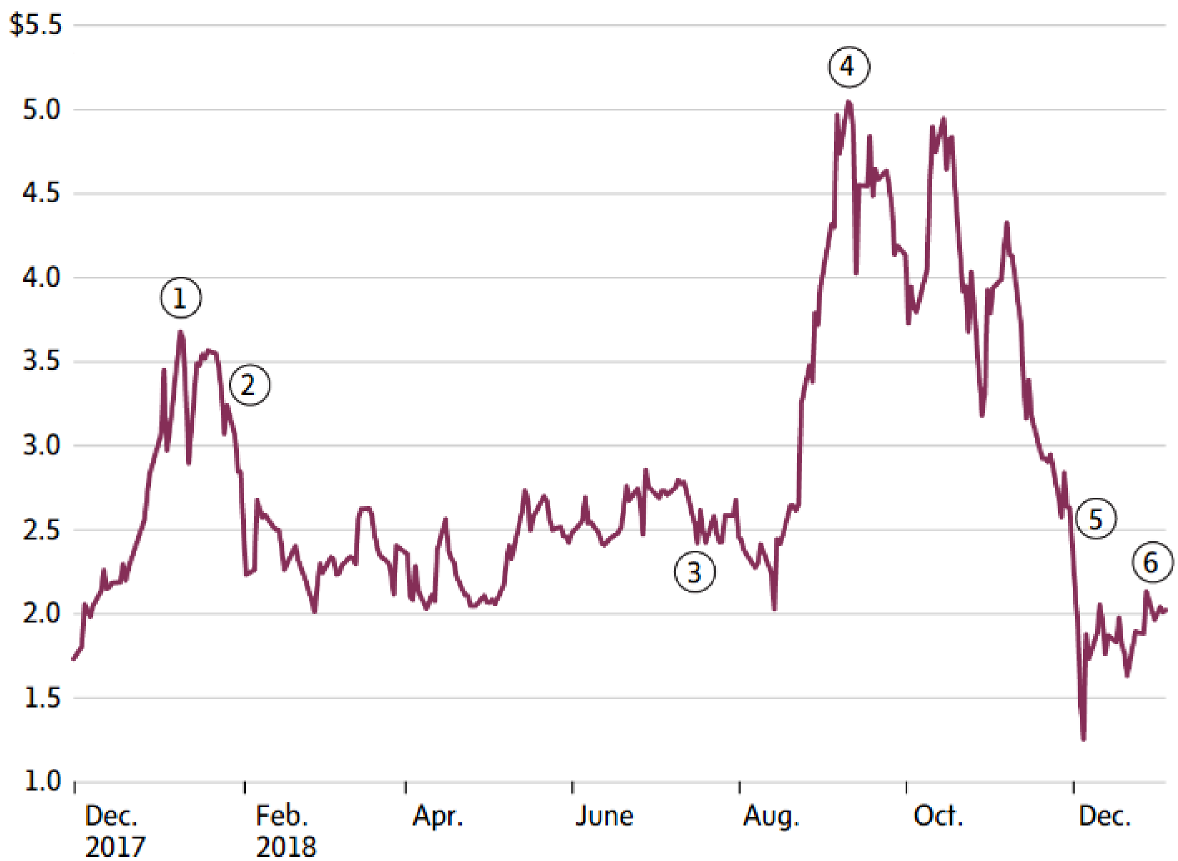
But the discovery of their personal holdings raised questions around the potential for conflicts of interest and whether Aphria was doing enough to prevent self-dealing among directors and officers.

Delavaco invested before or at the same time as Aphria in a number of cannabis enterprises, including Florida grower Liberty Health Sciences Inc.; 242 Cannabis LLC, a firm Liberty acquired; Kalytera Therapeutics Inc., which went public through a reverse takeover of Delavaco investee Santa Maria Petroleum Inc.; and Scythian Biosciences.

It was Scythian, a small public company that has since been renamed Sol Global Investments Corp., that is at the centre of the Aphria short-seller controversy. And Mr. DeFrancesco is now Sol's chair and chief investment officer.

Aphria's market capitalization

In billions of dollars



1. Jan. 9, 2018: Aphria closes at a record high of $22.89 a share, valuing the company at $3.7-billion.

2. Jan. 29, 2018: Aphria announces a deal to acquire Nuuvera.

3. July 17, 2018: Aphria announces the proposed acquisition of LATAM Holdings, which has assets in Argentina, Colombia and Jamaica. The deal closes in September.

4. Sept. 10, 2018: Aphria's market capitalization peaks at just over $5-billion as cannabis stocks surge in the run-up to Canada's legalization of recreational marijuana. (New share issuance meant the market cap peaked but not the share price.)

5. Dec. 3, 2018: Two short-sellers says Aphria's LATAM acquisition looks to be "largely worthless." In response, Aphria says their report contains "misrepresentations and distortions." Three days later, Aphria appoints a special committee to review the acquisition.

6. Dec. 27, 2018: U.S.-based Green Growth Brands says it intends to make a hostile takeover bid for Aphria, valuing the cannabis producer at $2.8-billion. Aphria says the proposal "significantly undervalues the company."

MATT LUNDY, THE GLOBE AND MAIL, SOURCE: BLOOMBERG

In 2017, Mr. DeFrancesco began assembling cannabis licences in Colombia, Jamaica and Argentina on behalf of Delavaco, creating a corporation in each of the countries.

By April, 2018, Scythian said it had signed letters of intent to buy the three foreign entities for $80-million in stock. The seller was Delavaco – although you wouldn't know it from reading the news releases because the company names had been changed to remove any mention of Delavaco.

At the time, Mr. Neufeld was serving as chair of the Scythian board, thanks to Aphria's 9.9-per-cent ownership stake. (He stepped down on April 24, citing new corporate-governance policies that would "ensure best arm's-length compliance" following The Globe's reporting on Aphria's takeover of Nuuvera.)

On July 17, Aphria said it would give Scythian shares worth $193-million for the Caribbean and South American assets, which Scythian was itself still in the process of buying. After Aphria's stock continued its summertime gains, the deal ultimately cost the company $297-million in shares.

Aphria said in December it stands behind the deal it struck – that the purchase price was comparable to other deals in the region. The company said it received financial advice and a fairness opinion from Cormark Securities Inc., although that opinion is not public and neither Aphria nor Cormark have released it. It also said it retained counsel in each jurisdiction to complete due diligence on the assets and that Aphria representatives travelled to each country to visit the sites and meet with local management and government officials.

Mr. DeFrancesco said he was shopping the assets around on Scythian's behalf in the summer, even though he did not yet having a formal role at the company. He said his aim was to fetch $240-million for the assets from the start. "I was aggressive with [Scythian] because their [expletive] stock was down and their CEO wasn't doing anything," he said. "I want my stocks to go up. If my stock goes up, everybody's stock goes up."

The asset sale was just one of several deals Scythian would make with Mr. DeFrancesco's fingerprints on them.

In July, Scythian signed a letter of intent to spend $136.5-million to buy 70 per cent of CannCure Investments Inc., which was itself in the process of buying an agricultural operation that had no revenue but had a state licence in Florida to operate as a medical marijuana treatment centre. Ontario corporation records show Ms. DeFrancesco as the "administrator" of CannCure.

Mr. DeFrancesco joined the Scythian board on Sept. 4.

In October, Scythian said it sold those Caribbean and South American assets to a Chicago-based company and that it would invest additional money in them, alongside Serruya Private Equity.

As of Dec. 10, according to the company's proxy statement, Mr. DeFrancesco did not own any of the company's shares outright but was awarded 400,000 deferred share units, a form of stock-based compensation.

U.S.-based short-sellers Gabriel Grego and Nate Anderson used the Delavaco-Scythian-Aphria transactions as the core of their report, which called Aphria "a shell game with a cannabis business on the side."

Mr. Grego and Mr. Anderson declined to comment on the specifics of their report for this story but have stood by it through a series of tweets. Mr. Anderson has been sued by two other companies for allegedly conspiring with other short-sellers to spread falsehoods and profit from a sell-off. Those allegations have not been proven in court and he is defending himself. "I go after powerful companies for a living, so every now and then someone tries to shut me down with a lawsuit," he said. "I stand by all of my work."

The short-sellers said they visited Jamaica, Colombia and Argentina, or deployed investigators in those countries, and alleged that the properties described in Scythian and Aphria announcements were abandoned, dilapidated or simply could not be located. While Aphria said it had acquired "world-class assets," the official registered office of the Jamaican company was "a world-class dump," the short-sellers said. "Busted doors and ceilings. Holes in the wall. Yellowed newspaper on the floor. Dirt everywhere. Not exactly the cutting-edge operation we'd expect."

In Argentina, the short-sellers alleged the assets bought from Delavaco are really just a run-of-the-mill pharmacy and a largely empty distribution centre with few employees and little revenue. (Aphria and Mr. DeFrancesco said the real value is in the Argentinean entity's importing capabilities.)

They also alleged that Mr. DeFrancesco orchestrated the series of transactions and that Aphria overpaid to enrich Scythian. They claimed that Mr. DeFrancesco obscured his involvement by scrubbing Delavaco from company names.

Mr. DeFrancesco said the short-sellers "really played mind games with retail investors, literally, by taking facts that only suited them, that were half-truths or completely fabricated."

Aphria has called the allegations "false and defamatory" and has said it employs 100 people in the three countries.


Some of Aphria's medical marijuana plants are shown at a greenhouse in 2014.

GEOFF ROBINS

"Aphria's recent plunge is the first casualty of the global microscope" that cannabis companies are under as they try to expand beyond Canada, said ***Stuart Rolfe***, an analyst at ***Veritas Investment Research*** who has "sell" ratings on Aphria and three other major players. The allegations "should be a wake-up call that due diligence and scrutiny of international acquisitions in the cannabis sector need to improve."

Mr. DeFrancesco provided The Globe with a series of documents – photos of what he described as a growing operation and retail store in Jamaica, photos of meetings with government officials in Brazil, a photo of him and Mr. Serruya with government and university officials in Jamaica and financial statements from Argentina showing US$11-million in 2017 revenue.

Mr. DeFrancesco disputed the allegation that the amount Aphria paid for the Scythian assets is out of line with other deals made as big cannabis players chased international assets. (In mid-December, Scotia Capital analysts said the original transaction price of $193-million could be seen as, “at the very least, rational and perhaps even relatively inexpensive.")

He said he sold his collection of assets to Scythian first instead of selling to Aphria because he “wanted [Scythian] shares to go up in value, if I could help build value. But I can tell you, Andy DeFrancesco would have been a [expletive] better if I sold the shares directly to Aphria,” noting the difference between the $80-million sale to Scythian and Scythian’s sale of the assets to Aphria for what turned out to be $297-million in stock.

He said his role in the cannabis industry is simple: He’s good at acquiring licences in multiple jurisdictions, internationally.

He scoffs at the short-sellers’ suggestion that anyone with a few hundred dollars can get a licence in one of the South American countries. He said he put more than $3-million into Colombia, $2.8-million into Argentina and about $760,000 into Jamaica on travel, lobbyists, hotels, lawyers, auditors, accountants and an environmental analyst.

“Why was I able to get the first and only licence in Argentina, with 40-some million people, ahead of anything else? Because I was willing to go down there, put the time in and spend the money and actively pursue that licence and use every angle to say, ‘We can deliver for you, Mr. Minister and Mr. Department of Health et cetera. We will commit,’” he said.

Mr. DeFrancesco declined to say how much he or his family have made in the cannabis sector and declined to specify his net worth.

Cannabis plants at an Aphria greenhouse in 2014.

GEOFF ROBINS

“My mom says, ‘Show me who you walk with and I’ll tell you who you are,’” Mr. DeFrancesco said.

Some of the men he has walked with have recently come under the microscope of securities regulators.

In September, the SEC sued Barry C. Honig, John Stetson, John R. O'Rourke III and several others, alleging they ran "pump-and-dump" schemes in three U.S.-based public companies from 2013 to 2018. The SEC says Mr. Honig and his associates acquired large blocks of stock in the companies, hired promoters to write misleading articles about the companies and sold their shares without proper disclosure before the shares in the three companies plummeted in value, with public investors "left holding virtually worthless stock."

Mr. Honig's group grossed more than US$27-million in stock sales from the three unnamed companies, the SEC alleges.

A lawyer for Mr. Honig declined to comment, as did the SEC. Attempts to reach Mr. Stetson and Mr. O'Rourke via their lawyers were unsuccessful.

Mr. DeFrancesco said he was not involved in the companies and has not been contacted by the SEC.

His lawyer, Joe Groia, told The Globe: "I can tell you to my knowledge, Andy's never been investigated by any Canadian regulator for a pump-and-dump allegation." Mr. Groia said he does not represent Mr. DeFrancesco on U.S. matters, but added: "I would know if there's any ongoing U.S. investigation, and to the best of my knowledge – again I don't act for Andy in the U.S. – but I don't believe there is any U.S. investigation either."

But Mr. DeFrancesco and his wife did partner with Mr. Honig, Mr. Stetson and Mr. O'Rourke in the 2016 takeover of a Colorado company called Venaxis Inc.

When Mr. Honig invested in Venaxis and urged that Mr. Stetson and Mr. O'Rourke be placed on the company's board, Ms. DeFrancesco wrote a letter supporting them.

After Mr. Honig and the DeFrancescos succeeded in their takeover, Venaxis became Riot Blockchain, with Mr. O'Rourke serving as CEO.

Mr. DeFrancesco said he first met Mr. Honig to talk about a mining deal, but their children also go to the same Florida school. He said he met Mr. Stetson five to six years ago, casually, introduced by a lawyer over beers. He met Mr. O'Rourke, whom he does not know as well, two to three years ago.

Mr. O'Rourke resigned from the CEO job at Riot Blockchain in September, after the SEC filed its case. Riot Blockchain – the subject of an investigation by the U.S. business news channel CNBC – has disclosed it received an SEC subpoena related to several stock-registration statements issued after Mr. Honig and Ms. DeFrancesco took their ownership position. The company said it "intends to co-operate fully with the examination."

The connections between Mr. DeFrancesco and Mr. Honig and his co-defendants extend to the cannabis industry and to a company, Liberty Health Sciences, that is closely related to Aphria.

In the spring of 2017, Aphria announced plans to expand into the United States, investing $25-million in DFMMJ Investments Ltd., a firm put together by Mr. DeFrancesco to acquire a cannabis licence in Florida. DFMMJ was in the process of going public through a reverse takeover by a Canadian Securities Exchange-listed shell called SecureCom Mobile Inc. The merged entity became Liberty Health.

Filings from March, 2016, show that Mr. Honig's company, GRQ Consultants Inc., was an early investor in SecureCom. Following the reverse takeover in April, 2017, GRQ Consultants emerged as one of Liberty's largest investors, owning 17.6 million shares. Mr. Stetson and another defendant in the SEC case against Mr. Honig and his colleagues also appear as investors in Liberty in later filings.

Aphria was forced to divest from Liberty last year to stay onside Toronto Stock Exchange rules against participating in the U.S. cannabis market. The company sold its holdings to the Serruyas and Delavaco but retains a five-year option to buy those shares back.

Mr. DeFrancesco's business history includes many similar deals involving shell companies that do "reverse takeovers" (RTOs) of existing businesses. (He said he's been a part of more than 50 RTOs.) Some, such as Aphria and Delavaco Energy, which was sold in 2009 for $102-million, are hits. Other investments are short term and the shares fall after Mr. DeFrancesco sells.

He said he learned in the dot-com era to take profits when they're there. "I call every deal a trade, because they're not going to last forever, for me."

"Show me a pump-and-dump," Mr. DeFrancesco said when asked about the suggestion that the phrase describes his way of buying and selling stocks. "If some guys want to come up with a concoction that I'm a pump-and-dump, I can't stop what people say at the Granite Club while they're sipping their martinis."

"I would say that I'm 100 per cent against pump-and-dumps, but I'm not against promotion and public relations and investor relations," he said. "And every company has them, from the biggest companies to the smallest companies. And you need them. If there are 100 public cannabis companies and you know there's a finite number of dollars that can be invested in those companies, how do you make sure you're the one getting peoples' attention? Someone has to yell louder from the highest mountain, 'I've got the best growers, I'm growing the best cannabis.'"

Going forward, his contribution to Scythian could be to line up still more cannabis deals. Sol named him chief investment officer as of Nov. 1 and he said he will receive deal-based compensation. And he said he's done with managing Delavaco for now. "I can tell you that Sol would never buy assets from Delavaco now," he said.

Last month, he met with Sol investors and his own partners to reassure them that he and Sol have done nothing wrong, he said. And he's also meeting ith bankers and potential deal targets who are worried about partnering with him. He promised that Sol shareholders "will benefit, one way or another," possibly through a special dividend.

"I always recover," he said. "Superman recovers from his Kryptonite, doesn't he? It's gonna happen."