

The Story of SOL Global/Bluma Wellness (CSE:SOL, OTCPK:SOLCF, Frankfurt:9SB)

Introduction

Three weeks ago I wrote a report titled "[The Story Of Liberty Health Sciences \(\\$LHS, \\$LHSIF\)](#)".

I asked Brady Cobb and Andy DeFrancesco for an explanation on what I discovered there and only got [personal insults \(DeFrancesco\)](#), [accusations of being some other person \(Cobb\)](#) and after all, no real answers (Cobb offered to address questions/concerns through a phone call but never called, mails weren't returned either). This made me further suspicious and even more curious.

The report on Liberty Health Sciences highlighted that DeFrancesco deals have a high tendency of him and his (investments) friends profiting from them heavily. That's why I decided to do a rundown on the story of SOL Global/Bluma Wellness – to check for similarities and raise potential red flags to investors.

This report covers the years 2016 and 2017 of the story: The inception/go-public of Scythian/SOL/Bluma.

This report can be discussed on Reddit in the [r/TheCannalysts](#) sub. Feel free to ask any questions there or send me a message on Twitter.

I'm more than happy about corrections, additions and factual discussions on the topic.

Disclosure: I don't hold any position in SOL Global/Bluma Wellness and do not intend opening one anytime soon. I haven't been paid for writing any of this. I'm not profiting in any way from the influence this might have on stock price of SOL/Bluma.

The Story

I've divided the story into chapters, whereby each chapter is a month, beginning with May 2016. This makes it easier for the reader to keep track of what happened in a chronological logical order.

May 2016

It's May 2016 - There's a junior mining company called "*Kitrinor Metals Inc. (TSXV:KIT)*", which [announces](#) "[...] that it is late in filing its annual financial statements and management discussion and analysis ("MD&A") for the year ended December 31, 2015, on the prescribed deadline of April 29, 2016."

...because...

"The Company was unable to complete the required filings due to a lack of capital to complete its audit and the Company required additional time to raise sufficient capital to complete its annual financial statements, MD&A and audit."

As we will see, this company is going to be the shell for the RTO of a private company, called Scythian Biosciences Inc. a couple of months later.

[Scythian Biosciences Inc. was renamed to SOL Global Investments Corp. on October 25th, 2018.](#)

Looking at the [financials](#) of Kitrinor back in 2016, we can see that they had in fact next to zero cash and a couple of \$100k liabilities building up.

Here is the share structure from that time:

Kitrinor Metals Inc. - June 30, 2016			
Type	Number	Value	Price/Unit
Issued	24 306 382	\$2 806 531	\$0,12
Warrants	50 000	\$12 500	\$0,25
Options	2 135 000	\$533 750	\$0,25
Fully Diluted	26 491 382	\$3 352 781	\$0,13

The average price paid per Kitrinor share was \$0.13.

September 2016

- September 8th, 2016: Kitrinor [announced](#) that they've found a solution for their cash problem by intending to do a private placement of Special Warrants at a price of \$0.005 per Special Warrant for gross proceeds of up to \$500,000 (together with a share consolidation on 10:1 basis).

Let's read the announcement itself as it's quite relevant:

KITRINOR ANNOUNCES NON-BROKERED PRIVATE PLACEMENT

TORONTO, ONTARIO – September 8, 2016 - Kitrinor Metals Inc. (TSXV: KIT) (the “**Company**”) is pleased to announce that it intends to complete a private placement of special warrants (the “**Special Warrants**”) at a price of \$0.005 per Special Warrant (the “**Purchase Price**”) for gross proceeds of up to \$500,000 (the “**Offering**”). Each Special Warrant is exchangeable, for no additional consideration, into one-tenth ($\frac{1}{10}$) of a unit of the Company (each a “**Unit**”) resulting in subscribers receiving one whole Unit for each ten (10) special warrants purchased following the Consolidation (as defined below) of the common shares of the Company as set out below. Each whole Unit is comprised of one common share of the Company (each a “**Warrant Share**”) and one common share purchase warrant of the Company (each a “**Warrant**”). Each Warrant entitles the holder thereof to purchase one-tenth ($\frac{1}{10}$) of a Warrant Share for a period of three (3) years after the closing date of the Offering at a price of \$0.01 per Warrant Share (subject to adjustment following the Consolidation).

The Special Warrants shall be automatically exchanged for Units upon satisfaction of the following conditions (collectively the “**Exercise Conditions**”):

- the completion of a consolidation of the outstanding common shares of the Company on a 10 (old) common shares for 1 (new) common share (the “**Consolidation**”);
- receipt of approval of the TSX Venture Exchange for the Offering and the Consolidation; and
- receipt of all regulatory approvals required for the Offering and the Consolidation.

The Company shall use its reasonable best efforts to satisfy the Exercise Conditions. In the event that the Exercise Conditions are not satisfied on the date that is six months after the closing date of the Offering, the Special Warrants shall be redeemed at the Purchase Price for the Special Warrants.

It is expected that the closing of the Offering will occur on or before September 30, 2016.

Certain eligible persons (“**Finders**”) will be paid a commission equal to 8% of the gross proceeds of the Offering (satisfied through the issuance of Units at the Purchase Price or cash, at the option of the Finder) and issue non-transferable broker warrants (“**Broker Warrants**”) equal to 8% of the Special Warrants issued pursuant to the Offering. Each Broker Warrant will entitle the holder to acquire one Unit at the Purchase Price (subject to adjustment following the Consolidation) for a period of two (2) years following the closing date of the Offering.

Note on the last clause highlighted in yellow: If Kitrinor fails to do the share split the deal is dead and they must return the \$\$\$\$. I'm assuming this clause should make sure that the company (current Kitrinor executives) stick to the plan (as we will see later).

The whole announcement sounds confusing, right? So how many shares are going to be sold and what's the price? What does it all mean?

Basically, *Special Warrants* convert to *Units* and *Units* convert to usual *Common Shares* and *Warrants* of stock in the company. Looking at a later PR we learn that [10,760,000](#) *Units* have been sold through the private placement. These 10,760,000 *Units* convert to 10,760,000 *Common Shares* and 10,760,000 *Warrants* post-consolidation respectively. Additionally, 800,000 *Warrants* have been granted to the Finders.

Remember, Kitrinor had a fully diluted share count of 26,491,382 shares at this point (pre-consolidation). Giving effect to the 10:1 share consolidation these get reduced to 2,649,138 shares (post-consolidation).

Let's summarize this up in a table to evaluate the impact:

Kitrinor Metals Inc. (after 10:1 consolidation)			
Type	Number	Value	Price/Unit
Common Shares	2 430 638	\$2 806 531	\$1,15
Warrants	5 000	\$12 500	\$2,50
Options	213 500	\$533 750	\$2,50
Fully Diluted	2 649 138	\$3 352 781	\$1,27
Bought Deal - September 8, 2016			
Common Shares	10 760 000	\$538 000	\$0,05
Warrants	10 760 000	\$1 076 000	\$0,10
Broker Warrants	800 000	\$80 000	\$0,10
Total	22 320 000	\$1 694 000	\$0,08
Kitrinor Metals Inc. (after Bought Deal - October 11, 2016)			
Total Common Shares	13 190 638	\$3 344 531	\$0,25
Total Warrants	11 565 000	\$1 168 500	\$0,10
Total Options	213 500	\$533 750	\$2,50
Fully Diluted	24 969 138	\$5 046 781	\$0,20

A highly dilutive private placement. While past shareholders paid over \$1.2/share, participants of the private placement got them for \$0.05 (Common Shares) and \$0.10 (Warrants) respectively - That's 25x higher.

The fully diluted share count blew up to roughly 10x than it was before the private placement.

I'm assuming control of the company (shell) was transferred through this transaction (participants were DeFrancesco or related to DeFrancesco) – it was taken over by them and therefore ready for being prepared to become the shell for the RTO.

Note: Another explanation would be that participants of the private placement were (at least partially) current officers, directors or other shareholders of Kitrinor. The plan for them could have been to cash out that way – knowing about the planned RTO transaction to come and the huge mark-up of share price that comes with it. It might have been part of the offer from DeFrancesco for giving him the company. Just speculation.

October 2016

There were three interesting events in October 2016:

- October 5th, 2016: Kitrinor [announced](#) that they've changed auditor – the new auditor is MNP LLP. Sounds familiar? LHS and other DeFrancesco related companies use/changed to the same auditor. I'm assuming, that there is a connection. Timing is too good for it being coincidental.
- October 7th, 2016: Kitrinor [announced](#) that *Harvey Johnson* has resigned as Chief Financial Officer of the company and *Arvin Ramos* has been appointed in his place.
- October 11th, 2016: Kitrinor [announced](#) that the private placement announced on September 8th, 2016 closed.

November 2016

Two days after the annual special meeting of shareholders, on November 24th, Kitrinor [announced](#) the approval of the consolidation of their 10:1 share consolidation.

They also cleaned house and swapped out the CEO:

“The Company is also pleased to announce the election of **Lisa McCormack** and **Arvin Ramos** as directors of the Company. Mr. *Patrick Mohan* has ceased to be President and **Chief Executive Officer** and **Ms. McCormack** has been appointed in his stead. Mr. *Mohan* will remain a director of the Company. The Company would like to thank *Richard Kellam* and *Andrew Budning* for their contributions to the Company and wish them every success in their future endeavors.”

Both Lisa McCormack and Arvin Ramos stayed at the company throughout the transition period and were appointed only shortly before. My assumption therefore is, that from this point onwards Kitrinor Metals Inc. was run by DeFrancesco related/instructed people. Maybe these names are ringing bells to somebody? I didn't check but wouldn't be too surprised.

December 2016

There were two interesting events in December 2016:

- December 2nd, 2016: Kitrinor [announced](#) the effective date of the share consolidation (December 5th, 2016) and confirmed that the shares from the October private placement are going to be issued then.
- December 5th, 2016: Kitrinor [announced](#) that it completed the consolidation and an aggregate of 10,760,000 *Units* (10,760,000 *Common Shares* and 10,760,000 *Warrants*) were issued together with the 800,00 *Warrants* for the finders.

The next ~3 months next to nothing happened. Likely the RTO got prepared in the background.

Summary for 2016

So, let's summarize what happened in 2016:

- We've seen a publicly listed company struggling. We've learned that these are prime targets for DeFrancesco for RTO transactions.
- We've seen how DeFrancesco and related persons take such companies over and setting them up for being a shell in a soon following RTO transaction (of a private company from them).

This aligns with what we've observed at SecureCom Mobile (which became the shell for Liberty Health Sciences - see my write-up on it linked at the beginning of this report).

The private placement at Kitrinor was questionable, but the company was on its way into bankruptcy. Seeing both sides one could therefore argue things happened up to this point are fine.

Note: Setting up and preparing shells for RTOs isn't illegal/criminal/etc. in any way. Actually, it's easier and especially faster doing a RTO instead of a real IPO (directly listing your private company on a public stock exchange) in many cases.

Let's continue with 2017...

February 2017

There was one interesting event in February 2017:

- February 21st, 2017: Kitrinor [announced](#) the planned RTO by Scythian:
“Kitrinor Metals Inc. and Scythian Biosciences Inc. Announce Reverse Takeover Transaction and Concurrent Financing for Up to \$10 Million with Strategic Lead Investment from Aphria Inc.”

Not too many details were included at that time, but the following caught my eye:

“As a condition to the completion of the Proposed Transaction, Scythian will complete a brokered subscription receipt financing, through a syndicate of agents led by **Clarus Securities Inc.** and including Haywood Securities Inc. and Canaccord Genuity Corp. (the "**Agents**"), for aggregate gross proceeds of up to \$10,000,000 through the issuance of up to 25,000,000 subscription receipts ("**Subscription Receipts**") at a price of \$0.40 per Subscription Receipt (the "**Offering**"), subject to the rules of, and approval by, the TSXV.”

I took note because I've read Clarus Securities too many times in relation to DeFrancesco related financings. As it's the case for MNP LLP as an auditor - too many times for it being coincidental. Therefore, I assume that there's a connection too. *Tom Monahas* and *Brock Winterton* from Clarus participated in [private placements organized by DeFrancesco at LHS](#), maybe they are the connection?

We are going to skip further analysis beside that for now as we are going to do it together with the listing statement.

March 2017

There were two interesting events in March 2017:

- March 14th, 2017: Kitrinor [announced](#) the “[...] CLOSING OF SUBSCRIPTION RECEIPT FINANCING OF \$13,085,000 WITH STRATEGIC LEAD INVESTMENT FROM APHRIA INC.”
 - **33,212,500 Subscription Receipts** at a price of **C\$0.40** per Subscription Receipt.
- March 31st, 2017: Kitrinor [announced](#) the “[...] CLOSING OF SECOND TRANCHE OF SUBSCRIPTION RECEIPT FINANCING AND COMMON SHARE OFFERING”
 - **29,659,460 Common Shares** at a price of **C\$0.10** per Common Share.

Again, we are going to skip deeper analysis here as we are going to do it together with the listing statement. Please note that the 33,212,500 Subscription Receipts are going to be consolidated on a 20:1 and the 29,659,460 Common Shares on an 80:1 basis. Therefore, the price paid for these shares was the same for both tranches therefore (\$8/share; post-consolidation/RTO).

May 2017

Kitrinor [announced](#) “[...] that an annual and special meeting (the “Meeting”) of shareholders of Kitrinor Metals Inc. will be held on May 31st, 2017 [...]” mainly for the following purposes (summarized):

- Approve the planned RTO by Scythian
- Approve a 20:1 share split for Kitrinor shares throughout the RTO
- Approve the name change of Kitrinor to “Scythian Biosciences Corp.” after the RTO

Again, we are going to skip deeper analysis here as we are going to do it together with the listing statement.

June 2017

There were three interesting events in June 2017:

- June 6th, 2017: Kitrinor [published](#) the business combination agreement.
- June 13th, 2017: Kitrinor [announced](#) the signing of the business combination agreement.
- June 30th, 2017: Kitrinor [published](#) the filing statement.

Finally, we got the information we were looking for. So, what do we want to check now? Basically:

1. How does the share structure of the resulting issuer is going to look like after the RTO? Who owns how many shares?
2. What was the price tag on the shares of the resulting issuer? Who paid how much?
 - a. Maybe: Do we find similarities to what happened at LHS?

The following information is sourced directly from the filing statement (linked above):

Share structure of the resulting issuer

We can obtain that one from the table on page 65:

Securities	Number	Approximate % - Fully Diluted
Common shares		
Issuable to former Kitrinor Shareholders prior to the Amalgamation	659,532	10.78%
Issuable to former Scythian Shareholders pursuant to the Amalgamation	2,887,051	47.00%
Issuable to Subscription Receipt holders	1,660,625	27.15%
Issuable pursuant to the Scythian Finder's Fee	49,700	0.81%
Total Common Shares	5,256,908	85.95%
Convertible Securities		
Continuing Kitrinor Options	10,675	0.17%
Resulting Issuer Options exchanged for Scythian Options	81,875	1.34%
Resulting Issuer Options issued to directors, officers and employees of the Resulting Issuer ⁽¹⁾	75,000	1.23%
Resulting Issuer DSUs ⁽²⁾	111,250	1.82%
Warrants ⁽³⁾	142,196	2.32%
Kitrinor Warrants	578,250 ⁽⁴⁾	8.80%
Total Convertible Securities	999,246	14.05%
Total	6,256,154	100%

So, to make sense of the numbers we need to consider the following:

- Kitrinor shares have been split on a 20:1 basis.
- Scythian shares have been split on an 80:1 basis.

Note: The RTO was accompanied by two private placements. These are linked in the March 2017 chapter and stock issued is listed as “*Issued to Subscription Receipt holders*” above. Aphria, retail shareholders and directors of Kitrinor/Scythian participated in these placements.

Price tag on the shares of the resulting issuer

If we take our latest Kitrinor shares table from the September 2016 chapter and apply the 20:1 stock split, numbers line up perfectly (cross check green cells from the table below with the table above):

Kitrinor Metals Inc. (after Bought Deal - October 11, 2016)			
Total Common Shares	13 190 638	\$3 344 531	\$0,25
Total Warrants	11 565 000	\$1 168 500	\$0,10
Total Options	213 500	\$533 750	\$2,50
Fully Diluted	24 969 138	\$5 046 781	\$0,20
Kitrinor Metals Inc. (after 20:1 consolidation)			
Total Common Shares	659 532	\$3 344 531	\$5,07
Total Warrants	578 250	\$1 168 500	\$2,02
Total Options	10 675	\$533 750	\$50,00
Fully Diluted	1 248 457	\$5 046 781	\$4,04

The average price paid per Kitrinor share was \$4.04 (post-consolidation).

So, we've checked Kitrinor shareholders and know what they paid – let's continue with Scythian shareholders. How much did they pay for their shares? As required, they disclosed the number of shares issued within the last 12 months within the listing agreement.

The table (page 60) is going to surprise you (well, maybe not):

Prior Sales

Scythian has issued the following securities within the 12 months preceding this Filing Statement.

Date	Type of Security	Number of Securities	Price per Security	Number of Securities Post-Scythian Consolidation	Effective Price per Security Post-Scythian Consolidation
May 18, 2017 ⁽¹⁾	Common Shares	1,000,000 ⁽⁴⁾	\$0.10	12,500 (80:1 Consolidation)	\$8.00
March 13 - March 31, 2017 ⁽²⁾	Subscription Receipts	33,212,500	\$0.40	1,660,625 (20:1 Consolidation)	\$8.00
March 13 - March 31, 2017	Common Shares	29,659,460	\$0.10	370,743 (80:1 Consolidation)	\$8.00
January 30 - March 1, 2017 ⁽³⁾	Common Shares	164,000,000	\$0.0025	2,050,000 (80:1 Consolidation)	\$0.20
February 16, 2017 ⁽⁴⁾	Common Shares	4,000,000	\$0.0025	50,000 (80:1 Consolidation)	\$0.20
December 2, 2016	Common Shares	1,949,666	\$0.05	24,371 (80:1 Consolidation)	\$4.00

Looks familiar, no? If that table doesn't trigger flashbacks to DFMMJ Investments / LHS I'm not sure what else would. Again, insiders issued themselves millions of nearly free shares before they made Aphria and retail shareholders pay a huge multiple of their price only a couple of weeks later.

It was exactly that kind of information I honestly hoped I wouldn't find.

Now we have what we need to extend the share structure table with actual prices paid:

Securities	Number	Approximate % - Fully Diluted	Cost	Total Cost	Comment
Common shares					
Issuable to former Kitrinor Shareholders prior to the Amalgamation	659 532	10,54%	\$5,07	\$3 344 531	
Issuable to former Scythian Shareholders pursuant to the Amalgamation	2 887 051	46,15%	\$2,45	\$7 065 129	Insiders
Issuable to Subscription Receipt holders	1 660 625	26,54%	\$8,00	\$13 285 000	Aphria, Retail
Issuable pursuant to the Scythian Finder's Fee	49 700	0,79%	\$8,00	\$397 600	
Total Common Shares	5 256 908	84,03%	\$4,58	\$24 092 260	
Convertible Securities					
Continuing Kitrinor Options	10 675	0,17%	\$50,00	\$533 750	
Resulting Issuer Options exchanged for Scythian Options	81 875	1,31%	\$4,89	\$400 000	
Resulting Issuer Options issued to directors, officers and employees of the Resulting Issuer	75 000	1,20%	\$8,00	\$600 000	
Resulting Issuer DSUs	111 250	1,78%	\$8,00	\$890 000	
Warrants	142 196	2,27%	\$6,39	\$908 096	
Kitrinor Warrants	578 250	9,24%	\$2,02	\$1 168 500	
Total Convertible Securities	999 246	15,97%	\$4,50	\$4 500 346	
Total	6 256 154	100,00%	\$4,57	\$28 592 606	

Note: 74,371 additional shares have been issued following the filing of the statement. These shares are listed in the "Prior Sales" table above (the last two rows – 4,000,000 and 1,949,666).

2,100,000 shares of the 2,887,051 Scythian shares listed above were issued to insiders for \$0.20/piece. This comes out to roughly 40% of all common shares (after the RTO) - that's nearly half the company! Aphria and retail shareholders were sold the same shares for \$8/piece – 40 times more, only a couple of weeks later.

Note: There was only [one stock split](#) afterwards (1 pre-consolidation share for 4 post-consolidation shares). By that, these 2,100,000 shares converted to 8,400,000 shares in today's SOL Global stock.

8,400,000 shares issued to insiders by themselves for a sum of \$410,000 – that's \$0.049/piece!

July 2017

- July 4th, 2017: Kitrinor, soon Scythian, [announced](#) that they filed the filing statement for the business combination (RTO transaction).

August 2017

- [August 2nd, 2017](#): Kitrinor, now Scythian, [announced](#) that they closed the RTO transaction.
- [August 8th, 2017](#): [Scythian Biosciences Corp. Begins Trading on the TSXV under Symbol "SCYB"](#). It closed at \$7.88/share that day.

Stock DeFrancesco and investment friends bought for \$410,000 is now worth \$16,154,000. A nice gain of 3840% for a couple of weeks.

Conclusion

We've proven throughout analyzing the story of SOL Global ([Scythian Biosciences before the name change](#)) that the way DeFrancesco sets up companies follows a scheme. The procedure has been the same for Liberty Health Sciences, as well as Scythian Biosciences (now SOL Global, soon Bluma Wellness). The scheme is:

1. Find or set-up a private company with an asset whose value can be inflated horrendously.
2. Find a struggling publicly traded company that can be used as a shell and take it over.
3. Issue yourself and friends/family/affiliates millions of shares in the private company nearly for free.
4. Arrange a RTO by the private company of the public company together with a private placement.
5. Cash out your nearly free stock on the back of retail shareholders on the open market.

My personal advice and conclusion at this point to anybody holding shares of companies related to DeFrancesco, SOL Global or intends to hold shares of one of the many companies they try to spin-out: Sell, don't come back - or hold and hope they pump it up again at some point so you can minimize your loss and get out then. Don't touch them, even with a ten-foot pole.

These repeated actions prove that they are not interested in you – the retail shareholder. They are interested mainly (only?) in making \$\$\$ for themselves. There's a scheme behind it and they execute it again and again.

I'm pretty convinced at this point that there's a lot more stuff is going on in the background.

However, if you choose to ignore everything you've read here anyway – at least read the next filing statements thoroughly for the RTO's by them which are following for sure (*"The pitcher goes often to the well and gets broken at last."*). Be very suspicious about private companies related to DeFrancesco in any way. Check out who their shareholders are and what price they paid for their shares; what assets they provide for the price they want you to pay. If it's not anywhere close, walk away. They cash out through these RTO's. You pay the bill.

What's next? Well, we covered the story of Kitrinor/Scythian till the end of 2017 (nearly). A lot of deals have been carried out afterwards. We will take a deeper look at them in part 2 of the series.

Note: Remember the [recent announcement](#) from SOL Global to spin-out CannCure through an RTO with Goldstream Minerals? It was cancelled later-on but check who's been director at Goldstream – Michael Galloro and Anthony Vella. Galloro has been CEO at SecureCom Mobile (LHS), Vella has been involved with LHS too. Also check the [private placement at Goldstream from March 2018](#) - looks familiar, no?