

The logo for Fountain Asset features a central horizontal line. Above and below this line are several vertical lines of varying heights, creating a stylized fountain or sunburst effect. The word "FOUNTAIN ASSET" is written in a serif font across the central horizontal line.

FOUNTAIN ASSET

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

August 30, 2019

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PRELIMINARY NOTES

In this Annual Information Form (this “AIF”), Fountain Asset Corp. and its subsidiaries are referred to as “Fountain”, “Fountain Asset”, or the “Company”. All information contained herein is as at December 31, 2018, unless otherwise stated.

International Financial Reporting Standards

This AIF should be read in conjunction with the Company’s audited consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2018. The audited consolidated financial statements and management’s discussion and analysis are available under the Company’s profile on the SEDAR website at www.sedar.com. All financial information in this AIF is prepared using International Financial Reporting Standards (“IFRS”) and its interpretations adopted by IFRS, as issued by the International Accounting Standards Board (“IASB”).

Currency

The reporting currency used for the consolidated financial statements is Canadian dollars. The functional currency used by the Company and its subsidiaries is Canadian dollars.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

These materials include certain “forward-looking statements” within the meaning of securities laws which reflect management’s expectations regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “anticipate”, “believe”, “expect”, “intend” and similar expressions have been used to identify these forward-looking statements which also include, without limitation, statements regarding fair values of marketable securities, investments, bridge loans, convertible debentures, and future plans and objectives of the Company. These statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. There can be no assurance that such statements will prove accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of these materials. A number of important factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements including, without limitation, the level of bridge loans and equity investments completed, the nature and credit quality of the collateral security and the nature and quality of the equity investment as well as those factors discussed in the Company’s documents filed from time to time with the TSX Venture Exchange, Canadian securities regulators and other regulatory authorities. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company has no obligation to update these forward-looking statements except as required by law.

CORPORATE STRUCTURE

Name, Address and Incorporation

Fountain Asset Corp. was incorporated under the *Canada Business Corporations Act* and was formed by way of articles of amalgamation on December 31, 2005 through the filing of articles of amalgamation of Fountain (GMPC) Holdings Inc. (“GMPC”) and E & E Capital Funding Inc. (“E & E”).

As of the date of this document, the registered and principal office of Fountain is located at 99 Scollard Street, Toronto Ontario, M5R 1G4.

Intercorporate Relationships

For an organizational chart showing each of the Company’s material subsidiaries, together with the jurisdiction of incorporation and the ownership interests for each subsidiary, please see the attached Schedule “A”.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Fountain Asset is a merchant bank which provides a range of merchant banking services to small and mid-size companies in North America in both the public and private markets. These services can include equity financing, asset-based lending, mergers and acquisitions advisory, operational management support and facilitating various debt and equity financings.

On November 29, 2017, the Company issued 125,000 SVS shares to a director who exercised his stock options for gross proceeds of \$25,000.

On January 9, 2018, the Company issued 115,000 SVS shares to a director who exercised his stock options for gross proceeds of \$23,000.

On February 22, 2018, the Company completed a non-brokered private placement financing of 4,500,000 subordinate voting shares. For this placement, the consideration comprised of \$1,337,400 in cash and \$615,600 in shares of other public companies. Associated share issuance costs totaled \$10,433.

On July 6, 2018, the Company issued 100,000 SVS shares to a director who exercised his stock options for gross proceeds of \$30,000.

DESCRIPTION OF BUSINESS

General

Fountain Asset is a merchant bank which provides a range of merchant banking services to small and mid-size companies in North America in both the public and private markets. These services can include equity financing, asset-based lending, mergers and acquisitions advisory, operational management support and facilitating various debt and equity financings.

Launched in 2005, Fountain Asset has invested in over 100+ companies providing bespoke capital solutions. The Company is not committed on any particular industry sector but rather is opportunistically focused on various industries such as oil and gas, gaming, manufacturing, retail,

financial services, technology and biotechnology. Fountain Asset invests in companies with proven products, market penetration and strong management teams that do not fit the investment criteria of the typical venture capital funds, traditional secured lenders or are too small for the private equity funds.

Investment Strategy

Fountain Asset takes a disciplined and systematic approach to investment and is guided by four core principles:

1. Deploying capital in private and public growth oriented companies,
2. Creating shareholder value,
3. Generating profits through a combination of rising portfolio value and consistent income from debt transactions, and
4. Managing the overall risk framework of the Company.

The Company's target investment profile includes:

- Private companies that have a reasonably demonstrated IPO plan so that Fountain Asset can leverage "private to public value arbitrage".
- Early stage public companies that need to raise funds.
- Selling shareholders that seek to divest significant stakes in companies that can be purchased at a discount.
- Focus on companies with sustainable, growing revenues with existing, or near term, profitability.
- All investments are required to have a path to liquidity.

Fountain works with management of operating companies in order to create and enhance value for businesses in which Fountain assumes a position. These activities include equity financing, developing mergers and acquisitions strategies, providing operational management support and structuring and negotiating debt and equity placements. Fountain may also acquire positions in private companies at valuations that incorporate conservative earnings multiples and stable cash flows.

From time to time, Fountain enters into strategic relationships to syndicate certain bridge loans as part of its strategy to diversify and manage risks associated with its bridge loan portfolio. This also affords Fountain the opportunity to participate in much larger transactions.

Fountain's success is dependent upon the experience and expertise of its management team, its network of contacts and its product and client service. Fountain has established strategic relationships with a number of partners and advisors engaged in the brokerage, venture capital and banking sectors in both Canada and the United States, thereby offering the Company access to deal flow and industry networking opportunities. Fountain's executive officers and Board of Directors have considerable experience in many industries which provides the Company with the ability to develop valuable insights and complete transactions efficiently and expeditiously.

Competition

The Company operates in an increasingly competitive environment. Both large and small competitors compete with the Company. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than the Company. The Company believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that the Company will be able to compete effectively and retain its

existing clients or attract and retain new clients. The Company's current and potential competitors may develop and market new products or services that render the Company's existing and future products and services less marketable or competitive.

The Company differentiates itself from its competitors through its unique investment philosophy, the considerable experience and expertise of its executive officers and Board of Directors acquired from a wide range of business sectors and its strategic relationships with partners and advisors in Canada and the United States. This extensive network of contacts should offer the Company access to deal flow and industry networking opportunities. Management is not aware of any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on Fountain's business, financial condition or results of operations as of the date of this AIF, except as otherwise disclosed herein or except in the ordinary course of business.

Revenues

Fountain generates revenue through interest it receives from its loan portfolio, fees and bonuses paid on its loan portfolio and capital gains. Capital gains are generated from the sale of equities either (i) received as loan bonuses or (ii) from purchasing in the private or public market.

Employees

As at December 31, 2018, Fountain had a total of 2 employees. Fountain is managed by a small experienced team of individuals who have a history of investing in and advising both private and public companies. Furthermore, the individuals have considerable knowledge and experience in assessing asset and business values in the public and private markets, identifying optimal corporate structures and stabilizing and/or realizing opportunities in distressed and undervalued situations.

Risk Factors

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance. The Company's investment strategy requires a level of risk in exchange for an above average return on investment. The Company plans to maintain an appropriate risk and reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from prior period.

Financial Assets

Risk disclosures relating to financial assets include Risk management, Credit risk management, Market risk, Liquidity risk, and Currency risk all of which are discussed below.

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. Senior management is committed to several processes to ensure that this risk is appropriately mitigated. These include:

- a) obtaining collateral guarantees;
- b) the investigation of the creditworthiness of all borrowers;
- c) the engagement of qualified independent consultants such as lawyers and real estate appraisers, dedicated to protecting the Company's interests;
- d) the segregation of duties to ensure that qualified staff are satisfied with all due diligence requirements prior to funding; and
- e) the prompt initiation of recovery procedures on overdue loans.

In addition, the Board of Directors meets on a quarterly basis, to review and assess the risk profile of the loan portfolio. The Company reviews its policies regarding its lending limits on an on-going basis. The amount of the Company's loans generally does not exceed 75% of the collateral value. The maximum exposure to credit risk is:

	December 31, 2018		December 31, 2017	
Amounts receivable, excluding HST	\$	627,493	\$	407,530
Loans and convertible debentures		4,860,335		3,442,493
Total Credit Exposure	\$	5,487,828	\$	3,850,023

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board monitors changes in the market on an ongoing basis and adjusts the Company's lending and investing practices and policies when necessary to reduce the impact of the above risks.

Percentage of Change in Closing Prices	Change in comprehensive income from % increase in closing price	Change in comprehensive income from % decrease in closing price
5%	\$ 759,728	\$ (759,728)
10%	\$ 1,519,456	\$ (1,519,456)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from making loan advances and receiving loan repayments. The goal of liquidity management is to ensure that adequate cash is available to honour all future loan commitments. As well, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized. The Company manages its liquidity risk by monitoring loan advances and repayments.

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At times the Company takes advantage of foreign exchange contracts to manage the risk of currency fluctuations. At the end of the December 31, 2018, the Company did not hold contracts.

Other Risks

Dependence on Key Personnel:

The Company is dependent upon the personal efforts, performance and commitment of its senior officers and directors, who are responsible for the development of the Company's business. Investors will be relying upon the business judgment, expertise and integrity of the Company's senior officers and directors. To the extent that the services of any of the senior officers or directors would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. The Company's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel.

Possible Volatility of Stock Price:

The market price of the Subordinate Voting Shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Subordinate Voting Shares.

Maintenance of Client Relationships:

The ability of the Company to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. The Company's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Strategic Relationships:

The Company anticipates that, from time to time, it will enter into strategic relationships to syndicate certain bridge loans or similar assets where appropriate, as part of its strategy to diversify and manage risks associated with its fixed income portfolio. Syndication will afford the Company the opportunity to participate in much larger transactions. There can be no assurance that the Company will be able to enter into such relationships in the future, and its inability to do so may adversely affect its ability to continue to service its existing and prospective clients.

DIVIDENDS

Dividends Declared

Fountain has not declared any dividends in the past three (3) years. The payment of any future dividends will be at the discretion of Fountain’s Board of Directors after taking into account many factors including Fountain’s operating results, financial condition and current and anticipated cash needs.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The Company has the following authorized capital:

- Unlimited multiple voting shares (“MVS”)
- Unlimited subordinate voting shares (“SVS”)
- Unlimited preferred shares

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share. Preferred shares do not have any voting rights.

Shares issued and outstanding:

Shares issued and outstanding:	December 31, 2018		December 31, 2017	
	No. of shares	Amount	No. of shares	Amount
Multiple voting shares	88,360	\$161,122	304,662	\$555,543
Subordinate voting shares	58,906,102	29,153,357	53,974,800	26,577,198
	58,994,462	\$29,314,479	54,279,462	\$27,132,741

There are no Preferred Shares issued and outstanding.

Multiple Voting Shares and Subordinate Voting Shares

The holders of the multiple voting shares and the subordinate voting shares have the following rights:

- (1) to receive such dividends on a share-for-share basis as may be declared by the Board of Directors of the Company, without preference or distinction among or between the subordinate voting shares and the multiple voting shares;
- (2) in the event of liquidation, dissolution or winding up of the Company, to receive equally share-for-share without preference or distinction among or between the subordinate voting shares and the multiple voting shares, all the assets of the Company remaining after payment of the Company’s liabilities;

- (3) to receive notice of, attend and vote at any meeting of the shareholders of the Company. The subordinate voting shares shall carry one vote per share and the multiple voting shares shall carry four votes per share;
- (4) to convert at any time each multiple voting share held by them into one subordinate voting share; and
- (5) if an offer is made to purchase multiple voting shares which under applicable securities legislation or the requirements of a stock exchange on which the multiple voting shares or the subordinate voting shares are listed, the offer must be made to all or substantially all holders of multiple voting shares located in a particular province of Canada in which the requirement applies, and each subordinate voting share will become convertible, at the option of the holder, within a specified time following the offer, into one multiple voting share. The conversion right may be only exercised for the purpose of depositing the resulting multiple voting share in response to the offer and the transfer agents and the registrar of the Company will deposit the resulting multiple voting shares on behalf of the shareholder. If the multiple voting shares resulting from the conversion are subsequently withdrawn from the bid by the shareholder or not taken up by the offeror or if the offer is abandoned and withdrawn by the offeror, the multiple voting shares thus converted will be reconverted into subordinate voting shares. In no other circumstances will the subordinate voting shares be convertible into multiple voting shares.

MARKET FOR SECURITIES

Options

The Company currently has outstanding 3,805,000 Options to acquire Subordinate Voting Shares.

Trading Price and Volume

During 2018, Fountain's Subordinate Voting Shares were traded on the TSX Venture Exchange in Canada under the symbol "FA". Below are the monthly price range and volume of trading for Fountain's Subordinate Voting Shares.

Month	High (Cdn\$)	Low (Cdn\$)	Monthly Volume
2018			
January	0.44	0.37	1,743,827
February	0.44	0.355	805,861
March	0.45	0.395	706,520
April	0.44	0.25	358,600
May	0.45	0.35	329,950
June	0.50	0.35	1,799,068
July	0.44	0.33	1,798,150
August	0.50	0.39	567,871
September	0.60	0.43	745,575
October	0.64	0.56	56,395
November	0.60	0.50	202,665
December	0.58	0.40	5,226,455

The Company's Multiple Voting Shares are not quoted on a marketplace. The Company's Multiple Voting Shares can be converted to Subordinate Voting Shares on a one for one basis.

Prior Sales

No sales of Multiple Voting Shares or Preferred Securities occurred in 2018.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The following table sets forth all current directors and executive officers as of the date of this AIF, with each position and office held by them in the Company and the period of service as such.

Name, Municipality of Residence and Position ⁽¹⁾	Principal Occupation, Business or Employment ⁽¹⁾	Director Since	Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed ⁽¹⁾
Morris Prychidny ⁽²⁾⁽³⁾ Toronto, Ontario, Canada Director	Chartered Accountant, CFO of Orion Capital Incorporated	March 18, 2014	795,000 SVS ⁽⁵⁾
Paul Kelly ⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada Director	Independent business consultant and investor	March 18, 2014	4,215,000 SVS
Andrew Parks ⁽⁴⁾ Toronto, Ontario, Canada President, CEO & Director	CEO of Fountain Asset; Registered Portfolio Manager and Research Analyst & Trader of Forge First Asset Management from 2013 to 2017	October 16, 2017	230,000 SVS
Roger Daher ⁽²⁾⁽⁴⁾ Toronto, Ontario, Canada Director	Licensed Pharmacist; Owner of 7 Pharmasave (pharmacies)	November 8, 2017	1,919,500 SVS ⁽⁶⁾
Cesare Fazari Toronto, Ontario, Canada Director	Co-founder of Northwoods Developments Inc.	February 6, 2012	941,666 SVS ⁽⁷⁾
Michael Galloro ⁽²⁾⁽³⁾ Toronto, Ontario, Canada Director	Chartered Accountant; Director and Senior officer of several private and public companies	July 10, 2018	Nil

Michael Leskovec, Toronto, Ontario, Canada, CFO	Chartered Accountant with over 16 years of experience with publicly listed companies; CFO Nighthawk Gold		30,000 SVS
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Notes:

- (1) The information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective persons individually.
- (2) Member of Audit Committee of which Morris Prychidny is the Chairman.
- (3) Member of Compensation Committee of which Paul Kelly is the Chairman.
- (4) Member of the Investment Committee of which Cesare Fazari is the Chairman.
- (5) Orion Capital Incorporated controls 500,000 SVS which Morris Prychidny exercises trading authority over.
- (6) RGDRX Holdings Inc., a private holding company controlled by Roger Daher, owns 1,409,000 SVS.
- (7) CESFJJ Holdings Inc., a private holding company controlled by Cesare Fazari, owns 251,666 SVS.

On October 15, 2017, the Company's C.E.O. Jason Ewart resigned from his position along with his seat on the Board. The company in turn hired Andrew Parks, who began on October 16, 2017 taking on the role of C.E.O. as well as being appointed to the Board of Directors.

On November 8, 2017, the Company announced that Mr. Roger Daher was appointed as a member of the Board of Directors of Fountain.

On November 21, 2017, the Company announced that Paul Kelly was elected as Chairman of the Board of Directors of Fountain.

On March 14, 2018, the Company announced that its C.F.O., David Darakjian had tendered his resignation.

On April 9, 2018, the Company announced that Alec Regis resigned from his position from the Board of Directors.

On April 30, 2018, the Company announced that Michael Leskovec was appointed as Interim C.F.O follow David Darakjian's departure.

On August 28, 2018, the Company announced that Michael Leskovec was appointed as C.F.O. after concluding its search.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the directors or executive officers of the Company or, to its knowledge, shareholders holding sufficient shares to materially affect the control of the Company are, or within the previous ten years, have been a director or executive officer of any other issuer that, while acting in such capacity:

- (i) was the subject of a cease trade or a similar order or an order that denied the issuer access to any exemptions under securities legislation for a period of more than 30 consecutive days;
- (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order

that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such issuer.

Except as otherwise disclosed, to the knowledge of the Company, no director or executive officer:

- (a) is, as at the date of this Circular, or has been, within ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity:
 - (i) was the subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive, or chief financial officer; or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer;
- (b) is, as at the date of this AIF, or has been within ten years before the date of this AIF, a director or executive officer of any company (including the company in respect of which this AIF is being prepared) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Personal Penalties and Sanctions

To the knowledge of Fountain, no director, officer or control person of Fountain has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; nor has any director, officer or control person of Fountain been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

Within the previous ten years, none of the directors or executive officers of the Company or, to the Company's knowledge, shareholders holding sufficient shares to materially affect the control of the Company have become bankrupt made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

Certain officers and directors of the Company are directors and or officers of investee companies. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction. The table below identifies where an employee, officer or director of the Company hold a position with an investee company.

Investment	Ownership	Officer/Director Name	Position Held
Cannbiorex Pharmaceuticals Corp. ^(a)	<10%	Roger Daher	Director
Cool Holdings Inc.	<10%	Michael Galloro	Director
Foothills Developments Inc.	100%	Andrew Parks	Officer
Liberty Health Sciences Inc. ^(b)	<10%	Michael Galloro	Director
Molecular Science Corp. ^(c)	<10%	Cesare Fazari	Director
Newborn Realty Corporation	100%	Andrew Parks	Officer
Somersby Park 2010 Limited Partnership	73%	Andrew Parks	Officer
Sweet Natural Trading Co. ^(c)	<10%	Roger Daher	Director

(a) During 2018, Roger Daher, a director of the Company, became a director of Cannbiorex pharmaceuticals Corp. and resigned from his position with Sweet Natural Trading Co.

(b) During 2018, Michael Galloro, a director of the Company, resigned from his position with Liberty Health Sciences Inc.

(c) During 2018, Cesare Fazari, a director of the Company, resigned from his position with Molecular Science Corp.

AUDIT COMMITTEE

The Company is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers or employees of the Company or of an affiliate of the Company. The Company's current audit committee consists of Morris Prychidny (Chairman), Roger Daher and Michael Galloro.

Audit Committee Charter

The text of the audit committee's charter is attached as Schedule "B" to this AIF.

Independence

National Instrument 52-110 *Audit Committees*, ("NI 52-110") provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with the issuer, which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of the member's independent judgment.

Morris Prychidny and Alec Regis are independent members of the audit committee.

Financial Literacy

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

All of the members of the audit committee of the Company are financially literate as that term is defined.

Audit Fees

The following table sets forth the fees paid by the Company and its subsidiaries to MNP LLP, Chartered Accountants, for services rendered in the last two fiscal years:

	<u>2018</u>	<u>2017</u>
Audit Fees	\$110,000	\$95,000
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	<u>\$110,000</u>	<u>\$95,000</u>

LEGAL PROCEEDINGS

No legal proceedings occurred or were known about in 2016.

On September 4, 2017 Fountain announced that it was served with a statement of claim by First Global Data Limited (“FGD”). The claim seeks damages of \$20,000,000 against a number of defendants including Fountain and its Chief Executive Officer, alleging breach of contract, conspiracy and various other causes of action (the “FGD Action”).

Fountain believes the claim against Fountain and its CEO is without merit and frivolous, and has been commenced in an attempt to delay the outcome of Fountain’s claims against FGD in existing proceedings commenced by Fountain on February 3, 2017 (Ontario Superior Court of Justice Court File No. CV-17-569015, the “Application”).

Fountain commenced the Application because FGD has refused to honour its contractual obligations to issue certain options and warrants to Fountain.

As a result of an August 24, 2017 order of the Ontario Superior Court of Justice, Fountain’s Application will be pursued as a counterclaim in the FGD Action. Fountain will vigorously defend the FGD Action, and will vigorously pursue its claims against FGD. Specifically, Fountain will seek damages of at least \$6,015,000 equal to the difference between the purchase price per share under the Options/Warrants, and the highest trading value to date, as well as punitive and exemplary damages of \$2,000,000.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Fountain, no director or executive officer of Fountain, no person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the outstanding securities of Fountain and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years that has materially affected or is expected to materially affect Fountain or its subsidiaries.

TRANSFER AGENT AND REGISTRAR

Fountain’s registrar and transfer agent is TSX Trust Company Inc. of Toronto, Ontario.

MATERIAL CONTRACTS

The Company has not entered into any contract, other than contracts entered into in the ordinary course of business, which is material to Fountain and was entered into within the most recently completed financial year, or before the most recently completed financial year and still in effect.

INTERESTS OF EXPERTS

MNP LLP, Toronto, Ontario have provided an Independent Auditors' Report dated April 25, 2019 in respect of Fountain's financial statements for the years ended December 31, 2018 and 2017.

MNP LLP, Toronto, Ontario has not received from the Company any registered or beneficial interests, direct or indirect, in any securities or other property of Fountain or one of Fountain's associates or affiliates.

Notes:

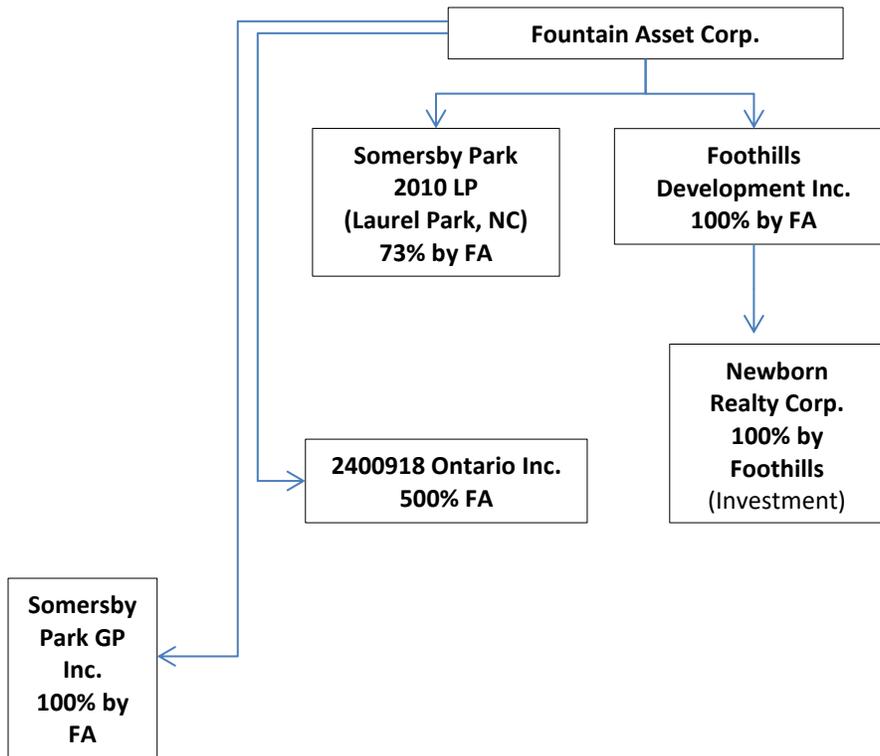
The Company is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

ADDITIONAL INFORMATION

Additional information relating to Fountain may be found on SEDAR at www.sedar.com and on Fountain's website at www.Fountainassetcorp.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Fountain's securities, securities authorized for issuance under equity compensation plans is contained in Fountain's Information Circular for its most recent annual meeting of shareholders. Additional financial information is provided in Fountain's financial statements and Management Discussion & Analysis (MD&A) for its most recently completed financial year, all of which have been filed on SEDAR.

SCHEDULE "A"

Corporate Organizational Chart



- Foothills Developments Inc (Incorporated in South Carolina)
- Newborn Realty Corp. (Incorporated in South Carolina)
- Newborn Ranch LLC (Incorporated in Delaware)
- Somersby Park 2010 Limited Partnership (Incorporated in North Carolina)

**SCHEDULE “B”
AUDIT COMMITTEE CHARTER**

**FOUNTAIN ASSET CORP.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER**

I. PURPOSE

The Audit Committee is a committee of the Board of Directors. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by:

- reviewing the financial reports and other financial information provided by the Company to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Company’s independent auditor and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Company’s financial reporting process and internal controls, the Company’s processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Company’s policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of three or more directors as determined by the Board, the majority of whom shall be independent directors, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within sixty (60) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis and shall meet within 120 days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit related duties, members of the Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and independent auditors of the Company.

As part of its job to foster open communication, the Committee should meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should meet with the independent auditor and management at least annually to review the Company's financial statements.

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours' notice to each of members. The notice period may be waived by a quorum of the Committee. Each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditors, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Describe briefly in the Company's annual report and more fully in the Company's Management Information Circular the Committee's composition and responsibilities and how they were discharged.
4. Submit the minutes of all meetings of the audit committee to the Board of Directors.

Documents/Reports Review

5. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental or regulatory body, or the public, including any certification, report, opinion, or review rendered by the independent auditor.
6. Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the independent auditor, based on terms of reference agreed upon by the independent auditor and the Audit Committee.
7. Review with financial management and the independent auditor any filings with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.

Independent Auditor

8. Recommend to the Board of Directors the selection of the independent auditor, considering independence and effectiveness and approve the fees and other compensation to be paid to the independent auditor. Instruct the independent auditor that the Board of Directors, as the shareholders' representative is the independent auditor's client.
9. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor.
10. Review and discuss, on an annual basis, with the independent auditor all significant relationships they have with the Company to determine their independence.
11. Review and approve requests for any management consulting engagement to be performed by the independent auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees.
12. Review the performance of the independent auditor and approve any proposed discharge of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
13. Periodically consult with the independent auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
14. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed.

Financial Reporting Processes

15. In consultation with the independent auditor review the integrity of the organization's financial reporting processes, both internal and external.
16. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
17. Consider and approve, if appropriate, major changes to the Company's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

18. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in

management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

19. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
20. Following completion of the annual audit and quarterly reviews, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit and reviews.
21. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
22. Where there are significant unsettled issues the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
23. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
24. Review activities, organizational structure, and qualifications of the chief financial officer and the staff in the financial reporting area and see to it that matters related to succession planning within the company are raised for consideration at the full Board of Directors.

Ethical and Legal Compliance

25. Review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. Review through appropriate actions taken to ensure compliance with the Code of Ethical Conduct and to review the results of confirmations and violations of such Code.
26. Review management's monitoring of the Company's system in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
27. Review, with the organization's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial statements.

Risk Management

28. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

General

29. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any investigation.
30. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible to plan or conduct internal or external audits or to determine that the Company's financial statements are in accordance with generally accepted accounting principles as these are the responsibility of management and the independent auditor. Nothing contained in this Charter is intended to require the Committee to ensure the Company's compliance with applicable laws or regulations.