



FOUNTAIN ASSET

FOUNTAIN ASSET CORP.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

August 17, 2022

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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, 2021, 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, 2021. 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 (the “TSXV”), 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

The Company 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”). The Company subsequently filed articles of amendment to change its name to “Fountain Asset Corp.” on August 31, 2015.

As of the date of this AIF, the registered and principal office of Fountain is located at 3 Market Street, Unit 609, Toronto, Ontario M5E 0A3.

Intercorporate Relationships

For an organizational chart showing each of the Company’s 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.

During the year ended December 31, 2019, 600 multiple voting shares (“MVS”) of the Company were converted into 600 subordinate voting shares (“SVS”).

On December 31, 2020, the Company settled \$1,435,000 of debt through the issuance of 2,870,000 SVS to the CEO of the Company.

On October 15, 2021, the Company announced its intention to effect a normal course issuer bid (“NCIB”) through the facilities of the TSXV. The NCIB commenced on October 20, 2021 and ends October 19, 2022. The Company is entitled to purchase on the TSXV, for cancellation, up to 3,088,835 SVS in total, representing approximately 5% of the SVS issued and outstanding on October 15, 2021. The price the Company is permitted to pay for any such shares will be the market price at the time of acquisition. The actual number of SVS which may be purchased, and the timing of any such purchases, will be determined by the Company. During the year ended December 31, 2021 and as at the date of the AIF, the Company has not purchased or cancelled any SVS.

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 to any particular industry sector but rather is opportunistically focused on various industries such as manufacturing, retail, financial services, technology, cannabis, biotechnology, oil and gas, mining, and gaming. 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 late stage, 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 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, fees, and bonuses it receives from its loan portfolio, dividends received from its equity 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, 2021, Fountain had one employee. 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, these 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 periods.

Financial Assets

Risk disclosures relating to financial assets include Risk management, Liquidity risk, Market risk, Interest rate risk, Credit risk management, 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.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its operational activities and the proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient investments which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions. The goal of liquidity management is to ensure that adequate cash is available to honour all future financial obligations and commitments. Additionally, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized. The Company manages its liquidity risk by strategically timing acquisitions and disposition of investments and by regularly reviewing and maintaining a financial forecast to assess liquidity prepare for upcoming expenditures.

Market Risk

The Company is exposed to certain market risk that the value of 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 unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company is required to mark to market its 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 Company monitors changes in the market on an ongoing basis and adjusts its lending and investing practices and policies when necessary to reduce the impact of the above risks.

The following table shows the estimated sensitivity on the statement of income and comprehensive income for the year ended December 31, 2021 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options, with all other variables held constant.

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%	434,605	(434,605)
10%	869,209	(869,209)

The following table shows the estimated sensitivity on the statement of income and comprehensive income for the year ended December 31, 2020 from a change in closing price of the Company's publicly-listed investments, not including share purchase warrants and options, with all other variables held constant.

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%	356,524	(356,524)
10%	713,048	(713,048)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will impact the valuation and realized gain or loss on investments of the Company. The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

Should market interest rates rise, then the fair value of these convertible debentures and term debt may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early-stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. Additionally, the economic exposure to interest rate risk is mitigated by the Company's intention to either convert the debentures into the related underlying equities or, in the case of nonconvertible debentures, to hold the instrument until maturity.

As at December 31, 2021, if interest rates were higher by 1% per annum, the potential effect to the Company would be an increase in net income of approximately \$6,568 (December 31, 2020 – \$11,501).

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, to whom management may reach for professional advice;
- 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 minimum quarterly basis, to review and assess the risk profile of the loan portfolio. The Company reviews its policies regarding its lending limits on an ongoing basis. The amount of the Company's loans generally does not exceed 75% of the collateral value. The maximum exposure to credit risk is:

For the years ended December 31,	2021	2020
Amounts receivable	\$ 315,087	\$ 1,160,833
Loans and convertible debentures	166,284	1,299,195
	\$ 481,371	\$ 2,460,028

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. The Company's foreign currency risk primarily exists with respect to the United States dollar. Fluctuations in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

Other Risks

Risks related to the U.S. regulatory environment:

The Company has made investments in entities operating in a highly regulated industry which is rapidly evolving. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Certain investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of an investee and may negatively affect the performance of the Company's investment portfolio.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of investees and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce an investee's earnings and could make future capital investments or its operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company is expected to have a portion of its revenues derived from its investments in investees that are engaged, either directly or indirectly, in the cannabis industry in certain states of the U.S., which industry is illegal under U.S. federal law. Fountain is indirectly involved in marijuana-related activities in the U.S. through its investments in Ayr Wellness Inc., Bluma Wellness Inc., Consortium Inc., Cresco Labs Inc., Gage Growth Corp., Holistic Industries, and Slang Worldwide Inc., each of which is or was during the year ended December 31, 2021, engaged in the cultivation or distribution of marijuana in the U.S. The enforcement of relevant laws is a significant risk.

Over half of the states in the U.S. have enacted legislation to regulate the sale and use of medical marijuana without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical marijuana with strict limits on the levels of THC. Other U.S. states had also legalized cannabis for adult use. Notwithstanding the permissive regulatory environment of medical or adult-use marijuana at the state level, marijuana continues to be categorized as a Schedule 1 controlled substance under the federal Controlled Substances Act (the “CSA”). As such, marijuana-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution, are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will not absolve the investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against them. Any such proceedings brought against the investees may adversely affect the Company’s financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding marijuana, investments in marijuana businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the CSA with respect to marijuana or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect certain current and future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company’s existing and future investments in the U.S.

Regulatory changes and compliance:

The activities of the investees are in many cases subject to regulation by governmental authorities. The Company cannot predict the time required for certain of its investees to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on these investees’ business and results of operations, which may negatively affect the performance of the Company’s investment portfolio.

Certain investees’ operations may be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the investees’ operations. Changes to such laws, regulations and guidelines due to matters beyond the control of the investees may cause adverse effects to the Company’s operations.

Local, state and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require certain investees to incur substantial costs associated with bringing the operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt certain investees’ operations and result in a material adverse effect on financial performance. It is beyond the Company’s scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company’s investment portfolio.

U.S. federal laws on marijuana industry:

Marijuana is illegal under U.S. federal laws and enforcement of relevant laws is a significant risk. Therefore, the business operations of certain investees are dependent on U.S. state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the return on the Company's investment portfolio.

The concepts of "medical marijuana" and "retail marijuana" do not exist under U.S. federal law. The CSA classifies "marijuana" as a Schedule 1 drug. Under U.S. federal law, a Schedule 1 drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against investees.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

There are risks associated with removal of U.S. federal budget rider protections:

The U.S. Congress has passed appropriations bills since 2014 to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating compliance with state and local laws.

On June 20, 2019, the House voted 267–165 to approve the Blumenauer-Norton-McClintock Amendment which, in addition to protecting state medical cannabis programs, also protected recreational use. On September 26, 2019, the Senate Appropriations Committee declined to take up the Blumenauer-Norton-McClintock Amendment but did approve the Rohrabacher–Farr Amendment for the 2020 fiscal year spending bill. On September 27, 2019, the amendment was renewed as part of a stopgap spending bill, in effect through November 21, 2019.

On December 20, 2019, the amendment was renewed through the signing of the fiscal year 2020 spending legislation, effective through to September 30, 2020. President Trump added a signing statement regarding the amendment similar to the ones he added in May 2017 and February 2019. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. On October 1, 2020, the amendment was renewed through the signing of a stopgap spending bill, effective through December 2020. The amendment was then renewed again through the signing of the fiscal year 2021 spending legislation, effective through September 30, 2021 and renewed again through the signing of the fiscal year 2022 spending legislation effective through September 2022.

U.S. courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of U.S. federal law. If Congress restores funding, the U.S. federal government will have the authority to prosecute

individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

Local regulation could change and negatively impact U.S. Cannabis Investees' operations:

Most U.S. states that permit marijuana for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where investees have established facilities decide to prohibit marijuana businesses from operating, such investees could be forced to relocate operations at great cost to them, and such investees may have to cease operations in such state entirely if alternative facilities cannot be secured.

Reliance on third-party suppliers, manufacturers and contractors:

Some of the investees may intend to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the U.S., these investees' third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the investees' operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the investees' business and operational results, which could have on the Company's investment portfolio.

Ability to access public and private capital:

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. However, there can be no assurance that additional financing will be available to the Company if, or when, needed or on terms which are favourable.

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 SVS 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 SVS.

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.

COVID-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods, and social distancing have caused material disruption to businesses resulting in a global economic disruption. At the same time, global equity markets have experienced historic volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize domestic economic conditions.

The extent to which the Company’s business and financial condition may be affected by the COVID-19 pandemic will depend on future developments including the spread of variants, efficacy of vaccines against new variants, the vaccination progress and the impact of related controls and restrictions imposed by government authorities. To date, the Company's ability to operate has not been directly impacted by the COVID-19 pandemic, but many of Fountain’s investees could be negatively impacted by the COVID-19 pandemic and future restrictions put in place by government authorities.

Normal Course Issuer Bid

To date, Fountain has yet to repurchase or cancel any of its SVS through the facilities of the TSXV pursuant to its NCIB, and there is no guarantee that the Company may do so in the future. As such, any anticipated benefit of raising the trading value of the SVS on the TSXV pursuant to the completion of the NCIB, in whole or in part, may not occur.

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 MVS
- Unlimited 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.

The following table below summarizes the MVS and SVS issued and outstanding as at December 31, 2021 and 2020.

Shares issued and outstanding as at December 31, 2021 & 2020	Number of shares	Amount
Multiple voting shares	87,760	\$ 160,028
Subordinate voting shares	61,776,702	\$ 29,639,079
Total	61,864,462	\$ 29,799,107

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

As of December 31, 2021, the Company had 6,080,000 stock options outstanding to acquire 6,080,000 SVS.

Trading Price and Volume

During 2021 and as of the date hereof, the SVS were traded on the TSXV in Canada under the symbol “FA”. Below are the monthly price range and volume of trading for the SVS.

Month	High (Cdn\$)	Low (Cdn\$)	Monthly Volume
2021			
January	0.20	0.14	1,995,500
February	0.22	0.17	382,000
March	0.25	0.16	176,700
April	0.37	0.20	393,900
May	0.275	0.23	413,100
June	0.25	0.20	42,000
July	0.295	0.22	200,000
August	0.25	0.20	824,000
September	0.25	0.17	783,400
October	0.23	0.19	1,875,000
November	0.27	0.205	187,000
December	0.32	0.27	149,500

The Company’s MVS are not quoted on a marketplace. The Company’s MVS can be converted to SVS on a one for one basis.

Prior Sales

No sales of MVS or Preferred Shares occurred in 2021.

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 ⁽⁴⁾
Paul Kelly ⁽³⁾ Toronto, Ontario, Canada Director	Independent business consultant and investor	March 18, 2014	4,715,000 SVS
Andrew Parks 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	290,000 SVS
Roger Daher ⁽²⁾⁽⁵⁾ Markham, Ontario, Canada Director	Licensed Pharmacist; Owner of 7 Pharmasave (pharmacies)	November 8, 2017	1,919,500 SVS ⁽⁵⁾
Michael Galloro ⁽²⁾⁽³⁾ Toronto, Ontario, Canada Director	Chartered Accountant with over 20 years of experience with publicly listed companies	July 10, 2018	Nil
Michael Leskovec ⁽⁶⁾ Toronto, Ontario, Canada Former CFO	Chartered Accountant with over 16 years of experience with publicly listed companies	N/A	30,000 ⁽⁷⁾
Matthew Davis ⁽⁶⁾ Calgary, Alberta, Canada CFO	Chartered Professional Accountant; Director of Lancaster Capital Advisory Corp.	N/A	Nil

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) Orion Capital Incorporated controls 500,000 SVS which Morris Prychidny exercises trading authority over.
- (5) RGDRX Holdings Inc., a private holding company controlled by Roger Daher, owns 1,409,000 SVS.

- (6) Effective November 29, 2021, Mr. Leskovec tendered his resignation as the CFO of the Company and was succeeded by Mr. Matthew Davis.
- (7) As of the effective date of his resignation, Mr. Leskovec held 30,000 SVS.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including Fountain), that:

(a) was subject to 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 that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to 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 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.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of Fountain:

(a) is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including Fountain) 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

(b) has, within the 10 years before the date of the 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, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control Fountain, has been subject to:

(a) 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; or

(b) 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.

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 a director or officer of the Company also held a position with an investee company as at December 31, 2021.

Investment	Ownership	Officer/Director Name	Position Held
Atmofizer Technologies Inc.	<10%	Michael Galloro	Director
Canaccord Genuity G Ventures Corp.	<10%	Roger Daher	Director
CannAgri Blockchain Inc.	<10%	Michael Galloro	Director
Cansortium Inc.	<10%	Roger Daher	Director
Global Health Clinics Ltd.	<10%	Andrew Parks	Director
Nighthawk Gold Corp.	<10%	Morris Prychidny	Director
Simply, Inc.	<10%	Michael Galloro	Director
Somersby Park 2010 Limited Partnership	73%	Andrew Parks	Director
The BRN Group Inc.	<10%	Andrew Parks	Director
Tripsitter Clinic Corp.	<10%	Roger Daher	Director

AUDIT COMMITTEE

As the Company is a “venture issuer” as defined in NI 52-110 and it is relying on the exemption in section 6.1 of NI 52-110 relating to Part 5 (Reporting Obligations). For further information with respect to Fountain’s audit committee, please see the Company’s management information circular dated May 27, 2022 and available under Fountain Asset’s profile at www.sedar.com.

LEGAL PROCEEDINGS

Aside from the action described below, neither the Company nor its assets were not subject to any legal proceedings, nor were any such proceedings contemplated, during the financial year ended December 31, 2021.

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 the Company 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”). The Company 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 for both the SVS and the MVS 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 21, 2022 in respect of Fountain's financial statements for the years ended December 31, 2021 and 2020.

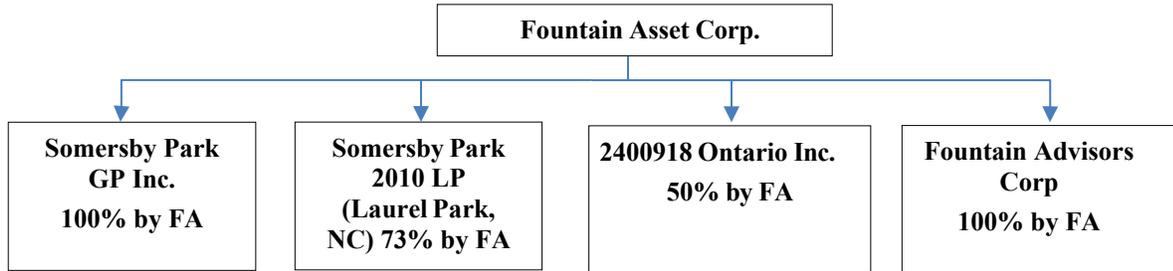
MNP LLP, Toronto, Ontario has not received from the Company any registered or beneficial interests, direct or indirect, in any securities or other property of Fountain or one of Fountain's associates or affiliates.

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



- Somersby Park 2010 Limited Partnership (Incorporated in Delaware)
- Somersby Park GP Inc. (Incorporated in Delaware)
- 2400918 Ontario Inc. (Incorporated in Ontario)
- Fountain Advisors Corp. (Incorporated in Ontario)