



**BRP INC.**

**ANNUAL INFORMATION FORM**

**Fiscal year ended January 31, 2014**

**March 28, 2014**

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## EXPLANATORY NOTES

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The information in this annual information form (the “Annual Information Form”) is stated as at January 31, 2014, unless otherwise indicated.

Unless otherwise noted or the context otherwise requires, the “Company” and “BRP” refer to BRP Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by them.

Unless otherwise indicated, all references to “\$” or “dollars” are to Canadian dollars and references to “U.S.\$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated.

All references to “Fiscal 2014” are to the Company’s fiscal year ending January 31, 2014, to “Fiscal 2013” are to the Company’s fiscal year ended January 31, 2013 and to “Fiscal 2012” are to the Company’s fiscal year ended January 31, 2012.

References to Company or market data for a season for snowmobiles refer to the 12 months ended March 31 for Canada and the United States (collectively, “North America”) and Russia and to the 12 months ended June 30 for Scandinavia, for personal watercraft refer to the 12 months ended September 30 for North America, for all-terrain vehicles and side-by-side vehicles refer to the 12 months ended June 30 for North America, for roadsters refer to the 12 months ended October 31 for North America, for outboard engines refer to the 12 months ended June 30 for North America and for each other jurisdiction for one of these products or for each of the other products refer to the calendar year, in each case for the particular year indicated. Any references to seasonal data for multiple products refer to each product’s respective season for the particular year indicated.

Certain capitalized terms and phrases used in this Annual Information Form are defined in the “Glossary of Terms” beginning on page 63.

### **Forward-Looking Statements**

Certain statements in this Annual Information Form about the Company’s current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “trends”, “indications”, “anticipates”, “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause the Company’s actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail under the heading “Risk Factors” of this Annual Information Form: impact of adverse economic conditions on consumer spending; decline in social acceptability of the Company’s products; fluctuations in foreign currency exchange rates; high levels of indebtedness; unavailability of additional capital; unfavourable weather conditions; seasonal sales fluctuations; the Company’s ability to comply with product safety, health, environmental and noise pollution laws; dependence on dealers, distributors, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions; large fixed cost base; inability of dealers and distributors to secure adequate access to capital; supply problems, termination or interruption of supply arrangements or increases in the cost of materials; covenants



in the Company's financing and other material agreements; competition in product lines; loss of members of management team or employees who possess specialized market knowledge and technical skills; inability to maintain and enhance reputation and brands; adverse determination in any significant product liability claim against the Company; significant product repair and/or replacement due to product warranty claims or product recalls; reliance on a network of independent dealers and distributors to manage the retail distribution of its products; dependence on customer relationships for the sale of original equipment manufacturer products; unsuccessful management of inventory levels; risks associated with international operations; inability to enhance existing products and develop and market new products; protection of intellectual property; failure of information technology systems; declining prices for used versions of products and oversupply by competitors; unsuccessful execution of manufacturing strategy; changes in tax laws and unanticipated tax liabilities; higher fuel costs; deterioration in relationships with employees; pension plan liabilities; natural disasters; failure to carry proper insurance coverage; volatile market price for Subordinate Voting Shares; no current plans to pay dividends; conduct of business through subsidiaries; significant influence by Principal Shareholders; and future sales of Shares by Principal Shareholders, directors, officers or senior management of the Company. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this Annual Information Form are made as of the date of this Annual Information Form, and the Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities regulations. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

#### **IFRS and Non-IFRS Measures**

The Company's financial statements, available on SEDAR at [www.sedar.com](http://www.sedar.com), have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This Annual Information Form makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including EBITDA, Normalized EBITDA, Normalized Net Income, Normalized basic earnings per share and Normalized diluted earnings per share to provide investors with supplemental measures of the Company's operating performance. The Company believes non-IFRS measures are important supplemental measures of operating performance because they eliminate items that have less bearing on the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements. Because other companies may calculate these non-IFRS measures differently than the Company does, these metrics are not comparable to similarly titled measures reported by other companies. Refer to the Company's management's discussion and analysis for the Fiscal 2014, available on SEDAR at [www.sedar.com](http://www.sedar.com), for definitions and reconciliations of EBITDA, Normalized EBITDA and Normalized Net Income to the most directly comparable IFRS measure.



## **Market and Industry Data**

The Company has obtained the market and industry data presented in this Annual Information Form from a combination of internal surveys, third party information and the estimates of the Company's management. There are limited sources that report on the Company's markets and industries. As such, much of the market and industry data presented in this Annual Information Form is based on internally-generated management estimates, including estimates based on extrapolations from third party surveys of the industries in which the Company competes. While the Company believes internal surveys, third party information and estimates of the Company's management are reliable, the Company has not verified them, nor have they been verified by any independent sources and the Company has no assurance that the information contained in third party websites is current and up-to-date. While the Company is not aware of any misstatements regarding the market and industry data presented in this Annual Information Form, such data involves risks and uncertainties and are subject to change based on various factors, including those factors discussed under "Forward-Looking Statements" and "Risk Factors".

## **Trademarks and Tradenames**

This Annual Information Form includes trademarks, such as *BRP*<sup>®</sup>, *Ski-Doo*<sup>®</sup>, *Sea-Doo*<sup>®</sup>, *Can-Am*<sup>®</sup>, *Evinrude*<sup>®</sup>, *Lynx*<sup>®</sup> and *Rotax*<sup>®</sup>, which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the Company's trademarks and tradenames referred to in this Annual Information Form may appear without the <sup>®</sup> or <sup>™</sup> symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and tradenames. All other trademarks used in this Annual Information Form are the property of their respective owners.



## CORPORATE STRUCTURE

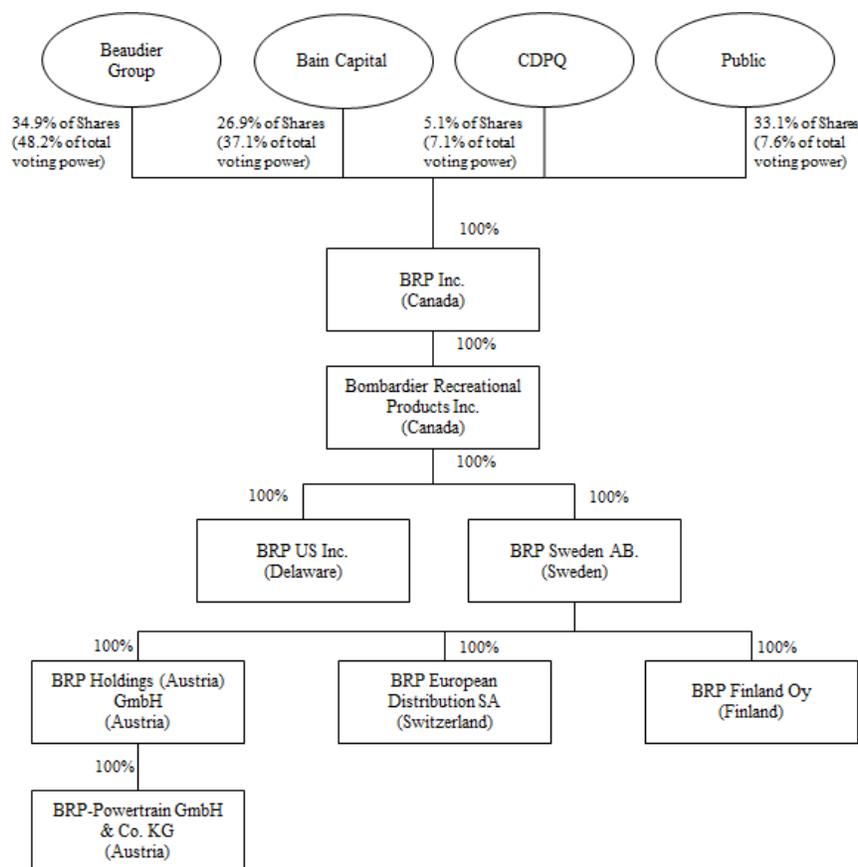
### Incorporation and Office

The Company was incorporated under the *Canada Business Corporations Act* on May 1, 2003 under the name J.A. Bombardier (J.A.B.) Inc. On June 28, 2006, the Company was amalgamated with 4308042 Canada Inc., a wholly-owned subsidiary of the Company. On April 12, 2013, the Company filed articles of amendment to change its name to BRP Inc. Immediately prior to the closing of its initial public offering on May 29, 2013 (the “IPO”), the Company filed articles of amendment to reorganize its authorized and issued share capital as described under “Description of the Capital Structure”.

The Company’s head and registered office is located at 726 Saint-Joseph Street, Valcourt, Québec, J0E 2L0.

### Intercorporate Relationships

The following organization chart indicates the inter-corporate relationships of the Company and its material subsidiary entities together with the jurisdiction of incorporation or constitution of each such entity as at March 26, 2014:



Certain subsidiaries of the Company, each of which represented not more than 10% of the consolidated assets and not more than 10% of the consolidated revenue of the Company, and all of which, in the aggregate,



represented not more than 20% of the total consolidated assets and the total consolidated revenue of the Company as at March 26, 2014, have been omitted.

## GENERAL DEVELOPMENT OF THE BUSINESS

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BRP's origins date back to 1937 when founder Joseph-Armand Bombardier obtained his first patent for a tracked vehicle used for travelling on snow. In 1942, l'Auto-Neige Bombardier Limitée was incorporated and started mass-producing these vehicles in 1947. In 1959, the Company gave birth to recreational snowmobile by introducing the first lightweight single track two-passenger snowmobile under the *Ski-Doo* brand.

The Company's name was changed to Bombardier Limited in 1967 and later became Bombardier Inc. In 1968, the Company launched the industry's first personal watercraft ("PWC") under the *Sea-Doo* brand and, in 1970, the Company acquired the maker of *Rotax* engines.

In 1989, the Company acquired the Finnish company Nordtrac Oy, the maker of the *Lynx* brand of snowmobiles. A decade later, the Company entered a new powersports category when it began selling all-terrain vehicles ("ATVs"), which are now branded *Can-Am*. In 2001, the Company acquired the outboard engine related assets of Outboard Marine Corporation (OMC), including the *Evinrude* and *Johnson* brands.

In 2003, while operating as a division of Bombardier Inc., the Company was sold by Bombardier Inc. to an investor group including Bain Capital Luxembourg Investments S.à r.l. ("Bain Capital"), members of the Bombardier and Beaudoin families and Caisse de dépôt et placement du Québec ("CDPQ").

In 2007, the Company entered the on-road market and created a new on-road product category with the introduction of the *Spyder* roadster. In 2010, the Company added another product to its portfolio with the introduction of its first recreational side-by-side vehicle ("SSV") under the *Can-Am* brand. In September 2012, BRP decided to cease the manufacturing of sport boats and announced that it would offer its jet boat propulsion technology to boat manufacturers.

On August 29, 2013, 54 years after the *Ski-Doo* snowmobile was born in 1959, BRP produced in its Valcourt (Québec) manufacturing facility its three millionth *Ski-Doo* snowmobile. On November 7, 2013, BRP inaugurated its new manufacturing facility in Querétaro (Mexico) where it assembles *Rotax* engines for its *Can-Am* off-road vehicles as well as the *Sea-Doo* Spark watercraft and manufactures composite components for *Sea-Doo* watercraft.

On the transactional front, on May 29, 2013, the Company completed its IPO of 12,200,000 subordinate voting shares at a price of \$21.50 per share resulting in gross proceeds of \$262.3 million. The Company's subordinate voting shares (the "Subordinate Voting Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "DOO". On June 27, 2013, in connection with the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the Company received gross proceeds of \$39.3 million from the issuance of 1,830,000 additional Subordinate Voting Shares. On October 9, 2013, Bain Capital, CDPQ and other selling shareholders completed a bought deal secondary offering (the "October 2013 Secondary Offering") pursuant to which they sold an aggregate of 8,000,000 Subordinate Voting Shares at a price of \$27.85 per Subordinate Voting Share for aggregate gross proceeds of \$222.8 million to the selling shareholders. On January 31, 2014, Bain Capital, CDPQ and other selling shareholders completed another bought deal secondary offering (the "January 2014 Secondary Offering") pursuant to which they sold an aggregate of 10,000,000 Subordinate Voting Shares (1,300,000 Subordinate Voting Shares of which were sold through the exercise in full of the over-allotment option) at a price of \$30.00 per Subordinate Voting Share for aggregate gross proceeds of \$300.0 million to the selling shareholders. The Company did not receive any of the proceeds from the October 2013 Secondary Offering and the January 2014 Secondary Offering. As at March 26, 2014, there were 39,135,723 Subordinate Voting Shares and 79,023,344 multiple voting shares of the Company (the "Multiple Voting Shares", and collectively with the Subordinate Voting Shares, the "Shares") issued and outstanding. As of the same date, Beaudier Inc. and 4338618 Canada Inc. (collectively, the "Beaudier Group"), Bain Capital and CDPQ held 41,237,476, 31,744,393 and 6,041,475 Multiple



Voting Shares, respectively, representing approximately 34.9%, 26.9% and 5.1%, respectively, of the Company's issued and outstanding Shares and approximately 48.2%, 37.1% and 7.1%, respectively, of the voting power attached to all outstanding Shares.

## **INDUSTRY OVERVIEW**

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BRP competes in certain categories of the powersports industry and in propulsion systems for motorized vehicles and boats.

### **Powersports Industry**

The powersports industry is comprised of several product categories, including snowmobiles, PWC, off-road vehicles ("ORV") such as ATV and SSV, and motorcycles. BRP competes directly in the snowmobile, PWC, ATV and SSV categories, and indirectly in a sub-segment of the motorcycle category (specifically the On-Road Motorcycles of 500cc+, as defined herein), with the *Can-Am Spyder* roadster.

A majority of powersports products are used for recreational purposes. Certain products, primarily ORVs, are also used for utility purposes, such as for agriculture and other commercial applications.

Powersports products are sold through networks of local dealers and distributors. Manufacturers generally either distribute their products in a country directly to an established network of largely independent dealers or through distributors who act as intermediaries with local dealers. Manufacturers typically provide dealers with marketing and after-sale service support as well as training for service technicians. Manufacturers or their distributors typically enter into agreements with dealers which authorize dealers to market specific product lines, require them to stock service parts and perform warranty and out-of-warranty repairs and other services. Most of these contracts do not require a dealer to market products on an exclusive basis.

Management believes consumer demand for powersports vehicles is mostly influenced by macroeconomic conditions, product life cycles, the introduction of new features, technologies and products, brand recognition and the maintenance of extensive and engaged distribution networks.

### ***Snowmobiles***

The Company began mass-producing the first multi-passenger utility tracked vehicle used for travelling on snow in 1947. In 1959, the Company gave birth to the recreational snowmobile by introducing the first lightweight single track two-passenger snowmobile under the *Ski-Doo* brand. Originally intended for utility and work applications, the use of the product quickly grew into a new sport. Between the late 1950s and early 1970s, the industry expanded to reach a peak of over 100 manufacturers and nearly 495,000 retail units sold in North America in season 1971. Today, the primary manufacturers of snowmobiles are BRP, Arctic Cat, Polaris and Yamaha.

The global snowmobile market is highly concentrated in North America, Russia and Scandinavia, with North America accounting for an estimated 65% of global unit sales in season 2013. Management estimates that the global snowmobile market represented approximately 150,000 units for season 2013, up approximately 13% from season 2012.

### ***PWCs***

The Company marketed the industry's first PWC under the *Sea-Doo* brand in 1968. PWCs include sit-down and stand-up PWCs and are used on lakes, rivers or oceans. PWCs are designed to accommodate one to three riders and are used primarily for recreational purposes, with a small proportion being used for utility purposes such as marine patrol and rescue. PWCs can be divided into four primary segments: luxury, performance, sport and recreation. Today, the primary manufacturers of PWCs are BRP, Kawasaki and Yamaha.



Following several innovations in the industry, PWCs gained significant popularity in the mid-1990s. Management estimates that the North American PWC retail market peaked at approximately 210,000 units in season 1995. Thereafter, concerns around noise, pollution and safety led to increased public scrutiny and regulatory controls, resulting in a gradual decline in sales to approximately 50,000 units in season 2013.

In season 2013, the global PWC market represented approximately 69,000 units, down approximately 3% from season 2012.

### ***ORVs***

The ORV category is comprised of ATVs and SSVs. ORVs are designed to be driven on a wide variety of unpaved surfaces, including trails, grass, dirt roads, swamps, snow and sand dunes.

#### *ATVs*

ATVs are four-wheel, multi-purpose vehicles used in different environments in all four seasons of the year. ATVs are used primarily for recreational riding and utility purposes. Seats are designed to be straddled by the rider who steers using handlebars, much like a motorcycle. ATVs have low pressure tires providing added stability for more rugged terrain. ATVs can be broken down into four main segments: sport, recreational-sport, recreational-utility and youth. The primary manufacturers of ATVs include BRP, Arctic Cat, Honda, Kawasaki, Polaris, Suzuki and Yamaha. Certain Chinese and Taiwanese manufacturers also produce ATVs, but primarily focus on entry-level products which are not included in the industry data.

The first 3-wheel ATV was introduced in North America in 1971 by Honda, with other competitors entering the North American ATV market in the late 1970s and early 1980s. In the late 1980s, growth in the ATV market was driven by the introduction of the 4-wheel ATV which provided the consumer with a safer and more comfortable ride. As a result of the introduction of this new design, management estimates that the ATV market expanded progressively to its peak of 915,000 retail units sold in season 2005 in North America. Following this product life cycle peak, the industry has been declining. In recent years, some consumers have shifted from ATVs into the fast growing recreational SSV market. Management estimates that the global ATV market represented approximately 380,000 units in season 2013, down approximately 1% from season 2012.

#### *SSVs*

SSVs were introduced more than 20 years ago as utility vehicles. The utility segment of the SSV market remains strong, but in recent years the SSV category has been transformed by the introduction of vehicles designed primarily for recreational purposes. An SSV is driven much like a car, using a steering wheel and pedals, is equipped with seat belts and rollover protection bars and sits the driver and passenger side-by-side. Certain models also include two rows of seats to accommodate up to six passengers. SSVs can be divided into two categories: (1) Recreational SSVs, which can be sub-divided into three main segments: sport, recreational-utility, utility-recreational; and (2) Utility SSVs. Both existing and aspirational powersports consumers are drawn to recreational SSVs in large part by their enhanced functionality, innovation and differentiated riding experience. Many consumers have shifted from ATVs into SSVs.

The primary manufacturers of recreational SSVs are BRP, Arctic Cat, John Deere, Honda, Kawasaki, Polaris and Yamaha. Primary manufacturers of Utility SSVs are Bobcat, John Deere, Kubota, Polaris and Toro. Based on new, recently released industry association data which now includes utility-recreational products in the global recreational SSV market (whereas such products had historically been included in the utility SSV market), management estimates that the global recreational SSV market represented approximately 220,000 units for season 2013, an increase of approximately 17% from season 2012.



## *Roadsters*

In 2007, BRP introduced its first on-road vehicle, the *Can-Am Spyder*. The *Spyder* is a non-traditional Y-shaped three-wheel vehicle (with two wheels in the front and one in the back) providing a riding experience combining elements of motorcycles and convertible sports cars, such as open-air riding, precise maneuverability and a performance engine with a lightweight chassis. The introduction of the *Spyder* created a new product category, and no other product currently competes directly with the *Spyder*.

Despite its uniqueness, the Motorcycle Industry Council classifies sales of the *Spyder* in the on-highway motorcycle segment. While many jurisdictions apply the same licensing requirements for the *Spyder* as for traditional motorcycles, a number of jurisdictions have implemented distinct licensing requirements for the *Spyder* that are generally less expensive, demanding and lengthy to obtain. Certain jurisdictions require only an automobile driver's license. The main competitors of the *Spyder* within the on-highway motorcycle segment include Harley-Davidson, Honda, Kawasaki, Suzuki, and Yamaha. Management estimates that the market for On-Road Motorcycles of 500cc+ represented approximately 735,000 units in season 2013, down approximately 2% from season 2012.

## **Marine Propulsion Systems Market**

Marine propulsion systems for recreational power boats are comprised of outboard engines, inboard sterndrive and other inboard engines such as jet propulsion engines. Marine propulsion systems are generally sold to independent boat builders and through a network of independent dealers and distributors. An outboard engine is a self-contained unit that includes an engine, gearbox and propeller. Outboard engines are designed to be affixed to the outside of a boat transom and tend to be lighter, less expensive and more easily replaceable than inboard engines. The outboard engine market can be segmented based on horsepower ("hp") and engine technology. Engines between 15hp and 300hp tend to be called "fixed", meaning that they are semi-permanently attached to the boat they are powering, while smaller and lighter engines below 10hp are often referred to as "portable" engines. Demand for outboard engines is tied to new boat sales and to the replacement of existing boat engines.

For season 2013, management estimates that the outboard engine industry (above 10hp) represented approximately 295,000 retail units globally, an increase of approximately 2% from season 2012.

Following its decision to cease the manufacturing of sport boats in September 2012, the Company decided in 2013 to provide boat builders with an alternative to traditional inboard sterndrives and other inboard engines for the powerboat market by supplying boat builders with its *Rotax* inboard jet propulsion systems. Management estimates that demand for inboard powerboats has remained relatively stable in recent years at approximately 20,000 units in the United States, down from a level of approximately 80,000 units in the mid-2000s.



## BUSINESS OF THE COMPANY

### Overview

BRP is a global leader in the design, development, manufacturing, distribution and marketing of powersports vehicles and propulsion systems. The Company is one of the most diversified manufacturers of powersports vehicles and engines, providing enthusiasts with a variety of exhilarating, stylish and powerful products for year-round use on a variety of terrains. The Company's diversified portfolio of brands and products includes *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, *Can-Am* ATVs, SSVs and roadsters, and propulsion systems composed of *Evinrude* outboard marine engines and *Rotax* engines for jet boats, karts, motorcycles and recreational aircraft. Additionally, the Company supports its line of products with a dedicated parts, accessories and clothing ("PAC") business.

The Company employs approximately 7,100 people mainly in manufacturing and distribution sites in Canada, Mexico, Austria, United States and Finland. The Company sells its products in 105 countries. The products are sold directly through a network of approximately 3,200 dealers in 20 countries as well as through approximately 190 distributors serving approximately 950 additional dealers.

BRP's products are marked by stunning designs, powerful and efficient engines, and the incorporation of advanced technologies that drive industry-leading performance. A pioneer in the powersports industry, the Company was the first to commercialize the single-passenger snowmobile in 1959, followed by the first PWC in 1968. More recently, the Company launched the *Spyder*, creating a new product category. Within its existing product lines, BRP aims to continuously enhance the consumer experience through new features and models in a variety of ways, including enhancing rider ergonomics, adding safety features, enhancing engine performance and reducing environmental impact.

Overview of BRP's Key Products						
Seasonal		Year-Round			Propulsion Systems	
<b>Snowmobile</b>  <b>ski-doo</b> <b>LYNX</b>	<b>PWC</b>  <b>SEA-DOO</b>	<b>Recreational SSV</b> 	<b>ATV</b> 	<b>Roadster</b> 	<b>Outboard Engines</b>  <b>EVINRUDE</b>	<b>Rotax Engines</b>  <b>ROTAX</b>
<b>can-am</b>						

Over its history, the Company has promoted a portfolio of globally recognized brands and products that achieved market leading positions, establishing the Company as a brand of choice for true powersports enthusiasts. *Ski-Doo* and *Sea-Doo*, through decades of sustained product innovation and development, have become synonymous with snowmobiles and PWCs. Over the years, the Company has successfully leveraged its market leading position and reputation to develop renowned brands such as *Can-Am*, *Evinrude*, *Rotax* and *Lynx*, which are also known for high quality and innovation. Moreover, management believes that the diversity of BRP's product offering reduces its exposure from changes in consumer behavior in any single category and provides the Company with multiple avenues for continued growth, while reducing the overall seasonality of the Company's sales as certain of its product lines are sold in offsetting seasons.

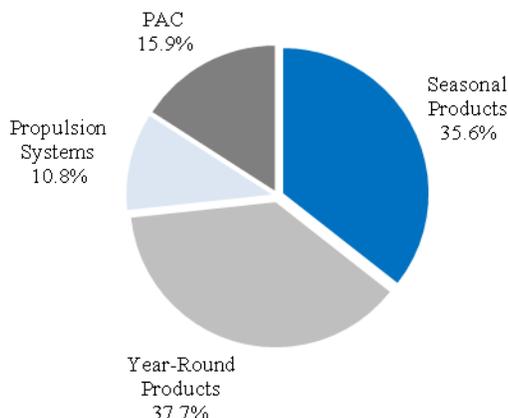
### Brands and Products

BRP has four product categories: (i) seasonal products consisting of *Ski-Doo* and *Lynx* snowmobiles and *Sea-Doo* PWCs (the "Seasonal Products"); (ii) year-round products consisting of *Can-Am* ATVs, recreational SSVs



and *Spyder* roadsters (the “Year-Round Products”); (iii) propulsion systems consisting of *Evinrude* outboard engines and *Rotax* engines (the “Propulsion Systems”), and (iv) PAC products supporting the Company’s various product lines with replacement parts, additional product accessories and complementary clothing.

#### Revenues by Product Category for Fiscal 2014



#### ***Seasonal Products***

Seasonal Products consist of BRP products that are mostly used in specific seasons. These products include snowmobiles, which are mainly used during the winter season with sales to dealers concentrated in the months of September to January, and PWCs, which are mainly used during the summer season with sales to dealers concentrated in the months of January to April.

#### *Snowmobiles*

Snowmobiles are used in various snow-covered riding environments, including on-trail and off-trail for mountain, performance, touring and utility purposes. On-trail models are operated at high hp ranges, have high engine displacement and are generally used on groomed trails. Off-trail models such as cross-over and mountain snowmobiles are generally operated at high hp ranges and are known for their lighter weight and longer tracks. Utility snowmobiles are easier to handle and generally used for work-related purposes.

BRP has a rich heritage in the snowmobile category as it was the first company to mass produce snowmobiles in 1959. 54 years later, BRP produced on August 30, 2013 its three millionth *Ski-doo* snowmobile, the 2014 *Ski-Doo Summit X E-TEC 800R* model, in its Valcourt (Québec) manufacturing facility. Today, BRP remains the industry leader and management believes its broad snowmobile product line-up addresses the needs of all consumer segments.

The Company produces 82 different key models of snowmobiles, categorized as (i) on-trail models (touring, sport, cross-country), (ii) on/off-trail models (cross-over) and (iii) off-trail models (mountain, utility). These models are grouped into 15 product families and marketed under two different brand names, *Ski-Doo* and *Lynx*. BRP snowmobiles are sold primarily in North America under the *Ski-Doo* brand and in Europe and Russia under the *Lynx* and *Ski-Doo* brands.

For season 2015, suggested retail prices for BRP snowmobiles range from approximately U.S.\$7,300 to U.S.\$15,050 in the United States.



BRP leverages its *Rotax* E-TEC and ACE engine technologies to produce snowmobiles that are recognized among the most fuel efficient snowmobiles in the market. Its snowmobiles also have unique performance-enhancing features including: tMotion Rear Suspension and Flex Edge Track, which allows the rider to initiate mountain type carving turns more easily and allows for a smoother ride; and rMotion Rear Suspension, which provides for more travel, performance, easier adjustability and controlled transfer.

#### *PWCs*

Similarly to snowmobiles, BRP created a new powersports product category in 1968, when it first brought to market a sit-down PWC. BRP subsequently launched a completely redesigned version of the sit-down PWC in 1988 and has remained the industry leader ever since.

The Company produces a full line of PWCs consisting of 19 models marketed globally under the *Sea-Doo* brand name. BRP's broad product offering allows it to compete across all product ranges and meet a broad range of consumer needs, including luxury, power, sport and recreation.

For season 2014, suggested retail prices for BRP's PWC models range from approximately U.S.\$5,000 to U.S.\$17,000 in the United States.

BRP was the first original equipment manufacturer ("OEM") to offer a 4-stroke engine for the PWC market, and BRP's PWC engine today leverages a closed-loop cooling system to avoid corrosion and clogging. In 2008, the Company launched its iControl technology platform, composed of its iBR (Intelligent Brake and Reverse), iTC (Intelligent Throttle Control) and iS (Intelligent Suspension) technologies. In September 2013, BRP introduced the *Sea-Doo* Spark, a lighter, more compact, customizable and easy to use PWC. With the material of its hull and deck being recyclable and its 4-stroke ACE engine, the Spark is a more eco-friendly PWC. In addition, the Spark is more affordable and fuel-efficient than any other new model in the industry.

#### *Year-Round Products*

Year-Round Products consist of BRP vehicles that are sold and used throughout the year in most climates and include the ATV, SSV and *Spyder* product lines. All products within the Year-Round Product category are sold under the *Can-Am* brand. Three key pillars drive the *Can-Am* lineup: performance, precision-engineered handling and rider-focused design. *Can-Am* ATVs, SSVs and *Spyder* roadsters all leverage BRP's *Rotax* engine technologies.

The Company's ATV and recreational SSV products are off-road vehicles designed to be driven on a wide-variety of surfaces, including trails, grass, unpaved roads, swamps, snow and sand dunes, in all four seasons of the year. In contrast, BRP's *Spyder* is a category-creator on-road vehicle, designed to be driven on paved roads and highways.

#### *ATVs*

BRP introduced its first ATV model in 1998. Since 2006, BRP's ATVs are marketed under the *Can-Am* brand. The *Can-Am* ATV line-up targets a broad range of consumers within the recreational, recreational-sport and sport segments. In total, the Company offers a total of 45 models. The *Can-Am Renegade* and *DS* platforms, aimed at sport riders, are lightweight and offer powerful engines, precise handling and leading edge designs. The *Can-Am Outlander* platform also features powerful engines and precise handling, but with added functionalities that cater to the utilitarian and comfort needs of recreational-utility riders. The *Outlander* platform consists of three different product versions, each with differing engine sizes. Finally, BRP also offers a youth ATV product.

Over the years, the Company has continued to introduce new model variants to each platform. For example, BRP introduced the "MAX" variants for its ATV platforms, which feature a longer wheelbase specifically designed to allow two riders to sit one behind the other more comfortably.



For season 2014, suggested retail prices for the Company's ATV models range from approximately U.S.\$2,200 to U.S.\$15,100 in the United States.

#### SSVs

BRP entered the SSV market in 2010 with a vehicle targeting high performance enthusiasts. Unlike conventional ATVs, SSVs are driven using a steering wheel and pedals, are equipped with seat-belts and rollover protection bars, and seat the driver and passenger side-by-side. Consistent with the brand positioning of *Can-Am*, BRP is currently focusing its efforts in the recreational-utility and sport segments of the SSV industry and it does not offer any model catering to utility usage.

BRP's first SSV product, the *Can-Am Commander*, was introduced in five different versions, featuring either an 800cc or a 1000cc *Rotax* engine with electronic fuel injection. The *Commander* was positioned as a recreational SSV in terms of features, but with handling and performance more typically found in sport models. The *Commander* offers an attractive mix of features: a powerful engine, dual level cargo box, torsional trailing arm independent rear suspension, iTC and a 2-inch diameter rollover protection system. The *Commander* also features several safety-related features such as speed limitation if the driver's side seat-belt is not fastened.

At the end of 2012, BRP introduced the *Can-Am Maverick* in the sport segment of the SSV category as the first SSV with an engine power greater than 100hp. Featuring a powerful engine of 101hp, the *Maverick* is designed to please the most demanding sport riders. In the summer of 2013, the *Maverick* family was complemented by the introduction of a new four-passenger SSV, the *Maverick MAX*. The Company now produces a line of SSVs consisting of 23 models.

For season 2014, suggested retail prices for the Company's SSV models range from approximately U.S.\$11,800 to U.S.\$21,700 in the United States.

#### *Spyder Roadsters*

In 2007, BRP introduced its first on-road vehicle, the *Spyder*. The *Spyder* is a non-traditional Y-shaped three-wheel vehicle with two wheels in the front and one in the back. It provides a riding experience combining elements of motorcycles, such as sit-on open-air riding, precise manoeuvrability and a performance engine with a lightweight chassis, and of convertible sport cars, such as stability, electronic assistance, automotive features, visibility and semi-automatic transmission. Management believes that, in addition to the traditional motorcycle consumer, the *Spyder's* styling, performance and stability appeal to consumers that would not have considered buying a motorcycle. With its "Y-shape" architecture, vehicle stability system and semi-automatic transmission, management believes that the *Spyder* offers greater stability and overall ease of use for a broad range of riders of all skill levels.

While many jurisdictions apply the same licensing requirements for the *Spyder* as for traditional motorcycles, a number of jurisdictions have implemented distinct licensing requirements for the *Spyder* that are generally less expensive, demanding and lengthy to obtain. Certain jurisdictions require only an automobile driver's license to ride the *Spyder*.

BRP launched its first *Spyder* roadster, the *Spyder RS*, in 2007. The Company then expanded its *Spyder* line-up into the touring segment with the introduction of the *Spyder RT* in 2010 and, in 2012, further expanded its offering with the *Spyder ST*, featuring sport-touring rider ergonomics and added footboards for more legroom, which targets the sport-touring segment. The *Spyder* line-up is comprised of 14 models within these three RS, RT and ST categories.



For season 2014, suggested retail prices for the Company's *Spyder* models range from approximately U.S.\$14,900 to U.S.\$30,500 in the United States.

### ***Propulsion Systems***

The Propulsion Systems product category consists of *Evinrude* outboard boat engines and *Rotax* engines.

#### ***Marine Propulsion Systems***

Outboard engines became part of BRP's business portfolio in 2001 when BRP acquired the outboard engine related assets of Outboard Marine Corporation. At the time, these assets included the *Johnson* and *Evinrude* brands, which had both been popular outboard engine brands since the early 1900s. Since the acquisition, BRP has focused its product development efforts on the *Evinrude* E-TEC 2-stroke direct injection technology. All *Evinrude* E-TEC engines from 15hp to 300hp now feature common product attributes, including the CARB "3-Star Ultra-Low Emission" certification, no scheduled dealer maintenance required for three years for recreational use and similar or lower weight than comparable 4-stroke engines. For season 2014, suggested retail prices for the Company's E-TEC *Evinrude* engines range from approximately U.S.\$4,245 to U.S.\$27,950 in the United States.

There are three predominant engine technologies in the outboard engine market: 2-stroke, 4-stroke and 2-stroke direct fuel injection engines. 2-stroke engines are generally lighter and easier to maintain and repair, but are generally noisier with more emissions and may be less reliable than 4-stroke engines. Advanced 2-stroke engines with direct fuel injection, such as BRP's *Evinrude* E-TEC, offer a 2-stroke engine that is more fuel efficient, cleaner, quieter, and easier to service than a traditional 2-stroke engine.

The Company offers two marine propulsion technologies to OEMs: an outboard engine based on advanced 2-stroke direct fuel injection *Evinrude* E-TEC technology and a *Rotax* inboard jet propulsion engine based on 4-stroke *Rotax* 4-TEC technology.

#### ***Rotax Engines***

With their worldwide recognized performance, fuel efficiency and emissions profile, *Rotax* engines are a core component of BRP's industry-leading product performance. While the large majority of *Rotax* engines are used internally to power BRP vehicles, *Rotax* engines are also sold to third parties. External customers mainly include OEMs that manufacture products which are not in direct competition with BRP products, such as karts, motorcycles and small recreational aircraft.

*Rotax* has developed a comprehensive line-up of compact engines spanning a wide range of applications. Its engines specifications vary from one to four cylinders, 2-stroke or 4-stroke.

### ***Parts, Accessories and Clothing***

BRP sells a broad range of PAC to complement each of its product lines, providing a stable revenue stream with high profit margins, along with increased brand exposure. In addition to strengthening BRP's brands, PAC products enhance the overall consumer experience and lifestyle associated with powersports products.

The parts sold by BRP include consumables (e.g., oil, fuel additives, lubricants), wearable components (e.g., spark plugs and transmission belts) and replacement parts (e.g., pistons and windshields). Many of its parts are uniquely designed for BRP vehicles (e.g., gauges) and are not available from any other source. This broad range of parts is essential to ensure maximum long term-use and residual value for BRP vehicles.

The Company also sells several accessories across all its product lines to enhance or modify vehicle functionality and to allow riders to customize the vehicle based on their individual taste and specific needs (e.g., bumpers, windshields, rims, winches, second passenger seats, coloured covers and racks).



BRP also sells a range of clothing and apparel in several styles adapted to its various product lines, including jackets, coats, pants, gloves, helmets, gear bags and casual sportswear items such as sweatshirts, T-shirts and hats. The style, functionality and colours of this apparel are carefully chosen to match the related products, and this line-up is refreshed every season just like the vehicle line-up. The Company's clothing line-up prominently features its logos for brand enthusiasts seeking clothing which closely matches the colors and design of their vehicle and the associated lifestyle.

### Manufacturing Facilities and Operations

The Company manufactures its products at seven facilities located in Canada, Mexico, Austria, the United States and Finland. The Company's global manufacturing platform provides it with proximity to certain key retail markets, which management believes creates a competitive advantage for BRP. For example, the Company's facilities in Mexico reduce distribution lead-times to the North American market, while its Rovaniemi (Finland) snowmobile production facility provides it with a competitive distribution advantage in the Scandinavian and Russian markets. The Company's international manufacturing footprint also partially mitigates exposure to currency fluctuations from revenues denominated in foreign currencies.

The following table presents the location, size and products manufactured at the Company's current manufacturing facilities. All of the Company's facilities are owned by the Company, except for the Querétaro (Mexico) and Rovaniemi (Finland) facilities which are leased.

<u>Location</u>	<u>Approx. Size (sq. ft.)</u>	<u>Products Manufactured</u>
Valcourt, Canada.....	800,000	Snowmobiles, PWCs (until 2015) and <i>Spyders</i>
Gunskirchen, Austria.....	500,000	<i>Rotax</i> engines
Querétaro, Mexico.....	500,000	<i>Rotax</i> engines and PWCs
Sturtevant, United States.....	465,000	Outboard engines
Juárez, Mexico.....	410,000	ATVs and SSVs
Rovaniemi, Finland.....	215,000	Snowmobiles and ATVs
Spruce Pine, United States.....	100,000	Components for engines

The Company plans to maintain its manufacturing operations and production capacity at relatively stable levels in Canada, Austria, the United States and Finland, while accommodating volume growth by increasing production levels and capacity as required in Mexico.

The Company's facility in Valcourt (Canada) assembles *Ski-Doo* snowmobiles, *Sea-Doo* PWCs and *Spyder* roadsters. Its flexible assembly line enables the Company to alternatively produce snowmobiles or PWCs, depending on the period of the year. The Company is gradually transferring the production of *Sea-Doo* PWCs from Canada to its new Querétaro (Mexico) facility. Production of PWCs in Valcourt is expected to end in 2015. The Company also manufactures components for its snowmobiles, PWCs and *Spyder* roadsters in Valcourt.

The Company's Gunskirchen (Austria) facility assembles *Rotax* engines for the Company's snowmobiles, PWCs and *Spyders*, as well as for third-party OEMs for use in karts, motorcycles, boats and recreational and small aircraft. This facility is strategically located in a region in which skilled labor in advanced propulsion systems is abundant due to the proximity of several automotive industry research centers and key suppliers.

The Company's facility in Querétaro (Mexico) assembles *Rotax* engines for its *Can-Am* ORVs and its Spark PWCs, assembles the *Sea-Doo* Spark PWCs and manufactures composite components for *Sea-Doo* PWCs. Management plans to have the entire *Sea-Doo* PWC line-up produced in the Querétaro facility by the end of 2015.

The Company's facility in Sturtevant (United States) manufactures outboard engines and related components under the *Evinrude* brand covering the 15hp to 300hp segment.



The Company's facility in Juárez (Mexico) assembles ORVs and manufactures related components. In addition, the Juárez facility produces ATV and SSV accessories such as bumpers, racks, steering columns and brackets.

The Company's facility in Rovaniemi (Finland) assembles *Lynx* and *Ski-Doo* snowmobiles as well as certain models of specialized ATVs. The Company also manufactures components for snowmobiles and ATVs in Rovaniemi.

The Company's facility in Spruce Pine (United States) provides lost foam aluminium casted parts for *Evinrude* and *Rotax* branded engines as well as other OEM customers serving the automotive and construction industries.

The Company is vertically integrated in respect of those manufacturing processes that represent its core competencies, such as surface treatment, painting, high precision machining and honing, aluminium forming, riveting and welding, steel forming and welding and engine component manufacturing. For other product components, the Company generally establishes long-term relationships with external suppliers. The Company uses contract carriers to ship its products to its customers and maintains international distribution centers to allow for its products to be shipped to international customers with short lead-times.

### **Research and Development**

Research and development is a core part of BRP's business strategy as it enables the Company to sustain its reputation for high performance products, build strong consumer loyalty and reduce production costs. In Fiscal 2014, investments by the Company in research and development activities represented \$144.9 million, or approximately 4.5% of the Company's annual sales. BRP's significant research and development efforts have repeatedly materialized into several new design features, engine technologies (e.g., the E-TEC technology), ergonomic features (e.g., the *Ski-Doo* REV platform), safety features (e.g., the *Sea-Doo* speed limiting Learning Key or the *Sea-Doo* iBR intelligent brake and reverse system), as well as entirely new product lines (e.g., the *Spyder* family).

BRP's research and development activities are spread across its four research and development sites located in Canada, Austria, the United States and Finland. Research and development activities are organized around centres of excellence, with each facility focused primarily on a specific activity.

In 2008, in partnership with the *Université de Sherbrooke* and the Québec government, BRP launched the *Centre de technologies avancées BRP - Université de Sherbrooke* with the mandate of developing new innovative technologies for powersports vehicles, including more environmentally friendly technologies. In the same year, BRP inaugurated the Laurent Beaudoin Design & Innovation Centre, home to BRP's design and advanced concept teams working to create revolutionary products and develop new product lines and categories. In 2010, in partnership with the Austrian government, BRP inaugurated the *Regionales Innovations Centrum* in Austria, focusing on the design and development of efficient powertrain technologies.

### **Distribution, Sales and Marketing**

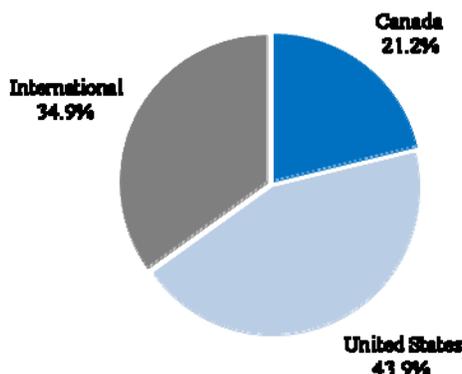
#### ***Distribution and Sales***

BRP has established an extensive global distribution network selling products, directly or indirectly, in 105 countries. BRP sells products directly to approximately 3,200 dealers in 20 countries. In certain geographic markets, the Company prefers to leverage a network of distributors acting as intermediaries with local dealers, allowing it to benefit from mature but growing distribution channels. Through its network of approximately 190 distributors, BRP indirectly sells products to additional dealers.



In Fiscal 2014, approximately 35% of the Company's revenues were generated outside of North America. In addition to reducing the Company's reliance on any single geographic market, management believes that the breadth of BRP's distribution network positions it favourably to capture future growth opportunities in emerging and high-growth powersports markets.

### Revenues by Geography for Fiscal 2014



### Global Manufacturing and Distribution Footprint



Dealers typically enter into dealer agreements with the Company or distributors, pursuant to which the dealer is authorized to market specific product lines and is required to stock service parts and perform warranty and out-of-warranty repairs and other services. Most of these contracts do not require a dealer to market the Company's products on an exclusive basis, but based on various business criteria, dealers can become entitled to discounts, cooperative advertising subsidies and inventory financing. The Company also enters into distributor agreements covering specific territories.



The Company delivers its products to dealers and distributors either directly from its manufacturing facilities or through strategically located distribution centers and warehouses.

The Company operates a build-to-order process under which it manufactures products based on dealer and distributor orders. It also manages a sales and operations process through which it adjusts production schedules on a weekly or monthly basis to precisely tailor production to incoming orders and market conditions. The Company measures the success of its global production scheduling based on its order fill rate and finished product inventory. The Company produces its Seasonal Products, namely its snowmobiles and PWCs, before and early in their respective seasons of use, while it produces its other products, namely its ORVs, *Spyder* and outboard and *Rotax* engines, year-round. Due to the supply chain lead-time for Seasonal Products, flexibility in adjusting production volumes to meet changes in anticipated demand is limited.

The Company regularly holds dealer and distributor meetings to introduce new products and register pre-season orders. Dealers and distributors also have the opportunity to modify their orders during the season, either quarterly, monthly or on an ongoing basis, depending on the product line and the geography. The distribution network for snowmobiles and PWCs is stable and consists of a majority of dealers and distributors with whom BRP has enjoyed a longstanding relationship. Outboard engines are distributed through two channels: (i) boat builders and (ii) independent marine dealers and distributors. The majority of new outboard-powered boats today are sold by boat builders to dealers as a package that includes the boat and the engine and BRP has entered into non-exclusive supply agreements for outboard engines with many independent boat builders. For outboard engines, the dealers and distributors place orders with BRP based on a continuous ordering system.

#### ***Dealers' and Distributors' Inventory Financing Arrangements***

BRP has agreements with large financing companies in North America, Latin America, Europe, Australia and New Zealand to provide third party inventory financing to its dealers and distributors in order to facilitate their purchase of the Company's products. These agreements improve BRP's liquidity by financing dealer and distributor purchases of products without requiring substantial use of the Company's working capital. A significant percentage of BRP's sales are made under such arrangements. The total amount of financing provided under such financing agreements totaled approximately \$2,183.5 million for Fiscal 2014 compared to approximately \$2,009.9 million for Fiscal 2013. In the event of a dealer or distributor default, BRP may be required to purchase from the finance company new and unused products at the total unpaid balance of the dealer or distributor to the finance company. In North America, the obligation is capped at the greater of U.S.\$25 million or 10% of the last twelve month average amount of financing outstanding under the financing agreements whereas in Europe, the obligation is capped at the greater of Euro 10 million or 10% of the last twelve month average amount of financing outstanding under the financing agreement.

#### ***Marketing***

The Company's marketing efforts ensure the way it interacts and communicates with its dealers and consumers is consistent with its brand positioning and focuses on being passionate about delivering consumers "The Ultimate Powersports Experience". Given the diversity of BRP's product portfolio, its brand teams deploy key marketing initiatives that are both common across product lines, yet tailored to each specific market opportunity.

BRP seeks to drive consumer loyalty and ambassadorship through a focus on the consumer experience and collaboration with the dealers and distributors. The Company has implemented several initiatives to expose thousands of consumers each year to high-quality product trials. Comparative demo tours are organized, often with dealers' or distributors' cooperation, at multiple grass-root events or industry shows worldwide.

The Company's digital marketing leverages social media and several independent BRP enthusiasts' websites or blogs.



The Company holds dealer meetings, and as part of its dealer value proposition, arranges for third-party inventory financing, makes available point-of-purchase promotional materials (including brochures, posters, and stands) and offers timely season rebate programs and other incentives.

The Company positions its brands and products by setting prices for its products at a slight premium above prices set by the Company's competitors.

The Company has built an expertise in raising awareness by developing its powersports in high potential markets where there is low penetration. This was achieved through a combination of creating amateur races and championships for ATV/SSV owners, building owner communities through special events and social media and co-branding partnerships for mass public events.

### **Suppliers**

BRP's primary purchases from its suppliers include raw materials, tooling, parts and systems, information technology ("IT") services, marketing services and transportation. Parts and components are subject to an extensive validation process in order to guarantee their reliability and durability. Raw materials or standard parts are readily available from multiple sources for the vehicles manufactured by BRP. Management anticipates no significant difficulties in obtaining substitute supply arrangements for other raw materials or components for which BRP relies upon limited sources of supply. BRP strives to obtain the lowest total costs of supply and manufacturing. In doing so, BRP seeks alternative sources of supply and manufacturing capacity in existing and new markets.

The Company is vertically integrated in respect of those manufacturing processes that represent its core competencies. For product components, the Company generally establishes long-term relationships with external suppliers. The Company has implemented a certification process to evaluate the suitability of potential suppliers, which includes a review of suppliers' financial condition and their capacity to produce components in conformity with BRP's requirements and specifications as well as with applicable labour and environmental standards. Additionally, the Company performs both laboratory and field testing of components before using them in its products.

The manufacturing of the Company's youth ATVs, outboard engines below 10hp as well as the production of most of its accessories and clothing is outsourced.

### **Competition**

The markets for BRP's products are highly competitive based on a number of factors, including innovation, performance, price, technology, product features, styling, fit and finish, brand loyalty, quality, warranties and distribution. Management believes that BRP competes effectively with its competitors on all of these criteria. At the dealer level, competition is based on a number of factors, including sales and marketing support efforts such as dealer inventory financing arrangements, dealer training, store redesign initiatives, flexible ordering systems and advertising and diversity in product offerings. BRP's product offering covering all seasons and multiple terrain applications provides a compelling value proposition for its dealer network.

Due to the global nature of BRP's business, competition primarily comes from North American and Asian manufacturers. Management believes that BRP's ability to compete successfully depends on its strong brand positioning, constant innovation, high product performance, consistent high quality, competitive pricing, and highly attractive dealer value proposition.

Additional detail on the Company's competitors for each of its product lines and categories follows.



### ***Seasonal Products***

*Snowmobiles.* BRP has three major competitors in the snowmobile market: Arctic Cat, Polaris and Yamaha. Management estimates that the Company holds the leading market share position in the worldwide snowmobile market.

*PWCs.* BRP has two major competitors in the PWC market: Kawasaki and Yamaha. Management estimates that the Company holds the leading market share position in the worldwide PWC market.

### ***Year-Round Products***

*ATVs.* BRP has six major competitors in the ATV market: Arctic Cat, Honda, Kawasaki, Polaris, Suzuki and Yamaha. Management estimates that its global market share in season 2013 reflected a number four position.

*SSVs.* SSVs can be divided into two principal markets: recreational SSVs and utility SSVs. The recreational SSV market can be further divided into three main segments: sport, recreational-utility and utility-recreational. The Company's SSVs only compete in the sport and recreational-utility segments of the global recreational SSV market. The Company has six major competitors in the global recreational SSV market: Arctic Cat, Honda, John Deere, Kawasaki, Polaris and Yamaha. Previously, the Company estimated its market position based on industry data that included only the sport and recreational-utility segments of the recreational SSV market. Based on new, recently released industry association data (which now includes utility-recreational products, a segment that represents approximately 50% of the global recreational SSV market), management estimates that the Company's share of the global recreational SSV market in season 2013 reflected a number four market position.

*Spyder.* BRP's *Spyder* has created a new category for the on-road rider to achieve the open air experience. While most similar to a large touring motorcycle, the *Spyder* provides a number of attributes that appeal to a broader demographic. Although there are no other participants in this newly created category, BRP's products indirectly compete for consumers against traditional motorcycle manufacturers such as Harley Davidson, Honda, Kawasaki, Suzuki and Yamaha, as the *Spyder* is also used for open air recreational touring.

### ***Propulsion Systems***

*Outboard Engines.* The outboard engine market is highly competitive, with several major global manufacturers competing on a global basis. BRP's main competitors in the outboard engine business are Brunswick, Honda, Suzuki and Yamaha. The key competitive trend over the past decade has been a continued focus on 4-stroke technology. All competitive brands have introduced new or improved 4-stroke platforms with reduced weights, better low-end torque and improved acceleration. The objective of these improved platforms has been to close the gap with 2-stroke direct fuel injection engines, such as the *Evinrude* E-TEC engine. Management believes that BRP has a number four position based on market share worldwide (for engines greater than 30hp), with its innovative *Evinrude* E-TEC 2-stroke engine.

### ***Parts, Accessories and Clothing***

Many of the Company's parts and accessories are custom designed for BRP and are not available from any other sources. For most owners of BRP vehicles, the Company is the primary source for replacement parts and accessories; however after-market parts and accessories are sold by other manufacturers and distributors. These after-market parts and accessories are generally sold at lower prices for use on older vehicles and are generally acknowledged to be of lower quality than original BRP parts and accessories.

### ***Seasonality***

Some of BRP's product lines, such as snowmobiles and PWCs, are seasonal. However, these products are sold during offsetting seasons, reducing the overall seasonal impact on the Company. Additionally, BRP's *Spyder*,



propulsion systems, ATV and SSV products are less subject to seasonal weather patterns than snowmobiles and PWCs.

The following table reflects the seasonality of revenues for each of the quarters in the three most recent fiscal years.

<u>(in % of annual revenues)</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Fiscal 2014.....	25.2%	19.4%	27.1%	28.3%
Fiscal 2013.....	26.3%	21.0%	25.4%	27.3%
Fiscal 2012.....	21.4%	21.3%	26.8%	30.5%

### **Employees**

The Company employs approximately 7,100 employees of which approximately 2,000 are unionized. BRP's employees in Canada or the United States are not unionized. In each of its non-unionized manufacturing and research and development facilities, the Company has established employee relations committees to ensure a joint and transparent approach to addressing employee issues and other challenges facing the Company. The first employee relations committee was established in Canada in 1972 at the Company's Valcourt (Canada) facility. The employee relations committees serve as a channel of communication between the Company and its employees and are intended to foster a culture of collaboration and trust. Such employee relations committees meet on a regular basis, including once a year to discuss and implement, as necessary, specific work conditions and other normative elements to the relationship between the Company and its employees.

In Austria and Finland, the Company's employees are represented by works councils which supervise compliance with laws relating to employees. Works councils meet with management on a regular basis and also participate in social, employment and, to a lesser extent, economic and financial decisions. In general, the Company representatives and works councils' members meet on a regular basis to discuss specific work conditions and other normative elements. The Company and local works councils also hold annual formal negotiations to discuss overall work conditions.

In Juárez (Mexico), certain of the employees are not represented by any local association. In Querétaro (Mexico), the Company's employees and technicians are represented by a union pursuant to an initial collective agreement concluded in March 2013 for a term of two years.

In addition, certain of the Company's employees across Belgium, Brazil, France and Italy are unionized, and certain employees are represented by works councils in Norway and Sweden.

### **Intellectual Property**

The Company has an extensive portfolio of intellectual property, including patents, trademarks, copyrights and trade secrets that protect its brands, products, designs and technologies.

#### ***Patents***

As at March 26, 2014, the Company held more than 1,400 issued patents or patent applications to protect its products, designs and technologies, in jurisdictions including the United States, the European Union, Canada, China and Russia, among others. The Company diligently seeks to protect its key innovations through patent filings. The Company determines jurisdictions in which it files patent applications based on strategic considerations and the availability of patent protection in such jurisdictions. As it continues to develop new products, manufacturing processes and technologies the Company plans to apply for patents to protect such innovations.



As an example, the Company's patent portfolio includes patents relating to its REV<sup>®</sup> snowmobile platform, E-TEC<sup>®</sup> technology and Rotax<sup>®</sup> engines and PWC iBR<sup>®</sup> brake system.

### ***Trademarks***

In addition to protecting its technical innovations, the Company relies on a combination of registered and unregistered trademarks to protect its position as a branded company with strong brand name recognition. It holds numerous registered trademarks in respect of its brands, including BRP<sup>®</sup>, Can-Am<sup>®</sup>, Evinrude<sup>®</sup>, Lynx<sup>®</sup>, Rotax<sup>®</sup>, Sea-Doo<sup>®</sup> and Ski-Doo<sup>®</sup>. It also holds registered trademarks in respect of its various model lines, including Expedition<sup>®</sup>, GSX<sup>®</sup>, MX-Z<sup>®</sup>, Renegade<sup>®</sup>, RXP<sup>®</sup>, RXT<sup>®</sup>, Skandic<sup>®</sup>, Spark<sup>®</sup>, Spyder<sup>®</sup> and Summit<sup>®</sup> and additional registered trademarks in respect of its technologies, including 4-TEC<sup>®</sup>, E-TEC<sup>®</sup>, iBR<sup>®</sup>, iCatch<sup>®</sup>, iControl<sup>®</sup>, iS<sup>®</sup>, Learning Key<sup>®</sup>, REV<sup>®</sup> and Y-Factor<sup>®</sup>. The Company determines the jurisdictions in which it registers its trademarks based on strategic considerations and on the availability of trademark registration in such jurisdictions. As it continues to develop and introduce new brands, models and technologies, the Company plans to register new trademarks to protect its strong name recognition.

### ***Licenses***

In the ordinary course of business, the Company enters into license agreements for intellectual property held by suppliers, competitors and other third parties with respect to parts, components and other systems used in the Company's products.

### ***Product Warranties***

The Company provides limited product warranties generally covering periods from six months to three years for most products. In certain circumstances, the Company provides extended warranty coverage as a result of sales programs, under certain commercial accounts, or as required by local regulations. During the warranty period, the Company reimburses dealers and distributors the entire cost of repair or replacement performed on the products (mainly composed of parts or accessories provided by the Company and labour costs incurred by dealers or distributors). In addition, the Company sells in the normal course of business and provides under certain sales programs, extended product warranties.

### ***Information Technology***

The Company uses several IT systems in the operation of its business. The Company uses an SAP enterprise system to perform most of its accounting, human resources and operations functions, including sales, manufacturing and logistics. The Company uses SAP enterprise systems to allow it to gather, analyze, and assess information across its entire business and facilitates the organization and efficient conduct of operations. The Company also uses an online customer portal to interact with its dealers and distributors, as well as design software for its engineering and research and development activities.

### ***Regulatory Matters***

The Company is subject to extensive laws and regulations at many steps in its chain of conception, production and distribution of products. Above and beyond the laws and regulations applicable to any business, there are certain requirements applicable only to businesses involved with powersports vehicles such as that of the Company. These regulations include standards for the safety of powersports vehicles, standards for the sound and gaseous emissions of the vehicles, and standards for the sale and marketing of powersports vehicles.

The Company is taking appropriate measures to ensure that its products will be compliant with anticipated more stringent regulations as they become effective from time to time. Such measures include the development of new engines and vehicle design, as well as the development of new energy-efficiency related technologies. While these efforts require substantial expenditures, it is impractical at this time to isolate these specific costs from total



project costs. Since the legislative and regulatory requirements have generally become stricter in recent years, the Company is unable to predict the ultimate cost of compliance with such requirements. See “Risk Factors”.

### ***Safety Regulation***

The Company’s products are subject to extensive laws and regulations relating to product safety promulgated by the governments or regulatory authorities of Canada, individual Canadian provinces, the United States, individual American states or other countries. In Canada, Transport Canada has federal oversight over product safety issues related to ATVs, SSVs, snowmobiles, PWCs and roadsters. In the United States, the federal government is the primary regulator of product safety. The Consumer Product Safety Commission (the “CPSC”) has federal oversight over product safety issues related to ATVs, snowmobiles and SSVs, the National Highway Transportation Safety Administration has federal oversight over product safety issues related to roadsters, and the U.S. Coast Guard’s Boating Safety Division has federal oversight over product safety issues related to PWCs and outboard engines. The Company is subject to the product safety requirements of each of those regulatory authorities. These requirements pertain to the conception, production and distribution of BRP’s products.

In addition, the Company is a member of several industry and trade associations in Canada, the United States, and other countries whose mandate is to promote safety in the manufacture and use of powersports products. Such trade associations promulgate voluntary industry product safety standards with which the Company complies.

One of the trade associations of which the Company is a member is the Recreational Off-Highway Vehicle Association (“ROHVA”), which promotes the safe and responsible use of SSVs. ROHVA began developing industrywide safety standards for SSVs in 2008, in consultation with regulatory authorities and other stakeholders. In 2009, the CPSC published an advance notice of proposed rulemaking regarding SSV safety regulations, in which it expressed concerns regarding the sufficiency of ROHVA’s draft safety standards as they existed at that time. ROHVA held further consultations with the CPSC regarding their concerns and, in 2011, ROHVA published revised draft safety standards. The CPSC has not promulgated regulations regarding SSV safety and there is no certainty as to whether such regulations will be adopted. The Company cannot predict the consequences of any eventual regulations upon its manufacturing and sales of SSVs.

### ***Use Regulation***

In Canada, the United States, and other countries, laws and regulations have been promulgated or are under consideration relating to the use or manner of use of powersports vehicles. Some countries, provinces, states, municipalities and localities have adopted, or are considering the adoption of, legislation and local ordinances that restrict the use of ATVs, snowmobiles, SSVs and PWCs to specified hours and locations. The use of ATVs, snowmobiles, SSVs and PWCs has been restricted in some national parks and federal lands in Canada, the United States and other countries. In several instances, this restriction has consisted of a ban on the recreational use of these vehicles in specific locations.

The Company is unable to predict the outcome of such actions or the possible effect on its business. The Company believes the adoption of any pending laws or regulations would no more adversely affect BRP than its competitors. The Company continues to monitor these activities in conjunction with industry and trade associations.

### ***Emissions Regulation***

The Company’s products are subject to sound and gaseous emissions regulations promulgated by the governments and regulatory authorities of Canada, individual Canadian provinces, the United States, individual American states, the European Union or other jurisdictions. Environment Canada, in Canada, and the federal Environmental Protection Agency and the California Air Resources Board, in the United States, have adopted gaseous emissions regulations applicable to the Company’s products. The European Union also regulates gaseous emissions for the Company’s products.



### ***Environmental Regulation Applicable to Facilities***

The Company is also subject to environmental laws, rules and regulations pursuant to which, among other things, it may become liable for the costs of investigating, removing and monitoring any hazardous substances found in its manufacturing and other facilities.

### **Insurance**

The Company carries various insurance coverage policies to protect against certain risks of loss consistent with the exposures associated with the nature and scope of its operations. The most significant insurance policies that the Company carries include:

- commercial general liability insurance for liabilities to third parties for bodily injury and property damage resulting from its operations and its products;
- property insurance covering the replacement value of all real and personal property damage, including damages arising from earthquake, flood damage and business interruption;
- cargo insurance to protect against loss or damage to goods while in transit;
- workers' compensation coverage in the United States to required statutory limits; and
- automobile liability insurance for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage.

All policies are subject to certain deductibles, limits or sub-limits and policy terms and conditions.

## **RISK FACTORS**

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The risks and uncertainties described in this Annual Information Form are those the Company currently believes to be material, but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows and consequently the price of the Subordinate Voting Shares could be materially and adversely affected.

*Economic conditions that impact consumer spending may have a material adverse effect on the Company's business, results of operations or financial condition*

The Company's business is cyclical in nature, and the Company's products compete with a variety of other recreational products and activities for consumers' discretionary income and leisure time. The Company's results of operations are therefore sensitive to changes in overall economic conditions, primarily in North America and Europe, that impact consumer spending and particularly discretionary spending. Weakening of, and fluctuations in, economic conditions affecting disposable consumer income such as personal income levels, the availability of consumer credit, employment levels, consumer confidence, business conditions, changes in housing market conditions, capital markets, tax rates, savings rates, interest rates, fuel and energy costs, as well as the impacts of natural disasters, acts of terrorism or other similar events could reduce consumer spending generally or discretionary spending in particular. Such reductions could materially adversely affect the Company's business, results of operations or financial condition.

Demand for the Company's products has been significantly influenced by economic conditions and market volatility worldwide. Any deterioration in general economic conditions that further diminishes consumer confidence or discretionary income may further reduce the Company's sales and materially adversely affect its business, results



of operations or financial condition. The Company cannot predict the timing or strength of economic recovery, either worldwide or in the specific markets where it competes.

Changes in economic conditions could result in a deterioration or increased volatility in the credit and lending markets, which could adversely impact the consumers who purchase the Company's products from dealers and rely upon financing for such purchases as well as the availability of financing arrangements for dealers and distributors to finance their inventory. If financing is not available to consumers or dealers and distributors on satisfactory terms, it is possible that the Company's business, results of operations or financial condition could be materially adversely affected.

*Any decline in the social acceptability of the Company's products or any increased restrictions on the access or the use of the Company's products in certain locations could materially adversely affect its business, results of operations or financial condition*

Demand for the Company's products depends in part on their social acceptability. Public concerns about the environmental impact of the Company's products or their perceived safety could result in diminished social acceptance. Circumstances outside the Company's control, such as social action to reduce the use of fossil fuels, could also negatively impact consumers' perceptions of its products. Any decline in the social acceptability of the Company's products could negatively impact their sales or lead to changes in laws, rules and regulations that prevent their access to certain locations, including trails and lakes, or restrict their use or manner of use in certain areas or during certain times. Additionally, while the Company has implemented various initiatives to address these risks, including the improvement of the environmental footprint and safety of its products, there can be no assurance that the perceptions of the Company's customers will not change. Consumers' attitudes towards the Company's products and the activities in which they are used also affect demand. Any failure by the Company to maintain the social acceptability of its products could impact its ability to retain existing customers and attract new ones which, in turn, could have a material adverse effect on its business, results of operations or financial condition.

*Fluctuations in foreign currency exchange rates could result in declines in reported sales and net earnings*

The Company reports its financial results in Canadian dollars and the majority of its sales and operating costs are realized in currencies other than the Canadian dollar, including the Australian dollar, the Brazilian real, the Euro, the Mexican peso, the Norwegian krone, the Swedish krona and the United States dollar. If the value of any of these currencies depreciates relative to the Canadian dollar, the Company's foreign currency revenue will decrease when translated to Canadian dollar for reporting purposes. Alternatively, if the value of any of these currencies appreciates relative to the Canadian dollar, the Company's operating costs will increase when translated to Canadian dollar for reporting purposes. Although these risks may sometimes be naturally hedged by a match in the Company's sales and operating costs denominated in the same currency, fluctuations in foreign currency exchange rates could create discrepancies between the Company's sales and its operating costs in a given currency which could have a material adverse effect on its business, results of operations or financial condition. Fluctuations in foreign currency exchange rates could also have a material adverse effect on the relative competitive position of the Company's products in markets where they face competition from manufacturers who are less affected by such fluctuation in exchange rates.

In addition, the Company's indebtedness under the Term Credit Agreement (as defined herein) is denominated in U.S. dollars. As a result, any strengthening of the U.S. dollar versus the Canadian dollar or any revaluation of the denomination of the Term Credit Agreement into Canadian dollars at the end of each reporting period can result in significant fluctuations of net income, which could have a material adverse effect on the Company's business, results of operations or financial condition.

While the Company actively manages its exposure to fluctuating foreign currency exchange rates by entering into foreign exchange hedging contracts from time to time, these contracts hedge foreign currency denominated transactions and any change in the fair value of the contracts would be offset by changes in the underlying value of the transactions being hedged. Furthermore, the Company does not have foreign exchange



hedging contracts in place with respect to all currencies in which it does business. As a result, there can be no assurance that the Company's hedging strategies, if any, will be effective in the future or that the Company will be able to enter into foreign exchange hedging contracts on satisfactory terms.

*The Company has, and is expected to continue to have and incur, a significant amount of indebtedness and there can be no assurance that it will be able to pay its indebtedness as it becomes due*

The Company has, and is expected to continue to have and incur, a significant amount of indebtedness, including substantial fixed obligations under the Term Facility (as defined herein) and the Revolving Credit Facilities (as defined herein), and as a result of challenging economic or other conditions affecting the Company, the Company may incur greater levels of indebtedness than currently exist. The amount of indebtedness that the Company currently has and which it may incur in the future could have a material adverse effect on its business, results of operations or financial condition, for example, by (i) limiting the Company's ability to obtain additional financing, (ii) requiring the Company to dedicate a substantial portion of its cash flow generated from operations to payments on its indebtedness or fixed cost, thereby reducing the funds available for other purposes, (iii) making the Company more vulnerable to economic downturns, and (iv) limiting the Company's flexibility in planning for, or reacting to, competitive pressures or changes in its business environment.

The ability of the Company to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance and its ability to refinance its indebtedness, if necessary. In addition, as the Company incurs indebtedness which bears interest at fluctuating interest rates, to the extent that these interest rates increase, its interest expense will increase. There can be no assurance that the Company will be able to generate sufficient cash from its operations to pay its debts and other financing obligations. Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other factors, many of which are beyond the Company's control.

*The Company uses cash generated from its operating activities to fund its business and execute its growth strategy and may require additional capital which may not be available to the Company*

The Company relies on net cash generated from its operating activities as its primary source of liquidity. To support the Company's business and execute its growth strategy as planned, the Company will need to continue to generate significant amounts of cash from operations, including funds to pay personnel, invest further in its infrastructure and facilities, invest in research and development, and pay for the increased costs associated with operating as a public company. If the Company's business does not generate cash flow from operating activities sufficient to fund these activities, and if sufficient funds are not otherwise available to it from its credit facilities, the Company may need to seek additional capital, through debt or equity financings, to fund its business or execute its strategy growth. Conditions in the credit markets (such as availability of finance and fluctuations in interest rates) may make it difficult for the Company to obtain such financing on attractive terms or even at all. Additional debt financing that the Company may undertake may be expensive and might impose on it covenants that restrict the Company's operations and strategic initiatives, including limitations on its ability to incur liens or additional debt, pay dividends, repurchase its capital stock, make investments and engage in merger, consolidation and asset sale transactions. Equity financings may be on terms that are dilutive or potentially dilutive to the Company's shareholders, and the prices at which new investors would be willing to purchase its equity securities may be lower than the price per share of its Subordinate Voting Shares. If new sources of financing are required, but are unattractive, insufficient or unavailable, then the Company could be required to modify its business plans or growth strategy based on available funding, if any, which could have a material adverse effect on the Company's business, results of operations or financial condition.

*Unfavourable weather conditions may reduce demand and negatively impact sales and production of certain of the Company's products*

The sales of the Company's products are affected by unfavourable weather conditions. Unfavourable weather in any particular geographic region may have a material adverse effect on sales of the Company's products



in that region. In particular, lack of snowfall during winter may materially adversely affect snowmobile sales, while excessive rain before and during spring and summer may materially adversely affect sales of off-road vehicles, roadsters, PWCs and marine propulsion systems. To the extent that unfavourable weather conditions are exacerbated by global climate change or otherwise, the Company's sales may be affected to a greater degree than previously experienced. There is no assurance that unfavourable weather conditions could not affect the Company's sales for any of its products, which, in turn, could have a material adverse effect on the Company's business, results of operations or financial condition.

*The Company's sales and operating results fluctuate from quarter to quarter and from year to year as they are affected, among other things, by the seasonal nature of its business*

The Company's sales and operating results experience substantial fluctuations from quarter to quarter and year to year. In general, retail sales of the Company's products are highest in the period immediately preceding and during their particular season of use. For example, retail sales for snowmobiles will be highest in fall and winter while retail sales for PWCs will be highest in spring and summer. Revenues in the second fiscal quarter have generally been lower than those in other fiscal quarters. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal and geographic demand, the introduction of new products and models and production scheduling for particular types of products. In addition, the Company's dealers and distributors may modify orders, change delivery schedules or change the mix of products ordered. The Company may also make strategic decisions to deliver and invoice products at certain dates in order to lower costs or improve supply chain efficiencies. As a result, the Company may not be able to accurately predict its quarterly sales and the Company's results of operations are likely to fluctuate significantly from period to period. In addition, the Company incurs significant additional expenses in the period leading up to the introduction of new products which may also result in fluctuations in the Company's results of operations. This seasonality in revenues and expenses, along with other factors that are beyond the Company's control, including general economic conditions, changes in consumer preferences, weather conditions, availability of import quotas, changes in the cost or availability of raw materials or labour, discretionary spending habits and currency exchange rate fluctuations, could materially adversely affect the Company's business, results of operations or financial condition.

The Company's annual and quarterly gross profit margins are also sensitive to a number of factors, including those that are beyond its control, as well as shifts in product sales mix, geographic sales trends, and currency exchange rate fluctuations, all of which the Company expects will continue. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

*The Company is subject to laws, rules and regulations regarding product safety, health, environmental, noise pollution and other issues, and compliance with such laws, rules and regulations could cause the Company to incur fines or penalties, or increase its capital or operating costs*

The Company is subject to federal, provincial/state and local/municipal laws, rules and regulations in Canada, the United States and other countries regarding product safety, health, environmental, noise pollution and other issues. While the Company believes that it is in material compliance with all such laws, rules and regulations, a failure to comply with, or compliance with, these requirements, or the adoption of new laws, rules and regulations, could cause the Company to incur fines or penalties or increase the Company's capital or operating costs, all of which could have a material adverse effect on the Company's business, results of operations or financial condition. The Company's products are subject to laws, rules and regulations relating to product safety. A failure to comply with, or compliance with, any such requirements or any new requirements, including new requirements resulting from the on-going rule-making procedure of the U.S. CPSC with respect to SSVs as described under "Business of the Company – Regulatory Matters – Safety Regulation", could result in increased expenses to modify the Company's products, or harm to its reputation, which could have a material adverse effect on the Company's business, results of operations or financial condition. Certain jurisdictions require or are considering requiring a license to operate the Company's products. While such licensing requirements are not expected to be unduly restrictive, they may deter potential customers, thereby reducing the Company's sales. The Company's products are also subject to laws, rules and regulations imposing environmental, noise emission, zoning and permitting



restrictions, which are subject to change and may limit the locations where the Company's products may be used or restrict their use or manner of use during certain times.

Climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Greenhouse gas regulation, in particular registration and reduction programs, could increase the price of the electricity the Company purchases, require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs of raw materials, any of which could increase the Company's costs, reduce competitiveness in a global economy or otherwise have a material adverse effect on the Company's business, results of operations or financial condition. Many of the Company's suppliers face similar circumstances. Moreover, the Company may face greater regulatory or customer pressure to develop products that generate less emissions. This may require the Company to spend additional funds on research and development and implementation and subject the Company to the risk that the Company's competitors may respond to these pressures in a manner that gives them a competitive advantage. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Company's business, results of operations or financial condition. The Company is also subject to environmental laws, rules and regulations pursuant to which, among other things, current or previous owners or occupants of property may become liable for the contamination of such property and, as a result, may be liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. Given the nature of the Company's manufacturing activities and the fact that certain of its facilities have been in operation for many years, the Company and the prior owners or occupants of its property may have generated and disposed of materials that are or may be considered hazardous. The Company is aware of certain current environmental liabilities in relation to certain of its property and it is possible that additional environmental liabilities may arise in the future as a result of any prior or future generation or disposal of hazardous materials. From time to time, the Company has incurred and continues to incur material costs and obligations related to environmental compliance and remediation matters. While the Company believes that it has taken all appropriate measures and that it is, except as previously mentioned, currently in material compliance with all applicable environmental laws, rules and regulations, any failure to comply with, or the compliance with, any such laws, rules and regulations or the adoption of any new such laws, rules or regulations could have a material adverse effect on the Company's business, results of operations or financial condition.

*The Company depends on dealers, distributors, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions that could affect their businesses, results of operations or financial condition in a manner that materially adversely affects their relationship with the Company*

The Company: (i) distributes its products through numerous dealers and distributors; (ii) sources component parts and raw materials through numerous suppliers; (iii) relies on important third-party providers for the warehousing and distribution of PAC and for information technology services; and (iv) has relationships with a limited number of sources of product financing for its dealers, distributors and consumers. The Company's business, results of operations or financial condition could be materially adversely affected if a deterioration of economic or business conditions results in a weakening of the financial condition of a material number of the Company's dealers and distributors, suppliers or financing sources or if uncertainty about the economy or the demand for the Company's products causes these business partners to voluntarily or involuntarily reduce or terminate their relationship with the Company.

*The Company has a relatively large fixed cost base that can affect its profitability in a declining sales environment*

The fixed costs involved in owning and operating the Company's manufacturing facilities can reduce the Company's gross profit margins when sales and production decline. The Company's profitability is dependent, in part, on its ability to spread fixed costs over an increasing number of products sold and shipped, and if the Company is required to reduce its rate of production, gross profit margins could be negatively affected. Consequently,



decreased demand or the need to reduce inventories can lower the Company's ability to absorb fixed costs, which could have a material adverse effect on its business, results of operations or financial condition.

*The inability of the Company's dealers and distributors to secure adequate access to capital could materially adversely affect the Company's business, results of operations or financial condition*

The Company's dealers and distributors require adequate liquidity to finance their operations and to purchase the Company's products. Dealers and distributors are subject to numerous risks and uncertainties that could unfavourably affect their liquidity positions, including, among other things, continued access to adequate financing sources on a timely basis and on reasonable terms. The Company has agreements with its dealers and distributors and large financing companies to provide inventory financing to its dealers and distributors to facilitate their purchase of the Company's products. These sources of financing are instrumental to the Company's ability to sell products through the Company's distribution network, as a significant percentage of the Company's sales are done under such arrangements. See "Business of the Company — Distribution, Sales and Marketing — Dealers' and Distributors' Inventory Financing Arrangements".

The availability and terms of inventory financing offered to the Company's dealers and distributors by financing companies will continue to be influenced by the following factors: their ability to access certain capital markets, including the securitization and the commercial paper markets, and to fund their operations in a cost effective manner; the performance of their overall credit portfolios; their willingness to accept the risks associated with lending to the Company's dealers and distributors; and the overall creditworthiness of those dealers and distributors. The Company's business, results of operations or financial condition could be materially adversely affected if further declines in financing availability to the Company's dealers and distributors occur, or if financing terms change unfavourably. This could require the Company to find alternative sources of financing, including the Company providing this financing directly to dealers and distributors, which could require additional capital to fund the associated receivables.

In the event of a dealer or distributor default, the Company may be required to purchase, from financing companies providing inventory financing to the Company's dealers and distributors, new and unused products at the total unpaid principal balance to the finance company, subject to certain caps as described under "Business of the Company – Distribution, Sales and Marketing". Any requirement of the Company to purchase the inventory of several of its dealers or distributors could result in a material adverse effect on the Company's business, results of operations and financial condition.

*Supply problems, termination or interruption of supply arrangements or increases in the cost of materials could have a material adverse effect on the Company's business, results of operations or financial condition*

The primary raw materials used in manufacturing the Company's products are aluminium, steel, plastic, resins, stainless steel, copper, rubber and certain rare earth metals. In addition, outside suppliers provide the Company with certain product parts and components. The Company cannot be certain that it will not experience supply problems, such as the untimely delivery of, or defects or variations in, raw materials, parts or components. As well, the Company obtains certain of the raw materials, parts and components it uses from either sole suppliers or a limited number of suppliers. If these supply arrangements were terminated or interrupted for reasons such as supplied goods not meeting the Company's quality or safety standards or suppliers' operations being disrupted as a result of a variety of internal or external risks, the Company could have difficulty establishing substitute supply arrangements on satisfactory terms. Problems with the Company's supplies or supply arrangements could have a material adverse effect on the Company's business, results of operations or financial condition. This situation could be further aggravated in the event that the Company were overly dependent on a few key suppliers.

Moreover, the Company's profitability is affected by significant fluctuations in the prices of the raw materials, parts and components it uses. The Company may not be able to pass along price increases in raw materials, parts or components to its customers. As a result, an increase in the cost of the raw materials, parts and



components used in the manufacturing of the Company's products could reduce its profitability and have a material adverse effect on its business, results of operations or financial condition.

*Covenants contained in agreements to which the Company is a party affect and, in some cases, significantly limit or prohibit the manner in which the Company operates its business*

Some of the financing and other major agreements to which the Company is a party, including the Term Credit Agreement and the Revolving Credit Agreement (as defined herein), contain certain covenants which affect and, in some cases, significantly limit, among other things, the activities in which the Company may engage, the ability of the Company to incur debt, issue preferred stock, grant liens over its assets, engage in lines of business different from its own, consummate asset sales, pay dividends or make other distributions, redeem or otherwise retire capital stock or make other restricted payments, make loans, advances and other investments, and merge consolidate or amalgamate with another person. Under the Revolving Credit Agreement, the Company is bound by a fixed charge coverage ratio applicable in certain conditions.

A failure by the Company to comply with such contractual obligations or to pay amounts due under financing and other major agreements could result in an acceleration of the debt incurred under such agreements, a termination of the commitments made thereunder, as well as an exercise of remedies provided therein by the creditors of the Company (including foreclosure over substantially all of the assets of the Company). In such a situation, the Company may not be able to repay the accelerated indebtedness, fulfill its obligations under certain contracts or otherwise cover its fixed costs, which could result in a material adverse effect on the Company's business, results of operations or financial condition.

*The Company faces intense competition in all product lines, including from some competitors that have greater financial and marketing resources. Failure to compete effectively against competitors could materially adversely impact the Company's business, results of operations or financial condition*

The powersports industry is highly competitive. Competition in such industry is based upon a number of factors, including price, quality, reliability, styling, product features and warranties. At the dealer and distributor level, competition is based on a number of factors including sales and marketing support programs (such as financing joint advertising programs and cooperative advertising). Certain of the Company's competitors are more diversified and have financial and marketing resources which are substantially greater than the Company's, which allow these competitors to invest more heavily in intellectual property, product development, and sales and marketing support. If the Company is not able to compete with new products, product features or models of its competitors, or attract new dealers and distributors, the Company's business, results of operations or financial condition could be materially adversely affected.

The Company is subject to competitive pricing. Such pricing pressure may limit the Company's ability to maintain prices or to increase prices for its products in response to raw material, component and other cost increases and so negatively affect the Company's profit margins.

*If the Company loses the services of members of its management team or employees who possess specialized market knowledge and technical skills, the Company's ability to compete, to manage its operations effectively, or to develop new products could be reduced*

Many of the Company's senior executives have extensive experience in the Company's industry and with its business, products and customers. The loss of the technical knowledge, management expertise and knowledge of the Company's operations of one or more members of the core management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves the Company and would need to spend time usually reserved for managing the Company's business to search for, hire and train new members of management. The loss of some or all of the Company's senior executives could negatively affect the Company's ability to develop and pursue its business strategy, which could materially adversely affect the Company's business, results of operations or financial condition.



In addition, the Company's success depends to a large extent upon its ability to retain skilled employees. There is intense competition for qualified and skilled employees, and the Company's failure to recruit, train and retain such employees could have a material adverse effect on its business, results of operations or financial condition. In addition, to implement and manage the Company's business and operating strategies effectively, the Company must maintain a high level of efficiency, performance and content quality, continue to enhance its operational and management systems and continue to effectively attract, train, motivate and manage its employees. If the Company is not successful in doing so, it may have a material adverse effect on its business, results of operations and financial condition.

*The Company's success depends upon the continued strength of its reputation and brands*

The Company's well-established brands include *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, *Rotax* engines and *Evinrude* outboard engines. Also, in 2006, the Company rebranded its ATVs under the *Can-Am* brand and, in 2007, introduced the *Spyder*, which formed a new segment within the on-road product category under the *Can-Am* brand. The Company believes that its reputation and brands are significant contributors to the success of its business. Any negative publicity about the Company's products could diminish customer trust, do significant damage to the Company's reputation and brands and could negatively impact sales. As the Company expands into new geographical markets, maintaining and enhancing its brands may become increasingly difficult and expensive, as consumers in these markets may not accept its brand image. Failure to maintain and enhance the Company's brands in any of its markets may materially adversely affect the Company's business, results of operations or financial condition.

The Company's brands and branded products could also be adversely affected by incidents that reflect negatively on the Company. Moreover, the negative impacts of these events may be aggravated as the perceptions of consumers and others are formed based on modern communication and social media tools over which the Company has no control. The increasing use of social media has especially heightened the need for reputational risk management. Any actions the Company takes that cause negative public opinion have the potential to negatively impact the Company's reputation, which may materially adversely affect its business, results of operations or financial condition.

*An adverse determination in any significant product liability claim against the Company could materially adversely affect its business, results of operations or financial condition*

The development, manufacturing, sale and usage of the Company's products expose the Company to significant risks associated with product liability claims. If the Company's products are defective or used incorrectly by its consumers, it may result in bodily injury, property damage or other injury, including death, which could give rise to product liability claims against the Company. Changes to the Company's manufacturing processes and the production of new products could result in product quality issues, thereby increasing the risk of litigation and potential liability. Any losses that the Company may suffer from any liability claims and the effect that any product liability litigation may have upon the brand image, reputation and marketability of the Company's products could have a material adverse impact on its business, results of operations or financial condition.

As at March 26, 2014, the Company had approximately 141 pending litigation cases. The Company does not believe the outcome of any pending product liability litigation would have a material adverse effect on its business, results of operations or financial condition, and the Company has insurance with respect to any future claims in amounts it believes to be appropriate. However, no assurance can be given that the Company's historical claims record will not change, that material product liability claims will not be made in the future against the Company, or that claims will not arise in the future in excess of the Company's indemnities and insurance coverage. The Company records provisions for known potential liabilities, but there is the possibility that actual losses may exceed these provisions and therefore negatively impact earnings. Also, the Company may not be able in the future to obtain adequate product liability insurance or the cost of doing so may be prohibitive. Adverse determinations of material product liability claims made against the Company could also harm the Company's reputation and cause it



to lose customers and could have a material adverse effect on its business, results of operations or financial condition.

*Significant product repair and/or replacement due to product warranty claims or product recalls could have a material adverse impact on the Company's business, results of operations or financial condition*

The Company provides a limited warranty against defects for all of its products for a period generally varying from six months to three years. The Company may provide extended warranty coverage related to certain promotional programs, as well as extended warranty coverage in certain geographical markets as determined by local laws, rules or regulations and market conditions. The Company also provides a limited emissions warranty for certain emissions related parts in its products as required by the United States Environmental Protection Agency and the California Air Resources Board. Although the Company employs quality control procedures, sometimes a product is distributed that needs repair or replacement, or that needs to be recalled. The Company's standard warranties require the dealers to repair or replace defective products during such warranty periods at no cost to the consumer. The Company records provisions based on an estimate of product warranty claims, but there is the possibility that actual claims may exceed these provisions and therefore negatively impact earnings. The Company could make major product recalls or could be held liable should the Company's products not meet safety standards or statutory requirements on product safety or consumer protection. In addition, the risks associated with product recalls may be aggravated if production volumes increase significantly, supplied goods do not meet the Company's standards or the Company fails to perform its risk analysis systematically or product-related decisions are not fully documented. Historically, product recalls have been administered through the Company's dealers and distributors. The repair and replacement costs that the Company could incur in connection with a recall could have a material adverse effect on the Company's business, results of operations or financial condition. Product recalls could also harm the Company's reputation and cause it to lose customers, particularly if recalls cause consumers to question the safety or reliability of the Company's products, which could have a material adverse effect on the Company's business, results of operations or financial condition.

*The Company relies on a network of independent dealers and distributors to manage the retail distribution of its products*

The Company depends on the capability of its independent dealers and distributors to develop and implement effective retail sales plans to create demand among retail purchasers for its products. If the Company's independent dealers and distributors are not successful in these endeavours, then the Company will be unable to maintain or grow its sales. Further, independent dealers and distributors may experience difficulty in funding their day-to-day cash flow needs and paying their obligations resulting from adverse business conditions, including weakened consumer spending or tightened credit. Inability to fund operations can force dealers and distributors to cease business, and the Company may not be able to obtain alternate distribution in the vacated market, which could negatively impact the Company's sales through reduced market presence or inadequate market coverage. In the event of a dealer or distributor default under any financing arrangements, the Company may also be required to repurchase such dealer's or distributor's inventory from the financing company. See "Risk Factors — The inability of the Company's dealers and distributors to secure adequate access to capital could materially adversely affect the Company's business, results of operations or financial condition". In addition to dealers or distributors ceasing business, in some cases, the Company may seek to terminate relationships with certain dealers or distributors leading to a reduction in the number of its dealers or distributors. Being forced to liquidate a former dealer's or distributor's inventory of the Company's products could add downward pressure on such products' prices. Further, the unplanned loss of any of the Company's independent dealers or distributors may create negative impressions of the Company with its retail customers and have a material adverse impact on the Company's ability to collect wholesale receivables that are associated with that dealer or distributor. Also, if the Company's dealer and distributor base were to consolidate, competition for the business of fewer dealers and distributors would intensify. If the Company does not provide product offerings and pricing that meet the needs of its dealers and distributors, or if the Company loses a substantial amount of its dealer and distributor base, its business, results of operations or financial condition could be materially adversely affected. Additionally, if the Company is unable to optimize or



expand its dealer network in North America, part of its growth strategy will be negatively impacted, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company sells a majority of its products through dealer and distributor agreements. In general, distributors are contractually obligated to offer the Company's products on an exclusive basis. On the other hand, many of the dealers through which the Company sells its products also carry competing product offerings and most dealers who sell the Company's products exclusively are not contractually obligated to continue to do so and may choose to sell competing products at any time, which may lower the Company's sales. The Company also relies on its dealers and distributors to service and repair its products. There can be no assurance that its dealers will provide high quality repair services to the Company's customers. If dealers fail to provide quality service during either trial, delivery or after-sales service to the Company's customers, the Company's brand identity and reputation may be damaged, which could have a material adverse effect on the Company's business, results of operations or financial condition.

*The Company depends on its relationships with OEM customers for its outboard engine and Rotax engine businesses*

The Company depends on relationships with customers which incorporate outboard engines and *Rotax* engines into their own product offerings. If the Company's OEM customer base were to begin using competitors for their OEM needs, or if any of these customers were acquired by the Company's competitors, OEM outboard engine and *Rotax* engine sales could be adversely affected, which could have a material adverse effect on the Company's business, results of operations or financial position.

*The Company depends upon the successful management of its inventory levels, both at the Company's and the dealers' and distributors' levels, and any failure to successfully manage its inventory levels could have a material adverse effect on its business, results of operations or financial condition*

The Company must maintain sufficient inventory levels to operate its business successfully. However, the Company must also guard against accumulating excess inventory as it seeks to minimize out-of-stock levels across all product categories and to maintain in-stock levels.

The nature of certain of the Company's product lines, including the snowmobile, PWC and roadster product lines, require the Company to purchase supplies and manufacture products well in advance of the time these products will be offered for sale. As a result, the Company may experience difficulty in responding to a changing retail environment, which may lead to excess inventory or to inventory shortages if supply does not meet demand. In addition, sales for such product lines are managed through long-term purchase commitments and the Company plans annual production levels and long-term product development and introduction based on anticipated demand, as determined by the Company in reliance on its own market assessment and regular communication with its dealers, distributors and other customers to anticipate the future volumes of purchase orders. If the Company does not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, its inventory levels will not be appropriate and its results of operations may be negatively impacted, including through lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels.

On the other hand, the sales of certain of the Company's product lines such as the off-road vehicle, outboard engine and *Rotax* engine product lines, are managed through short-term purchase commitments, and the Company has begun to introduce flexible orders with respect to certain of its products. Any failure by the Company to maintain adequate inventory levels for such products could result in undesirable delivery delays for its customers or result in the loss of certain sales, which could, in turn, have a material adverse effect on the Company's business, results of operations or financial condition.

Additionally, the Company's dealers and distributors could decide to reduce the number of units of the Company's products they hold. Such a decision would likely require the Company to reduce its production levels,



thus resulting in lower rates of absorption of fixed costs in the Company's manufacturing facilities and lower gross profit margins. If the Company's dealers and distributors then placed additional orders for the Company's products, this could impair the Company's ability to respond rapidly to these demands and adequately manage its inventory levels, which could materially adversely affect its business, results of operations or financial condition.

*The Company's international sales and operations subject it to additional risks, which risks may differ in each country in which the Company operates and which could have a material adverse effect on its business, results of operations and financial condition*

The Company manufactures its products in Canada, Mexico, the United States, Finland and Austria. The Company maintains sales and administration facilities in approximately 15 countries, including its recently opened sales office in Shanghai, China. The Company's primary distribution facilities distribute the Company's products to its North American dealers and it has various other locations around the world that distribute its products to its international dealers and distributors. The Company's total sales outside Canada and the United States represented 35% of the Company's total sales for Fiscal 2014 and the Company intends to continue to expand its international operations. Growth opportunities include international markets such as China, Russia, Brazil and Australia, where the Company is building strategic relationships to facilitate the growth of its industries or is already investing in developing its dealer network and promoting the Company's brands and products. International markets have been, and will continue to be, a focus for sales growth. Several factors, including weakened international economic conditions, could adversely affect such growth. Additionally, the expansion of the Company's existing international operations and entry into additional international markets require significant management attention and financial resources. Some of the countries in which the Company sells its products, or otherwise has an international presence, are to some degree subject to political, economic and/or social instability. The Company's international sales and operations expose the Company and its representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- increased costs of adapting products for foreign countries;
- difficulties in managing and staffing international operations and increases in infrastructure costs, including legal, tax, tariffs, customs and duties, accounting, and information technology;
- the imposition of additional Canadian and foreign governmental controls or regulations; new or enhanced trade restrictions and restrictions on the activities of foreign agents, representatives, and distributors; and the imposition of increases in costly and lengthy import and export licensing and other compliance requirements, customs duties and tariffs, license obligations, and other non-tariff barriers to trade;
- the imposition of Canadian and/or international sanctions against a country, company, person, or entity with whom the Company does business that would restrict or prohibit the Company's continued business with the sanctioned country, company, person, or entity;
- international pricing pressures;
- laws and business practices favouring local companies;
- governmental expropriation;
- adverse currency exchange rate fluctuations;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and



- multiple, changing, and often inconsistent enforcement of laws, rules, and regulations, including rules relating to environmental, health, and safety matters.

Certain of the Company's manufacturing facilities are located in Mexico and are subject to this country's changes in economic, social and political conditions. In the past, Mexico has been subject to political instability, changes and uncertainties which could cause future changes to its existing economic, social and political conditions. The occurrence and the impact of any such potential changes are beyond the Company's control and they cannot be accurately predicted. There can be no assurance that any mitigating actions by the Company would be effective. As a result, the Company's business, results of operations or financial condition could be materially adversely affected by any significant change in existing economic, social and political conditions in Mexico.

In addition, the Company's international operations may not produce desired levels of sales. This or one or more of the factors listed above may harm the Company's business, results of operations or financial condition. Any material decrease in the Company's international sales or profitability could also materially adversely impact the Company's business, results of operations or financial condition.

Furthermore, some of the Company's operations and sales are conducted in parts of the world that experience corruption to some degree. Although the Company has policies and procedures in place that are designed to promote legal and regulatory compliance, the Company's employees, distributors, consultants or independent dealers could take actions that violate applicable anti-corruption laws or regulations. Violations of these laws, or allegations or such violations, could have a material adverse effect on the Company's business, results of operations or financial position.

*The Company may be unable to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance*

Notwithstanding its investments in research and development and emerging product lines, the Company may not be able to compete as effectively with its competitors, and ultimately satisfy the needs and preferences of its customers, unless it can continue to successfully enhance existing products, develop new innovative products and distinguish its products from its competitors' products through innovation and design. Product development requires significant financial, technological, and other resources. While the Company expended \$144.9 million for research and development efforts in Fiscal 2014, there can be no assurance that the Company will be able to sustain this level of investment or that this level of investment in research and development will be sufficient to successfully maintain the Company's competitive advantages in product innovation and design.

Product improvements and new product introductions also require significant planning, design, development, and testing at the technological, product, and manufacturing process levels and the Company may not be able to develop product improvements or new products in a timely manner. The new products of the Company's competitors may beat the Company's products to market, be more effective with more features and/or less expensive than the Company's products, obtain better market acceptance, or render the Company's products obsolete. Changes in consumer tastes caused by cultural, demographic or other factors could also affect the popularity of the Company's products. Any new products that the Company develops may not receive market acceptance or otherwise generate any meaningful sales or profits for the Company relative to its expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs, and research and development. Further, the sales of any new products are expected to decline over such new products' life cycle, with sales being higher early in the life cycle of the new products and sales decreasing over time as the new products age. The Company cannot predict the length of the life cycle for any new products. Any failure by the Company to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition, even if the Company is able to successfully enhance existing products and develop new products, there is no guarantee that the markets for the Company's existing products and new products will progress



as anticipated. If any of the markets in which the Company's existing products compete do not develop as expected, the Company's business, results of operations or financial condition could be materially adversely affected.

*The Company may be unable to protect its intellectual property or it may incur substantial costs as a result of litigation or other proceedings relating to protection of its intellectual property*

The Company's success depends in part on its ability to protect its patents, trademarks, copyrights and trade secrets from unauthorized use by others. If substantial unauthorized use of the Company's intellectual property rights occurs, the Company may incur significant costs in enforcing such rights by prosecuting actions for infringement of its rights, particularly taking into account that policing unauthorized use of the Company's intellectual property may be particularly difficult outside North America and Europe. Such unauthorized use could also result in diversion of engineering and management resources devoting attention to these matters at the expense of other tasks related to the business. Others may also initiate litigation to challenge the validity of the Company's patents, trademarks, copyrights and trade secrets, or allege that the Company infringes their patents, trademarks, copyrights or trade secrets. If the Company's competitors initiate litigation to challenge the validity of the Company's patents, trademarks, copyrights and trade secrets, or allege that the Company infringes theirs, the Company may incur substantial costs to defend its rights. If the outcome of any such litigation is unfavourable to the Company, its business, results of operations or financial condition could be materially adversely affected. The Company also cannot be sure that the patents it has obtained, or other protections such as confidentiality and trade secrets, will be adequate to prevent imitation of its products and technology by others. If the Company is unable to protect its technology through the enforcement of intellectual property rights, its ability to compete based on technological advantages may be harmed. If the Company fails to prevent substantial unauthorized use of its trade secrets, it risks the loss of certain competitive advantages, which could have a material adverse effect on its business, results of operations or financial condition.

Some of the Company's direct competitors and indirect competitors may have significantly more resources to direct toward developing and patenting new technologies. It is possible that the Company's competitors will develop and patent equivalent or superior engine technologies and other products that compete with the Company's products. They may assert these patents against the Company and the Company may be required to license these patents on unfavourable terms or cease using the technology covered by these patents, either of which could harm the Company's competitive position and may materially adversely affect its business, results of operation or financial condition.

Additionally, the Company is currently a defendant in patent proceedings relating to its snowmobiles and others may bring similar suits. If the Company is unsuccessful in its defense of any of these actions, there could be material adverse consequences including payment of monetary damages, licensing of patents on unfavourable terms, limitations on its ability to use certain technology and removal of desirable features from the Company's products. Even if the Company is able to defeat such claims, the allegation that it is infringing on others' intellectual property rights could harm its reputation and cause it to incur significant costs in connection with its defense of these actions. Also, from time to time, third parties have challenged, and may in the future try to challenge, the Company's trademark rights and branding practices. The Company may be required to institute or defend litigation to enforce its trademark rights, which, regardless of the outcome, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, results of operations or financial condition. If the Company loses the use of a product name, its efforts spent building that brand will be lost and it will have to rebuild a brand for that product, which it may or may not be able to do.

*The failure of the Company's information technology systems or a security breach involving consumer or employee personal data could materially adversely affect the Company's business, results of operations or financial condition*

The Company's global business operations are managed through a variety of information technology systems. These systems govern all aspects of the Company's operations around the world. The Company is dependent on these systems for all commercial transactions, dealership and distributorship interactions, and supply



chain and inventory management. Although the Company has established appropriate contingency plans to mitigate the risks associated with a failure of its information technology systems or a security breach, some of the systems are based on legacy technology and operate with a minimal level of available support. If one of the Company's key IT systems were to suffer a failure this could have a material adverse effect on the Company's business, results of operations or financial condition. Further, the Company relies on large outsourcing contracts for IT services with a major third-party service provider and if such service provider were to fail or the relationship with the Company were to end, and the Company were unable to find a suitable replacement in a timely manner, the Company's business, results of operations or financial condition could be materially adversely affected. The Company is continually modifying and enhancing its IT systems and technologies to increase productivity and efficiency. As new systems and technologies are implemented, the Company could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to its manufacturing and other business processes. When implemented, the systems and technologies may not provide the benefits anticipated and could add costs and complications to ongoing operations, which may have a material adverse effect on the Company's business, results of operations or financial condition.

The Company and its dealers and distributors receive and store personal information in connection with its human resources operations, credit operations, warranty management, marketing efforts and other aspects of its business. Additionally, the Company exchanges information with hundreds of trading partners across all aspects of its commercial operations. The Company makes significant investments in research and development each year and data from such activities is maintained in the Company's IT systems. Any security breach of the Company's IT systems could result in disruptions to its operations or erroneous transactions. To the extent that such a breach results in a loss or damage to the Company's data, or in inappropriate disclosure of confidential or personal information, it could cause significant damage to the Company's reputation, affect its relationships with its customers, lead to claims against the Company and ultimately materially adversely affect its business, results of operations or financial condition.

*Retail sales of the Company's new products may be materially adversely affected by declining prices for used versions of the Company's products or the supply of new products by competitors in excess of demand*

The Company has observed that when prices for used versions of its products have declined, it has had the effect of reducing demand among retail purchasers for new versions of its products (at or near manufacturer's suggested retail prices). Also, while the Company has taken steps designed to balance production volumes for its products with demand, its competitors could choose to supply new products to the market in excess of demand at reduced prices which could also have the effect of reducing demand for new versions of the Company's products. Reduced demand for new versions of the Company's products could lead to reduced sales by the Company, which could materially adversely affect its business, results of operations or financial condition.

*The Company may not be able to successfully execute its manufacturing strategy*

One of the priorities of the strategic plan established by management consists in sustained efforts in terms of cost reduction and operational efficiencies. This priority aims at leveraging the strength of the Company's established manufacturing centers, while expanding manufacturing operations for certain products in Mexico to meet added demand and reduce costs. In order to help the Company to respond to ongoing changes in the market place and reduce inventory across the supply chain, this priority also focuses on further implementing model mix production on its assembly lines, which means being able to produce a greater range of models on a weekly and daily basis, without expensive set-up costs or production downtime. The Company believes that flexible manufacturing is the key element to enable improvements in the Company's ability to respond to customers in a cost effective manner. The success of the Company in implementing this priority of its strategic plan is dependent on the involvement of management, production employees and suppliers. Any inability to achieve this priority could materially adversely impact the Company's business, results of operations or financial condition and its ability to deliver the right product at the right time to the customer.



In addition, the Company plans to maintain its manufacturing operations and production capacity at relatively stable levels in Canada, Austria, the United States and Finland, while accommodating volume growth by increasing production levels in Mexico. The Company has initiated a transfer of certain of its manufacturing activities from Canada to Mexico, which resulted in the transfer of the Company's production of ATVs to Juárez in 2006 and the inauguration of a second Mexican manufacturing facility in Querétaro (Mexico) in 2013 that has only recently started its operations. Any failure to achieve or sustain the anticipated levels of productivity and operational efficiencies in those manufacturing facilities could have a material adverse impact on the Company's business, results of operations or financial condition.

*Tax matters and changes in tax laws could materially adversely affect the Company's business, results of operations or financial condition*

The Company, as a multinational company conducting operations through subsidiaries in multiple jurisdictions, is subject to income taxes in Canada, the United States and numerous other foreign jurisdictions. The Company's effective income tax rate in the future could be adversely affected as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the outcome of income tax audits in various jurisdictions around the world. The Company regularly assesses all of these matters to determine the adequacy of its tax liabilities. If any of the Company's assessments turn out to be incorrect, the Company's business, results of operations or financial condition could be materially adversely affected.

The Company's Canadian and foreign entities undertake certain operations with other currently existing or new subsidiaries in different jurisdictions, including Canada, the United States, Mexico, Finland and Austria. The tax laws of these jurisdictions, including Canada, have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles. Although the Company believes that its transfer pricing policies have been reasonably determined in accordance with arm's length principles, the taxation authorities in the jurisdictions where the Company carries on business could challenge its arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge the Company's transfer pricing policies, its income tax expense may be adversely affected and the Company could also be subjected to interest and penalties. The Company may be liable for such penalties in respect of transfer pricing adjustments unless reasonable efforts were made to determine, and use, arm's length transfer prices. Generally, reasonable efforts in this regard are only considered to be made if contemporaneous documentation has been prepared that supports the transfer pricing methodology. Any such increase in the Company's income tax expense and related interest and penalties could have a material adverse effect on its business, results of operations or financial condition.

Although the Company believes that the expenses and tax credits claimed by the Company, including research and development expenses and Scientific Research and Experimental Development tax credits, have been reasonably determined and are deductible, there can be no assurance that the Canadian and the relevant foreign taxation authorities will agree. If a taxation authority were to successfully challenge the correctness of such expenses or tax credits claimed, or if a taxation authority were to reduce any tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, the Company's business, results of operations or financial condition could be materially adversely affected.

*Higher fuel costs can materially adversely affect the Company's business, results of operations or financial condition*

Higher fuel costs increase the transportation cost both of acquiring the Company's materials and shipping its products to customers. Increases in energy costs can also adversely affect the pricing and availability of petroleum-based raw materials. There is no guarantee that the Company would be able to pass such higher costs to its customers, and so an increase in such costs could have a material adverse effect on the Company's business, results of operations or financial condition. Also, higher fuel costs increase the cost of owning and operating many



of the Company's products, which can reduce demand for them and so materially adversely affect the Company's business, results of operations or financial condition.

*Deterioration in relationships with the Company's non-unionized and unionized employees could have a material adverse effect on the business, results of operations or financial condition*

A majority of the Company's employees are non-unionized, including in all facilities in Canada and the United States. The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, the successful negotiation of a collective bargaining agreement, cannot be assured. A deterioration in relationships with employees or in the labour environment could result in work interruptions or other disruptions, or cause management to divert time and resources from other aspects of the Company's business, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company is party to some national collective bargaining agreements in Austria, Finland and Mexico that expire at various times in the future. As the Company is dependent on national unions to renew these agreements on terms that are satisfactory as they become subject to renegotiation from time to time, the outcome of these labour negotiations could have a material adverse effect on the Company's business, results of operations or financial condition. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its national collective bargaining agreements. The Company cannot predict the outcome of any current or future negotiations relating to labour disputes, union representation or the renewal of its national collective bargaining agreements, nor can the Company assure that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could have a material adverse effect on the Company's business, results of operations or financial condition.

*Pension plan liability may have a material adverse effect on the Company*

Economic cycles can have a negative impact on the funding of the Company's remaining defined benefit pension obligations and related expenditures. In particular, a portion of the Company's pension plan assets are invested in equity securities, which can experience significant declines if financial markets weaken. Also, the Company's latest actuarial funding valuation reports show that the defined benefit components of the Company's registered pension plans present a solvency deficit and, as a result, the Company is required to make additional funding contributions. There is no guarantee that the expenditures and contributions required to fund these defined benefit pension obligations will not increase in the future and therefore negatively impact its operating results, liquidity and financial position. Risks related to the funding of defined benefit pension plans may materialize if total obligations with respect to such a pension plan exceed the total value of the plan fund's assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. Any of these risks could result in a material adverse effect on the Company's business, results of operations or financial condition.

*Natural disasters, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events could materially adversely affect the Company's business, results of operations or financial condition*

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest and acts of terrorism, or similar disruptions could materially adversely affect the Company's business, results of operations or financial condition. These events could result in physical damage to one or more of the Company's properties, increases in fuel or other energy prices, temporary or permanent closure of one or more of the Company's facilities, temporary lack of an adequate workforce in a market, temporary or long-term disruption in the supply of raw materials, product parts and



components, temporary disruption in transport to and from overseas, disruption in the Company's distribution network and disruption to the Company's information systems.

*Failure to carry proper insurance coverage may have a material adverse effect on the Company*

The Company maintains directors and officers insurance, liability insurance, business interruption and property insurance and its insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that the Company's insurance coverage will be sufficient, or that insurance proceeds will be paid to it in a timely manner. In addition, there are types of losses the Company may incur but against which it cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war and certain natural disasters. If the Company incurs these losses and they are material, the Company's business, results of operations or financial condition could be materially adversely affected.

*Volatile market price for Subordinate Voting Shares*

The market price for Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of the Company's future results of operations by the Company;
- changes in forecasts, estimates or recommendations of securities research analysts regarding the Company's future results of operations or financial performance;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- additions or departures of the Company's senior management team or other key employees;
- sales or perceived sales of additional Subordinate Voting Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Company's operating results, financial condition or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Subordinate Voting Shares by those institutions, which could materially adversely affect the trading price of the Subordinate Voting Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's business, results of operations or financial condition could be materially adversely impacted and the trading price of the Subordinate Voting Shares could be materially adversely affected.



*Because the Company has no current plans to pay dividends on Subordinate Voting Shares for the foreseeable future, investors may not receive any return on investment unless they sell their Subordinate Voting Shares for a price greater than that which they paid for it*

The Company currently intends to use its earnings to finance the expansion of its business and to reduce indebtedness. Any future determination to pay dividends on the Shares would be at the discretion of the board of directors of the Company (the “Board of Directors”) and would depend on, among other things, the Company’s results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants (including restrictions in the Term Credit Agreement and the Revolving Credit Agreement or other material agreements), solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant. As a result, investors may not receive any return on an investment in their Subordinate Voting Shares unless they sell them for a price greater than that which they paid for it.

*The Company is a holding company*

The Company is a holding company and a substantial portion of its assets consists in the shares of its direct and indirect subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company’s cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company. As at January 31, 2014, the Subordinate Voting Shares were effectively junior to approximately \$941.1 million of indebtedness of its subsidiaries.

*Beaudier Group, Bain Capital and CDPQ will have significant influence with respect to matters put before the shareholders, which may have a negative impact on the trading price of the Subordinate Voting Shares*

As at March 26, 2014, Beaudier Group, Bain Capital and CDPQ (collectively, the “Principal Shareholders”) owned 41,237,476, 31,744,393 and 6,041,475 Multiple Voting Shares, respectively, which represented approximately 48.2%, 37.1% and 7.1%, respectively, of the combined voting power of the Company’s outstanding Shares. Accordingly, the Principal Shareholders have significant influence with respect to all matters submitted to the Company’s shareholders for approval, including without limitation the election and removal of directors, amendments to the articles of incorporation and by-laws of the Company and the approval of certain business combinations. Holders of Subordinate Voting Shares have a limited role in the Company’s affairs. This concentration of voting power may cause the market price of the Subordinate Voting Shares to decline, delay or prevent any acquisition or delay or discourage take-over attempts that shareholders may consider to be favourable, or make it more difficult or impossible for a third party to acquire control of the Company or effect a change in the Company’s Board of Directors and management. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which the Company’s shareholders could receive a substantial premium over the then current market price for their Subordinate Voting Shares.

In addition, Beaudier Group’s, Bain Capital’s and CDPQ’s interests may not in all cases be aligned with interests of the other shareholders of the Company. Beaudier Group, Bain Capital and CDPQ may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of its management, could enhance its equity investment, even though such transactions might involve risks to the shareholders of the Company and may ultimately affect the market price of the Subordinate Voting Shares.



*Future sales of Subordinate Voting Shares by the Company's Principal Shareholders, officers, directors and senior management*

As at March 26, 2014, Beaudier Group owned 41,237,476 Multiple Voting Shares, which in the aggregate represented approximately 52.2% of the issued and outstanding Multiple Voting Shares of the Company, Bain Capital owned 31,744,393 Multiple Voting Shares, which in the aggregate represented approximately 40.2% of the issued and outstanding Multiple Voting Shares of the Company, and CDPQ owned 6,041,475 Multiple Voting Shares, which in the aggregate represented approximately 7.6% of the issued and outstanding Multiple Voting Shares of the Company. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share. See "Description of the Capital Structure".

Subject to compliance with applicable securities laws and the terms of any lock-up arrangements, the Company's officers, directors, Principal Shareholders and their affiliates may sell some or all of their Subordinate Voting Shares in the future. No prediction can be made as to the effect, if any, such future sales of Subordinate Voting Shares will have on the market price of the Subordinate Voting Shares prevailing from time to time. However, the future sale of a substantial number of Subordinate Voting Shares by the Company's officers, directors, senior management or Principal Shareholders and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Subordinate Voting Shares.

Pursuant to the Registration Rights Agreement, each Principal Shareholder is granted certain registration rights. See "Material Contracts — Securityholders Agreements — Registration Rights Agreement".

## **DIVIDENDS**

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The Company currently intends to use its earnings to finance the expansion of its business and to reduce indebtedness. Any future determination to pay dividends on the Shares would be at the discretion of the Board of Directors and would depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants (including restrictions in the Term Credit Agreement and the Revolving Credit Agreement or other material agreements), solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

On April 15, 2013, the Company paid special distributions in the aggregate amount of \$376 million to the holders of all of its classes of shares (representing an amount of \$0.96 per Class A voting common share, Class A.1 voting common share and Class B non-voting common share, and \$2.99 per Super B non-voting common share), with approximately \$46 million representing a return of capital and approximately \$330 million representing dividends. On April 30, 2013, the Company used cash on hand and funds generated from operations to pay an additional dividend of \$153 million to the holders of all of its classes of shares (representing an amount of \$0.39 per share).

## **DESCRIPTION OF THE CAPITAL STRUCTURE**

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The Company's authorized share capital consists of an unlimited number of Multiple Voting Shares and Subordinate Voting Shares and an unlimited number of preferred shares (the "Preferred Shares"), issuable in series. As at March 26, 2014, there were 39,135,723 Subordinate Voting Shares and 79,023,344 Multiple Voting Shares issued and outstanding and no Preferred Shares.

The Subordinate Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws.



## **Shares**

Except as described herein, the Subordinate Voting Shares and the Multiple Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only.

## ***Rank***

The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company. In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Multiple Voting Shares and the holders of Subordinate Voting Shares are entitled to participate equally, share for share, subject always to the rights of the holders of any preferred shares, in the remaining property and assets of the Company available for distribution to the holders of Shares, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares.

## ***Dividends***

The holders of outstanding Shares are entitled to receive, subject always to the rights of the holders of any preferred shares, dividends on a share for share basis out of assets legally available therefor at such times and in such amounts and form as the Board of Directors may from time to time determine, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares. In the event of a payment of a dividend in the form of Shares, holders of Subordinate Voting Shares shall receive Subordinate Voting Shares and holders of Multiple Voting Shares shall receive Multiple Voting Shares.

## ***Voting Rights***

Under the Company's articles, the Subordinate Voting Shares carry one vote per share and Multiple Voting Shares carry six votes per share. Based on the number of shares issued and outstanding as at March 26, 2014, the Subordinate Voting Shares represented 33.1% of the Company's total issued and outstanding Shares and 7.6% of the voting power attached to all of the Shares.

## ***Conversion***

The Subordinate Voting Shares are not convertible into any other class of shares. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share. Upon the first date that any Multiple Voting Share shall be held other than by a Permitted Holder (as defined below), such holder, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert all of the Multiple Voting Shares held by such holder into fully paid and non-assessable Subordinate Voting Shares, on a share for share basis.

In addition, all Multiple Voting Shares, regardless of the holder thereof, will convert automatically into Subordinate Voting Shares at such time as Permitted Holders that hold Multiple Voting Shares no longer hold and own, collectively, directly or indirectly, more than 15% of the beneficial ownership interests in the aggregate number of outstanding Multiple Voting Shares and Subordinate Voting Shares (it being understood that the number of Multiple Voting Shares shall be added to the number of Subordinate Voting Shares for the purposes of such calculation).

For the purposes of the foregoing:

“Affiliate” means, with respect to any specified Person (as defined below), any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person;



“Members of the Immediate Family” means with respect to any individual, each spouse (whether by marriage or civil union) or common law partner (as defined in the Income Tax Act (Canada) (the “Tax Act”)) or child or other descendants (whether by birth or adoption) of such individual, each spouse (whether by marriage or civil union) or common law partner (as defined in the Tax Act) of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons, and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the Tax Act as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual.

“Permitted Holders” means (i) Janine Bombardier, Claire Bombardier Beaudoin, Laurent Beaudoin, Huguette Bombardier Fontaine, Jean-Louis Fontaine and J.R. André Bombardier, and the Members of the Immediate Family of each such individual; (ii) any Person controlled, directly or indirectly, by one or more of the Persons referred to in clause (i) above; (iii) Bain Capital and any of its Affiliates and; (iv) CDPQ and any of its Affiliates;

“Person” means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company; and

A Person is “controlled” by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least 66 $\frac{2}{3}$ % of the votes for the election of directors and representing in the aggregate at least 66 $\frac{2}{3}$ % of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not a company or other body corporate, at least 66 $\frac{2}{3}$ % of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and “controls”, “controlling” and “under common control with” shall be interpreted accordingly.

### ***Subscription Rights***

In the event of any distribution or issuance, including by way of a share dividend (a “Distribution”) of voting shares of the Company (other than Multiple Voting Shares, Subordinate Voting Shares issued upon the conversion of Multiple Voting Shares or voting shares issued pursuant to the exercise of a right attached to any security of the Company issued prior to the Distribution) (the “Voting Shares”) or of securities convertible or exchangeable into Voting Shares or giving the right to acquire Voting Shares (other than options or other securities issued under compensatory plans or other plans to purchase Voting Shares or any other securities in favour of the management, directors, employees or consultants of the Company) (the “Convertible Securities” and, together with the Voting Shares, the “Distributed Securities”), the Company shall issue to the holder(s) of Multiple Voting Shares rights to subscribe for that number of Multiple Voting Shares, or, as the case may be, for securities convertible or exchangeable into or giving the right to acquire, on the same terms and conditions, including subscription or exercise price, as applicable, *mutatis mutandis* (except for the ultimate underlying securities which shall be Multiple Voting Shares), as those stipulated in the Convertible Securities, that number of Multiple Voting Shares, respectively, which carry, in the aggregate, a number of voting rights sufficient to fully maintain the proportion of total voting rights (on a fully diluted basis) associated with the then outstanding Multiple Voting Shares (the “Rights to Subscribe”).

The Rights to Subscribe shall be issued to the holder(s) of Multiple Voting Shares in a proportion equal to their respective holdings of Multiple Voting Shares and shall be issued concurrently with the completion of the



Distribution of the applicable Distributed Securities. To the extent that any such Rights to Subscribe are exercised, in whole or in part, the securities underlying such Rights to Subscribe (the “Subscription Securities”) shall be issued and must be paid for concurrently with the completion of the Distribution and payment to the Company of the issue price for the Distributed Securities, at the lowest price permitted by the applicable securities and stock exchange regulations and subject (as to such price) to the prior consent of the exchanges but at a price not lower than (i) if the Distributed Securities are Subordinate Voting Shares, the price at which Subordinate Voting Shares are then being issued or distributed, (ii) if the Distributed Securities are Convertible Securities, the price at which the applicable Convertible Securities are then being issued or distributed; and (iii) if the Distributed Securities are Voting Shares other than Subordinate Voting Shares, the higher of (a) the weighted average price of the transactions on the Subordinate Voting Shares on the TSX (or such other primary stock exchange on which they are listed, as the case may be) for the 20 trading days preceding the Distribution of such Voting Shares or of (b) the weighted average price of transactions on the Subordinate Voting Shares on the TSX (or such other primary stock exchange on which they are listed, as the case may be), the trading day before the Distribution of such Voting Shares.

The privileges attached to Subscription Securities which are securities convertible or exchangeable into or giving the right to acquire Multiple Voting Shares shall only be exercisable if and whenever the same privileges attached to the Convertible Securities are exercised and shall not result in the issuance of a number of Multiple Voting Shares which increases the proportion (as in effect immediately prior to giving effect to the completion of the Distribution) of total voting rights associated with the Multiple Voting Shares after giving effect to the exercise by the holder(s) of the privileges attached to such Convertible Securities.

The right to receive Rights to Subscribe as described above, and the legal or beneficial ownership of the Rights to Subscribe, may be assigned in whole or in part among Permitted Holders, provided that written notice of any such assignment shall be sent promptly to the other holders of Multiple Voting Shares and the Company.

Subordinate Voting Shares have no pre-emptive or subscription rights to purchase any securities of the Company. An issuance of participating (equity) securities will not be rendered invalid due to a failure by the Company to comply with the foregoing.

#### ***Subdivision or Consolidation***

No subdivision or consolidation of the Subordinate Voting Shares or the Multiple Voting Shares may be carried out unless, at the same time, the Multiple Voting Shares or the Subordinate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis.

#### ***Certain Amendments***

In addition to any other voting right or power to which the holders of Subordinate Voting Shares shall be entitled by law or regulation or other provisions of the Articles of the Company from time to time in effect, but subject to the provisions of Articles of the Company, holders of Subordinate Voting Shares shall be entitled to vote separately as a class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of the Articles of the Company which would adversely affect the powers, preferences or rights of the holders of Subordinate Voting Shares, including an amendment to the terms of the Articles of the Company that provide that any Multiple Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Subordinate Voting Shares.

#### ***Certain Class Votes***

Without limiting other rights at law of any holders of Multiple Voting Shares or Subordinate Voting Shares to vote separately as a class or the terms of the following paragraph, neither the holders of the Multiple Voting Shares nor the holders of the Subordinate Voting Shares shall be entitled to vote separately as a class upon a proposal to amend the Articles of the Company in the case of an amendment of the kind referred to in paragraph (a)



of subsection 176(1) of the *Canada Business Corporations Act* and, as regards the creation of additional classes of preferred shares which are non-voting, paragraph (e) of subsection 176(1) of the *Canada Business Corporations Act*.

The holders of the Subordinate Voting Shares shall be entitled to vote separately as a class (but will not have any dissent rights) in respect of any amalgamation, arrangement, business combination or sale, lease, exchange or transfer of all or substantially all the property of the Company (as such expressions are interpreted for the purposes of the *Canada Business Corporations Act*) in connection with which or following which any holder of Multiple Voting Shares would, directly or indirectly, receive or be entitled to receive consideration, money, property or securities of greater value per share or different in kind than the consideration or distribution available to holders of Subordinate Voting Shares, unless the holders of Subordinate Voting Shares are otherwise already entitled to vote separately as a class in respect of such transaction under any applicable law (including, without limitation, securities laws in any jurisdiction, together with the rules, regulations, orders and notices made thereunder and the local, uniform and national published instruments and policies adopted by the securities regulatory authority in such jurisdiction, as applied and interpreted by such securities regulatory authority) or the rules, notices, policies and procedures or any decision of any applicable stock exchange.

#### ***Issuance of Additional Multiple Voting Shares***

Subject to the provisions of the Articles of the Company, the Company may not issue Multiple Voting Shares without the approval of at least 66⅔% of the votes cast at a meeting of the holders of Subordinate Voting Shares duly held for that purpose. However, approval is not required in connection with a subdivision or conversion on a pro rata basis as between the Subordinate Voting Shares and the Multiple Voting Shares or the issuance of Multiple Voting Shares upon the exercise of the Rights to Subscribe.

#### ***Take-Over Bid Protection***

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares. The Principal Shareholders, as the owners of all the outstanding Multiple Voting Shares, entered into a coattail agreement dated May 29, 2013 with the Company and Computershare Trust Company of Canada (the “Coattail Agreement”). The Coattail Agreement contains provisions customary for dual class, TSX listed companies designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by any Principal Shareholder of Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

- (a) offers a price per Subordinate Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares;
- (b) provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- (c) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and
- (d) is in all other material respects identical to the offer for Multiple Voting Shares.



In addition, the Coattail Agreement does not prevent the transfer of Multiple Voting Shares by a Principal Shareholder to a Permitted Holder, provided such transfer is not or would not have been subject to the requirements to make a take-over bid (if the vendor or transferee were in Canada) or constitutes or would constitute an exempt take-over bid (as defined in applicable securities legislation). The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Multiple Voting Shares (including a transfer to a pledgee as security) by a holder of Multiple Voting Shares party to the agreement is conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Multiple Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with the Articles of the Company.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on the Company or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee. The Company agreed to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares pursuant to the Coattail Agreement.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authority in Canada and (b) the approval of at least 66 $\frac{2}{3}$ % of the votes cast by holders of Subordinate Voting Shares excluding votes attached to Subordinate Voting Shares held by the Principal Shareholders, their affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares under applicable law.

### **Preferred Shares**

The Company is authorized to issue an unlimited number of Preferred Shares, issuable in series. Each series of Preferred Shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors prior to the issuance thereof. Holders of Preferred Shares, except as otherwise provided in the terms specific to a series of Preferred Shares or as required by law, will not be entitled to vote at meetings of holders of Shares. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the Preferred Shares are entitled to preference over the Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series.

### **Advance Notice Requirements for Director Nominations**

The Company's by-laws provide that shareholders seeking to nominate candidates for election as directors must provide timely written notice to the Company's secretary at its principal executive offices. To be timely, a shareholder's notice must be received (i) in the case of an annual meeting of shareholders, not less than 30 days nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the shareholder may be received not later than



the close of business on the 10th day following the date of such public announcement; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors, not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. The Company's by-laws also prescribe the proper written form for a shareholder's notice. The Board of Directors may, in its sole discretion, waive any requirement under these provisions. These provisions shall be automatically repealed and cease to have effect upon the termination of the nomination rights agreement entered into between the Company and the Principal Shareholders. See "Material Contracts — Securityholders Agreement — Nomination Rights Agreement".

## MARKET FOR SECURITIES AND TRADING PRICE AND VOLUME

The Subordinate Voting Shares are listed for trading on the TSX under the symbol "DOO". The following table shows the monthly range of high and low prices per Subordinate Voting Share at the close of market (TSX), as well as total monthly volumes and average daily volumes of the Subordinate Voting Shares traded on the TSX from May 29, 2013, being the date of closing of the IPO to January 31, 2013, being the end of the Company's most recently completed fiscal year:

Month	Price per Subordinate Voting Share (\$) Monthly High	Price per Subordinate Voting Share (\$) Monthly Low	Subordinate Voting Shares Total Monthly Volume	Subordinate Voting Shares Average Daily Volume
May 2013 (from May 29).....	\$25.00	\$24.75	566,903	188,968
June 2013 .....	\$24.96	\$24.15	1,061,163	53,058
July 2013 .....	\$27.62	\$24.76	777,236	35,329
August 2013 .....	\$29.49	\$27.50	887,559	42,265
September 2013.....	\$28.56	\$27.05	1,150,604	57,530
October 2013.....	\$28.10	\$25.77	1,459,841	66,356
November 2013.....	\$28.68	\$27.78	1,176,205	56,010
December 2013 .....	\$30.61	\$26.83	1,532,406	76,620
January 2014.....	\$30.72	\$28.01	3,299,011	149,955

In connection with and immediately prior to the IPO, each Class A voting common share, each Class A.1 voting common share and each Class B non-voting common share series 2003 in the capital of the Company were exchanged for one Multiple Voting Share and all of the issued and outstanding shares in the capital of the Company were consolidated on a 3.765 to one basis. The Multiple Voting Shares are not listed for trading on any stock exchange.

## DIRECTORS AND OFFICERS

The following table sets out for each of the Company's directors and executive officers, the person's name, province or state, and country of residence, position with the Company, principal occupation during the five preceding years and, if a director, the date on which the person became a director. The Company's directors are expected to hold office until the Company's next annual general meeting of shareholders. The Company's directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of shareholders. As a group, the directors and executive officers beneficially owned, or controlled or directed, directly or indirectly, a total of 3,668,863 Subordinate Voting Shares, representing in the aggregate 3.1% of all of the Company's issued and outstanding Shares and 0.7% of the total voting power attached to all of the Company's issued and outstanding Shares as at March 26, 2014.



## Directors

Name and Province or State and Country of Residence	Age	Position(s)/Title	Director Since	Principal Occupation
LAURENT BEAUDOIN <sup>(1)</sup> ..... Québec, Canada	75	Director	2003	Chairman of Bombardier Inc.
JOSHUA BEKENSTEIN <sup>(2)</sup> ..... Massachusetts, U.S.	55	Director	2003	Managing Director at Bain Capital Investors, LLC (a private equity fund)
JOSÉ BOISJOLI <sup>(3)</sup> ..... Québec, Canada	56	Director, President and Chief Executive Officer	2011	President and Chief Executive Officer of the Company
J.R. ANDRÉ BOMBARDIER ..... Québec, Canada	71	Director	2003	Vice-Chairman of Bombardier Inc.
MICHAEL HANLEY <sup>(4)(5)</sup> ..... Québec, Canada	48	Director	2012	Corporate Director
YVONNE HAO <sup>(3)</sup> ..... Massachusetts, U.S.	39	Director	2013	Operating Partner at Bain Capital Partners, LLC (a private equity fund)
LUC HOULE <sup>(3)</sup> ..... Québec, Canada	57	Director	2003	Senior Vice-President, Investments and Manufacturing, in the Caisse de dépôt et placement du Québec's Private Equity group (a public institutional fund manager)
LOUIS LAPORTE <sup>(5)(6)</sup> ..... Québec, Canada	53	Director	2013	Executive Vice-President of Beaudier Inc. (a private holding company)
CARLOS MAZZORIN <sup>(3)(7)</sup> ..... Michigan, U.S.	72	Director	2004	Corporate Director
NICHOLAS NOMICOS ..... Massachusetts, U.S.	51	Director	2003	Managing Director at Sankaty Advisors, LLC, the credit arm of Bain Capital Partners, LLC
DANIEL J. O'NEILL <sup>(5)(7)</sup> ..... Alberta, Canada	62	Director	2004	President of O & L Sport Consultant Group (a consulting firm providing management expertise to professional sports organizations and athletes)
EDWARD PHILIP <sup>(5)(7)</sup> ..... Massachusetts, U.S.	48	Director	2005	Chief Operating Officer of Partners in Health (a non-profit health care organization)
JOSEPH ROBBINS ..... Massachusetts, U.S.	34	Director	2013	Principal at Bain Capital Partners, LLC (a private equity fund)

(1) Chair of the Board of Directors.

(2) Chair of the Human Resources, Nomination and Governance Committee.

(3) Member of the Investment and Risk Committee.

(4) Chair of the Audit Committee.

(5) Member of the Human Resources, Nomination and Governance Committee.

(6) Chair of the Investment and Risk Committee.

(7) Member of the Audit Committee.



## Executive Officers

Name and Province or State and Country of Residence	Age	Position(s)/Title
JOSÉ BOISJOLI..... Québec, Canada	56	President and Chief Executive Officer
GIULIA CIRILLO..... Québec, Canada	51	Corporate Vice President, Human Resources
CHRISTOPHER DAWSON..... Québec, Canada	45	Vice President and General Manager, International
CLAUDE FERLAND..... Québec, Canada	51	Chief Financial Officer
MARTIN LANGELIER..... Québec, Canada	43	Vice President, General Counsel and Secretary
DENYS LAPOINTE..... Québec, Canada	52	Executive Vice President, Design, Innovation and Corporate Image
YVES LEDUC..... Québec, Canada	49	Vice President and General Manager, North America
SEBASTIEN MARTEL..... Québec, Canada	42	Vice President, Strategic Planning and Business Development
GERD OHRNBERGER..... Québec, Canada	57	Vice President and General Manager, Product Engineering and Manufacturing Operations
ALAIN VILLEMURE..... Illinois, U.S.	52	Vice President and General Manager, Marine Propulsion Systems Division

## Biographies

The following are brief profiles of the directors and executive officers of the Company, including a description of each individual's principal occupation within the past five years.

### *Non-Executive Directors*

#### *Laurent Beaudoin, Director*

Mr. Beaudoin is Chair of the Board of Directors since December 2003. Mr. Beaudoin, who was the Chief Executive Officer and Chairman of Bombardier Inc. since 1966, handed over his responsibilities as Chief Executive Officer in June 2008, and remained Chairman of the Board of Directors of Bombardier Inc. He joined Bombardier Inc. in 1963 as Comptroller. From 2002 to 2012, he has been a member of the International Business Council of the World Economic Forum based in Geneva, Switzerland. Since October 2010, he has been President of FIRST Robotics Quebec. Mr. Beaudoin is also President of Beaudier Inc., one of the Principal Shareholders. Mr. Beaudoin holds honorary doctorates from various universities and he received many awards and honours as a business leader, including Canada's Outstanding CEO of the Year by the Financial Post. He is a Chartered Accountant and a Fellow of the *Ordre des comptables agréés du Québec*.



*Joshua Bekenstein, Director*

Mr. Bekenstein is a Managing Director at Bain Capital Partners, LLC (a private equity fund). Prior to joining Bain Capital in 1984, Mr. Bekenstein spent several years at Bain & Company, Inc., where he was involved with companies in a variety of industries. Mr. Bekenstein is a member of the board of directors, the Chair of the Human Resources and Compensation Committee and a member of the Nominating and Governance Committee of Dollarama Inc. He also serves as a director of several other corporations, including Bright Horizons Family Solutions Inc., Burlington Coat Factory Investments Holdings, Inc., The Gymboree Corporation, Michaels Stores, Inc., Toys “R” Us, Inc. and Waters Corporation, and sits on the compensation committee of four of those corporations. Mr. Bekenstein received a Bachelor of Arts from Yale University and a Master of Business Administration (MBA) from Harvard Business School.

*J.R. André Bombardier, Director*

Mr. Bombardier is the Vice Chairman of Bombardier Inc., a position he has held since 1978. He joined Bombardier Inc. in 1969 as Vice President, Industrial Division, and then successively held the positions of Vice President, Research and Development, *Ski-Doo* Division; Assistant to the President in charge of new products, Vice President of Marketing, Marine Products Division, and President of the Roski Ltd. subsidiary, before taking the position he now holds. Mr. Bombardier is also President of 4338618 Canada Inc., one of the Principal Shareholders. Mr. Bombardier holds a Bachelor of Arts from the *Séminaire de Sherbrooke* as well as a Bachelor of Commerce with a major in Finance from the *Université de Sherbrooke*. He is also a graduate of the Harvard International Senior Managers Program. He is the brother-in-law of Chairman Laurent Beaudoin.

*Michael Hanley, Director*

Mr. Hanley is a corporate director with many years of experience in senior management roles and corporate governance. Between 2009 and 2011, Mr. Hanley was Senior Vice-President, Operations and Strategy Initiatives and a member of the Office of the President at National Bank of Canada. Prior to this, he spent ten years with Alcan Inc. in positions that included President and Chief Executive Officer of the global Bauxite and Alumina business and Executive Vice-President and Chief Financial Officer at the time of Alcan Inc.’s acquisition by Rio Tinto plc. Mr. Hanley also held the positions of Chief Financial Officer at two publicly traded Canadian companies, St-Laurent Paperboard Inc from 1995-1997, and Gaz Metro from 1997-1998. He has worked as an external auditor with a large international accounting firm, and as an internal auditor with CP Forest Products Ltd. As an independent director with First Quantum Minerals Ltd, Mr. Hanley sits on the Audit Committee and chairs the Funding Committee. He has a Bachelor of Business Administration and Accounting from *HEC Montréal*, and is a member of the Québec Order of Chartered Accountants (CPA, CA) since 1987.

*Yvonne Hao, Director*

Ms. Hao joined Bain Capital Partners, LLC (a private equity fund) in 2008 and is an Operating Partner in the North American Private Equity Portfolio Group. In this role, she has worked with several portfolio companies, and has held interim Chief Executive Officer and Chief Operating Officer operating roles. Prior to joining Bain Capital Partners, LLC, Ms. Hao held several roles at Honeywell International Inc., including VP/GM of the ADI NA division, VP Global Marketing, and Director of Corporate Strategy. In addition, Ms. Hao was an Associate Partner at McKinsey & Company, and focused on growth projects. Ms. Hao is also a director of The Gymboree Corporation. She holds a Master of Philosophy in Development Economics from Cambridge University, England and a Bachelor of Arts in Economics and Asian Studies from Williams College (highest honors).

*Luc Houle, Director*

Mr. Houle is Senior Vice-President Investment Private Equity at CDPQ (a public institutional fund manager). He has held various positions at CDPQ since 1985. Mr. Houle is responsible for a portfolio of businesses covering the manufacturing, distribution and service sectors. He is also a member of the investment committee for



the Private Equity and Infrastructure group of CDPQ. Mr. Houle has served as a director of several private and public corporations including Transcontinental Inc., Héroux Devtek Inc. and BRP. Mr. Houle holds a Bachelor of Business Administration in Finance from the *Université de Sherbrooke*.

*Louis Laporte, Director*

Mr. Laporte has been the Executive Vice-President of Beaudier Inc., a private holding company and one of the Principal Shareholders, since 2004. Mr. Laporte managed for Beaudier Group the acquisition of the recreational products business of Bombardier Inc. in 2003, and since then provides various consulting and management advisory services to the Company pursuant to the management agreement entered into by the Company and the Principal Shareholders on December 18, 2003, as same was amended and restated effective as of May 29, 2013. Prior to 2003, Mr. Laporte was the owner and operator of a number of privately held companies, such as Dudley Inc., one of Canada's leading lock manufacturers and distributors, and AMT Marine Inc., a manufacturer, subcontractor and supplier of *Sea-Doo* jet boats, where he contributed to the production and participated in the initial design and engineering of the *Sea-Doo* jet boat for BRP. Mr. Laporte is and has been director of several privately-owned companies. Mr. Laporte holds a Bachelor of Accounting Sciences from the *Université du Québec à Montréal* (UQAM) and a Bachelor of Commerce from McGill University. Mr. Laporte is a Chartered Accountant.

*Carlos Mazzorin, Director*

Mr. Mazzorin is a corporate director. Mr. Mazzorin was President and Chief Operating Officer of Magna Electronics and President and Chief Operating Officer of Magna Mirrors both wholly-owned subsidiaries of Magna International Inc. Mr. Mazzorin joined Magna International Inc. in December 2002 after 30 years at Ford Motor Company. At Ford Motor Company, Mr. Mazzorin served as Group Vice-President of Asia Pacific Operations, South America Operations and Global Purchasing and previous to that as Group Vice-President Ford, Mexico Operations and Global Purchasing. He also served in a variety of Supply Management activities with General Motors Co. in Argentina and Cadillac Motor Car Division of General Motors Co. in the United States. He is a member of the board of directors of Gentherm Inc. and of the International Advisory Board of Komatsu Inc.

*Nicholas Nomicos, Director*

Mr. Nomicos is a Managing Director at Sankaty Advisors, LLC, the credit arm of Bain Capital, and heads its Portfolio Group. Prior to joining Sankaty Advisors, LLC in 2011, he was an Operating Partner at Bain Capital where he worked since 1999 in a variety of investments in the manufacturing and consumer product sectors. Previously, Mr. Nomicos was a senior corporate development and manufacturing executive at Oak Industries Inc., and he spent several years at Bain & Company, Inc. where he was a manager. Mr. Nomicos serves as a director of Dollarama Inc. and Penn Foster College. He received a Master of Business Administration (MBA) from Harvard Business School and a Bachelor of Science in Engineering from Princeton University.

*Daniel J. O'Neill, Director*

Mr. O'Neill is the President of the O & L Sport Consultant Group, which he founded in January 2013 to provide management expertise to both professional sports organizations and athletes. Prior to that, he was the President and Chief Executive Officer of WinSport Canada, a not-for-profit organization that owns and operates the Canada Olympic Park in Calgary (Alberta). In 2005, Mr. O'Neill served as Vice-Chairman, Synergies & Integration of Molson Coors Brewing Company. He was President and Chief Executive Officer of Molson Inc. from 2000 to 2005, prior to its merger with Adolph Coors Company. Before that, he was Executive Vice-President of H.J. Heinz Company and President and Chief Executive Officer of Star-Kist Foods. He also worked at S.C. Johnson, a consumer products company. He was a director of H.J. Heinz Company from 1998 to 1999. Mr. O'Neill holds a Bachelor of Arts from Carleton University and a Master of Business Administration (MBA) from Queen's University. He also attended the Program for Management Development at Harvard Business School.



*Edward Philip, Director*

Mr. Philip is the Chief Operating Officer of Partners in Health (a non-profit health care organization) since January 2013. In addition, Mr. Philip is a Special Partner at Highland Consumer Fund, serving in this role since 2013. He served as Managing General Partner at Highland Consumer Fund since 2006. Prior thereto, Mr. Philip served as President and Chief Executive Officer of Decision Matrix Group, Inc. from May 2004 to November 2005. Prior thereto, he was Senior Vice President of Terra Networks, S.A. from October 2000 to January 2004. In 1995, Mr. Philip joined Lycos, Inc. (an Internet service provider and search company) as one of its founding members. During his time with Lycos, Inc., Mr. Philip held the positions of President, Chief Operating Officer and Chief Financial Officer at different times. Prior to joining Lycos, Inc., Mr. Philip spent time as the Vice President of Finance for the Walt Disney Company, and prior thereto Mr. Philip spent a number of years in investment banking. Mr. Philip serves as a director of Hasbro Inc. and sits on its audit committee. Mr. Philip holds a Master of Business Administration from Harvard Business School.

*Joseph Robbins, Director*

Mr. Robbins is a Principal at Bain Capital Partners, LLC (a private equity fund). Since joining the firm in 2008, he has worked with a number of companies in the energy, technology and consumer sectors. Previously, Mr. Robbins worked at Sentient Jet, LLC, a leading provider of jet membership services, and at the Boston Consulting Group. Mr. Robbins holds a Master of Business Administration (MBA) (with high distinction) from Harvard Business School, where he was a Baker Scholar, and a Bachelor of Arts in Social Studies from Harvard College.

***Executive Officers Who Also Serve as Directors***

*José Boisjoli, President and Chief Executive Officer*

Mr. Boisjoli is President and Chief Executive Officer of BRP since December 2003, when BRP became a standalone company. In October 1998, Mr. Boisjoli was named President of the Snowmobile and Watercraft division, the largest division of Bombardier Recreational Products Inc. In April 2001, he was given the added responsibility of managing the ATV division. Mr. Boisjoli joined Bombardier Recreational Products Inc. in 1989, after eight years in the pharmaceutical and road safety equipment industries. Mr. Boisjoli received a Bachelor of Engineering from the *Université de Sherbrooke*. In April 2005, Mr. Boisjoli received the prestigious title of Executive of the Year by Powersports Magazine, the most important powersports magazine in the United States.

***Executive Officers Who Do Not Serve as Directors***

*Claude Ferland, Chief Financial Officer*

Mr. Ferland is Chief Financial Officer of BRP since September 2009. Mr. Ferland has over 25 years of experience in financial management where he has held a number of positions, including those with the Auditor General of Canada and Canadair Ltd. Before joining BRP, Mr. Ferland spent seven years as Vice-President of finance with Bombardier Aerospace. From 1999 until 2002, Mr. Ferland was Vice-President of Bombardier Inc.'s recreational products division. Mr. Ferland received a Bachelor of Accounting Sciences from the *Université du Québec à Hull* (now the *Université du Québec en Outaouais*). Mr. Ferland is a Certified General Accountant.

*Giulia Cirillo, Corporate Vice President, Human Resources*

Ms. Cirillo is Corporate Vice President, Human Resources since May 2011. Prior to joining BRP, Ms. Cirillo had over twenty years of experience in multinational companies such as International Paint Ltd., Alcan Packaging Inc. and Rio Tinto Alcan Inc., and over fifteen years of which have been as vice-president, primarily in human resources management, environment health and safety, talent management and organizational development. Ms. Cirillo holds a Bachelor of Arts in Economics and Industrial Relations from McGill University, a Certificate in



Human Resources Management from McGill University and a Master of Business Administration (MBA) from McGill University and *HEC Montréal*. She is a member of the *Ordre des conseillers en ressources humaines agréés du Québec* (Québec's society of human resources professionals.)

*Christopher Dawson, Vice President and General Manager – International*

Mr. Dawson is Vice President and General Manager of the Company's international division since May 2008. Before this appointment, he was Vice President of Strategic Planning, Business Development, and Head of the *Can-Am Spyder* program since 2004, and added strategic marketing responsibilities in November 2005. Prior to this role, Mr. Dawson was Vice President of Marketing, covering all of the Company's brands in North America. He has been with the Company since January 1998 in a variety of other marketing and strategic planning roles. Previously, Mr. Dawson worked with different multinational companies, including Ford Motor Company and Procter & Gamble Inc., in various domestic and international marketing positions. Mr. Dawson holds a Bachelor of Commerce (honors) from Queen's University and a Master of Business Administration (MBA) from the *Institut européen d'administration des affaires* (INSEAD), France.

*Martin Langelier, Vice President, General Counsel and Secretary*

Mr. Langelier is Vice President, General Counsel and Secretary of BRP since February 2008. Prior to that, Mr. Langelier was Director, Legal Services of BRP, a position which he held since 2003. Before BRP became an independent company, Mr. Langelier acted as legal counsel for Bombardier Inc.'s recreational products division. Over the course of his career, Mr. Langelier has developed a solid expertise in legal matters while playing a vital role in the process that led to the creation of BRP. Before joining the powersports industry, Mr. Langelier worked for five years in private practice for the legal firm DeGrandpré Chait LLP in Montreal, Canada. Mr. Langelier holds a Bachelor of Laws from the *Université de Sherbrooke* and a Master of Business Administration (MBA) in International Business from Birmingham Business School, England. He is a member of the *Barreau du Québec* (Québec's bar association).

*Denys Lapointe, Executive Vice President, Design, Innovation and Corporate Image*

Mr. Lapointe is Executive Vice-President of Design, Innovation and Corporate Image of BRP since 2008. Prior to his current position, Mr. Lapointe was Vice-President of Design *Sea-Doo/Ski-Doo* from 1995 to 2008. He has held various design management positions since he joined the Company as a junior product designer for Sea-Doo watercraft in 1985. Mr. Lapointe is a board member of the *Centre de technologies avancées BRP – Université de Sherbrooke* and a member of the Advisory Board for the College for Creative Studies in Detroit Michigan. Mr. Lapointe holds a Bachelor of Arts in Design from the *Université du Québec à Montréal*. He is member of the following design associations: the *International Council Society of Industrial Designers*, the *Industrial Designers Society of America*, the *Association of Canadian Industrial Designers* and the *Association des designers industriels du Québec*.

*Yves Leduc, Vice President and General Manager, North America*

Mr. Leduc is Vice President and General Manager of the North American division since October 2009. Prior to this position, Mr. Leduc had successively been appointed Vice President and General Manager of the Can-Am and after-sales operations, of the *Can-Am* division, of the Snowmobiles, Watercraft, ATV and Sport boat division and of BRP-Rotax. He joined the Company in 1998 and has held several management positions in business development and strategic planning, operations, purchasing and materials management, both in Canada and in Austria. Before joining the Company, Mr. Leduc worked for four years at McKinsey & Company, where he gained experience in strategy and operations across various sectors, through projects in North America and Europe. Prior to joining McKinsey & Company, he was a lawyer at Stikeman Elliott LLP where he specialized in commercial litigation and special remedies. Mr. Leduc has a Bachelor of Laws from the *Université de Montréal* and a Master of Laws from Columbia University. He is a member of the *Barreau du Québec* (Québec's bar association).



*Sébastien Martel, Vice President Strategic Planning and Business Development*

Mr. Martel is Vice President, Strategic Planning and Business Development of BRP since April 2011. Before this appointment, Mr. Martel was Vice-President, Finance and Control of BRP. Mr. Martel has been with BRP since 2004 and has held other key positions such as Director of Financial Reporting. Mr. Martel has more than 15 years of experience in finance and accounting. Prior to joining BRP, Mr. Martel worked at the accounting firms of Arthur Andersen LLP and Deloitte & Touche LLP where he specialized in serving high technology and public companies in Montreal and in the Silicon Valley. Mr. Martel has a Bachelor Degree from McGill University. He is a Chartered Accountant.

*Gerd Ohrnberger, Vice President and General Manager, Product Engineering and Manufacturing Operations*

Mr. Ohrnberger is Vice-President and General Manager of the Product Engineering and Manufacturing Operations division of BRP. Prior to that, Mr. Ohrnberger acted as Vice President and General Manager of the Powertrain division of BRP since 2009. He began his career with BRP in 1998 as Vice President of product development and a member of the management team for BRP-Rotax where he supervised various projects, including the implementation of the *Rotax* 2-TEC and 4-TEC engines. From 1994 to 1998, Mr. Ohrnberger was director of Engine Development and Design for Porsche AG. Previously, Mr. Ohrnberger gained experience with Audi AG in Germany where he held several positions within advanced development, engine development and design as well as engine production. Mr. Ohrnberger holds a Bachelor of Engineering in Mechanical Engineering from Heilbronn University.

*Alain Villemure, Vice President and General Manager, Outboard Engines Division*

Mr. Villemure is Vice President and General Manager of the Marine Propulsion Systems division of the Company located in Sturtevant (United States). Prior to his appointment, he was Vice President and General Manager of the Vehicle Development and Manufacturing Operations division. Mr. Villemure has also held various management positions in engineering and operations for Bombardier's Recreational Products Group, where he started in 1995 in the Utility Vehicles division in Granby, Québec. Before entering the powersports industry, he worked for two years for Pratt and Whitney Canada Inc. starting in 1993, following a nine-year period with General Motors Co. where he held a variety of engineering and management positions. Mr. Villemure holds a Bachelor of Electrical Engineering from the *École de technologie supérieure* (ETS) of the *Université du Québec*.

### **Corporate Cease Trade Orders**

None of the Company's directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity), was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case, for a period of more than 30 consecutive days.

### **Bankruptcies**

None of the Company's directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director or executive officer of any company (including the Company), 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.



None of the Company's directors or executive officers has, within the 10 years prior to the date of this Annual Information Form, 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 its assets.

### **Shareholder Bankruptcies**

No shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) 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.

No shareholder holding a sufficient number of securities to affect materially the control of the Company, nor any personal holding company of any such person, has, within the 10 years before the date of this Annual Information Form, 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 shareholder.

### **Securities Penalties or Sanctions**

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company, nor any personal holding company of any such person, 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; or
- 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.

### **Conflicts of Interest**

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company and its directors, officers or other members of management as a result of their outside business interests except that certain of the Company's directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See "Directors and Officers" and "Interest of Management and Others in Material Transactions".

### **Indemnification and Insurance**

The Company has implemented a director and officer insurance program and has entered into indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.



## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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The Company is involved from time to time in legal proceedings and regulatory actions of a nature considered normal to its business and operations. As at March 26, 2014, the Company had approximately 141 pending litigation cases. The Company intends to vigorously defend its position in any proceeding or action in which it is involved from time to time. While the Company cannot predict the final outcome of legal proceedings currently pending, it believes that none of the litigation cases in which it is currently involved, or has been involved since the beginning of the most recently completed financial year, is, individually or in the aggregate, material to the Company's business, results of operations or financial condition.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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Other than as set out below or as described elsewhere in this Annual Information Form, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than 10% of the voting shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

### Transactions with Principal Shareholders

On December 18, 2003, the Company entered into a management agreement with the Principal Shareholders (as amended and restated effective as of May 29, 2013, the "Second Amended and Restated Management Agreement") pursuant to which the Principal Shareholders provide various consulting and management advisory services to the Company and, in exchange therefor, are being reimbursed for certain out-of-pocket expenses. Prior to the IPO, the Second Amended and Restated Management Agreement provided for the payment by the Company to the Principal Shareholders of an annual management fee of U.S.\$2.25 million. In connection with the closing of the IPO, the prior management agreement was amended and restated effective May 29, 2013 to remove the payment of such annual management fee and now only provides for the reimbursement of expenses.

<u>(dollars in millions)</u>	<u>Fiscal 2014<sup>(1)</sup></u>	<u>Fiscal 2013<sup>(2)</sup></u>
Total amount paid to Principal Shareholders.....	\$1.2	\$2.4

(1) Includes annual management fee (prorated for the period commencing as at the beginning of Fiscal 2014 and ending as at May 29, 2013, being the date the Second Amended and Restated Management Agreement was entered into, and reimbursement of out-of-pocket expenses.

(2) Includes annual management fee and reimbursement of out-of-pocket expenses.

CDPQ participates in the Term Facility. CDPQ's participation amounted to approximately \$67 million (U.S.\$60.3 million) and \$74.9 million (U.S.\$75.0 million) as at January 31, 2014 and January 31, 2013, respectively. Prior to the entering into of certain amendments to the Revolving Credit Facilities effective as of May 30, 2013, CDPQ also had committed to lend to subsidiaries of the Company an amount of up to \$25 million under the Revolving Credit Facilities. No indebtedness to CDPQ was outstanding thereunder as at January 31, 2014 and January 31, 2013. Following the amendments made effective as of May 30, 2013, CDPQ is no longer a party to the Revolving Credit Facilities. All of the foregoing transactions were made on terms equivalent to those that have prevailed with other third party lenders that are parties to such arrangements.

On August 1, 2011, the Company acquired all the outstanding voting shares of J.A. Bombardier (J.A.B.) Financing Inc. from the Principal Shareholders without consideration. J.A. Bombardier (J.A.B.) Financing Inc. was an investment company having primarily an investment of \$50.0 million in preferred shares of the Company with cumulative dividend rights of 15.2% and redeemable at \$1.00 per share and a government loan from an affiliate of Investissement Québec of \$50.0 million bearing interest at 15% and repayable at any time but no later than



June 2014. On August 1, 2011 and after, the Company repaid to this affiliate of Investissement Québec the \$50.0 million loan and its accrued interest and purchased the shares of the Company held by such entity for a total consideration of \$75.0 million.

### **Reimbursement to Bombardier Inc., a company related to Beaudier Group**

Pursuant to the purchase agreement entered into in 2003 in connection with the acquisition of the recreational products business of Bombardier Inc., the Company is required to reimburse to Bombardier Inc. income taxes amounting to \$21.6 million as of January 31, 2014 (\$21.3 million as of January 31, 2013). The reimbursement will begin when Bombardier Inc. starts making any income tax payments in Canada and/or the United States.

In addition, in connection with the above-mentioned transaction, the Company entered into a trademark license agreement whereby it has the right to continue to use certain trademarks of Bombardier Inc. which were not otherwise assigned to the Company in connection with such transaction, subject to certain conditions. The license allows the Company to use “Bombardier” in the corporate name of certain subsidiaries of the Company as long as, among other things, Beaudier Group maintains at least a 10% voting or equity interest in the Company. If the Company has not been able to create a comparable independent brand for its products prior to the termination of the license, the Company may see a decline in sales and revenues if and when the license terminates. See “Risk Factors”.

### **INDEPENDENT AUDITOR, TRANSFER AGENT AND REGISTRAR**

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The independent auditor of the Company is Deloitte LLP, 1 Place Ville-Marie, Suite 3000, Montreal, Québec, H3B 4T9.

The transfer agent and registrar for the Subordinate Voting Shares is Computershare Investor Services Inc. at its principal office in Montreal.

### **MATERIAL CONTRACTS**

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The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last financial year ended January 31, 2014, or entered into prior to such date, but which are still in effect and which are required to be filed with Canadian securities regulatory authorization in accordance with Section 12.2 of *National Instrument – 51-102 Continuous Disclosure Obligations*.

#### **IPO Underwriting Agreements**

In connection with its IPO, the Company entered into an underwriting agreement dated May 21, 2013 (the “IPO Underwriting Agreement”) with BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., UBS Securities Canada Inc., Citigroup Global Markets Canada Inc., Wells Fargo Securities LLC, CIBC World Markets Inc., Desjardins Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and Robert W. Baird & Co. Incorporated (collectively, the “IPO Underwriters”) pursuant to which, among other things, the Company agreed to sell and the Underwriters agreed to purchase 12,200,000 Subordinate Voting Shares (or 14,030,000 Subordinate Voting Shares including the over-allotment option) at a price of \$21.50 per Subordinate Voting Share. See “General Development of the Business”.

#### **October 2013 Secondary Offering Underwriting Agreement**

In connection with the October 2013 Secondary Offering, the Company entered into an underwriting agreement dated September 25, 2013 with BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., UBS Securities Canada Inc., Citigroup Global Markets Canada Inc., CIBC World Markets Inc., Desjardins Securities Inc., Scotia



Capital Inc., National Bank Financial Inc. and Robert W. Baird & Co. Incorporated (collectively, the “October 2013 Secondary Offering Underwriters”), and Bain Capital, CDPQ, Combined Jewish Philanthropies of Greater Boston, Inc., Fidelity Investments Charitable Gift Fund and the Boston Foundation, Inc. (collectively, the “October 2013 Selling Shareholders”), pursuant to which, among other things, the October 2013 Selling Shareholders agreed to sell and the October 2013 Secondary Offering Underwriters agreed to purchase an aggregate of 8,000,000 Subordinate Voting Shares at a price of \$27.85 per Subordinate Voting Share. See “General Development of the Business”.

### **January 2014 Secondary Offering Underwriting Agreement**

In connection with the January 2014 Secondary Offering, the Company entered into an underwriting agreement dated January 16, 2014 with BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., UBS Securities Canada Inc., Citigroup Global Markets Canada Inc., CIBC World Markets Inc., Desjardins Securities Inc., Scotia Capital Inc., Canaccord Genuity Corp., National Bank Financial Inc. and Robert W. Baird & Co. (collectively, the “January 2014 Secondary Offering Underwriters”), and Bain Capital, CDPQ and other additional selling shareholders (collectively, the “January 2014 Selling Shareholders”) pursuant to which, among other things, the January 2014 Selling Shareholders agreed to sell and the January 2014 Secondary Offering Underwriters agreed to purchase an aggregate of 8,700,000 Subordinate Voting Shares (or 10,000,000 Subordinate Voting Shares including the over-allotment option) at a price of \$30.00 per Subordinate Voting Share. See “General Development of the Business”.

### **Term Credit Agreement**

On January 30, 2013, Bombardier Recreational Products Inc. entered into an amendment and restatement agreement and a second amended and restated credit agreement (the “Term Credit Agreement”) evidencing an initial aggregate principal amount of U.S.\$1,050 million term loans extended to Bombardier Recreational Products Inc. in U.S. dollars and maturing on January 30, 2019 (the “Term Facility”). On May 29, 2013, the Company repaid U.S.\$258 million of the Term Facility and, on May 30, 2013, the Term Credit Agreement was amended in order to, among other things, reduce the cost of borrowing and the LIBOR floor applicable thereunder. As at January 31, 2014, the Term Facility provided the Company an outstanding financing of U.S.\$792 million. The Company has the possibility to increase the amount of borrowing under the Term Facility by U.S.\$150 million under certain conditions.

### **Securityholders Agreements**

In connection with the IPO on May 29, 2013, the Principal Shareholders and the Company entered into a nomination rights agreement (the “Nomination Rights Agreement”) and an amended and restated registration rights agreement (the “Registration Rights Agreement”).

### **Registration Rights Agreement**

The Registration Rights Agreement provides for demand registration rights in favour of the parties to the Registration Rights Agreement that enable them to require the Company to qualify by prospectus in Canada or, following the one year anniversary of the closing of the IPO and subject to certain conditions, the United States, all or any portion of the Subordinate Voting Shares held by them for a distribution to the public, provided such demand will result in a minimum offering size of \$50,000,000.

The Registration Rights Agreement also provides for incidental registration rights allowing the parties to the Registration Rights Agreement to include their Subordinate Voting Shares in certain public offerings of Subordinate Voting Shares, subject to certain underwriters’ cutback rights.



### ***Nomination Rights Agreement***

The Nomination Rights Agreement provides that the Principal Shareholders cast all votes to which they are entitled to fix the size of the Board of Directors at 13 members and to elect members of the Board in accordance with the provisions thereof. The Principal Shareholders have certain rights to designate members of the Board of Directors. As of the date of this Annual Information Form, Bain Capital, Beaudier Group and CDPQ are entitled to designate three, three and one member(s) of the Board of Directors, respectively, under the terms of the Nomination Rights Agreement.

### **Second Amended and Restated Management Agreement**

See “Interest of Management and Others in Material Transactions — Transactions with Principal Shareholders” for a description of the Second Amended and Restated Management Agreement.

### **Coattail Agreement**

See “Description of the Capital Structure — Shares — Take-Over Bid Protection” for a description of the Coattail Agreement.

Copies of the above material agreements may be inspected during ordinary business hours at the Company’s principal executive offices located at 726 Saint-Joseph Street, Valcourt, Québec, J0E 2L0 or may be viewed at the website maintained by the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com).

## **INTEREST OF EXPERTS**

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The current independent auditor of the Company, Deloitte LLP, who has issued an auditor’s report dated March 27, 2014 in respect of the Company’s consolidated financial statements, which comprise the consolidated statements of financial position as at January 31, 2014 and January 31, 2013 and the consolidated statements of net income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended, has informed the Company that it is independent with respect to the Company within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

## **AUDIT COMMITTEE**

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### **Charter of the Audit Committee**

The Board has adopted a written charter (the “Charter of the Audit Committee”) describing the mandate of the audit committee of the Company (the “Audit Committee”). The Charter of the Audit Committee reflects the purpose of the Audit Committee, which is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to ensuring that adequate procedures are in place for the review of the Company’s public disclosure documents that contain financial information, ensuring that an effective internal audit process has been implemented, ensuring that an effective risk management and financial control framework has been implemented and tested by the Company’s management, providing better communication between directors, management, internal auditors and external auditors, overseeing the work and reviewing the independence of the external auditors and reporting to the Board of Directors on any outstanding issue. The text of the Charter of the Audit Committee is attached to this Annual Information Form as Appendix A.

### **Composition of the Audit Committee**

As set forth in the Charter of the Audit Committee, the Audit Committee must be composed of a minimum of three directors, each of whom needs to be independent and to meet the criteria for financial literacy established by



applicable laws, including National Instrument 52-110 – *Audit Committees*. As of the date hereof, the Audit Committee is composed of Messrs. Hanley, O’Neill, Philip and Mazzorin, all of whom are independent. Mr. Hanley is the Chair of the Audit Committee.

### **Relevant Education and Experience of the Audit Committee Members**

Each of the Audit Committee members has an understanding of the accounting principles used by the Company to prepare its financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

- **Mr. Michael Hanley** (chair) is a corporate director with many years of experience in senior management roles and corporate governance. Between 2009 and 2011, Mr. Hanley was Senior Vice-President, Operations and Strategy Initiatives and a member of the Office of the President at National Bank of Canada. Prior to this, he spent ten years with Alcan Inc. in positions that included President and Chief Executive Officer of the global Bauxite and Alumina business and Executive Vice-President and Chief Financial Officer at the time of Alcan Inc.’s acquisition by Rio Tinto plc. Mr. Hanley also held the positions of Chief Financial Officer at two publicly traded Canadian companies, St-Laurent Paperboard Inc from 1995-1997, and Gaz Metro from 1997-1998. He has worked as an external auditor with a large international accounting firm, and as an internal auditor with CP Forest Products Ltd. As an independent director with First Quantum Minerals Ltd, Mr. Hanley sits on the Audit Committee and chairs the Funding Committee. He has a Bachelor of Business Administration and Accounting from *HEC Montréal*, and is a member of the Québec Order of Chartered Accountants (CPA, CA) since 1987.
- **Mr. Daniel J. O’Neill** is the President of the O & L Sport Consultant Group, which he founded in January 2013 to provide management expertise to both professional sports organizations and athletes. Prior to that, he held senior management positions with various entities, including President and Chief Executive Officer of Molson Inc. prior to its merger with Adolph Coors Company, Executive Vice-President of H.J. Heinz Company and President and Chief Executive Officer of Star-Kist Foods. He was a director of H.J. Heinz Company from 1998 to 1999. Mr. O’Neill holds a Bachelor of Arts from Carleton University and a Master of Business Administration (MBA) from Queen’s University.
- **Mr. Edward Philip** is the Chief Operating Officer of Partners in Health (a non-profit health care organization) since January 2013. In addition, Mr. Philip is a Special Partner at Highland Consumer Fund, serving in this role since 2013. He served as Managing General Partner at Highland Consumer Fund since 2006. Prior thereto, Mr. Philip held various senior executive positions, including President and Chief Executive Officer of Decision Matrix Group, Inc., Senior Vice President of Terra Networks, S.A. In 1995, Mr. Philip joined Lycos, Inc. (an Internet service provider and search company) as one of its founding members. During his time with Lycos, Inc., Mr. Philip held the positions of President, Chief Operating Officer and Chief Financial Officer at different times. Prior to joining Lycos, Inc., Mr. Philip spent time as the Vice President of Finance for the Walt Disney Company, and prior thereto Mr. Philip spent a number of years in investment banking. Mr. Philip sits on the audit committee of Hasbro Inc. Mr. Philip holds a Master of Business Administration from Harvard Business School.
- **Mr. Carlos Mazzorin** is a corporate director. Mr. Mazzorin was President and Chief Operating Officer of Magna Electronics and President and Chief Operating Officer of Magna Mirrors both wholly-owned subsidiaries of Magna International Inc. Mr. Mazzorin joined Magna International Inc. in December 2002 after 30 years at Ford Motor Company where he served as Group Vice-President of Asia Pacific Operations, South America Operations and Global Purchasing and, prior to that, as Group Vice-President Ford, Mexico Operations and Global Purchasing. He also served in a variety of Supply Management activities with General Motors Co. in Argentina and Cadillac Motor Car Division of General Motors Co. in



the United States. He is a member of the board of directors of Gentherm Inc. and of the International Advisory Board of Komatsu Inc.

### Independent Auditor Fees

In Fiscal 2014 and Fiscal 2013, the Company was invoiced the following fees by its independent auditor, Deloitte LLP:

	Fiscal 2014	Fiscal 2013
Audit Fees <sup>(1)</sup> .....	\$2,175,392	\$1,497,965
Audit Related Fees <sup>(2)</sup> .....	70,988	158,235
Tax Fees <sup>(3)</sup> .....	206,710	112,385
All Other Fees <sup>(4)</sup> .....	360,844	453,445
<b>Total Fees Paid</b> .....	<b>\$2,813,934</b>	<b>\$2,222,030</b>

- (1) "Audit Fees" include fees necessary to perform the annual audit or reviews of the consolidated financial statements. For Fiscal 2014, an aggregate amount of \$593,500 in Audit Fees was incurred in connection with the IPO and the October 2013 Secondary Offering.
- (2) "Audit Related Fees" include fees for assurance and related services by the independent auditor that are reasonably related to the performance of the audit or review of the Company's financial statements other than those included in "Audit Fees".
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax advice and tax planning.
- (4) "Other Fees" include fees for products and services provided by the independent auditor other than those included above, including consulting services.

The Audit Committee is responsible for the pre-approval of all and any non-audit services to be provided to the Company or its subsidiary entities by the independent auditor. At least annually, the Audit Committee shall review and confirm the independence of the independent auditor.

### ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's information circular for its first annual meeting of shareholders.

Additional information is provided in the audited consolidated financial statements and management's discussion and analysis of the Company for the Fiscal 2014.

The Company will, upon request to the Vice President, General Counsel and Secretary, Martin Langelier, provide to any person or company, the documents specified below:

- (a) when the Company is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:
- i. one copy of the Company's latest annual information form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;
  - ii. one copy of the consolidated annual financial statements of the Company for the most recently completed fiscal year for which financial statements have been filed, together with the auditor's report thereon, and one copy of any condensed consolidated interim



financial statements of the Company for any period after its most recently completed fiscal year;

- iii. one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors, if available, or one copy of any annual filing prepared instead of that information circular, as appropriate; and
- iv. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or

- (b) at any other time, Company shall provide to any person or company one copy of any of the documents referred to in items (i), (ii) and (iii) of paragraph (a) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Company's securities.



## GLOSSARY OF TERMS

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“**Audit Committee**” means the audit committee of the Company.

“**Annual Information Form**” means the annual information form of the Company dated March 28, 2014.

“**ATV**” means all-terrain vehicle.

“**Bain Capital**” means Bain Capital Luxembourg Investments S.à r.l.

“**Beaudier Group**” means, collectively, Beaudier Inc. and 4338618 Canada Inc.

“**Board**” or “**Board of Directors**” means the board of directors of the Company.

“**Canadian Revolving Facility**” means the \$175 million revolving credit facility available to Bombardier Recreational Products Inc. under the Revolving Credit Agreement, including a swingline and letter of credit subfacility.

“**CDPQ**” means the Caisse de dépôt et placement du Québec, and includes any of its affiliates.

“**Charter of the Audit Committee**” means the written charter describing the mandate of the Audit Committee, as adopted by the Board of Directors, as amended by the Board on January 16, 2014, upon recommendation of the Audit Committee.

“**Coattail Agreement**” means the coattail agreement entered into by the Principal Shareholders, as the owners of all the outstanding Multiple Voting Shares, the Company and a trustee on May 29, 2013.

“**Company**” means BRP Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by them, unless otherwise noted or the context otherwise requires.

“**Convertible Securities**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**CPSC**” means the Consumer Product Safety Commission.

“**Distributed Securities**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**Distribution**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**Fiscal 2012**” means the Company’s fiscal year ended January 31, 2012.

“**Fiscal 2013**” means the Company’s fiscal year ended January 31, 2013.

“**Fiscal 2014**” means the Company’s fiscal year ending January 31, 2014.

“**hp**” means horsepower.

“**IFRS**” means the International Financing Reporting Standards.



“**international**” means all jurisdictions other than Canada and the United States.

“**Investment and Risk Committee**” means the investment and risk committee of the Company.

“**IPO**” means the initial public offering of the Company which closed on May 29, 2013.

“**IPO Underwriting Agreement**” means the underwriting agreement dated May 29, 2013 between the Company and the IPO Underwriters.

“**IPO Underwriters**” means BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., UBS Securities Canada Inc., Citigroup Global Markets Canada Inc., Wells Fargo Securities LLC, CIBC World Markets Inc., Desjardins Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and Robert W. Baird & Co. Incorporated.

“**IT**” means information technology.

“**January 2014 Secondary Offering**” means the bought deal secondary offering which closed on January 31, 2014.

“**January 2014 Secondary Offering Underwriting Agreement**” means the underwriting agreement dated January 16, 2014 between the Company and the Secondary Secondary Underwriters.

“**January 2014 Secondary Offering Underwriters**” means BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., UBS Securities Canada Inc., Citigroup Global Markets Canada Inc., CIBC World Markets Inc., Desjardins Securities Inc., Scotia Capital Inc., Canaccord Genuity Corp., National Bank Financial Inc. and Robert W. Baird & Co.

“**January 2014 Selling Shareholders**” means, in the context of the January 2014 Secondary Offering, Bain Capital, CDPQ and other additional selling shareholders party to the January 2014 Secondary Offering Underwriting Agreement.

“**Multiple Voting Shares**” means multiple voting shares in the capital of the Company.

“**Nomination Rights Agreement**” means the nomination rights agreement entered into by the Company and the Principal Shareholders on May 29, 2013.

“**North America**” means Canada and the United States, and excludes Mexico.

“**October 2013 Secondary Offering**” means the bought deal secondary offering which closed on October 9, 2013.

“**October 2013 Secondary Offering Underwriting Agreement**” means the underwriting agreement dated September 25, 2013 between the Company and the Secondary Offering Underwriters.

“**October 2013 Secondary Offering Underwriters**” means BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., UBS Securities Canada Inc., Citigroup Global Markets Canada Inc., CIBC World Markets Inc., Desjardins Securities Inc., Scotia Capital Inc., National Bank Financial Inc. and Robert W. Baird & Co. Incorporated.

“**October 2013 Selling Shareholders**” means, in the context of the October 2013 Secondary Offering, Bain Capital, CDPQ, Combined Jewish Philanthropies of Greater Boston, Inc., Fidelity Investments Charitable Gift Fund and the Boston Foundation, Inc.



“**OEM**” means original equipment manufacturer.

“**on-highway motorcycle**” means a motorcycle which is certified by its manufacturer as being in compliance with the federal Motor Vehicle Safety Standards and designed primarily for use on public roads.

“**On-Road Motorcycles of 500cc+**” means the motorcycles for on-road and on-highway use with engine size of 500cc and more in North America and Europe, of 450cc and more in Brazil and of 600cc and more in Russia and Australia.

“**ORV**” means off-road vehicle.

“**PAC**” means parts, accessories and clothing and other services sold to third parties.

“**Person**” means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company.

“**Preferred Shares**” means preferred shares in the capital of the Company.

“**Principal Shareholders**” means, collectively, Bain Capital, Beaudier Group and CDPQ.

“**Propulsion Systems**” means *Evinrude* outboard engines and *Rotax* engines.

“**PWC**” means personal watercraft.

“**Registration Rights Agreement**” means the amended and restated registration rights agreement entered into by the Company and the Principal Shareholders on May 29, 2013.

“**Revolving Credit Agreement**” means the amended and restated credit agreement entered into by Bombardier Recreational Products Inc. as of March 19, 2012, as amended from time to time.

“**Revolving Credit Facilities**” means, collectively, the Canadian Revolving Facility and the U.S. Revolving Facility.

“**Rights to Subscribe**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**ROHVA**” means the Recreational Off-Highway Vehicle Association.

“**Seasonal Products**” means *Ski-Doo* and *Lynx* snowmobiles and *Sea-Doo* PWCs.

“**Second Amended and Restated Management Agreement**” means the management agreement entered into by the Company and the Principal Shareholders on December 18, 2003, as same was amended and restated effective as of May 29, 2013.

“**Shares**” means, collectively, the Subordinate Voting Shares and the Multiple Voting Shares.

“**SSV**” means side-by-side vehicle.

“**Subordinate Voting Shares**” means subordinate voting shares in the capital of the Company.

“**Subscription Securities**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.



“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

“**Term Facility**” means the U.S.\$1,050 million Term B loans maturing on January 30, 2019 provided for under the Term Credit Agreement.

“**Term Credit Agreement**” means the amendment and restatement agreement and the second amended and restated credit agreement entered into by Bombardier Recreational Products Inc. as of January 30, 2013, as further amended on May 30, 2013, which provides for the Term Facility.

“**TSX**” means the Toronto Stock Exchange.

“**U.S. Revolving Facility**” means the Canadian equivalent of a U.S.\$175 million revolving credit facility available to BRP US Inc. under the Revolving Credit Agreement, including a swingline and letter of credit subfacility.

“**Voting Shares**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**Year-Round Products**” means *Can-Am* ATVs, recreational SSVs and *Spyder* roadsters.



## APPENDIX A

### CHARTER OF THE AUDIT COMMITTEE

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#### 1.0 Introduction

This charter (the “Charter”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of BRP Inc. (the “Company”).

#### 2.0 Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- Financial reporting and disclosure requirements;
- Ensuring that an effective risk management and financial control framework has been implemented and tested by management of the Company;
- External and internal audit processes;
- Helping directors meet their responsibilities;
- Providing better communication between directors and the external auditor as well as between directors and the internal audit function;
- Ensuring the independence of the external auditor and the internal audit function;
- Increasing the credibility and objectivity of financial reports; and
- Strengthening the role of directors by facilitating in-depth discussions among directors, management, the external auditor and the internal audit function regarding significant issues involving judgment and impacting quality controls and reporting.

#### 3.0 Composition and Membership

- The Board will appoint the members (“Members”) of the Committee. The Members will be appointed at the first meeting of the Board following the election of directors by the shareholders of the Company to hold office until the next annual meeting of shareholders of the Company or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director.
- The Committee will consist of at least three directors. Each Member will meet the criteria for independence established by applicable laws, including sections 1.4 and 1.5 of National Instrument 52-110 – Audit Committees. All members shall be financially literate or shall become financially literate within a reasonable period of time after their appointment to the Committee; a member of the Committee 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.
- The Board will appoint one of the Members to act as the chair of the Committee (the “Chair”). The secretary of the Company (the “Secretary”) will be the secretary of all meetings and will maintain minutes

of all meetings and deliberations of the Committee. If the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.

#### **4.0 Meetings**

- Meetings of the Committee will be held at such times and places as the Chair may determine, but in any event not less than four (4) times per year. The Committee should meet within the 45 days following the end of the first three fiscal quarters of the Company and within 90 days following the end of the fiscal year of the Company. Members may attend all meetings either in person, by videoconference or by telephone. The Committee shall keep minutes of each meeting.
- At the request of the external auditor of the Company, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the General Counsel, the Chair of the Investment and Risk Committee or any Member, the Chair will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
- The Chair, if present, will act as the chair of meetings of the Committee. If the Chair is not present at a meeting of the Committee the Members in attendance may select one of their members to act as chair of the meeting.
- A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- The Chief Financial Officer and the Chief Audit Executive shall have direct access to the Committee and shall attend all meetings of the Committee, and the Chief Executive Officer and the Chair of the Board shall receive notice of and have the right to attend all meetings of the Committee, except in each case such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Committee. The external auditor shall receive notice of and have the right to attend any meetings of the Committee, at the Company's expense, except such part of the meeting, if any, which is a private session not involving the external auditor.
- The Committee shall maintain a free and open line of communication with management, the Chief Financial Officer, the Chief Audit Executive and the external auditor. The Committee may invite directors, officers, consultants and employees of the Company or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The Committee shall meet in camera without members of management in attendance or with the Chief Financial Officer or the Chief Audit Executive on a regular basis and as appropriate or required.
- In advance of every meeting of the Committee, the Chair, with the assistance of the Secretary, the Chief Financial Officer and the Chief Audit Executive, should prepare and distribute to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials.

#### **5.0 Duties and Responsibilities**

The Committee will carry out, among other things, the following responsibilities:

##### **5.1 *Financial Statements and Reporting***

- Assist the Board in the discharge of its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and its financial reporting practices and system of internal accounting and financial controls, the corporate audit and risk

assessment function, the management information systems, the annual external audit of the Company's financial statements and the compliance by the Company with laws and regulations and its own Code of Ethics.

- Review significant accounting and reporting issues, including complex or unusual material transactions and highly judgmental areas, unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or provisions included in any financial statements, and recent professional and regulatory pronouncements, and understand their impact on and presentation in the financial statements.
- Review and discuss with management and the external auditor the results of the audit, including any difficulties encountered and follow-up in that context and ensure that the external auditor is satisfied that the accounting estimates and judgments made by management's selection of accounting principles reflect an appropriate application of generally accepted accounting principles.
- Review the financial statements, and consider whether they are complete, adequate, consistent with information known to the Members, and reflect appropriate accounting principles and, if appropriate, recommend to the Board their approval and disclosure.
- Review the Company's management discussion and analysis, and other financial information provided by the Company to any governmental body or the public and, if appropriate, recommend to the Board their approval and disclosure.
- Review the Company's annual information form and related regulatory filings before release to the extent that same include financial information, and consider the accuracy and completeness of the financial information contained therein and, if appropriate, recommend to the Board their approval and disclosure.
- Review the Company's press releases containing financial information before the Company publicly discloses this information and, if appropriate, recommend to the Board their approval and disclosure.
- Review and discuss with management any litigation matters which could significantly affect the financial statements, and review the manner in which these matters are disclosed in the financial statements.
- Review and discuss any regulatory compliance issues which could significantly affect the financial statements.
- Review and discuss any corporate governance issues which could significantly affect the financial statements.
- Review with management and the external auditor all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditor before disclosure and filing with regulators, and consider whether they are complete and consistent with the information known to the Members and reflect appropriate accounting principles and, if appropriate, recommend to the Board their approval and disclosure.
- To the extent not previously reviewed by the Committee, review and, if appropriate, recommend to the Board the approval of all financial statements included in any prospectus or other offering memoranda and all other financial reports required by regulatory authorities and requiring approval by the Board.

- Review the statement of management’s responsibility for the financial statements as signed by the management of the Company and included in any published document.
- Obtain explanations for communication to the Board for all significant variances between comparable reporting periods.
- Ensure that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of those procedures.
- Monitor the application and update, as necessary, of the Company’s Disclosure Policy.

## **5.2 Internal Control**

- With the assistance of the external auditor, the Chief Financial Officer and the Chief Audit Executive, consider the effectiveness and the adequacy of the Company’s internal control systems, including information technology security and control.
- Take all reasonable measures to ensure that the Board and management comply with all of the Company’s policies or practices relating to business ethics and integrity (including the Authorities and Limits Policy and the Segregation of Duties Policy).
- Understand the scope of internal and external auditor’s review of internal control over financial reporting, and obtain reports on any identified weaknesses, deficiencies or significant findings and recommendations, together with management’s responses and actions taken to remedy the issues identified.
- Review and discuss with the Chief Executive Officer and Chief Financial Officer the process for the certifications to be provided in the Company’s public disclosure documents.
- Review, monitor, report, and, where appropriate, provide recommendations to the Board of Directors on the Company’s disclosure controls and procedures.

## **5.3 External Audit**

- Manage the relationship between the Company and the external auditor.
- Recommend to the Board the appointment or discharge and compensation of the Company’s external auditor.
- Fill the role as the direct contact for the external auditor.
- Oversee the work of the external auditor, including the resolution of disagreements between the external auditor and management.
- Review any suggestions made by the external auditor for improvement of the Company’s operations or internal control.
- Pre-approve all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Company or its subsidiary entities by the Company’s external auditor.
- At least annually, review and approve the terms of the external auditor’s (i) annual audit services engagement letter and (ii) the quarterly review services engagement letter; each of these letters shall be signed by the Chair of the Committee.

- At least annually, review the external auditor’s proposed audit scope and approach, including coordination of audit effort with internal audit function.
- To the extent practicable, at least annually, review the performance of the external auditor.
- At least annually, review and confirm the independence of the external auditor by obtaining statements from the auditor on relationships between the auditor and the Company, including non-audit services, discussing the relationships with the auditor and discussing any restrictions placed on them or other difficulties encountered in the course of the audit.
- At least annually, meet separately with the external auditor to discuss the access to requested information and level of cooperation from management during the performance of their work.
- On a regular basis, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the Chair of the Investment and Risk Committee or any other representative of management whose presence is requested by the Chair of the Committee or any of the Members, and the external auditor shall meet separately with the Committee, in a private session held during the course of a meeting.
- On a regular basis, review and approve the Company’s hiring policies regarding partners, employees and former employees of the present and former external auditor of the Company.
- Periodically rotate the lead partner for the external auditor.

#### **5.4 Internal Audit Function**

- Review and approve the charter, nature, scope of work and organizational structure of the internal audit function as well as the annual audit plan and any major changes thereon.
- Ensure that the internal audit function has the necessary resources to fulfill its mandate and responsibilities.
- Approve the appointment and dismissal of the Chief Audit Executive, as well as approve his/her performance evaluation and compensation. The Chief Audit Executive shall report directly to the Committee.
- Periodically review the audit plan status, including a progress report on the internal audit mandates and a follow-up on past due recommendations.
- Review internal audit reports, including management responses, and ensure that the necessary steps are taken to follow up on important report recommendations.
- Review with the assistance of the Chief Audit Executive the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- Ensure the independence and effectiveness of the internal audit function, including by requiring that the function be free of any influence that could adversely affect its ability to objectively assume its responsibilities, by ensuring that it reports to the Committee, and by meeting regularly with the Chief Audit Executive without management being present in order to discuss, among others, the questions he/she raises regarding the relationship between the internal audit function and management and access to the information required.

#### **5.5 Compliance**

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission

by employees of the Company or its subsidiaries of concerns regarding questionable accounting or auditing matters (the “Complaints of Illegal or Unethical Conduct Policy”).

- Review the effectiveness of the Complaints of Illegal or Unethical Conduct Policy and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management and the Company’s legal counsel regarding compliance matters in respect of the Complaints of Illegal or Unethical Conduct Policy.

#### 5.6 Other Responsibilities

- Perform other activities related to this Charter as requested by the Board.
- Investigate and assess any issue that raises significant concern to the Committee, with the assistance, if so required by the Committee, of the Chief Financial Officer, the Chief Audit Executive and/or the external auditor.
- Evaluate the Committee’s and individual members’ performance on a regular basis.
- Communicate and collaborate with other committees of the Board of Directors to ensure coordination in the fulfillment of any responsibilities of the Committee which may overlap with the responsibilities of other committees.

### 6.0 Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or comply with applicable accounting standards, as applicable, and other applicable requirements. These are the responsibilities of management and the external auditor.

### 7.0 Limitation on Committee’s Duties

Notwithstanding the foregoing and subject to applicable law, nothing contained in this Charter is intended to require the Committee to ensure the Company’s compliance with applicable laws or regulations.

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which the member of the Board are subject.

The Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Company’s shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively. The terms contained herein are not intended to give rise to civil liability on the part of the Company or its directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

### 8.0 Reporting

The Chair should report to the Board at each Board meeting on the Committee’s activities since the last Board meeting. As required by applicable rules and regulations, the Committee should report annually to shareholders, describing the Committee’s composition, responsibilities and how they were discharged, and any other information required by law. The Committee should also review any other report the Company issues that relates to

the Committee's responsibilities. The Secretary should circulate the minutes of each meeting of the Committee to the members of the Board.

#### **9.0 Access to Information and Authority**

The Committee will be granted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve and pay any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with the external auditor, the Chief Financial Officer, the Chief Audit Executive as well as any other employee of the Company as it deems necessary.

#### **10.0 Review of Charter**

The Committee will, from time to time, review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration. The Board may, amend this Charter (as required).

Approved by: Board of Directors on May 21, 2013  
Amended by: Board of Directors on January 16, 2014