

NEW FLYER INDUSTRIES INC.

AMENDED AND RESTATED

DEFERRED SHARE UNIT PLAN

FOR NON-EMPLOYEE DIRECTORS

**Adopted by the Board of Directors on November 7, 2011 and
amended and restated effective June 30, 2014, December 8, 2015 and December 18, 2015.**

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**NEW FLYER INDUSTRIES INC.
AMENDED AND RESTATED
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FOR NON-EMPLOYEE DIRECTORS**

1. INTRODUCTION

1.1 Purpose

The purpose of the Plan is to attract, retain and motivate highly qualified and experienced individuals to act as directors of the Participating Companies and to promote a greater alignment of interests between non-employee members of the Board and the shareholders of the Company.

1.2 Definitions

For the purposes of the Plan, the following terms have the following meanings:

- (a) “Affiliate” means a corporation that is related to or associated with the Company, within the meaning of the ITA;
- (b) “Annual Retainer” means the annual retainer payable to an Eligible Director including the additional retainer paid to the chair of the Board, or a chair of a committee of the Board, in his capacity as chair and includes meeting fees and other per diems payable;
- (c) “Applicable Withholding Taxes” means any and all taxes and other source deductions or other amounts which a Participating Company is required by law to withhold from any amounts to be paid or credited hereunder;
- (d) “Award Date” means each date on which Deferred Share Units are credited to an Eligible Director in accordance with Section 3.1, which shall be, unless otherwise determined by the Board, the first day of each calendar quarter;
- (e) “Board” means the board of directors of the Company;
- (f) “Code” means the U.S. Internal Revenue Code of 1986, as amended;
- (g) “Committee” means the Human Resources, Compensation and Corporate Governance Committee of the Board of New Flyer Industries Inc. or if there is no such committee for any reason at any relevant time, the Board;
- (h) “Common Shares” means the common shares of the Company;
- (i) “Company” means New Flyer Industries Inc.;
- (j) “Deferred Share Unit” means a unit equivalent in value to a Common Share, created by means of a bookkeeping entry in the books of the Company in accordance with Section 3;

- (k) “Deferred Share Unit Amount” has the meaning given thereto in Section 4.1(a);
- (l) “Dividend Equivalents” means a bookkeeping entry whereby each Deferred Share Unit is credited with the equivalent amount of the dividend paid on a Common Share in accordance with Section 3.2;
- (m) “Election Form” means a document substantially in the form of Schedule “A” to this Plan;
- (n) “Eligible Director” means a non-employee director of any Participating Company;
- (o) “Fair Market Value” at any date in respect of the Common Shares means the volume weighted average trading price per share of the Common Shares on the principal exchange on which the Common Shares are traded for the five (5) trading days immediately preceding the applicable date. In the event there is no trading price, Fair Market Value means the average of the last bid and asked prices in respect of such Common Shares;
- (p) “ITA” means the *Income Tax Act* (Canada), as amended, and regulations promulgated thereunder;
- (q) “Participating Companies” means the Company, New Flyer Industries Canada ULC, New Flyer Holdings, Inc., New Flyer of America Inc., NABI Parts, LLC, Transit Holdings, Inc. and any of their Affiliates as designated by the Board from time to time;
- (r) “Plan” means this New Flyer Industries Inc. Amended and Restated Deferred Share Unit Plan for Non-Employee Directors, as amended from time to time;
- (s) “Redemption Date” means: (i) for an Eligible Director who is not a U.S. Eligible Director, the date elected by the Eligible Director which shall not be earlier than the date of the Eligible Director’s Termination Event and which shall not be later than December 15 of the year following the year in which the Eligible Director’s Termination Event occurs and if no such election is filed shall mean December 15 of the year following the year in which the Eligible Director’s Termination Event occurs; and (ii) for a U.S. Eligible Director, the Redemption Date shall be the 30th day following the day on which the U.S. Eligible Director’s Separation from Service occurs;
- (t) “Separation from Service” means, with respect to a U.S. Eligible Director, any event that may qualify as a separation from service under Treasury Regulation Section 1.409A-1(h). A U.S. Eligible Director shall be deemed to have separated from service if he dies, retires, or otherwise has a termination of employment as defined under Treasury Regulation Section 1.409A-1(h);
- (u) “Termination Event” means the time at which an Eligible Director ceases to hold all positions with a Participating Company or a corporation related to the Participating Company within the meaning of the ITA as a result of the Eligible

Director's death or retirement from, or loss of, an office or employment for purposes of paragraph 6801(d) of the regulations under the ITA;

- (v) "Treasury Regulations" means, the regulations promulgated under the Code; and
- (w) "U.S. Eligible Director" means, any Eligible Director who is a United States citizen or resident alien as defined for purposes of Section 7701(b)(1)(A) of the Code.

1.3 **Effective Date of Plan**

The effective date of the Plan shall be November 7, 2011 and the Plan was amended and restated effective June 30, 2014 and further amended and restated effective December 8, 2015 and December 18, 2015.

2. **ADMINISTRATION**

2.1 **Administration of the Plan**

Subject to the Committee reporting to the Board on all matters relating to this Plan and obtaining approval of the Board for those matters required by the Committee's mandate, this Plan will be administered by the Committee which, except as otherwise provided in this Plan, has the sole and absolute discretion, after receiving the advice and input of the Chief Executive Officer of the Company, to (i) interpret and administer the Plan; (ii) establish, amend and rescind any rules and regulations relating to the Plan; and (iii) make any other determinations that the Committee deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, in the manner and to the extent the Committee deems, in its sole and absolute discretion, after receiving the advice and input of the Chief Executive Officer of the Company, necessary or desirable. Any decision of the Committee with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Eligible Directors.

This Plan is intended to satisfy the requirements of Section 409A of the Code and is intended *not* to be a "salary deferral arrangement" within the meaning of the ITA on the basis that it satisfies the requirements of paragraph 6801(d) of the regulations to the ITA, and shall be interpreted and administered consistent with such intent.

2.2 **Determination of Value if Common Shares Not Publicly Traded**

Should Common Shares no longer be publicly traded at the relevant time such that the Fair Market Value cannot be determined in accordance with the formula set out in the definition of that term, the Fair Market Value of a Common Share shall be determined by the Committee in its sole discretion.

2.3 **Taxes and Other Source Deductions**

Any Participating Company shall be authorized to deduct from any amount to be paid or credited hereunder any Applicable Withholding Taxes in such manner as the Participating Company determines.

2.4 U.S. Eligible Directors

Notwithstanding any other provision of the Plan to the contrary:

- (a) each U.S. Eligible Director shall have the right to elect once each calendar year to receive all or part of such U.S. Eligible Director's Annual Retainer for the immediately succeeding year in the form of Deferred Share Units, pursuant to Section 3.1. This election shall be made by completing, signing and delivering to the Secretary of the Company an Election Form: (i) in the case of an existing U.S. Eligible Director, prior to the end of the calendar year preceding the year to which such election is to apply, or (ii) in the case of a new U.S. Eligible Director, within 30 days after such U.S. Eligible Director's appointment. In each case, the election, when made, shall be irrevocable and only apply prospectively with respect to the U.S. Eligible Director's Annual Retainer yet to be earned;
- (b) if the Deferred Share Units of a U.S. Eligible Director are subject to tax under both the income tax laws of Canada and the income tax laws of the United States, the following special rules regarding forfeiture will apply. For greater clarity, these forfeiture provisions are intended to avoid adverse tax consequences under Code Section 409A and/or under paragraph 6801(d) of the regulations under the ITA, that may result because of the different requirements as to the time of redemption of Deferred Share Units (and thus the time of taxation) with respect to a U.S. Eligible Director's Separation from Service (under U.S. tax law) and the Eligible Director's Termination Event (under Canadian tax law). The intended consequence of this Section 2.4(b) of the Plan is that payments to U.S. Eligible Directors in respect of Deferred Share Units will only occur if such U.S. Eligible Director experiences both a Separation from Service and a Termination Event. If a U.S. Eligible Director does not experience both a Separation from Service and a Termination Event, including in the circumstances enumerated below, such Deferred Share Units shall instead be immediately and irrevocably forfeited:
 - (i) a U.S. Eligible Director experiences a Separation from Service as a result of a permanent decrease in the level of services such U.S. Eligible Director provides to the Participating Company or a related entity that is considered the same service recipient under Code Section 409A to less than 20% of his past service, but such U.S. Eligible Director continues to provide some level of service to the Participating Company or a corporation related to the Participating Company within the meaning of the ITA;
 - (ii) a U.S. Eligible Director experiences a Separation from Service as a result of ceasing to be a member of the Board, but such U.S. Eligible Director continues providing services as an employee of the Participating Company or a corporation related to the Participating Company within the meaning of the ITA; and

- (iii) a U.S. Eligible Director, for any reason, experiences a Termination Event, but continues to provide services as an independent contractor such that he has not experienced a Separation of Service.

3. DEFERRED SHARE UNITS

3.1 Award of Deferred Share Units

- (a) Each Eligible Director shall have the right, but not the obligation, to elect once each calendar year to receive all or a portion of such director's Annual Retainer for the immediately succeeding year in the form of Deferred Share Units. This election shall be made by completing, signing and delivering to the Secretary of the Company an Election Form:
 - (i) in the case of an existing director, prior to the end of the calendar year preceding the year to which such election is to apply, or
 - (ii) in the case of a new director, as soon as possible after the director's appointment. In each case, the election, when made, shall be irrevocable and only apply prospectively with respect to the Eligible Director's Annual Retainer yet to be earned.
- (b) In addition to Section 3.1(a) and in connection with any increase in an Eligible Director's Annual Retainer made during a calendar year that is to be effective in that calendar year, the Board may direct all or a portion of such increase to be received by the Eligible Director in the form of Deferred Share Units.
- (c) All Deferred Share Units to be credited to an Eligible Director will be credited to an account maintained for the Eligible Director on the books of the Company. One-quarter of the Deferred Share Units to be credited to an Eligible Director in a year will be credited to such account at each Award Date in respect of the portion of the Annual Retainer to be credited in Deferred Share Units earned in that calendar quarter.
- (d) The number of Deferred Share Units (including fractional Deferred Share Units) to be credited as of each Award Date shall be determined by dividing (a) the amount of the applicable portion of the Annual Retainer to be credited in Deferred Share Units on that Award Date by (b) the Fair Market Value of a Common Share as at the Award Date, rounded to the nearest one-thousandth of a Deferred Share Unit.

3.2 Credit for Dividends

An Eligible Director's account shall be credited with Dividend Equivalents in the form of additional Deferred Share Units on each dividend payment date in respect of which ordinary course cash dividends are paid on Common Shares. Such Dividend Equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of Deferred Share Units recorded in the Eligible Director's account on the date for the payment of such dividend, by (b) the Fair Market Value of a Common Share as

at the dividend payment date, rounded to the nearest one-thousandth of a Deferred Share Unit.

3.3 **Reporting of Deferred Share Units**

Statements of the Deferred Share Unit accounts will be provided to the Eligible Directors at least annually.

4. **REDEMPTION OF DEFERRED SHARE UNITS**

4.1 **Redemption of Deferred Share Units**

- (a) A Participating Company shall redeem all Deferred Share Units credited to an Eligible Director's account (other than Deferred Share Units forfeited in accordance with Section 2.4(b) of this Plan) on the Eligible Director's Redemption Date for an amount (the "Deferred Share Unit Amount") equal to: (i) the number of Deferred Share Units credited to the Eligible Director's account on the Redemption Date multiplied by (ii) the Fair Market Value of a Common Share as at the date immediately preceding the Redemption Date minus (iii) Applicable Withholding Taxes. The Deferred Share Unit Amount shall be paid as a lump-sum by the Participating Company within ten business days of the Redemption Date, but in no event no later than December 31 of the year following the year in which the Eligible Director's Termination Event occurs. Upon payment of the Deferred Share Unit Amount, the Deferred Share Units shall be cancelled and such Eligible Director shall have no further rights under the Plan.
- (b) Notwithstanding the preceding paragraph, if an Eligible Director becomes an employee of a Participating Company or any corporation related to the Participating Company within the meaning of the ITA, such director's eligibility to participate in the Plan will be suspended for the period during which such director remains an employee of the Participating Company or any corporation related to the Participating Company within the meaning of the ITA. In such a circumstance, the director shall not be eligible to be credited with additional Deferred Share Units (other than Dividend Equivalents credited under Section 3.2 on the Deferred Share Units credited to such Eligible Director prior to the date of becoming such an employee) and shall not be eligible for redemption of Deferred Share Units until the date of the Eligible Director's Termination Event.

4.2 **Death of Eligible Director Prior to Redemption**

Upon the death of an Eligible Director the Participating Company shall redeem all the Deferred Share Units credited to the account of such Eligible Director under the Plan in accordance with Section 4.1, provided that amounts that would have otherwise been payable to such Eligible Director under such section shall be paid to the legal representatives of the estate of such Eligible Director.

5. GENERAL

5.1 Adjustment to Deferred Share Units

In the event of the declaration of any stock dividend, a subdivision, consolidation, reclassification, exchange, or other change with respect to the Common Shares, or a merger, consolidation, spin-off, or other distribution (other than ordinary course cash dividends) of the Company's assets to its shareholders, the account of each Eligible Director and the Deferred Share Units outstanding under the Plan shall be adjusted in such manner, if any, as the Board may in its discretion deem appropriate to reflect the event. However, no amount will be paid to, or in respect of, an Eligible Director under the Plan or pursuant to any other arrangement, and no Deferred Share Units will be granted to such Eligible Director to compensate for a downward fluctuation in the price of Common Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Director for such purpose.

5.2 Amendment, Suspension, or Termination of Plan

- (a) The Board may amend the Plan as it deems necessary or appropriate, but no such amendment shall, without the consent of the Eligible Director or unless required by law, adversely affect the rights of an Eligible Director with respect to Deferred Share Units to which the Eligible Director is then entitled under the Plan.
- (b) The Board may terminate the Plan at any time, but no such termination shall, without the consent of the Eligible Director or unless required by law, adversely affect the rights of an Eligible Director with respect to Deferred Share Units to which the Eligible Director is then entitled under the Plan.
- (c) Notwithstanding the foregoing, any amendment or termination of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the regulations under the ITA or any successor to such provision and the requirements of Section 409A of the Code as may apply to U.S. Eligible Directors.

5.3 Compliance with Laws

The administration of the Plan shall be subject to and performed in conformity with all applicable laws and any applicable regulations of a regulatory authority. Should the Board, in its sole discretion, determine that it is not feasible or desirable to honour an election in favour of Deferred Share Units due to such laws or regulations, its obligation shall be satisfied by means of an equivalent cash payment (equivalence being determined on a before-tax basis), less Applicable Withholding Taxes.

5.4 Reorganization of the Company

The existence of any Deferred Share Units shall not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Company or to create or issue any bonds, debentures, shares or other securities of the Company or the rights and conditions attaching thereto

or to effect the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

5.5 Unfunded Plan

To the extent any individual holds any rights under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured general creditor of the Participating Company.

5.6 General Restrictions and Assignment

- (a) Except as required by law or as permitted by the Board, the rights of an Eligible Director under the Plan are not capable of being anticipated, assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Eligible Director.
- (b) Rights and obligations under the Plan may be assigned by the Company to a successor in the business of the Company.
- (c) Any hedging activities by Eligible Directors in respect of their rights under the Plan or any Deferred Share Units credited to them hereunder are expressly prohibited under the Plan.

5.7 No Right to Service

Neither participation in the Plan nor any action taken under the Plan shall give or be deemed to give any Eligible Director a right to continue appointment as a member of the Board and shall not interfere with any right of the shareholders of the Company to remove any Eligible Director as a member of the Board at any time.

5.8 No Shareholder Rights

Under no circumstances shall Deferred Share Units be considered Common Shares or shares of any other class of the Company, nor entitle any Eligible Director to exercise voting rights or any other rights attaching to the ownership of Common Shares, nor shall any Eligible Director be considered the owner of the Common Shares by virtue of the award of Deferred Share Units. An Eligible Director's right to receive Deferred Share Units or a payment under the Plan is an unfunded entitlement only against the general assets of the Company, and as such, an Eligible Director only has the status of a general unsecured creditor of the Company with respect to the awarded Deferred Share Units.

5.9 Governing Law

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Manitoba and the federal laws of Canada applicable therein.

5.10 **Interpretation**

In this Plan words importing the singular meaning shall include the plural and *vice versa*, and the words importing the masculine shall include the feminine and neuter genders.

5.11 **Severability**

The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from this Plan.

SCHEDULE "A"

**NEW FLYER INDUSTRIES INC.
AMENDED AND RESTATED DEFERRED SHARE UNIT PLAN
FOR NON-EMPLOYEE DIRECTORS
(the "Plan")**

ANNUAL ELECTION FORM FOR THE YEAR _____

1. Election Regarding Deferred Share Units

I hereby elect to receive Deferred Share Units under the Plan in respect of the Annual Retainer to be paid to me as follows:

USD\$ _____ of my Annual Retainer is to be credited to me in the form of Deferred Share Units.

- OR -

_____% of my Annual Retainer is to be credited to me in the form of Deferred Share Units.

- OR -

I hereby elect NOT to receive Deferred Share Units under the Plan.

I understand that:

- (a) All capitalized terms shall have the meanings attributed to them under the Plan.
- (b) All payments will be net of any Applicable Withholding Taxes.

Eligible Director Signature

Eligible Director Name (please print)

Date