NEW FLYER INDUSTRIES INC.

NOTICE OF ANNUAL MEETING
AND MANAGEMENT INFORMATION
CIRCULAR

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 10, 2012

March 28, 2012

NEW FLYER INDUSTRIES INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting (the "**Meeting**") of the shareholders of New Flyer Industries Inc. ("**NFI**") will be held at the Sheraton Centre Hotel, 123 Queen Street West, Toronto, Ontario on May 10, 2012 at 4:00 p.m. (Toronto time) for the following purposes:

1. **TO RECEIVE** the consolidated financial statements of NFI for the fiscal year ended January 1, 2012, together with the report of the auditors thereon;

2. **TO APPOINT** the auditors and authorize the board of directors of NFI to fix the remuneration of the auditors;

3. **TO INCREASE** the number of directors of NFI from seven members to nine members;

4. **TO ELECT** nine members of the board of directors of NFI; and

5. **TO TRANSACT** such other business as may properly come before the meeting or any adjournment thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

DATED at Toronto, Ontario this 28th day of March, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

By: *"The Honourable Brian Tobin"*

The Honourable Brian Tobin
Chairperson of the Board of Directors

IMPORTANT

IF YOU HOLD COMMON SHARES OF NFI, EITHER SEPARATELY OR AS A COMPONENT OF INCOME DEPOSIT SECURITIES OF NFI AND NEW FLYER INDUSTRIES CANADA ULC, YOU ARE ENTITLED TO RECEIVE NOTICE OF, ATTEND AND VOTE AT THE MEETING AS FURTHER DESCRIBED IN THE ACCOMPANYING INFORMATION CIRCULAR. PLEASE READ THE ACCOMPANYING INFORMATION CIRCULAR and if you are unable to attend the Meeting in person, please complete, sign and return the enclosed voting instruction form in accordance with the directions on the form.

NEW FLYER INDUSTRIES INC.

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation of proxies by or on behalf of management of New Flyer Industries Inc. ("**NFI**" and, together with its subsidiaries, the "**Company**") for use at the annual meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of NFI to be held on May 10, 2012, at the Sheraton Centre Hotel, 123 Queen Street West, Toronto, Ontario commencing at 4:00 p.m. (Toronto time), and at all postponements or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

All references to "**Common Shares**" in this Information Circular include common shares of NFI held separately or as a component of income deposit securities ("**IDSs**"). Each IDS represents one Common Share and C$55.30 principal amount of subordinated notes ("**Subordinated Notes**") of New Flyer Industries Canada ULC ("**NFI ULC**"). If you hold Common Shares, either separately or as a component of IDSs, you are a Beneficial Owner and are entitled to receive notice of, attend and vote at the Meeting as further described in this Information Circular.

The information contained in this Information Circular is given as at March 28, 2012, except where otherwise noted.

INFORMATION FOR BENEFICIAL OWNERS OF COMMON SHARES

Overview of Book-Entry Only Registration of Common Shares

Common Shares are registered in a "book-entry only" system under which all the issued and outstanding Common Shares are evidenced by global certificates that are registered in the name of and held by (i) CDS Clearing and Depository Services Inc. or its nominee ("**CDS**"), which holds global certificates representing the outstanding IDSs and Common Shares held separately, and (ii) Computershare Trust Company of Canada (the "**Agent**"), which holds a global certificate in trust for the benefit of IDS holders representing the Common Shares that are a component of IDSs. At the date of this Information Circular, CDS and the Agent are the only registered holders of the Common Shares.

CDS and intermediaries (such as banks, trust companies, securities dealers and brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) with whom you deal in respect of your Common Shares (held separately or as a component of IDSs) maintain written records (book-entries) of who are the beneficial owners of Common Shares and IDSs and how many Common Shares and IDSs they beneficially own. In this Information Circular, references to "**Beneficial Owners**" means persons who are shown in the book-entry only system as beneficial owners of Common Shares and IDSs.

In accordance with Canadian securities law, NFI has distributed copies of the Notice of Meeting, this Information Circular and a form of proxy (collectively, the "**Meeting Materials**") for onward distribution by intermediaries to Beneficial Owners.

Intermediaries are required to forward Meeting Materials to you as a Beneficial Owner. Typically, intermediaries will use a service company (such as Broadridge Financial Services, Inc. ("**Broadridge**") to forward the Meeting Materials to Beneficial Owners.

Request for Voting Instructions

Beneficial Owners will receive a voting instruction form with their Meeting Materials. The purpose of this form is to permit you as a Beneficial Owner to direct the voting of the Common Shares you own. As a Beneficial Owner, you should do the following:

If You Do Not Wish to Attend the Meeting.

If, as a Beneficial Owner, you do not wish to attend and vote at the Meeting in person (or have another person attend and vote on your behalf), complete and sign the voting instruction form and return it in accordance with the instructions on the form. Voting instruction forms sent by Broadridge also permit the completion of the voting instruction form by telephone or through the Internet at *www.proxyvotecanada.com*. As a Beneficial Owner, you may revoke a voting instruction form given to an intermediary at any time by written notice to the intermediary. However, an intermediary is not required to act on a revocation of a voting instruction form that is not received by the intermediary at least seven days prior to the Meeting.

If You Wish to Attend the Meeting (or Have Someone You Choose Attend for You).

If, as a Beneficial Owner, you wish to attend and vote at the Meeting in person (or have another person, who need not be a Shareholder, attend and vote on your behalf), you must follow the instructions on the voting instruction form that you receive or seek a form of proxy from your intermediary.

As a Beneficial Owner, you should follow the instructions on the voting instruction form you receive. If you are not sure what to do, you should immediately contact your intermediary in respect of your Common Shares.

SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

Solicitation of Proxies

The solicitation of proxies for the Meeting will be made primarily by mail, but proxies may also be solicited personally, in writing or by telephone by representatives of NFI, at nominal cost. NFI will bear the cost in respect of the solicitation of proxies for the Meeting and will bear the legal, printing and other costs associated with the preparation of this Information Circular.

Voting of Proxies

In certain cases, you will not receive a voting instruction form and will instead receive, as part of the Meeting Materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by you but which is otherwise uncompleted. As a Beneficial Owner and upon submission by you (or your designee) of identification satisfactory to your intermediary's representative, you may also require the intermediary to sign and deliver to you (or your designee) a proxy to exercise personally your voting rights attaching to the Common Shares you own, if you either (i) have not previously given the intermediary voting instructions in respect of the Meeting or (ii) submit to such representative written revocation of any such previous instructions.

If a Beneficial Owner who receives a form of proxy does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Owner's behalf), the Beneficial Owner must complete the form of proxy and deposit it with Computershare Investor Services, Inc. (the "**Transfer Agent**"), as described below in "Deposit of Proxies" or otherwise follow the instructions provided by the intermediary.

If a Beneficial Owner who receives a form of proxy wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Owner's behalf), the Beneficial Owner must strike out the names of the persons named in the proxy and insert the Beneficial Owner's (or such other person's) name in the blank space provided and deposit it with the Transfer Agent, as described below in "Deposit of Proxies" or otherwise follow the instructions provided by the intermediary.

Appointment of Proxies

The persons named in the form of proxy are representatives of NFI. **Shareholders have the right to appoint as proxyholder a person or company other than the NFI representatives named on the form of proxy.** Shareholders should write the name of the person or company they wish to appoint, who need not be a Shareholder, in the blank space provided on the form or proxy. If the Shareholder does not appoint another person or company as proxyholder, the NFI representatives designated in the form of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

In the absence of any direction, your Common Shares will be voted:

(a) **FOR** the increase in the number of directors of NFI from seven members to nine members;

(b) **FOR** the election of each of the nine nominees to the board of directors listed under the heading "Matters to be Considered at the Meeting - Election of Directors"; and

(c) **FOR** the appointment of Deloitte & Touche LLP as auditors of NFI and that the board of directors of NFI be authorized to fix the remuneration of the auditors.

The form of proxy confers discretionary authority upon the NFI representatives designated in the form of proxy with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, the directors of NFI (the "**Directors**") know of no such amendments, variations or other matters.

Deposit of Proxies

To be valid, proxies must be deposited with Computershare Investor Services, Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Fax: 1-866-249-7775 or 416-263-9524, Attention: Proxy Department, in accordance with the instructions therein, by no later than 4:00 p.m. (Toronto time) on May 8, 2012 or if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed meeting. Failure to properly complete or deposit a proxy may result in its invalidation. The time limit for the deposit of proxies may be waived by NFI in its discretion without notice.

Revocation of Proxies

Proxies may be revoked by:

(a) completing and signing a proxy bearing a later date and depositing it with the Transfer Agent, as described above; or

(b) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing: (i) at the registered office of NFI at any time up to and including the last business day preceding the date of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used, or (ii) with the chairperson of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment of the Meeting; or

(c) in any other manner approved by law.

You should follow the instructions on the document that you have received and contact your intermediary promptly if you need assistance.

VOTING SECURITIES OF NFI AND PRINCIPAL HOLDERS THEREOF

NFI is authorized to issue an unlimited number of Common Shares. As of the date of this Information Circular, there were 44,379,070 Common Shares 540,535 of which are held in the form of an IDS) outstanding.

At the Meeting, each Shareholder of record at the close of business on March 16, 2012, the record date established for notice of the Meeting (the "**Record Date**"), will be entitled to one vote for each Common Share held on all matters proposed to come before the Meeting.

To the knowledge of the Directors, as of the date of this Information Circular, the following persons beneficially own or exercise control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to the Common Shares:

Name	**Number of Common Shares beneficially owned, or controlled or directed, directly or indirectly** (1)	**Approximate percentage of total Common Shares**
Franklin Templeton Investments Corp., on behalf of its division, Bissett Investment Management	4,529,463	10.21%
Mawer Investment Management Ltd.	6,565,695	14.79%
Coliseum Capital Management, LLC	5,590,199	12.60%

(1) Based on publicly available filings.

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements

The consolidated financial statements of NFI for the fiscal year ended January 1, 2012, together with the report of the auditors thereon accompanying this Information Circular will be placed before the Shareholders at the Meeting for their consideration. No formal action will be taken at the Meeting to approve the financial statements. If any Shareholder has questions regarding the financial statements, the questions may be brought forward at the Meeting. These financial statements are also available on the internet on NFI's SEDAR profile at www.sedar.com.

Appointment of Auditors

The management representatives designated in the enclosed form of proxy (if not expressly directed to the contrary in such form) intend to vote **FOR** the reappointment of Deloitte & Touche LLP as auditor of NFI to hold office until the next annual meeting of Shareholders and that the Directors be authorized to fix the remuneration of the auditors. Deloitte & Touche LLP has served as auditor of NFI since NFI's inception.

Increase in Number of Directors and Election of Directors

The board of directors of NFI (the "**Board**") is currently comprised of seven Directors and all seven of the Directors are being nominated for re-election.

Pursuant to an agreement dated March 21, 2012 (the "**Coliseum Agreement**") between NFI and Coliseum Capital Management, LLC ("Coliseum"), which exercises control or direction over approximately 12.60% of the outstanding Common Shares, NFI has agreed to include a nominee of Coliseum on the slate of directors proposed for election at the Meeting and support such nominee's election as a Director at the Meeting and at any meeting of Shareholders in respect of the election (or removal) of Directors held prior to the 2013 annual meeting of Shareholders. Coliseum has agreed to vote its Common Shares in favour of management's slate of Directors during that same period. The Coliseum Agreement also provides that (i) Coliseum will not, subject to certain exceptions, acquire 20% or more of NFI's outstanding Common Shares or take certain actions in relation to the solicitation of proxies, in each case until the later of six months following Coliseum ceasing to have a representative on the Board and 12 months following the date of the Meeting, and (ii) Coliseum will have a pre-emptive right to purchase Common Shares in certain circumstances to maintain its proportionate interest in NFI during that same period. A copy of the Coliseum Agreement can be found on SEDAR at www.sedar.com.

Coliseum has nominated Adam Gray, a managing partner of Coliseum, as its nominee under the Coliseum Agreement. However, Coliseum may replace Mr. Gray with another nominee at any time prior to the 2013 annual meeting of Shareholders, subject to his replacement being recommended for appointment to the Board by the Human Resources, Compensation and Corporate Governance Committee (the "Governance Committee").

In addition, the Shareholders are being asked to elect William Millar, the former president and chief executive officer of the American Public Transportation Association ("**APTA**") and former executive director of a United States public transit agency as a Director.

In order to elect Mr. Gray and Mr. Millar as Directors, the Shareholders are also being asked to increase the number of Directors from seven members to nine members.

The management representatives designated in the enclosed form of proxy (if not expressly directed to the contrary in such form) intend to vote **FOR** the increase to the number of directors of NFI from seven members to nine members.

The management representatives designated in the enclosed form of proxy (if not expressly directed to the contrary in such form) intend to vote **FOR** the election, as Directors, of the nominees whose names are set out below. All nominees, except for Mr. Gray and Mr. Millar, are now Directors and have been Directors since the dates indicated below. Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason before the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each Director elected will hold office until the next annual meeting or until his or her successor is elected or appointed. Each Director will also serve on the board of directors of NFI ULC. NFI ULC is an indirect subsidiary of NFI.

Biographies for each of Mr. Gray and Mr. Millar are set forth below. Biographies for each of the remaining proposed nominees for Director, which include a summary of each nominee's principal occupation and employment within the five preceding years, are set out on pages 55 to 57 of NFI's Annual Information Form for the financial year ended January 1, 2012 (the "**AIF**") and such information is specifically incorporated by reference in this Information Circular. The AIF can be found under NFI's SEDAR profile at www.sedar.com. Upon request, NFI will provide a copy of the AIF free of charge to the requesting Shareholder.

Adam Gray – Mr. Gray is a managing partner of Coliseum Capital Management, a private firm that makes long-term investments in both public and private companies, which he co-founded in December 2005. He currently serves on the board of directors of Uno Chicago Grill and Benihana Inc. Mr. Gray served on the board of directors of DEI Holdings, Inc. since February 2009 until its sale in June 2011. From January 2005 to November 2005, Mr. Gray was a consultant for a private firm with a long-term approach to equity investing. In 2003, Mr. Gray was appointed Executive Vice President, Strategic Projects and Capital Management at Burger King Corp. From 1994 to 2003, Mr. Gray held several executive positions with the Metromedia Restaurant Group, comprised of S&A Restaurant Corp. and Metromedia Steakhouses Company, LP, which included the Bennigan's, Steak & Ale, Ponderosa and Bonzana restaurant concepts, rising to Executive Vice President, Strategic Development and Concept Services. From 1993 to 1994, Mr. Gray also was Executive Vice President at Ponderosa Steakhouses. Prior to that time, Mr. Gray served as an Associate at Kluge & Co. and an Analyst within Morgan Stanley's Merchant Banking Group. Mr. Gray holds both a BSE in Finance from the Wharton School of Business and a BS in Mechanical Engineering from the School of Engineering & Applied Science at the University of Pennsylvania.

William Millar – Mr. Millar retired as the the president and chief executive officer of the APTA in 2011, which he joined in 1996. Prior to APTA, Mr. Millar served 19 years at the Port Authority of Allegheny County, the principal transit operator serving Pittsburgh, PA. As its executive director from 1983-1996, he oversaw the development and operation of bus, busway, light rail, paratransit and inclined plane service. Mr. Millar has recently joined Chicago-based transportation infrastructure firm, H.W. Lochner, Inc., as senior advisor. H.W. Lochner, Inc. specializes in civil and structural engineering, planning, environmental and inspection services in transportation and serves US customers in rail and transit initiatives across the United States. In 1987 Mr. Millar received APTA's Jesse Haugh Award for Transit Manager of the Year. He is the founder of Pittsburgh's award-winning ACCESS paratransit service. From 1973-77, Mr. Millar worked for the Pennsylvania DOT where he developed and managed Pennsylvania's Free Transit Program for Senior Citizens and led the Penn DOT's rural public and community transit efforts. He has been a member of the executive committee of the Transportation Research Board for many years and served as its chair in 1992. He also serves on advisory committees of several university transportation research institutes. Mr. Millar has a BA from Northwestern University and an MA from the University of Iowa majoring in urban transportation planning and policy analysis.

The following table sets forth the names of, and certain information for, the persons nominated for election as Directors.

Name and Province and Country of Residence	Position with NFI	Principal Occupation	Director Since	Ownership or Control Over Common Shares
The Honourable Brian Tobin [a, b] Toronto, Ontario, Canada	Director	Senior Business Advisor, Fraser Milner Casgrain LLP	June 16, 2005	49,700[d]
V. James Sardo [a, b, c] Mississauga, Ontario, Canada	Director	Corporate Director	June 16, 2005	30,000
Wayne M.E. McLeod [a, b] Toronto, Ontario, Canada	Director	Corporate Director	June 16, 2005	16,000
Larry Edwards [a, b, e] Tulsa, Oklahoma, USA	Director	Corporate Director	September 3, 2008	104,976 [f]
John Marinucci Oakville, Ontario, Canada	Director	Corporate Director [g]	June 16, 2005	293,035
Patricia Jacobsen [a, b] Vancouver, British Columbia	Director	Corporate Director	November 12, 2009	11,514
Paul Soubry [h] Winnipeg, Manitoba, Canada	Director	President and Chief Executive Officer, NFI [i]	May 11, 2009	122,300
Adam Gray Greenwich, Connecticut, USA	None	Managing Partner, Coliseum Capital Management, LLC	New nominee for election	0 [j]
William Millar Stevensville, Maryland, USA	None	Corporate Director	New nominee for election	0

a Member of the Audit Committee.

b Member of the Human Resources, Compensation and Corporate Governance Committee.

c Between April 3, 2006 and May 3, 2006, Mr. Sardo, who was then a director of Royal Group Technologies Limited, was prohibited from trading in securities of Royal Group Technologies Limited pursuant to a management cease trade order issued by the Ontario Securities Commission in connection with the delay in filing of certain of Royal Group Technologies Limited's financial statements. See "Directors, Officers and Management - Cease Trade Orders, Bankruptcies, Penalties and Sanctions" on page 59 of the AIF.

d Mr. Tobin owns 31,400 Common Shares directly and has control over 18,300 Common Shares.

e On September 28, 2006, Global Power Equipment Group Inc. ("**GPEG**") and all of its U.S. subsidiaries filed voluntary petitions for reorganization under chapter 11 of title 11, United States Code in the United States Bankruptcy Court for the District of Delaware. Mr. Edwards served as Chairman of the Board, President and Chief Executive Officer at the time of filing. On November 22, 2006, Mr. Edwards resigned as President and Chief Executive Officer of the Company; remaining as Chairman of the Board. GPEG and its U.S. subsidiaries emerged from bankruptcy proceedings in January, 2008 and Mr. Edwards resigned as a director of GPEG. See "Directors, Officers and Management – Cease Trade Orders, Bankruptcies, penalties and Sanctions" on page 59 of the AIF.

f Mr. Edwards owns 22,616 Common Shares directly and has control over or is a beneficiary of 82,360 Common Shares.

g Mr. Marinucci retired as President and Chief Executive Officer of the Company on January 18, 2009 and was retained by the Company as Senior Advisor from January 19, 2009 until March 31, 2009.

h For a period of less than two months between October 26, 2004 and December 12, 2004, Mr. Soubry served as a director of Crocus Investment Fund ("**Crocus**"), a labour-sponsored venture capital corporation created by *The Crocus Investment Fund Act* (Manitoba). On December 10, 2004, in connection with an organizational review and assessment of the value of its portfolio, Crocus received regulatory approval from the Manitoba Securities Commission to suspend redemptions and to halt sales of its shares. On June 28, 2005, Deloitte & Touche Inc. was appointed receiver and manager of Crocus by the Manitoba Court of Queen's Bench pursuant to an application made by the Manitoba Securities Commission and on September 4, 2009, the Manitoba court approved an interim distribution to all shareholders of Crocus and the distribution of funds to shareholders in settlement of various proceedings brought against Crocus. See "Directors, Officers and Management – Cease Trade Orders, Bankruptcies, penalties and Sanctions" on page 59 of the AIF.

i Mr. Soubry became President and Chief Executive Officer of the Company on January 19, 2009 following the retirement of Mr. Marinucci as President and Chief Executive Officer.

j Coliseum or its affiliates beneficially own or control, directly or indirectly 5,590,199 Common Shares, representing approximately 12.60% of the issued and outstanding Common Shares. Mr. Gray does not independently exert control or direction over these Common Shares.

COMPENSATION DISCUSSION AND ANALYSIS

Currency

For reporting purposes, NFI prepares its financial statements in United States dollars and in conformity with International Financial Reporting Standards, or IFRS. All amounts in this Compensation Discussion and Analysis are expressed in United States dollars, except where otherwise indicated. All compensation, with the exception of Wayne Joseph, NFI's Executive Vice President, Operations, was earned by and paid to NFI's named executive officers ("**NEOs**") in Canadian dollars. The compensation earned by Larry Edwards, one of NFI's directors, although earned in Canadian dollars was paid in United States dollars. The Bank of Canada's closing exchange rate on December 30, 2011 was CAD $1.00 = USD $0.9833, and therefore, all United States dollar amounts disclosed in this Compensation Discussion and Analysis for NFI's 2011 fiscal year were determined by multiplying the compensation earned by the NEOs (with the exception of Mr. Joseph which requires no currency conversion for disclosure purposes, unless otherwise indicated) and the Directors in Canadian dollars by an exchange rate of $0.9833.

Introduction

This section of the Information Circular explains how NFI's compensation program is designed and operated with respect to our executives, specifically the following NEOs:

Name	Title
Paul Soubry	President and Chief Executive Officer
Glenn Asham	Chief Financial Officer and Treasurer
Wayne Joseph	Executive Vice President, Operations
Paul Smith	Executive Vice President, Sales and Marketing
Hans Peper (1)	Executive Vice President, Customer Services

(1) Mr. Peper retired on December 31, 2011.

This section is divided into the following areas:

I – Overview of 2011 Performance and Compensation

II – Compensation Elements

III – 2011 Performance Targets

IV – 2011 Compensation Decisions

V – Compensation Policy and Process

VI – Overview of Changes to Executive Compensation for 2012

I - Overview of 2011 Performance and Compensation

In evaluating 2011 performance, the Governance Committee and the Board considered a number of qualitative and quantitative factors including: 2011 financial performance (deliveries, revenue, Adjusted EBITDA, NFI's payout ratio, and liquidity), the market and competitive dynamics, and progress made on strategic objectives. The recent economic downturn and increased unemployment levels, combined with state and local funding levels to transit agencies for capital purchases and operating budgets (especially in the United States which represented approximately 77% of the Company's bus manufacturing revenue in 2011) have continued to result in reduced demand for heavy-duty transit buses and aftermarket parts and services in the United States and Canada.

Management anticipates that demand in the industry will remain under pressure over the next few years. Additionally, the relatively weak order position of some competitors in the industry has caused significant price pressure. As a result of these difficult market conditions (and with bus deliveries for 2011 reduced by approximately 10.5%), NFI's Adjusted EBITDA for 2011 was $80.1 million, compared to Adjusted EBITDA for 2010 of $97.1 million. Given the challenging year due to the struggling U.S. economy, the decrease in demand for bus purchases and significant pricing pressure, the Governance Committee and the Board believe the Company performed within its range of expectations for 2011.

Changes to Executive Compensation Framework for 2011

The Governance Committee, with the assistance of a working committee (the "**Working Committee**"), conducted a full review of the executive compensation framework in 2010. The Working Committee consisted of the President and CEO, the Chief Financial Officer, the Executive Vice-President Operations and the Vice President Human Resources. To assist in the review, the Governance Committee retained Towers Watson.

The review included the compensation philosophy and principles, short-term incentive design, long-term incentive design, and executive benefits and perquisites. As part of the process, the Working Committee reviewed the findings of the 2009 benchmarking study (discussed on page 16), compensation trends and market practices in short-term incentive and long-term incentive design, and current executive compensation governance in Canada and the United States. Overall, the review resulted in the following changes for 2011:

- A defined compensation philosophy to pay NFI's executives around the 60th percentile of the market for stretch performance and around the 75th percentile of the competitive market for outstanding performance
- NEO base salary adjustments effective January 1, 2011, for the Chief Financial Officer from CAD $270,000 to CAD $300,000 and for the EVP Operations from USD $350,000 to USD $380,000 based on the competitive analysis
- No base salary adjustment for the CEO or the other NEOs
- Continued use of Adjusted EBITDA, payout ratio and individual objectives for the 2011 STIP, with the financial measures not being tied to the annual budget, but reflecting a broader range of performance levels from threshold to exceptional with corresponding payout levels as agreed to by the Governance Committee. The ranges of STIP payout levels as a percentage of base salary will differ for each executive
- Continued use of Cumulative Adjusted EBITDA for the 2011 PUP awards reflecting a similar range of performance levels from threshold to exceptional as for the 2011 STIP awards (the "**New PUP**")
- With respect to the 2009 and 2010 PUP grants, the threshold EBITDA performance level as a percentage of the target EBITDA performance level was reduced from 85% to 79% and the maximum EBITDA performance level as a percentage of the target EBITDA performance level was increased from 110% to 116%. The target EBITDA performance level was not amended. The amendments to the threshold EBITDA performance level and the target EBITDA performance level were implemented in order to more closely align the 2009 and 2010 PUP payout percentages with the payout levels under the New PUP relating to the 2011 New PUP grants and to better align total executive compensation to competitive levels.
- Common Share ownership guidelines were developed of 2.0x salary for the CEO, 1.0x salary for Executive Vice Presidents, and 0.5x salary for Vice Presidents
- New employment agreements were developed and implemented

The resulting compensation provided to the NEOs for 2011 is as follows (disclosed in the currency in which the compensation was earned and paid):

Name & Title	Currency [(1)]	Salary	STIP Award [(2)]	PUP Grant Value	Total Direct Compensation
Paul Soubry *President and Chief Executive Officer*	CAD	$650,000	67,275	1,072,500	1,789,775
Glenn Asham *Chief Financial Officer and Treasurer*	CAD	$300,000	12,750	195,000	507,750
Wayne Joseph *EVP, Operations*	USD	$380,000	23,940	342,000	745,940
Paul Smith *EVP, Sales and Marketing*	CAD	$300,000	8,438	180,000	488,438
Hans Peper [(3)] *EVP, Customer Services*	CAD	$300,000	7,875	180,000	487,875

(1) Disclosed in the currency in which the compensation was earned and paid.
(2) STIP awards paid reflect only the MBO component of the STIP. No amounts were paid with respect to the Adjusted EBITDA and payout ratio performance target components of the STIP in 2011.
(3) Mr. Peper retired on December 31, 2011.

II – Compensation Elements

The Company's 2011 executive compensation program is comprised of the following elements:

Component	Performance Period	Key Features	Purpose
Fixed Pay - Salary	1 year	• Set in employment contracts with executives • Assessed annually, considering scope and responsibilities of the role and the competitive market • Changes, if any, typically made January 1	• Attract and retain executives • Compensate for meeting the responsibilities of the role
Variable Pay – STIP	1 year	• Paid annually in cash • Awards are based on Governance Committee and Board's assessment of performance against pre-determined financial, operating and individual performance targets (or MBOs) • Performance measures and minimum, target and maximum performance and award levels are established by the Governance Committee, considering management's performance projections for the year	• Reward for achieving key annual performance objectives • Motivate, attract and retain executives
Variable Pay – PUP	3 years – vesting at the end of the term	• Notional units are granted based on a target level of long-term incentive compensation and track the Common Share price • Value of dividends on Common Shares are accrued over the 3-year performance period • Number of units that vest is subject to the level of performance achieved against predetermined threshold, target and maximum levels, as determined by the Governance Committee • The final payment is made in cash	• Pay for sustainable long-term performance • Align the interests of executives and shareholders
Benefits, Pension and Perquisites		• Limited number of benefits, pension and perquisites, including executive health benefits and defined contribution pension arrangements • See Retirement Plan Benefits discussed on pages 25 and 26 for more information	• Attract and retain executives

III – 2011 Performance Targets

Short-Term Incentive Plan (STIP)

For the 2011 STIP, the performance measures and performance ranges were as follows:

Performance Measure	**Adjusted EBITDA** (in millions of $)	**Payout Ratio**	**MBOs**
Range	$88 - $115	100% - 75%	Individual objectives
Weight [(1)]	67.5%	22.5%	10%

(1) Indicates the weighting applied assuming stretch level performance is achieved. If performance levels achieved are at or below the threshold, sustainable, outstanding or exceptional targets set by the Governance Committee, the weighting assigned to each performance measure for each NEO varies.

The Governance Committee established the threshold, sustainable, stretch, outstanding and exceptional performance targets (all within the ranges identified in the table above) and corresponding award levels for the Adjusted EBITDA and payout ratio measures after considering management's projections of financial performance for 2011. Adjusted EBITDA refers to EBITDA before provision for PUP expense. Payout ratio refers to the aggregate amount of cash distributions on the IDSs or, following the completion of the Rights Offering (as defined below), dividends on the Common Shares, expressed as a percentage of "Distributable Cash".

Payouts for the Adjusted EBITDA and payout ratio performance target components under the 2011 STIP can range from 0% of salary if performance is below threshold, up to a maximum, based on actual performance achieved, of 189% of salary for the CEO, 115% for the CFO, 153% for the Executive Vice President, Operations and 86% for the remaining NEOs. No payments are expected to be made if the Company does not achieve the threshold performance level required for the applicable measure, although the Board does maintain the discretion to make STIP awards if performance targets are not met. Generally, as the Company generates higher levels of Adjusted EBITDA and lowers its payout ratio, the aggregate STIP payment increases. The Governance Committee believes that this structure strongly motivates executives to generate high levels of Adjusted EBITDA and high levels of Distributable Cash.

Individual objectives or MBOs are determined based on the recommendation of the CEO after a discussion with each executive, and are related to the strategic objectives of the Company. The MBO portion of the STIP awarded to the NEOs (and other executives) are determined by the Governance Committee in respect of the CEO's MBOs, by the CEO in respect of the executives who report directly to him and by the Executive Vice President, Operations in respect of the executives who report directly to him. At the discretion of the Governance Committee, a payout relating to the MBO component of the STIP can be made to executives even though the Company did not achieve the threshold performance targets in respect of the Adjusted EBITBA or payout ratio performance target components of the STIP. Since the Adjusted EBITDA and payout ratio performance target components of the STIP were below threshold for 2011, STIP awards paid in 2011 reflect only the MBO component of the STIP. See the table on page 11 for the STIP awards paid to NEOs in 2011.

In assessing each executive's performance against the executive's individual MBOs for the year, the following factors are evaluated:

- the performance of the individual against their job description,

- the adherence of the individual to the Company's core values, being:

  - Integrity: Adheres to the Company's values and consistently delivers on promises and commitments made,
  - Dependable: Consistent behaviour or performance that is deserving of trust,
  - Accountable: Willingness to accept responsibility and to be accountable for individual actions,
  - Passionate: Strong interest and enthusiasm in achieving successful results,

- Responsive: Promptly and professionally replies to external and internal inquiries,
- Decisive: Makes decisions, supported by appropriate information, and takes action,
- Fair: Makes unbiased decisions and seeks to balance the interests of all of the Company's stakeholders,
- Ethical: Adheres to applicable laws and acts in accordance with the Company's Code of Business Conduct and Ethics and in accordance with accepted social and professional standards, and
- Citizenship: Acts in a socially-conscious manner and is a willing participant in appropriate local, regional, and industry forums and initiatives, and

- the accomplishment by the individual of their personal objectives for the year.

Long-Term Incentive Component - Performance Unit Plan (PUP) and New Performance Unit Plan (New PUP)

Effective January 1, 2008, NFI ULC adopted the PUP to replace the Company's previous long-term incentive plan that was discontinued at the end of 2009. Effective January 1, 2011, NFI ULC amended the PUP as the New PUP. The terms of the PUP will continue to govern awards made prior to January 1, 2011 and the terms of the New PUP will govern awards made on or after January 1, 2011. As a result of the changes in the capital structure of NFI and NFI ULC, the Governance Committee determined that it was necessary and equitable to make certain changes to the PUP and the New PUP. Accordingly, the PUP and the New PUP were amended on October 2, 2011 to treat the PUP and New PUP awards on an equivalent basis as IDSs that were converted into Common Shares pursuant to the Rights Offering (as defined below) and taking into account the September 30, 2011 consolidation of Common Shares.

The purpose of the PUP and the New PUP (collectively, the "**Incentive Plans**") are to attract, motivate and reward officers and senior managers of the Company by making a significant portion of their long term incentive compensation dependent on the Company's long term financial performance. One of the key advantages of the Incentive Plans are that they will further align the interests of management and investors given that the award grant and redemption values will be determined based on the fair market value of the Common Shares.

Under the terms of the Incentive Plans, the Governance Committee may grant eligible participants each year Performance Units which give the holders thereof the right to receive, upon vesting and redemption of Performance Units, a cash payment equal to the fair market value of a Common Share. When dividends are paid on a Common Share, additional units equivalent to the amount of the dividends multiplied by the number of Performance Units held (and determined based on the then fair market value of the Common Shares) will be credited to the participant's account. Performance Units granted under the PUP and the New PUP generally vest at the end of the third fiscal year following the date of grant in an amount equal to a percentage of between approximately 38% and 256% of the Performance Units in the participant's account, depending on the individual participant and subject to and based on the Company achieving certain specified Adjusted EBITDA targets.

The redemption date for vested Performance Units is generally March 30th of the calendar year following the end of the performance period in respect of which the Performance Units were granted. Following the time of vesting, participants will be entitled to receive cash redemption payments equal to the fair market value of a Common Share for every vested unit held. Units shall also immediately vest upon the closing of a transaction resulting in certain change of control events and upon certain terminations of employment.

With respect to Performance Units granted by the Company for the 2009, 2010 and 2011 fiscal years, cumulative Adjusted EBITDA was chosen as the PUP performance measure. The Governance Committee believes that cumulative Adjusted EBITDA best measures sustainable growth over the longer performance period. The potential percentage vesting at the end of the performance period of the 2009 and 2010 PUP awards under the PUP is as follows:

	Actual Performance as a % of Target Performance	Vesting Percentage
Below Threshold	less than 79%	0%
At Threshold	79%	35%
At Target	100%	100%
At or above Maximum	116% or more	200%

The potential vesting at the end of the performance period for the 2011 PUP award under the New PUP varies by position:

	Actual Performance as a % of Stretch Performance	Vesting Percentage			
		CEO	CFO	EVP, Operations	Other NEOs
Below Threshold	less than 88%	0%	0%	0%	0%
At Threshold	88%	45%	38%	44%	38%
At Sustainable	94%	76%	77%	89%	75%
At Stretch	100%	100%	100%	100%	100%
At Outstanding	105%	121%	123%	128%	125%
At or above Exceptional	115% or more	152%	246%	256%	250%

IV – 2011 Compensation Decisions

Salary

Base salaries are initially set in the executives' respective employment agreements. Based on the thorough review of the executive compensation framework that was implemented in 2011, it was determined that the salary of the Chief Financial Officer would be increased from CAD $270,000 to $300,000 and that the salary of the EVP Operations would be increased from USD $350,000 to USD $380,000 but that the salaries of the other NEOs would remain the same for 2011, as illustrated below. An increase was determined appropriate for the CFO and the EVP Operations to bring their base compensation in line with desired positioning against the competitive market.

Name	Currency [(1)]	2010 Salary	2011 Salary	% Change
Paul Soubry *President and Chief Executive Officer*	CAD	$650,000	$650,000	0%
Glenn Asham *Chief Financial Officer and Treasurer*	CAD	$270,000	$300,000	11.1%
Wayne Joseph *EVP, Operations*	USD	$350,000	$380,000	8.5%
Paul Smith *EVP, Sales and Marketing*	CAD	$300,000	$300,000	0%
Hans Peper [(2)] *EVP, Customer Services*	CAD	$300,000	$300,000	0%

[(1)] Disclosed in the currency in which the compensation was earned and paid.
[(2)] Mr. Peper retired on December 31, 2011.

Short-term Incentive Awards (STIP)

In fiscal 2011, NFI achieved Adjusted EBITDA before provision for PUP expense of $78.1 million and a payout ratio of 103.4%, which were below the threshold performance targets for both measures and therefore, no STIP awards were earned or paid to the NEOs in respect of the Adjusted EBITDA and payout ratio performance target components of the STIP.

The MBO component of the STIP awarded to each of the NEOs is reflected on the table on page 11.

New Performance Unit Plan (New PUP) – 2011 Grants

The number of Performance Units granted to each of the NEOs for fiscal 2011 under the New PUP were determined based on a target compensation value that the Governance Committee expects the plan to deliver at the end of the performance period. The 2011 grants will vest at the end of 2013, with payout in the first quarter of 2014.

Name and Title of NEO	**Number of Units Granted**	**Estimated Future Payouts [1]**				
		Number of Threshold Units	**Number of Sustainable Units**	**Number of Stretch Units**	**Number of Outstanding Units**	**Number of Exceptional Units**
Paul Soubry *President and Chief Executive Officer*	94,500	42,955	71,591	94,500	114,546	143,182
Glenn Asham *Chief Financial Officer and Treasurer*	17,182	6,608	13,217	17,182	21,147	42,294
Wayne Joseph *EVP, Operations*	30,134	13,393	26,786	30,134	38,505	77,010
Paul Smith *EVP, Sales and Marketing*	15,860	5,948	11,895	15,860	19,825	39,650
Hans Peper [2] *EVP, Customer Services*	15,860	5,948	11,895	15,860	19,825	39,650

(1) The total number of Performance Units in respect of which the future payout is calculated will be increased or decreased depending on the achievement of the Adjusted EBITDA target set by the Governance Committee and the Board. The amounts reported in these columns assume performance at the threshold, sustainable, stretch, outstanding and exceptional EBITDA performance levels, respectively determined using the NEO's vesting percentage (see vesting potential chart on page 14) with each Performance Unit having a value equivalent to the value of a Common Share, consistent with the valuation for purposes of determining accounting fair value.

(2) Mr. Peper retired on December 31, 2011. As a result of Mr. Peper's retirement from the Company, 10,588 of the performance units will be forfeited.

Performance Unit Plan Awards – 2009 Grants

As noted on page 14, the 2009 PUP grants provided for vesting from 0% - 200% of units granted based on the Governance Committee and Board's assessment of NFI's cumulative Adjusted EBITDA performance over the three-year performance period. Based on the achievement of cumulative Adjusted EBITDA (before provision for PUP expense) for the 2009 to 2011 performance period of $283.8 million, which was above the threshold target performance level of $277 million (before provision for PUP expense), the Governance Committee determined that 41% of the outstanding units vested. This vesting level represented performance that was approximately 2.5% above the threshold Adjusted EBITDA for the performance period. The resulting awards are:

Name and Title	2009-2011 Initial PUP Award Value [1]	2009 – 2011 Payout Value (Including Distribution Equivalents)
Paul Soubry *President and Chief Executive Officer*	$677,340	$323,493
Glenn Asham *Chief Financial Officer and Treasurer*	$277,094	$132,339
Wayne Joseph *EVP, Operations*	$437,500	$174,464
Paul Smith *EVP, Sales and Marketing*	$307,882	$147,043
Hans Peper [2] *EVP, Customer Services*	$307,882	$147,043

(1) Initial PUP award value disclosed above using the Bank of Canada's closing exchange rate on December 31, 2008 of CAD to USD of $0.8210

(2) Mr. Peper retired on December 31, 2011.

Annual Compensation Discretionary Bonus

The Board and the Governance Committee have discretionary authority to award an annual cash bonus to reward exceptional individual results and accomplishments. No discretionary bonuses were awarded to any of the NEOs in respect of fiscal 2011.

V – Compensation Policies and Process

Compensation Philosophy and Guiding Principles

In making compensation decisions, the Governance Committee is guided by the following compensation objectives:

- To promote the long-term success and continually improving performance of the Company
- To attract, retain, and motivate talented executives by providing a total compensation program competitive with the heavy manufacturing industry
- To reinforce NFI's values and strategic objectives
- To reward outstanding short-term and long-term performance, emphasizing longer-term value creation for shareholders

The Governance Committee determines the mix between the various elements of compensation based upon the results of the annual review of the executive compensation framework, the results of any benchmarking comparator studies, compensation trends and market practices of public companies for short term incentive and long term incentive design and current executive compensation governance in Canada and the United States.

Compensation Process and Benchmarking

The Governance Committee considers a number of additional factors when determining the total potential amount of compensation to be awarded to an executive for a particular year including the scope of responsibility of the role, corporate and individual performance, the executive's skills and experience, and compensation levels at similarly-situated companies.

To understand competitive levels of compensation for a company of NFI's size and complexity, the Governance Committee may survey executive compensation practices and levels in similarly-situated companies. For the most recent review conducted in 2009, the Governance Committee retained Towers Watson to assist in assessing the competitiveness of NFI's executive compensation packages. The review used survey data representing a North American comparator group (40% Canadian, 60% United States), since NFI's revenue sources and operations span both the United States and Canada. In addition, the Governance Committee reviewed the competitive data for each country separately (see Schedule "A" to this Information Circular for list of companies). By using survey data from a large number of comparator companies, NFI is able to conduct a rigorous benchmarking process with more complete and reliable data for each executive position being benchmarked, including executive positions below the NEOs.

Role of the Human Resources, Compensation and Governance Committee

NFI's Governance Committee is responsible for, among other things, approving, determining and making recommendations to the Board (when appropriate) concerning the principal elements of executive compensation for the NEOs (including the President and Chief Executive Officer) and the Company's other executives. The Governance Committee also reviews and makes recommendations to the Board concerning the appointment of officers of the Company (including the NEOs) and the hiring and termination of officers of the Company. The Governance Committee annually reviews the CEO's goals and objectives for the upcoming year and provides an appraisal of the CEO's performance. The Governance Committee also makes recommendations concerning the remuneration of the Directors.

The Governance Committee is comprised of five Directors: V. James Sardo (Chairperson), The Honourable Brian Tobin, Wayne McLeod, Larry Edwards and Patricia Jacobsen. All of the members of the Governance Committee are Directors who are independent within the meaning of Multilateral Instrument 52-110. None of the members of the Governance Committee is an officer, employee or former officer or employee of NFI or any of its affiliates.

Each Governance Committee member has direct experience in executive compensation matters and issues. Each member has held executive management roles where he or she dealt with human resources and compensation issues. Two of the five Governance Committee members currently serve on the compensation committees of other publicly traded companies and four of the five members have previously served on the compensation committees of other publicly traded companies. In particular, Mr. Sardo, the chairperson of the Governance Committee, has held the position of chief executive officer of a number of manufacturing corporations where he gained experience in human resources and compensation issues. Furthermore, he currently serves as chairperson of the compensation committee of Capstone Infrastructure Corporation and has served as chairperson of the compensation committees of Consolidated Thompson Iron Mines Limited, Northstar Healthcare Inc., Sonnen Energy Corp., Hydrogenics Corporation, Countryside Power Income Trust and Royal Group Technologies Limited. Mr. Sardo has also served as a member of the compensation committees of Union Waterheater Income Trust and Custom Direct Income Fund. Collectively, the members' experiences provide the Governance Committee with the knowledge, skills and experience in executive compensation and human resources that enable him or her to make informed decisions or the suitability of the Company's policies and practices.

Role of Management

The Governance Committee meets with the President and CEO and other members of Management to discuss the performance of the organization and strategic objectives. The President and CEO provides his recommendations regarding salary adjustments, STIP and New PUP awards and discusses the individual performance of the executives with the Committee. The Governance Committee meets without management present to further discuss the President and CEO's recommendations and determine the actual adjustments and awards. The President and CEO is not present for the discussion of his own compensation adjustments and awards.

Role of Compensation Consultant

As a result of a competitive compensation market analysis conducted in late 2009 with the assistance of Towers Watson (the Governance Committee's independent compensation consultant), the Governance Committee and management conducted an in-depth review of the executive compensation framework in 2010, with changes implemented in January 2011. The Governance Committee retained Towers Watson again in 2011 to provide compensation consulting services. No other types of services were provided by Towers Watson in 2011.

Executive Compensation–Related Fees

The fees of Towers Watson for the services provided in 2010 were approximately CAD $144,000 and the fees for services provided in 2011 were approximately CAD $32,000.

Risk Management

Management, the Board, the Audit Committee and the Governance Committee have devoted substantial time over the last couple of years to the manner in which risk is identified, assessed, managed and reported. Risk can take different forms, and a formal risk management policy, anticipated to be implemented by management in 2012, is expected to improve the way in which management identifies and manages risks across the Company.

The Company identifies risk using six different categories:

- financial
- operational
- strategic
- health and safety

- reputation
- compliance

A broad based, systematic approach is used to identify, assess and report the significant risks to the Company's strategic objectives. Employees "own" the risks as part of the enterprise risk management process, and they are responsible for sustaining established controls, performing ongoing risk assessments and implementing additional controls when residual risk exceeds accepted tolerances.

The Company's executive management team meets regularly to review the status of managing the most significant risks and in identifying any emerging risks. Management reports to the Board and committees regarding significant risks and the Company's mitigation actions.

The table below shows how the Board and the committees monitor risk across the organization:

Board of Directors	**Committee Areas of Responsibility**
Overall Company responsibility for risk oversight	**Audit Committee:** • Monitors financial risks and overall corporate risks to the Company
	Governance Committee: • Oversees compensation risk, talent management risk and succession risk • Oversees governance compliance • Reviews the policies and systems related to safety and workplace hazards

The Board has a conservative approach to compensation risk management and, with the changes to the executive compensation framework made in 2011 and in 2012, the Board has strived to ensure that the executive compensation program has been appropriately structured, encourages the right management behaviours and avoids excessive risk-taking or extreme payouts to the executives.

Compensation risk is managed by:

- maintaining a multi-year strategic plan
- considering risk when setting annual corporate objectives
- beginning in 2012, working within a formal enterprise risk management framework
- establishing absolute measures of performance
- establishing individual and joint accountabilities for achieving objectives
- setting threshold performance levels under the STIP and PUP
- using appropriate caps on performance incentives
- acknowledging the Board's role in overseeing compensation policies and practices, and its use of discretion to adjust payouts up or down, as it deems appropriate.

Each year, the Governance Committee considers the implications of the risks associated with the Company's compensation policies and practices. As discussed in this Compensation Discussion and Analysis, a significant portion of variable compensation for executives is deferred, to maintain the focus of the executives on sustained long term performance. As well, under the Company's securities trading policy, directors and employees, including NEO's are prohibited from entering into short sales or buying or selling call or put options in respect of securities of NFI or NFI ULC. Finally, hedging activities in respect of Performance Units, RSUs and DSUs are expressly prohibited under the terms of the New PUP, RSU Plan and DSU Plan, respectively (all as defined herein). As part of its annual review of the Company's compensation policies and practices, the Governance Committee has concluded that such policies and practices do not encourage executive officers to take inappropriate or excessive risks and that the Company's compensation philosophy, program design and policies are reasonable and appropriate for its needs.

Clawback Policy

The Company does not have a formal clawback policy. The Governance Committee however, continues to monitor developments in this area of compensation.

Common Share Ownership Guidelines

As part of the changes to the executive compensation framework in 2011, the Governance Committee approved share ownership guidelines for executive officers of the Company as follows:

Level	Guideline
Chief Executive Officer (CEO)	2x base salary
CFO/EVP	1x base salary
VP	0.5x base salary

Executives are expected to meet their ownership guidelines within five years of January 1, 2011, or the date on which they joined the Company, whichever is later.

The table below sets out the value of the NEO's shareholdings as at January 1, 2012:

Name and Title	Share Ownership Guideline	Number of Common Shares Owned	Value of Shares Owned (1)
Paul Soubry *President and Chief Executive Officer*	2x base salary or $1,300,000	122,300	$709,340
Glenn Asham *Chief Financial Officer and Treasurer*	1x base salary or $300,000	211,000	$1,223,800
Wayne Joseph *EVP, Operations*	1x base salary or $380,000	7,250	$42,050
Paul Smith *EVP, Sales and Marketing*	1x base salary or $300,000	275,913	$1,600,295
Hans Peper (2) *EVP, Customer Services*	1x base salary or $300,000	94,238	$546,580

(1) Based on the closing price of $5.80 for the Common Shares on the Toronto Stock Exchange on December 30, 2011.
(2) Mr. Peper retired on December 31, 2011.

VI – Overview of Changes to Executive Compensation for 2012

As a result of the successful Rights Offering (defined below) and consistent with practice used by the majority of income trusts after their conversion from an income trust structure to a traditional common share structure, the Company has discontinued the disclosure of Distributable Cash and payout ratio. Management uses free cash flow as a non-IFRS measure to assist investors in assessing the Company's ability to pay dividends to common shareholders, service debt and meet other payment obligations. Management believes free cash flow is also a common measure of a company's valuation and liquidity. Effective for 2012, the Governance Committee has replaced the payout ratio as a performance measure under the STIP with free cash flow. Therefore the 2012 STIP performance target components consist of Adjusted EBITDA, free cash flow and the MBOs for each executive.

On December 13, 2011, the Board approved the NFI ULC Restricted Share Unit Plan ("**RSU Plan**") which provides for grants of restricted share units ("**RSUs**") to officers and senior managers of the Company, including the NEOs. An RSU is the right to receive a cash payment based on the fair market value of a Common Share, subject to a vesting period of three years.

The RSU Plan was adopted in 2012 to supplement the long-term incentive compensation framework for the executives to promote their continued efforts in growing the Company, as well as to assist in attracting and retaining senior management personnel. The Governance Committee with the assistance of Towers Watson reviewed the impact of the Rights Offering and the conversion of the Company to a traditional common share structure as it relates to long-term incentive compensation and to address potential issues regarding executive retention during uncertain market conditions. The Governance Committee determined, supported by Towers Watson's research, that most companies use two or more forms of long-term incentive vehicles. The Governance Committee has determined that for 2012, the total value of the long-term incentive compensation grants for each executive will be allocated 75% to grants issued under the New PUP and 25% to grants issued under the RSU Plan. Although the RSU Plan has been added as a component of the long-term incentive compensation program, the aggregate long-term compensation grants issued to executives in 2012 did not change.

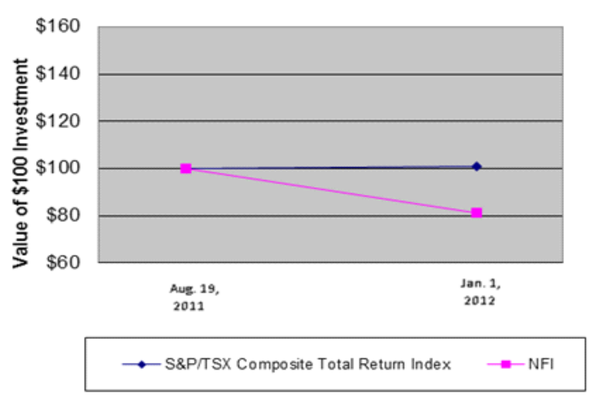
Effective January 1, 2012 the Governance Committee also increased the base salary of the Chief Financial Officer from CAD $300,000 to CAD $310,000**.**

PERFORMANCE GRAPH

Common Shares

The following graph compares the total cumulative return on funds invested in Common Shares (assuming reinvestment of dividends) with the total cumulative return of the Standard and Poor's TSX Composite Total Return Index (the "**TSX Total Return Index**") for the period from August 19, 2011, when the Common Shares were posted for trading on the TSX, until January 1, 2012.

<u>Performance Graph – Common Shares</u>



IDSs

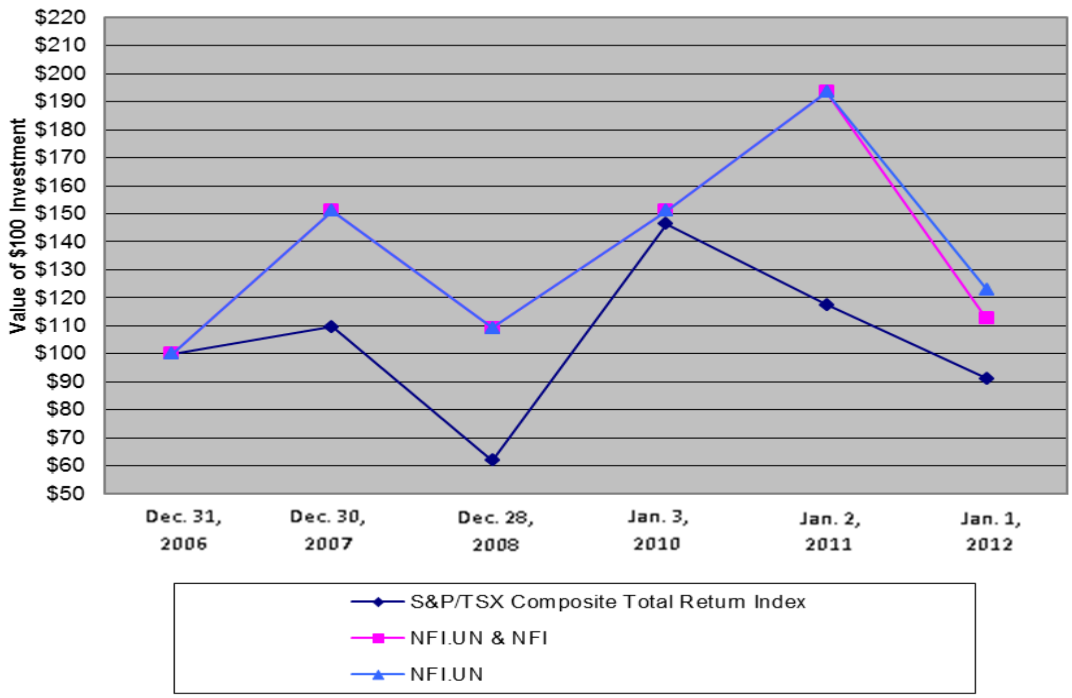
The following graph compares the total cumulative return on funds invested in IDSs (assuming reinvestment of distributions) with the total cumulative return of the TSX Total Return Index for the period from December 31, 2006, to January 1, 2012, for both:

- IDS holders who exercised all of their rights ("**Rights**") pursuant to NFI's non-cash rights offering (whereby each Shareholder was issued one right for each Common Share held which entitled such shareholder to subscribe for nine additional Common Shares in exchange for C$5.53 principal amount of Subordinated Notes) that expired on August 18, 2011 (the "**Rights Offering**"), such that all of the Subordinated Notes represented by such holders' IDSs were exchanged for Common Shares, which commenced trading on the TSX on August 19, 2011 (represented by the line "NFI.UN & NFI"); and

- IDS holders who did not exercise any of their Rights pursuant to the Rights Offering, such that the holders continue to hold only IDSs (represented by the line "NFI.UN").

For the period from December 31, 2006 to January 1, 2012, the total cumulative return of the IDSs outperformed the total cumulative return of the TSX Total Return Index by 31.7% and the total cumulative return of IDSs exchanged for Common Shares pursuant to the Rights Offering outperformed the total cumulative return of the TSX Total Return Index by 21.3%.

Performance Graph - IDSs



As described above in this Information Circular, the Company's performance based compensation is based on the Company achieving Adjusted EBITDA, payout ratio targets (for 2011) and free cash flow targets (for 2012), as the Governance Committee and the Board believe that these measures are directly related to the creation of long term shareholder value. However, there is not necessarily a direct correlation between the Adjusted EBITDA, payout ratio and free cash flow generated by the Company on the one hand and the market price of Common Shares or IDSs on the other hand.

CEO Performance Compensation During Tenure

The following table compares the grant date value of compensation awarded to Mr. Soubry in respect of his performance as CEO with the value that he has received from his compensation awards during his tenure. The compensation he has received includes salary, STIP and discretionary bonus awards, as well as the value of PUP units that are outstanding (as at January 1, 2012). All amounts disclosed in this table are in Canadian dollars.

Year	Total Direct Compensation Awarded (1)	Total Direct Compensation Value as at January 1, 2012 (2)	Value of $100	
			Mr. Soubry (3)	IDS Holders (4)
2009	$1,908,485	$1,423,476	$75	$140
2010	$2,137,948	$1,859,455	$87	$125
2011	$1,789,775	$1,339,516	$75	$58
Total Direct Compensation	$5,836,208	$4,622,447		
		Weighted average	$79	$108

(1) Includes salary and incentive compensation (STIP and PUP) awarded at year-end in respect of performance during the year.

(2) PUP awards include targeted award plus distributions and have not been adjusted for EBITDA performance.

(3) Represents the accrued value to Mr. Soubry for each $100 awarded in total direct compensation during the fiscal year indicated.

(4) Represents the cumulative value of a $100 investment in IDSs for the fiscal year indicated if the investment was made on the first day of such period, assuming reinvestment of dividends, and for the 2011 fiscal year, assuming the holder of such IDSs exercised all of their Rights pursuant to the Rights Offering.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the NEOs for the year ended January 1, 2012.

Name and Title of NEO	Year	Salary [(1)]	Share-based Awards [(2)]	Non-Equity Incentive Plan Compensation Annual Incentive Plans[(3)]		Pension Value [(4)]	All Other Compensation	Total Compensation [(5)]
				STIP	LTIP			
		($)	($)	($)	($)	($)	($)	($)
Paul Soubry [(6) (7)]	2011	639,145	1,054,589	66,152	N/A	22,586	0	1,782,472
President and Chief	2010	653,529	980,294	515,733	N/A	22,572	0	2,172,128
Executive Officer	2009	493,120	784,967	537,789	0	20,932	0	1,836,808
Glenn Asham	2011	294,422	191,744	12,537	N/A	22,586	0	521,289
Chief Financial	2010	271,466	339,332	150,224	N/A	22,572	0	783,594
Officer and Treasurer	2009	256,898	321,123	193,942	585,039	20,932	0	1,337,934
Wayne Joseph [(8)]	2011	380,000	342,000	23,940	N/A	22,970		768,910
Executive Vice	2010	350,000	437,500	192,809	N/A	22,000	0	1,002,309
President, Operations	2009	350,000	437,500	264,228	N/A	22,450	0	1,074,178
Paul Smith	2011	294,990	176,994	8,297	N/A	22,586	0	502,867
Executive Vice	2010	301,629	377,036	160,883	N/A	22,572	0	862,120
President, Sales and Marketing	2009	285,443	356,803	215,491	585,039	20,932	0	1,463,708
Hans Peper [(9)]	2011	294,990	176,994	7,743	N/A	22,586	0	502,313
Executive Vice	2010	301,629	377,036	162,392	N/A	22,572	0	863,629
President, Customer Services	2009	285,443	356,803	215,491	585,039	20,932	0	1,463,708

(1) With the exception of Mr. Joseph's compensation, all dollar amounts disclosed for (i) NFI's 2009 fiscal year were determined by multiplying the compensation earned in Canadian dollars by an exchange rate of $0.9515 (the Bank of Canada's closing exchange rate of CAD to USD on December 31, 2009), (ii) NFI's 2010 fiscal year were determined by multiplying the compensation earned in Canadian dollars by an exchange rate of $0.9946 (the Bank of Canada's closing exchange rate on December 31, 2010) and (iii) NFI's 2011 fiscal year were determined by multiplying the compensation earned in Canadian dollars by an exchange rate of CAD to USD $0.9833 (the Bank of Canada's closing exchange rate of CAD to USD on December 30, 2011).
(2) Represents the grant date fair value of awards granted under the PUP for compensation and accounting purposes.
(3) Represents payments under the (i) STIP and any discretionary bonus payments, and (ii) LTIP, for fiscal 2009 (that were paid in fiscal 2010).
(4) Represents contributions made by the Company to the executive's registered retirement plan.
(5) Represents the sum of all amounts included in the other columns of the Summary Compensation Table.
(6) The aggregate annual incentive plan payment for fiscal 2009 to Mr. Soubry of $537,789 disclosed under the column for the STIP above is comprised of $395,064 in respect of the award made under the STIP and $142,725 in respect of the discretionary cash bonus awarded by the Governance Committee and the Board.
(7) The aggregate annual incentive plan payment for fiscal 2010 to Mr. Soubry of $515,733 disclosed under the column for the STIP above is comprised of $364,919 in respect of the award made under the STIP and $150,814 in respect of the discretionary cash bonus awarded by the Governance Committee and the Board.
(8) Mr. Joseph's compensation was earned and paid in United States dollars. Therefore, no currency conversion is required for disclosure purposes.
(9) Mr. Peper retired on December 31, 2011.

INCENTIVE PLAN AWARDS

Outstanding Share-Based Awards

The following table sets forth information concerning all outstanding share-based awards granted by the Company to the NEOs on or before January 1, 2012. The Company does not offer option-based awards as a compensation element to the NEOs.

	Share-based Awards [1]	
Name and Title of NEO	**Number of shares or units that have not vested [2]**	**Market or payout value of share-based awards that have not vested [3] ($)**
Paul Soubry *President and Chief Executive Officer*	230,073	1,312,139
Glenn Asham *Chief Financial Officer and Treasurer*	62,011	353,657
Wayne Joseph *Executive Vice President, Operations*	89,309	509,342
Paul Smith *Executive Vice President, Sales and Marketing*	65,232	372,027
Hans Peper [4] *Executive Vice President, Customer Services*	65,232	372,027

(1) Awards under the PUP and New PUP may be considered "share-based awards" for the purposes of this table under applicable Canadian securities laws.

(2) Represents the number of notional Common Shares underlying the Performance Units granted under the PUP and New PUP, which were unvested as at January 1, 2012. This number of notional Common Shares assumes that the grants will vest at the stretch level of performance.

(3) Represents the aggregate value of the Common Shares listed in the adjacent column of this Share-Based Awards Table, calculated based on the market price of the Common Shares on the TSX on December 30, 2011 of $5.80.

(4) Mr. Peper retired on December 31, 2011. As a result of Mr. Peper's retirement from the Company, 10,861 of the Performance Units will be forfeited.

Value Vested or Earned During the Year

The following table sets forth the value of share-based awards of the NEOs that vested on or before January 1, 2012, as well as the value of non-equity incentive plan compensation that the NEOs earned on or before January 1, 2012.

Name and Title of NEO	Share-based awards - Value vested during the year [(1)] ($)	Non-equity incentive plan compensation - Value earned during the year [(2)] (STIP) ($)
Paul Soubry *President and Chief Executive Officer*	323,493	66,152
Glenn Asham *Chief Financial Officer and Treasurer*	132,339	12,537
Wayne Joseph *Executive Vice President, Operations*	174,464	23,940
Paul Smith *Executive Vice President, Sales and Marketing*	147,043	8,297
Hans Peper [(3)] *Executive Vice President, Customer Services*	147,043	7,743

(1) Represents the value of awards granted under the PUP, which may be considered "share-based awards" for the purposes of this table under applicable Canadian securities laws, which vested during fiscal 2011.
(2) The amounts listed represent the MBO component only of the STIP payments made in 2011. No payments were made in respect of the Adjusted EBITDA and payout ratio performance target components of the STIP in 2011.
(3) Mr. Peper retired on December 31, 2011.

RETIREMENT PLAN BENEFITS

The registered retirement plan for the executives of the Company based in Canada is a non-contributory defined contribution plan. Four of the NEOs are based in Canada. The Company contributes each year, on behalf of the NEOs, an amount equal to 18% of base salary, subject to the maximum level of contributions set out in the *Income Tax Act* (Canada). The contributions made to the plan by the Company vest immediately.

The retirement plan for the executives of the Company who are based in the United States (one of whom is an NEO) consists of a 401(k) plan and a supplemental executive retirement savings plan (the "**ERSP**"), both of which are non-contributory. The Company contributes each year, on behalf of the U.S.-based executives, to the 401(k) plan an amount equal to the limit set out under the United States Internal Revenue Code and an amount to the ERSP, such that the aggregate of the amounts contributed to the two plans equal 18% of base salary, similar to the registered retirement plan provided to the executives of the Company based in Canada. The vesting period for the contributions made to the 401(k) is based upon the number of years an executive is employed with the Company and vest immediately upon an executive attaining the age of 59.5 years, upon death or in the event the executive becomes disabled. The contributions made to the ERSP by the Company vest immediately.

The Canadian and U.S.-based executives (including the NEOs) are entitled to invest the funds in any investment vehicle (e.g., guaranteed investment certificates and mutual funds) permitted by the providers of the plans. Upon retirement the value of the accumulated contributions, together with any interest earned and capital appreciation on the funds invested, less any capital losses, can be withdrawn by the executives to provide retirement benefits. The amount of retirement income provided to each of the executives under the plans will depend upon the amount contributions made by the Company, the length of time the funds are in the plans and the rates of return earned on the funds until the executive's retirement.

Defined Contribution Plan Table

Name	Accumulated value at start of year	Compensatory	Accumulated value at year end
Paul Soubry *President and Chief Executive Officer*	$54,313	$22,586	$73,702
Glenn Asham *Chief Financial Officer and Treasurer*	$201,723	$22,586	$207,279
Wayne Joseph [(1)] *Executive Vice President, Operations*	$73,608	$22,970	$98,168
Paul Smith *Executive Vice President, Sales and Marketing*	$228,458	$22,586	$259,724
Hans Peper [(2)] *Executive Vice President, Customer Services*	$195,683	$22,586	$200,464

(1) With respect to Mr. Joseph, the columns above disclosing the accumulated value in the defined contribution plan at the start of the year and at year end were mixed United States and Canadian currency as Mr. Joseph's pension was paid in Canadian dollars when he worked in both Canada and the United States in 2009. The column above disclosing compensatory amounts were in United States dollars as Mr. Joseph was employed in the United States in 2011. All Canadian amounts have been converted from Canadian dollars to United States dollars at an exchange rate of CAD $0.9833 = USD $1.00.

(2) Mr. Peper retired on December 31, 2011.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Paul Soubry

NFI ULC entered into a new indefinite term employment agreement with Paul Soubry commencing January 1, 2011. Mr. Soubry's agreement provides that his employment may be terminated for "Cause" without advance notice, and that he may resign without "Good Reason" on 60 days' prior written notice. In these circumstances, Mr. Soubry will be entitled to any amounts earned to the termination date. "Cause" is defined as a willful failure or refusal to perform duties following a 15-day opportunity to correct the failure, material act of dishonesty or breach of trust in performing his duties, a conviction of or pleading guilty to an offence involving fraud, dishonesty or misappropriation, a breach of Mr. Soubry's non-competition, confidentiality and intellectual property obligations or any other conduct which would be treated as cause under Manitoba Law. "Good Reason" is defined as assignment without consent of Mr. Soubry's duties causing a substantial reduction in authority or responsibilities, failure of any successor of NFI ULC to assume the obligations under the employment agreement, or a material violation by NFI ULC of the terms of the employment agreement that NFI ULC fails to correct within 15 days of being notified of the violation. On termination of Mr. Soubry's employment without Cause or resignation by Mr. Soubry with Good Reason, Mr. Soubry is entitled to payment of base salary and continuation of benefits for 12 months and payment of a prorated bonus. If Mr. Soubry's employment ends as a result of death, then Mr. Soubry's estate will be entitled to amounts earned to the termination date, payment of a prorated bonus.

Mr. Soubry is bound by non-competition and non-solicitation covenants during the term of employment and for a period of 12 months in the case of the non-competition covenant, and 24 months, in the case of non-solicitation covenant, following cessation of employment. If Mr. Soubry's employment is terminated without Cause or he resigns with Good Reason, the continuing payments and benefits provided to him will cease immediately if he breaches his post-employment non-competition or non-solicitation obligations.

The PUP and New PUP set out termination and change of control consequences that are in addition to those described above. All Performance Units are forfeited on termination of employment for Cause or on resignation without Good Reason. If Mr. Soubry's employment is terminated without Cause or he resigns with Good Reason, he is entitled to a prorated portion of Performance Units based on the number of days in the performance period prior to the termination date, and these Performance Units will continue to vest as if Mr. Soubry had remained employed. In the case of death, a prorated number of Performance Units vest and are redeemed within 60 days of the date of death. In the case of disability or retirement, Mr. Soubry is entitled to a prorated number of Performance Units, which will continue to vest as if Mr. Soubry had remained employed. On the closing of a transaction resulting in certain change of control events, Performance Units shall vest and be paid immediately. "Change of control" is defined to include (i) a reorganization, amalgamation, merger or plan of arrangement with respect to which all or substantially all of the persons who were the beneficial owners of the voting securities of NFI immediately prior to such reorganization, amalgamation, merger or plan of arrangement do not, following such reorganization, amalgamation, merger or plan of arrangement, beneficially own, directly or indirectly, more than 50% of the voting securities of the resulting entity on a fully-diluted basis; (ii) a formal takeover bid or tender offer for the voting securities of NFI resulting in a change in ownership of more than 50% of the voting securities of NFI; or (iii) the direct or indirect sale or other disposition of either more than 50% of the voting securities of New Flyer Holdings, Inc. ("**NFL Holdings**") or all or substantially all of the assets of NFL Holdings. Additional PUP terms are described in the "Compensation Discussion and Analysis" section above.

Glenn Asham, Paul Smith, Hans Peper and Wayne Joseph

NFI ULC entered into new indefinite term employment agreements commencing January 1, 2011 with each of Messrs. Asham, Smith, Peper (who retired from the Company on December 31, 2011) and Joseph (as well as with the other six executive officers of NFI ULC and New Flyer of America Inc., its affiliate). These employment agreements provide that upon termination of employment without "Cause" or resignation for "Good Reason", the executive officer is entitled to payment of base salary and continuation of benefits for 12 months and payment of accrued and prorated bonuses. "Cause" and "Good Reason" under each of these employment agreements have the same definitions as described above under the summary of Mr. Soubry's employment terms. Under their respective employment agreements, each of Messrs. Asham, Smith, Peper and Joseph are bound by non-competition and non-solicitation covenants during the term of employment and for a period of 12 months, in the case of the non-competition covenant, and 24 months, in the case of the non-solicitation covenant, following cessation of employment.

In addition to the benefits provided to these NEOs under their employment agreements, the PUP and New PUP also set outs employment termination and Change of Control consequences, as set out above in the description of Mr. Soubry's employment terms.

Summary of Termination Payments

The following table sets forth the estimated incremental payments and benefits that would be payable by NFI ULC to each NEO listed below under their respective employment agreements described above, assuming that such NEO's employment had been terminated on January 1, 2012. In certain of the scenarios below, the amount of the incremental payments payable to the NEO under the STIP, PUP and New PUP depend on the achievement of performance targets and are not determinable until the end of the relevant performance period, being the end of fiscal 2011 in respect of the STIP and the end of the performance period that relates to each of the PUP grants issued to the NEO. Had the NEOs' employment with the Company been terminated on December 31, 2011 however, the NEOs would have been entitled to receive 100% of their entitlement under the STIP bonus as disclosed in the Summary Compensation Table.

Termination Scenario	Base Salary	STIP	PUP and New PUP
Termination Without Cause or Resignation for Good Reason	100% of base salary for 12 months.	Pro rata entitlement to the STIP determined as at end of fiscal 2012.	Pro rata number of PUP and New PUP units based on number of days in performance period prior to date of termination. Will continue to vest as if employment had continued.
Termination for Cause	Unpaid base salary to date of termination.	No entitlement to STIP for fiscal period in which employment terminated.	All PUP and New PUP units will be forfeited.
Resignation without Good Reason	Unpaid base salary to date of termination.	No entitlement to STIP for fiscal period in which employment terminated.	All PUP and New PUP units will be forfeited.
Death	Unpaid base salary to date of termination.	Pro rata entitlement to the STIP determined as at end of fiscal 2012.	Pro rata portion of PUP and New PUP units based on number of days in performance period prior to date of termination vest immediately. PUP and New PUP units are redeemed and paid within 60 days of death.
Disability	Short-term disability = 100% of base salary for 26 weeks. Long-term disability = 70% of base salary for 24 months to a maximum of CAD $18,000 per month (for Canadian executives) and USD $16,000 per month (for US executives).	Pro rata entitlement to the STIP determined as at end of fiscal 2012.	Pro rata portion of PUP and New PUP units based on number of days in performance period prior to date of termination. Will continue to vest as if employment had continued.
Termination Without Cause or Resignation for Good Reason and Change of Control	100% of base salary for 12 months.	Pro rata entitlement to the STIP determined as at end of fiscal 2012.	All PUP and New PUP units granted will vest and be redeemed and paid immediately upon date of change of control.
Change of Control and no termination of employment	Base salary paid in accordance with terms set out in employment agreement.	STIP paid in accordance with terms set out in employment agreement and determined as at end of fiscal 2012.	All PUP and New PUP units granted will vest and be redeemed and paid immediately upon date of change of control.

Name and Title	Termination Without Cause or Resignation for Good Reason	Termination for Cause	Resignation without Good Reason	Death	Disability	Termination Without Cause or Resignation for Good Reason and Change of Control	Change of Control and no termination of employment
Paul Soubry *President and Chief Executive Officer*	$639,145 salary, plus STIP, PUP and New PUP paid as described above.	$ 0	$ 0	No salary, plus STIP, PUP and New PUP paid as described above.	Salary, STIP, PUP and New PUP paid as described above.	$639,145 salary and PUP and New PUP. STIP is paid as described above.	$1,312,139 PUP and New PUP. Salary and STIP continue to be paid as described above.
Glenn Asham *Chief Financial Officer and Treasurer*	$294,990 salary, plus STIP, PUP and New PUP paid as described above.	$ 0	$ 0	No salary, plus STIP, PUP and New PUP paid as described above.	Salary, STIP, PUP and New PUP paid as described above.	$294,990 salary and PUP and New PUP. STIP is paid as described above.	$353,657 PUP and New PUP. Salary and STIP continue to be paid as described above.
Wayne Joseph *Executive Vice President, Operations*	$380,000 salary, plus STIP, PUP and New PUP paid as described above.	$ 0	$ 0	No salary, plus STIP, PUP and New PUP paid as described above.	Salary, STIP, PUP and New PUP paid as described above.	$380,000 salary and PUP and New PUP. STIP is paid as described above.	$509,342 PUP and New PUP. Salary and STIP continue to be paid as described above.
Paul Smith *Executive Vice President, Sales and Marketing*	$294,990 salary, plus STIP, PUP and New PUP paid as described above.	$ 0	$ 0	No salary, plus STIP, PUP and New PUP paid as described above.	Salary, STIP, PUP and New PUP paid as described above.	$294,990 salary and PUP and New PUP. STIP is paid as described above.	$372,027 PUP and New PUP. Salary and STIP continue to be paid as described above.
Hans Peper (1) *Executive Vice President, Customer Services*	$294,990 salary, plus STIP, PUP and New PUP paid as described above.	$ 0	$ 0	No salary, plus STIP, PUP and New PUP paid as described above.	Salary, STIP, PUP and New PUP paid as described above.	$294,990 salary and PUP and New PUP. STIP is paid as described above.	$372,027 PUP and New PUP. Salary and STIP continue to be paid as described above.

(1) Mr. Peper retired on December 31, 2011.

DIRECTOR COMPENSATION

In 2011, compensation for non-management directors of New Flyer was CAD $60,000 per year and CAD $1,500 per meeting for attending board and committee meetings, whether in person or by phone. For 2012, compensation for non-management Directors is CAD $75,000 per year with CAD $60,000 being paid in cash. The non-management Directors have elected to receive the balance of CAD $15,000 of their 2012 retainer in the form of deferred share units under the Company's Deferred Share Unit Plan for Non-Employee Directors (as described below) in four equal installments having a fair market value of CAD $3,750 at the time of issuance. For 2012, the non-management Directors will also receive CAD $1,500 per meeting for attending Board and committee meetings in person or by phone. The chairperson of the Board (the "**Chair**") receives additional remuneration of CAD $90,000 per year. The chairperson of the audit committee (the "**Audit Committee**") receives additional remuneration of CAD $15,000 per year and the chairperson of the Governance Committee receives additional remuneration of CAD $10,000 per year. Directors may also receive a per diem of CAD $2,000 in the event that they perform additional work authorized by the Board where such additional work occupies a majority of the Director's day. Directors are also reimbursed for out-of-pocket expenses for attending Board and committee meetings. The Directors that serve on the board of directors of NFI ULC do not receive any additional compensation for such services. Directors participate in the insurance and indemnification arrangements described below under “Directors’ and Officers’ Liability Insurance”.

The Board adopted the Company’s Deferred Share Unit Plan for Non-Employee Directors on November 7, 2011 (the “**DSU Plan**”). Pursuant to the DSU Plan, non-management Directors may elect to receive all or a portion of their annual retainer and meeting fees in the form of DSUs instead of cash. A DSU is the right to receive a cash payment based on the value of a Common Share credited by means of a bookkeeping entry to an account in the name of the non-employee director. DSUs are credited to the Director’s account on the last day of each calendar quarter, the number of which is determined by dividing the amount of the applicable portion of the Director’s annual retainer by the fair market value of a Common Share on that date. When dividends are paid on a Common Share, additional DSUs equivalent to the amount of the dividend multiplied by the number of DSUs held (and determined based on the then fair market value of the Common Shares) will be credited to the Director’s account. At the end of the Director’s tenure as a member of the Board, he or she will be entitled to receive a cash redemption payment equal to the fair market value of a Common Share multiplied by the number of DSUs held.

The DSU Plan was adopted by the Board to attract, retain and motivate highly qualified and experienced individuals to serve as Directors of the Company and to further promote a greater alignment of interests between the non-employee members of the Board and the stakeholders of the Company.

Director Compensation Table

The following table sets forth the compensation earned by each Director for the year ended January 1, 2012.

Name [1]	Fees earned ($)	All other compensation ($)	Total ($)
The Honourable Brian Tobin *Toronto, Ontario, Canada*	184,369	0	184,369
V. James Sardo *Mississauga, Ontario, Canada*	110,130	0	110,130
Wayne M.E. McLeod *Toronto, Ontario, Canada*	115,046	0	115,046
Larry Edwards [2] *Tulsa, Oklahoma, USA*	101,935	0	101,935
Patricia Jacobsen Vancouver, British Columbia, Canada	100,297	0	100,297
John Marinucci [2] Oakville, Ontario Canada	100,297	0	100,297

(1) Compensation disclosure for Mr. Soubry, who was an NEO and a director in fiscal 2011, can be found in the “Summary Compensation Table” on page 23 of this Information Circular.
(2) Compensation was earned by Mr. Edwards in Canadian dollars, but was paid in United States dollars. The amounts reflected in this table are the actual amounts paid to Mr. Edwards in United States dollars.

Common Share Ownership Guideline

The Board promotes and supports the ownership of the Common Shares by the Directors and has established a Common Share ownership guideline. Under the Common Share ownership guideline, each Director, within five years of being appointed to the Board, is expected to own 15,000 Common Shares. Any DSUs granted under the DSU Plan that are held by a Director are included in determining the Director’s Common Share ownership requirement. For the current Common Share ownership by each Director, see the table under the heading “Matters to be Considered at the Meeting – Election of Directors” on page 8 of this Information Circular.

INDEBTEDNESS OF DIRECTORS AND OFFICERS OF THE COMPANY

No amounts are owed to NFI or any of its subsidiaries or to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by NFI or any of its subsidiaries, by any Director or officer of NFI, former Directors or officers of NFI or any associates or affiliates of the foregoing.

AUDIT COMMITTEE

Information regarding NFI's Audit Committee can be found on pages 61 to 62 of the AIF. A copy of the AIF can be obtained by contacting NFI or can be found at www.sedar.com.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are an important factor in the overall success of the Company. To that end, the Board strives to uphold high standards of corporate governance that reflect applicable legal and regulatory requirements as well as evolving best practices. The Governance Committee regularly assesses NFI's approach to corporate governance and makes recommendations to the Board on emerging best practices and other policy improvements.

1. Board of Directors

- The independent members of the Board, within the meaning of NI 52-110, are The Honourable Brian Tobin, V. James Sardo, Wayne M.E. McLeod, Larry Edwards, Patricia Jacobsen and John Marinucci.
- The non-independent Director of NFI is Paul Soubry, who is considered to be non-independent by virtue of his position as the President and Chief Executive Officer of NFI since January 19, 2009.
- If Adam Gray and William Millar are elected to the Board, they will be considered independent members of the Board within the meaning of NI 52-110.
- If Adam Gray and William Millar are elected to the Board, eight of the nine members of the Board will be independent of management.
- The Chair is The Honourable Brian Tobin, an independent Director.
- Mr. Tobin sits on the following public company boards (other than NFI): Aecon Group Inc., Calvista Gold Corporation and Aurvista Gold Corporation.
- Mr. Sardo sits on the following public company board (other than NFI): Capstone Infrastructure Corporation (formerly Macquarie Power and Infrastructure Corporation).
- Mr. McLeod sits on the following public company boards (other than NFI): Morguard Investments Inc. and Richards Packaging Income Fund.
- Mr. Marinucci sits on the following public company board (other than NFI): Intelgenx Corporation.
- Mr. Gray sits on the following public company board: Benihana Inc.
- Other than NFI, Mr. Edwards, Ms. Jacobsen, Mr. Soubry and Mr. Millar do not sit on any other public company board.

- During fiscal 2011, there were 19 meetings of the Board (either in person or by teleconference). All directors attended such meetings, except: Mr. Tobin was absent for two meetings, Ms. Jacobsen was absent for one meeting and Mr. Marinucci was absent for one meeting.

- During fiscal 2011, there were four meetings of the Audit Committee (either in person or by teleconference). All members of the Audit Committee attended such meetings.

- During fiscal 2011, there were six meetings of the Governance Committee (either in person or teleconference). All members of the Governance Committee attended such meetings, except Mr. Tobin was absent for one meeting.

- The independent Directors hold meetings, as may be necessary, at which members of management are not in attendance. During fiscal 2011, there were eight meetings of the Board, four meetings of the Audit Committee and five meetings of the Governance Committee where independent Directors held meetings without management present. To facilitate open and candid discussion among the Directors, the chairman of the Board, an independent Director, regularly calls and leads meetings of the Board. In addition, the independent Directors have unfettered access to information regarding NFI's activities and have the ability to engage outside advisors as deemed necessary.

2. Board Composition

The Governance Committee maintains a matrix that sets out the background, skills and experience of each of the Directors (including Mr. Millar and Mr. Gray). This information is used to assess the overall strength and diversity of the Board and is presented in Schedule "B" to this Information Circular.

3. Board of Directors Mandate

The Board mandate is included as Schedule "C" to this Information Circular.

4. Charter of Expectations for Directors

In 2011, the Board adopted a Charter of Expectations for Directors which sets out the Company's expectations regarding personal and professional competencies and criteria for Directors, share ownership requirements (described on page 30 of this Information Circular), meeting attendance, conflict of interest guidelines, changes of circumstance, resignation events and majority voting policy (described below). The Charter is reviewed annually by the Board and a copy is posted on the Company's website at www.newflyer.com/index/corporate governance.

5. Majority Voting Policy

The Board has adopted a policy which provides that, if the total number of shares voted in favor of the election of a Director nominee at a shareholders' meeting represents less than a majority of the total shares voted and withheld for that Director, the Director must submit his or her resignation to the Chairperson, to be effective when accepted by the Board. The Governance Committee will consider and make a recommendation to the Board regarding the resignation, and the Board's decision to accept or reject the resignation will be disclosed to the public within 90 days of receiving the resignation. If a resignation is accepted, the Board may appoint a new Director to fill the vacancy. This policy applies only to uncontested elections — that is, elections in which the number of nominees for Director is equal to the number of Directors to be elected.

6. Position Descriptions

Position descriptions for the Chair and the chairpersons of the Governance Committee and Audit Committee are found in the Appendix of the Board mandate included as Schedule "C" to this Information Circular.

A position description for the CEO has also been adopted by the Directors and is as follows:

Responsibilities of the CEO

1. Demonstrate leadership values and integrity in all aspects of managing NFI and its subsidiaries in the best interests of its stakeholders.

2. With input from the Board, develop a multi-year strategic plan and an annual business plan.

3. Provide leadership and vision in setting, implementing and achieving NFI's and its subsidiaries' strategic objectives and distribution targets, developing and implementing sound operating and financial plans, designing an effective organizational structure, and determining annual operating budgets and resource levels for NFI and its subsidiaries to meet its short-term and long-term goals and objectives.

4. Identify business opportunities and plan and direct investigations and negotiations pertaining to capital investments, mergers, joint ventures, material acquisitions of businesses or the sale of major assets, and obtain Directors approval of material transactions.

5. Set an operational philosophy that is performance driven and customer focused, while providing leadership to management in support of NFI's commitment to its Code (as defined below).

6. At the discretion of the securityholders of NFI and the Directors, serve on the Board.

7. Communicate in a timely**,** candid and comprehensive fashion with the Audit Committee, the Governance Committee and the Directors on the progress of NFI towards the achievement of its strategic objectives and business plan.

8. Meet regularly with the chairperson of the Board ("the Board Chair") and other Directors to ensure that Directors are being provided with necessary information and resources to fulfill their responsibilities and statutory obligations.

9. On an ongoing basis, work with the Board Chair to develop schedules and agendas of meetings of the Directors and its committees and verify that all items requiring Directors and/or committee approval are appropriately tabled.

10. Serve as chief spokesperson and liaison for NFI, including effectively managing relations with NFI's external stakeholders, such as securityholders, NFI's employees, customers, suppliers, the investment community, the media, governments and the public generally.

11. Oversee the direction of NFI's tax management and planning.

12. With the CFO and under the supervision of the Audit Committee:

    - establish and maintain NFI's disclosure controls and procedures through appropriate policies and procedures, including NFI's Disclosure and Insider Trading Policy;

    - identify all significant risks to NFI's business and ensure that procedures are established to mitigate the impact of the risks in the best interest of stakeholders;

- ensure the accuracy, completeness, integrity and appropriate disclosure of NFI's financial statements and other financial information through appropriate policies and procedures; and

- ensure that NFI has complied with all regulatory requirements for NFI's financial information, reporting, disclosure requirements and internal controls over financial reporting.

13. Provide general supervision and management of the day-to-day business affairs of NFI and its subsidiaries within the guidelines established by the Directors, consistent with decisions requiring prior approval of the Directors and the Directors' expectations of management.

14. With the CFO, direct and monitor the activities and resources of NFI, consistent with the strategic direction, financial limits and operating and financial objectives approved by the Directors.

15. With the Governance Committee:

    - ensure, through supervision and performance assessment, that NFI and its subsidiaries have an effective senior executive leadership team (the "**ELT**") and that there exists a plan of succession and development for the CEO, CFO and other members of the ELT;

    - directing the selection and retention of the ELT;

    - develop a compensation and benefit plan for the ELT;

    - develop an effective training and development program for NFI's employees;

    - develop effective processes and metrics to track employment satisfaction of NFI's employees;

    - develop effective guidelines and practices with respect to NFI's employee safety practices; and

    - develop effective processes and metrics to track customer satisfaction.

16. Provide required regulatory certifications regarding NFI and its activities.

17. Carry out any other appropriate duties and responsibilities assigned by the Directors.

7. Orientation and Continuing Education

Management, working with the Directors, provides orientation opportunities for new Directors to familiarize them with NFI and its business. All new Directors will now participate in an active orientation operation program soon after the date on which the new Director first joins the Board. The orientation includes:

- a detailed briefing with the Chair and with the chairperson of each of the Audit Committee and Governance Committee;

- a detailed briefing on the role of the director in NFI and other matters by NFI's general counsel and external legal counsel, including a briefing on the legal duties and obligations required of a director of a publicly-held company;

- a detailed briefing on NFI and its business by the CEO, CFO and other members of the ELT, as determined by the Chair and the CEO from time to time, including a discussion of NFI's key products and operations; and

- a tour of one of NFI's manufacturing facilities.

The orientation program is reviewed regularly by the Governance Committee in connection with new appointments.

All of the Directors have attended NFI's corporate headquarters in Winnipeg, Manitoba for a visit with staff and a tour of that facility's operations. To date, each of NFI's independent Directors have also visited NFI's facility in St. Cloud, Minnesota to obtain an understanding of the operations, maintenance and staffing issues that are key drivers to NFI's success.

NFI has a continuing education program for its Directors, for which the Governance Committee is responsible. The program was developed to help Directors maintain or enhance their skills and abilities, and update their knowledge and understanding of the company and its industry. The key components of the program include:

- *Regular briefings.* Directors are briefed regularly (and at least on a quarterly basis) on strategic issues affecting NFI, and these briefings include reviews of the competitive environment, NFI's performance relative to its peers, and any other developments that could materially affect NFI's business such as the government funding of transit agencies in Canada and the United States. The briefings are conducted by the CEO, CFO and other members of the ELT, as well as external advisors to NFI.

- *Seminars, conferences and other industry events.* Directors are also encouraged to participate in external education seminars at NFI's expense that are relevant to their role on the Board or Board committees. As part of the continuing education program, NFI provides Directors with a list of the principal education activities that are aimed at the transit industry and the role of a director of a public company. In 2011, the Directors attended the tri-annual Expo held by the American Public Transportation Association in New Orleans, Louisiana. Six of the nine proposed nominees for Director are also members of the Institute of Corporate Directors and have graduated from the Institute's Directors' Education Program.

- *Presentations by subject matter experts.* External advisors and consultants also make presentations to the Directors regarding various corporate governance issues and best practices. In 2011, external employment counsel made a presentation to the Directors regarding compensation governance and the 2011 changes in compensation disclosure.

Directors have also periodically visited some of NFI's customers in order to gain a better understanding of the customers' businesses and their opinion on NFI's products and how it services the customers.

8. Ethical Business Conduct

The Directors have adopted and subsequently amended a written code of conduct and ethics for NFI (the "**Code**"), which constitutes written standards that are designed to promote integrity and to deter wrongdoing. The Code addresses the following issues:

- conflicts of interest, including transactions and agreements in respect of which a Director or executive officer has a material interest;

- protection and proper use of corporate property and opportunities;

- confidentiality of undisclosed corporate information;

- fair dealing with suppliers, competitors and employees of NFI;

- compliance with laws, rules and regulations; and

- reporting of any illegal or unethical behaviour.

To ensure the Directors exercise independent judgment in considering transactions, agreements or decisions in respect of which a Director or executive officer has a material interest, the Directors follow a practice whereby any such Director must be absent during any Board discussion pertaining thereto and not cast a vote on any such matter.

The Directors are responsible for monitoring compliance with the Code, as well as NFI's Whistleblower Policy. Any person can report complaints or concerns, which may be submitted on an anonymous and confidential basis, arising from infractions of these two policies to the chairperson of the Audit Committee.

Management will prepare reports for the Audit Committee, noting any alleged violations of the Code, on a quarterly basis. The Audit Committee will update the Board on a quarterly basis regarding compliance with the Code, and will report any alleged violations to the Board as necessary. The Audit Committee is also notified of any alleged violations of the Code relating to accounting, internal controls or auditing matters. The Governance Committee, in consultation with the Board, reviews the process for administering the Code every year.

The Board believes that providing a procedure for employees and officers to raise concerns about ethical conduct on an anonymous and confidential basis fosters a culture of ethical conduct within NFI and its subsidiaries and affiliates. NFI requires that Directors and officers annually certify they have complied with the Code. To date, NFI has not been required to file a material change report relating to a departure from the Code.

The Code is posted on NFI's website www.newflyer.com and is also available on SEDAR at www.sedar.com.

9. Nomination of Directors and Compensation

The Board has appointed the Governance Committee composed entirely of independent Directors.

The Governance Committee charter establishes the Governance Committee's purpose, responsibilities, member qualifications, appointment and removal, structure and powers and manner of reporting to the Board. In addition, the Governance Committee has the authority to engage and compensate any outside advisor as it considers necessary to permit it to carry out its duties.

The Governance Committee, which is comprised entirely of independent Directors, is responsible for identifying individuals qualified to become new Directors and recommending to the Directors the new Director nominees. When considering a potential director candidate, the Governance Committee considers the qualities and skills that the Board, as a whole, should have and assesses the competencies and skills of the current Directors. Based on the talent already represented on the Board, the Governance Committee then identifies the specific skills, personal qualities or experiences that a director candidate should possess in light of the opportunities and risks facing NFI.

Potential candidates are screened to ensure that they possess the requisite qualities, including integrity, business judgment and experience, industry, business or professional expertise, independence from management, financial literacy, excellent communications skills and the ability to work well with the Board and management. The Governance Committee considers the existing commitments of a potential candidate to ensure that such candidate will be able to fulfill his or her obligations as a member of the Board.

The Governance Committee maintains a list of potential director candidates for its future consideration and may engage outside advisors to assist in identifying potential candidates. The Governance Committee will also consider recommendations for nominees submitted by NFI's shareholders.

The Governance Committee is also responsible for:

- making recommendations to the Directors with respect to the adoption and amendment of executive incentive compensation plans and equity-based plans;
- approving the compensation of senior executives in light of the compensation paid to senior executives in comparable organizations;

- reviewing and approving the corporate goals and objectives that are relevant to the CEO's compensation and evaluating the CEO's performance in meeting those goals and objectives; and

- reviewing executive compensation disclosure before it is publicly released.

10. Other Board of Directors Committees

NFI has no board of directors committees other than the Audit Committee and Governance Committee.

11. Assessments

The Board conducts an annual assessment of the effectiveness of the performance and effectiveness of the Board. The results of the evaluation are analysed and reviewed by members of the Governance Committee and the Board, who consider whether any changes to the Board's processes, composition or committee structure are appropriate. Additionally, senior management is advised of any suggestions made by Directors for enhancement of processes to support the work of the Board. Assessment of individual board members involves Directors participating in an annual written peer review to assess individual Directors on the Board and attributes that contribute to an effective Board. This consists of both an evaluation of each Directors' peers and a self-evaluation which are based on a survey and questionnaire approved by the Board. The written peer evaluation process is complemented with one-on-one discussions between the Chair and each Director. In addition, each committee annually evaluates its effectiveness in carrying out the duties specified in its charter. The results are reviewed by the members of each committee who consider whether any changes to its structure or charter may be appropriate.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

NFI has obtained a policy of insurance for Directors and officers of NFI, and for the directors and officers of NFI's subsidiaries. Under the policy, each entity has reimbursement coverage to the extent that it has indemnified directors and officers. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against NFI and any of its subsidiaries. The total annual premium for such insurance is approximately CAD $126,320, no part of which is payable by any Director or officer of NFI or any of NFI's subsidiaries. The initial aggregate limit of liability coverage applicable to the insured directors and officers is CAD $40 million, with a CAD $150,000 deductible per occurrence. The total limit of liability coverage will be shared among NFI and its subsidiaries and their respective directors and officers so that the limit of liability coverage will not be exclusive to any one of the entities or their respective directors and officers.

The by-laws of each of NFI, NFL Holdings and NFI ULC provide for the indemnification, to the extent permitted by applicable law, of each of their respective directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, including in respect of periods prior to the initial public offering of the Company on August 19, 2005.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Directors, and except as described elsewhere in this Information Circular, as of the date of this Information Circular, no Director nor officer and no person or company beneficially owning, directly or indirectly, or exercising control or direction over, Common Shares carrying more than 10% of the voting rights attached to the Common Shares (of which there are none to the knowledge of the Directors), nor any associates or affiliates of the foregoing, had any material interest in any transactions involving the Company since the commencement of the 2011 fiscal year or in any proposed transactions involving the Company which has materially affected or would materially affect the Company or any of its subsidiaries.

ADDITIONAL INFORMATION

Financial information for the financial year ended January 1, 2012, is provided in NFI's financial statements and the associated management's discussion and analysis ("**MD&A**"). Shareholders who wish to be added to the mailing list for the annual and interim financial statements and MD&A should contact the Corporate Secretary of NFI at 711 Kernaghan Avenue, Winnipeg, Manitoba R2C 3T4.

Copies of NFI's current AIF, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the current AIF; NFI's most recently filed annual financial statements, together with the accompanying report of the auditor, and any interim financial statements of NFI that have been filed for any period after the end of NFI's most recently completed financial year; and this Information Circular are available to anyone, upon request, from the Corporate Secretary of NFI, and without charge to Shareholders.

The financial statements, MD&A, the AIF and other information relating to NFI are also available at www.sedar.com.

DIRECTORS' APPROVAL

The contents of this Information Circular and its sending to Shareholders have been approved by the Directors.

BY ORDER OF THE BOARD OF DIRECTORS

By: *"The Honourable Brian Tobin"*

The Honourable Brian Tobin
Chairperson of the Board of Directors

Toronto, Ontario
March 28, 2012

Schedule “A”

North American Comparator Peer Groups Used for CEO Benchmarking

Canadian General Industry Comparator Group (Similar size to the Company on the basis of revenue)			
AECL Atomic Energy of Canada Ltd.	Diageo Canada Inc.	Marathon Oil Canada Corp.	SFK Pulp
ARC Resources Ltd.	Fluor Canada Ltd.	MDS Inc.	ShawCor Ltd.
ArcelorMittal Canada Mines	Gerdau Ameristeel	Nova Scotia Power Inc.	SunOpta Inc.
Baxter Corp.	High Liner Foods Inc.	Patheon Inc.	Superior Propane
Bayer Canada	Hoffmann-La Roche Ltd.	Pengrowth Corporation	Terasen Gas
Bell Helicopter Textron Canada Ltd.	IAMGOLD Corporation	Purolator Courier Ltd.	The Woodbridge Group
Bombardier Transportation	Kinross Gold Corporation	Rexel Canada Inc.	Unilever Canada
Campbell Company of Canada	LANXESS Inc.	Rolls Royce Canada	Uni-Select
Coca-Cola Ltd.	L'Oreal Canada Inc.	Rothmans, Benson & Hedges	Xerox Canada

United States Heavy Industry Comparator Group (Similar size to the Company on the basis of revenue)			
A.T. Cross	Cleco	Horizon Lines	Papa John's
Allete	Covance	IDACORP	Plexus
Ameron	Cubic	IDEXX Laboratories	PNM Resources
Avista	Curtiss-Wright	Kansas City Southern	Polaris Industries
Bio-Rad Laboratories	Domino's Pizza	Magellan Midstream Partners	Polymer Group
Black Hills Power and Light	DPL	Matthews International	Portland General Electric
Blyth	Emulex	Medicines Company	Rayonier
Boardwalk Pipeline Partners	Endo Pharmaceuticals	MGE Energy	Regency Energy Partners LP
Bob Evans Farms	Energen	Millipore	Toro
Brady	EQT Corporation	Mine Safety Appliances	UIL Holdings
Calgon Carbon	Frontier Airlines	MSC Industrial Direct	UniSource Energy
Callaway Golf	GATX	NorthWestern Energy	United States Enrichment
Carpenter Technology	GenTek	NW Natural	Unitil
Century Aluminum	H.B. Fuller	Omnova Solutions	Vertex Pharmaceuticals
Cephalon	Hayes Lemmerz	Otter Tail	Westar Energy

United States Broad-Based Heavy Industry Comparator Group			
3M	Dana	ITT - Corporate	Ryder System
A.O. Smith	Deere & Company	JetBlue	SCA Americas
American Airlines	Delta Air Lines	JM Family	Sealed Air
Ameron	Donaldson	Johns-Manville	Sonoco Products
APL	Eaton	Johnson Controls	Southwest Airlines
ArvinMeritor	Federal-Mogul	Kansas City Southern	SPX
Ball	Ford	Lafarge North America	Taylor-Wharton International
Bombardier Transportation	Fortune Brands	Matthews International	Terex
Brady	Frontier Airlines	MeadWestvaco	Textron
Burlington Northern Santa Fe	GAF Materials	Mine Safety Appliances	Toro
Calgon Carbon	GATX	MSC Industrial Direct	Union Pacific
Cameron International	General Motors	Navistar International	United Airlines
Caterpillar	Goodyear Tire & Rubber	Nissan North America	United Parcel Service
Chrysler	Greif	Norfolk Southern	US Airways
Connell	Harley-Davidson	Omnova Solutions	USG
Continental Airlines	Hayes Lemmerz	Oshkosh Truck	Visteon
Continental Automotive Systems	HD Supply	Owens-Illinois	Volvo Group North America
CSX	Herman Miller	Parker Hannifin	W.W. Grainger
Daimler Trucks North America	Horizon Lines	Polymer Group	Worthington Industries
	Ingersoll-Rand	PolyOne	

Schedule "B"
Directors' Skill and Experience Matrix

NEW FLYER INDUSTRIES INC. / NEW FLYER INDUSTRIES CANADA ULC
Director Skills and Experience Summary - 2012

		The Honourable Brian Tobin	*Jim Sardo*	*Wayne McLeod*	*Larry Edwards*	*John Marinucci*	*Patricia Jacobsen*	*Paul Soubry*	*Adam Gray*	*William Millar*
Gender	Male	X	X	X	X	X		X	X	X
	Female						X			
Independence		X	X	X	X	X	X		X	X
Region	Ontario	X	X	X		X				
	Manitoba							X		
	British Columbia						X			
	Quebec									
	U.S.A.		X		X				X	X
	Other	X								
Profession	CA/CMA/CPA			X		X				
	Engineer				X					
	Lawyer									
	Director / Consultant	X	X	X	X	X	X			X
	Private Equity	X				X				
	MBA		X	X	X					
	Investor / Investment Manager								X	
Government Relations	Ontario	X	X							
	Manitoba	X						X		
	Quebec	X								
	U.S.A.		X					X		X
	Other	X					X	X		X
	Federal	X	X				X	X		
Essential Business/Industry Experience	CEO / Senior Executive	X	X	X	X	X	X	X	X	X
	Board Experience	X	X	X	X	X	X	X	X	X
	Public Company Experience	X	X	X	X	X	X		X	
	Financial Literacy	X	X	X	X	X	X	X	X	X
	Financial Expert			X		X			X	
	Manufacturing Experience		X	X	X	X		X		
	Transit Industry Operations					X	X			X
	Transit Industry Funding						X			X
	Strategic Planning	X	X	X	X	X	X	X	X	X
	Government Policy Experience	X					X			X
Beneficial Business/Industry Experience	Facility Operation Experience		X		X	X	X	X		X
	Risk Management Experience		X	X		X		X	X	X
	Marketing Experience	X	X		X		X	X	X	X
	IT Experience	X					X			X
	Research / Technology	X	X							X
	HR Experience	X	X		X	X	X		X	X
	Financial Experience		X	X		X			X	X
	Mergers and Acquisitions	X	X	X	X	X	X	X	X	

Schedule “C”

NEW FLYER INDUSTRIES INC. and NEW FLYER INDUSTRIES CANADA ULC

(together, the “Corporation”)

Mandate of the Board of Directors

The purpose of this document is to summarize the governance and management roles and responsibilities of the board of directors of the Corporation (the “Board”).

1. **ACCOUNTABILITY**

The Board is responsible to securityholders.

2. **ROLE**

The role of the Board is to focus on governance and stewardship of the business carried on by the Corporation and its subsidiaries as a whole. The Board will review strategy, assign responsibility for achievement of that strategy, and monitor performance against those objectives. In fulfilling this role, the Board will regularly review the strategic plans developed by management so that they continue to be responsive to the changing business environment in which the Corporation and its subsidiaries operate.

3. **RESPONSIBILITIES**

In fulfilling its role, the Board will:

(a) Define Securityholder Expectations

- Satisfy itself that there is effective communication between the Board and the Corporation’s securityholders, other stakeholders and the public.
- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set corporate strategic goals and objectives within this context.

(b) Establish Strategic Goals, Performance Objectives and Operational Policies

The Board will review and approve broad strategic corporate objectives and establish corporate values against which the performance of the Corporation and its subsidiaries will be measured. In this regard, the Board will, at least annually:

- Approve long-term strategies.
- Review and approve management of the Corporation and its subsidiaries’ strategic and operational plans so that they are consistent with long-term goals.
- Approve strategic and operational policies proposed by management and within which management of the Corporation and its subsidiaries will operate.
- Set targets against which to measure corporate and executive performance of the Corporation and its subsidiaries.
- Satisfy itself that a portion of executive compensation is linked appropriately to the Corporation’s performance.

- Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management of the Corporation and its subsidiaries.

(c) Delegate Management Authority to the Chief Executive Officer

- Ensure that the boards of directors or managers of the Corporation's subsidiaries delegate to the Chief Executive Officer of the Corporation (the "Chief Executive Officer") the authority to manage and supervise the business of such company and decisions regarding the ordinary course of business and operations.

- Determine what, if any, executive limitations may be required in the exercise of the authority delegated to management.

(d) Monitor Corporate Performance

- Identify, understand, assess and monitor the principal risks of all aspects of the businesses in which the Corporation and its subsidiaries as a whole are engaged.

- Monitor performance of the Corporation and its subsidiaries against both short-term and long-term strategic plans and annual performance targets, and monitor compliance with Board policies and the effectiveness of risk management practices.

- Ensure that the boards of directors or managers of the Corporation's subsidiaries monitor compliance by management of its subsidiaries with internal controls and effective management information systems.

(e) Develop Board Processes

- Develop procedures relating to the conduct of the Board's business and the fulfillment of the Board's responsibilities.

- Develop the Board's approach to corporate governance through the Corporation's Human Resources, Compensation and Corporate Governance Committee (the "HR Committee").

4. QUALIFICATIONS OF DIRECTORS

Directors are expected to have the highest personal and professional ethics and values and be committed to advancing the best interests of the Corporation and its securityholders. They are also expected to possess skills and competencies in areas that are relevant to the Corporation's activities and that enhance the ability of the Board to effectively oversee the business and affairs of the Corporation and its subsidiaries.

A majority of the Board must be independent. Independence shall have the meaning, as the context requires, given to it in Multilateral Instrument 52-110 *Audit Committees*, as may be amended from time to time. The Chairperson of the Board is expected to be an independent director but, if the Chairperson is not independent, then there will be an independent lead director. The Chairperson should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

Each director must have an understanding of the Corporation's and its subsidiaries' principal operational and financial objectives, plans and strategies, financial position and performance as well as the performance of the Corporation and its subsidiaries relative to their principal competitors. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the Chairperson of the HR Committee and, if determined appropriate by the Board on the recommendation of the HR Committee, resign from the Board.

5. MAJORITY VOTING POLICY

At meetings of shareholders at which directors are to be elected, shareholders will vote in favor of, or withhold from voting for, each nominee separately. If, with respect to any particular nominee, the number of votes withheld exceeds the votes cast in favour of the nominee, then for purposes of this policy the nominee shall be considered not to have received the support of the shareholders, even though duly elected as a matter of corporate law.

An individual elected as a director who is considered under this policy not to have the support or confidence of the shareholders is expected forthwith to submit to the Chairperson of the Board his or her resignation from the Board. The HR Committee will consider the director's offer to resign and make a recommendation to the Board as to whether to accept it. A director who has tendered a resignation pursuant to this policy will not participate in any deliberations of the HR Committee or the Board with respect to his or her resignation.

Within ninety (90) days of receiving a director's resignation, the Board will make a decision and issue a press release either announcing the resignation of the director or explaining why it has not been accepted. In determining whether or not to accept the resignation, the Board will take into account the factors considered by the HR Committee and any other factors the Board determines are relevant.

Subject to any corporate law restrictions, the Board may: (i) leave the resultant vacancy unfilled until the next annual meeting of shareholders, (ii) fill the vacancy through the appointment of a new director who merits the confidence of the shareholders, or (iii) call a special meeting of shareholders to fill the vacant position.

This majority voting policy does not apply to contested elections in which the number of director nominees for election is greater than the number of director positions on the Board. In contested elections, the directors shall be elected by the vote of a plurality of the votes cast.

6. MEETINGS

The Board has meetings at least once in each quarter, with additional meetings held when required. Additional meetings may be called by the Chairperson or any two directors on proper notice. The independent directors will hold regularly scheduled meetings at which members of management and non-independent directors are not in attendance.

The Chairperson is primarily responsible for the agenda. Prior to each Board meeting, the Chairperson will discuss agenda items for the meeting with the Chief Executive Officer and other members of the Board. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management of the Corporation or its subsidiaries, or at any Board meeting raise subjects that are not on the agenda for that meeting.

The HR Committee and the Audit Committee generally have meetings quarterly, with additional meetings held when required. Meeting frequency and agendas for the standing committees may change from time to time, however, depending on opportunities or risks faced by the Corporation and its subsidiaries. The Chairperson of a committee or any two members of a committee may call a committee meeting, request that an item be included on the committee's agenda or raise subjects that are not on the agenda for that meeting. Audit Committee meetings can also be called by the Corporation's auditor or Chief Financial Officer.

Notice of the place, day and time of each Board or committee meeting must be served on each director or committee member at least 48 hours prior to the meeting. Director or committee members may waive notice of any meeting, and attendance at a meeting without objection is deemed to be waiver of notice. The notice needs to state the purpose or purposes for which the meeting is being held.

(a) Procedures for Board Meetings

- Subject to any applicable by-laws, procedures for Board meetings are determined by the Chairperson unless otherwise determined by a resolution of the Board.

- Subject to any applicable by-laws, procedures for committee meetings are determined by the committee chairperson unless otherwise determined by a resolution of the committee or the Board.

- A quorum for any Board or committee meeting shall be as required by the constating documents of the Corporation or its subsidiary as applicable.

7. DIRECTORS' RESPONSIBILITIES

(a) Attendance and Participation

- Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. A director who is unable to attend a meeting in person may participate by telephone or teleconference. The Board or any committee may also take action from time to time by unanimous written consent.

- In advance of each Board or committee meeting, members will receive the proposed agenda and other materials necessary for the directors' understanding of the matters to be considered. Directors are expected to spend the time needed to review the materials in advance of such meetings and to actively participate in such meetings.

(b) Service on Other Boards and Audit Committee

- The Board does not believe that its members should be prohibited from serving on the boards of other companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chairperson in advance of accepting an invitation to serve on the board of another company and, as a general rule, directors are not allowed to join a board of another company on which two or more other directors of the Corporation serve. In addition, directors cannot be on the board of a competitor of the Corporation.

- Members of the Audit Committee may not serve on the audit committees of more than two other companies without the prior approval of the Board.

(c) Access to Independent Advisors

- The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Corporation's subsidiaries and have the authority to determine the advisors' fees and other retention terms. Any director may, subject to the approval of the Chairperson, retain an outside advisor at the expense of the Corporation's subsidiaries.

8. EVALUATION OF BOARD, DIRECTORS AND COMMITTEES

The HR Committee, in consultation with the Chairperson, will ensure that an appropriate system is in place to evaluate and perform an annual evaluation of the effectiveness of the Board as a whole as well as the committees of the Board, and the boards of directors or managers and board committees of the Corporation's subsidiaries, to ensure they are fulfilling their respective responsibilities and duties. In connection with these evaluations, each director will be requested to provide his or her assessment of the effectiveness of the Board and each committee as well as the performance of individual directors. These evaluations should take into account the competencies and skills each director is expected to bring to his or her particular role on the Board or on a committee, as well as any other relevant facts.

9. **MANAGEMENT**

(a) Management's Role

- The primary responsibility of management of the Corporation and its subsidiaries is to safeguard the Corporation's assets and to create wealth for securityholders. When performance is found to be inadequate, the Board has the responsibility to bring about appropriate change.

- In managing the Corporation, management should also have regard to the interests of the Corporation's other stakeholders, such as the Corporation's employees, customers, suppliers, creditors and the communities in which the Corporation operates.

- Management of the Corporation and its subsidiaries is under the direction of the Chief Executive Officer. The Board shall take such steps as it deems necessary to satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Corporation and its subsidiaries and that such individuals create a culture of integrity throughout the Corporation and its subsidiaries.

(b) Management's Relationship to the Board

- Senior management of the Corporation and its subsidiaries, primarily through the Chief Executive Officer, reports to and is accountable to the Board, or the board of such subsidiary which, in turn, is accountable to the Board.

- Business plans are developed to ensure the compatibility of securityholder, Board and management views on the Corporation's and its subsidiaries' strategic direction, performance targets and utilization of securityholders' equity. A special meeting of the Board is held each year to review the strategic initiatives and the business plan submitted by senior management of the Corporation and its subsidiaries.

(c) Board Access to Business Information and Management

- Information provided by and access to management is critical to directors' effectiveness. In addition to the reports presented to the Board at its regular and special meetings, the Board is also kept informed on a timely basis by management of the Corporation and its subsidiaries with respect to developments and key decisions taken by management in pursuing the Corporation's and its subsidiaries' business plan. Subject to notifying the Chairperson and the Chief Executive Officer in advance, directors should have direct access to senior management of the Corporation and its subsidiaries. The directors periodically assess the quality, completeness and timeliness of information provided by management to the Board.

(d) Management Performance Review and Rewards

- The HR Committee annually reviews the position description of the Chief Executive Officer and establishes objectives against which his or her performance is reviewed, with his or her compensation being assessed against these agreed objectives. Similar reviews and assessments are undertaken for other members of senior management in consultation with the Chief Executive Officer.

- The compensation plans of the Corporation and its subsidiaries are based on maintaining a direct link between management rewards and the wealth created for securityholders.

10. COMMUNICATION AND DISCLOSURE POLICIES

The Corporation has adopted a Disclosure and Insider Trading Policy which summarizes its policies and practices regarding disclosure of material information to investors, analysts and the media. The purpose of this policy is to ensure that the Corporation's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation. This Disclosure and Insider Trading Policy is reviewed annually by the Board and will be available on the Corporation's website.

The Corporation endeavors to keep its securityholders informed of its progress through a comprehensive annual report, annual information form, quarterly interim reports and periodic press releases. It also maintains a website that provides summary information about the Corporation and ready access to its published reports, press releases, statutory filings and supplementary information provided to analysts and investors. Directors and management meet with the Corporation's securityholders at the annual meeting and are available to respond to questions at that time.

The Corporation also maintains an investor relations program to respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts, financial advisors and interested members of the public to ensure that accurate information is available to investors, including quarterly conference calls and webcasts to discuss the Corporation's financial results. The Corporation also endeavors to ensure that the media is kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Corporation's designated spokespersons.

11. CODE OF BUSINESS CONDUCT AND ETHICS

The Board expects all directors, officers and employees of the Corporation and its subsidiaries to conduct themselves in accordance with the highest ethical standards and to adhere to the Corporation's Code of Business Conduct and Ethics. Waivers of the Code of Business Conduct and Ethics will only be granted in exceptional circumstances where the waiver would not be inconsistent with the spirit of the Code of Business Conduct and Ethics and following consultation with legal counsel. Any waiver of the Code of Business Conduct and Ethics for officers or directors may only be made by the Board or the HR Committee and will be disclosed to securityholders by the Corporation to the extent required by law, regulation or stock exchange requirement. Employees may seek waivers from the CEO and any such waivers will be promptly reported to the Board.

12. PROHIBITION ON PERSONAL LOANS

The Corporation will not, either directly or indirectly, including through its subsidiaries, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or executive officer.

13. ORIENTATION AND CONTINUATION EDUCATION OF DIRECTORS

The holders of the common shares and income deposit securities of the Company are best served by the Board comprised of individuals who are well versed in modern principles of corporate governance and other subject matters relevant to Board service and who thoroughly comprehend the role and responsibilities of an effective Board in the oversight and management of the Corporation and its subsidiaries. The Chairperson of the HR Committee, with the assistance of the Chief Executive Officer, shall develop an orientation and continuing education program for all directors of the Corporation and its subsidiaries. This program will be articulated in a separate director orientation and continuing education policy that will be reviewed by the HR Committee on an annual basis.

APPENDIX

Position Description of Chairperson

The Chairperson of the Board of the Corporation is principally responsible for overseeing the operations and affairs of the Board. It is expected that the Chairperson will be independent but, if not, there will be a lead independent director. In fulfilling his or her responsibilities, the Chairperson will:

(a) provide leadership to foster the effectiveness of the Board;

(b) ensure there is an effective relationship between the Board and senior management of the Corporation and its subsidiaries;

(c) ensure that the appropriate committee structure is in place and assist the Human Resources, Compensation and Corporate Governance Committee (the "HR Committee") in making recommendations for appointments to such committees;

(d) in consultation with the other members of the Board and the Chief Executive Officer, prepare the agenda for each meeting of the Board;

(e) ensure that all directors receive the information required for the proper performance of their duties, including information relevant to each meeting of the Board;

(f) chair Board meetings, including stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual directors and confirming that clarity regarding decision-making is reached and accurately recorded;

(g) together with the HR Committee, ensure that an appropriate system is in place to evaluate the performance of the Board as a whole, the Board's committees and individual directors, and make recommendations to the HR Committee for changes when appropriate;

(h) work with the Chief Executive Officer and other members of senior management to monitor progress on strategic planning, policy implementation and succession planning; and

(i) provide additional services required by the Board.

Position Description of Committee Chairperson

A committee chairperson is principally responsible for overseeing the operations and affairs of his or her particular committee. In fulfilling his or her responsibilities, the chairperson will:

(a) provide leadership to foster the effectiveness of the committee;

(b) ensure there is an effective relationship between the Board and the committee;

(c) ensure that the appropriate charter is in effect and assist the HR Committee in making recommendations for amendments to the charter;

(d) in consultation with the other members of the committee and Board, where appropriate, prepare the agenda for each meeting of the committee;

(e) ensure that all committee members receive the information required for the proper performance of their duties, including information relevant to each meeting of the committee;

(f) chair committee meetings, including stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual members and confirming that clarity regarding decision-making is reached and accurately recorded;

(g) together with the HR Committee, ensure that an appropriate system is in place to evaluate the performance of the committee as a whole, the committee's individual members, and make recommendations to the HR Committee for changes when appropriate; and

(h) provide additional services required by the Board.