



NEW FLYER INDUSTRIES INC.

**NOTICE OF ANNUAL AND SPECIAL MEETING
AND MANAGEMENT INFORMATION
CIRCULAR**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 13, 2010**

April 9, 2010

NEW FLYER INDUSTRIES INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special 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 13, 2010, 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 3, 2010, 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 RATIFY THE INCREASE** in the number of directors of NFI from six members to seven members;
4. **TO ELECT** seven members of the board of directors of NFI;
5. **TO APPROVE** the issuance of income deposit securities (“**IDSs**”) (including the underlying common shares of NFI) to certain members of the current and former management team of NFI and/or its subsidiaries in connection with the exchange or redemption of their indirectly held Class B common shares and Class C common shares of NFI’s subsidiary, New Flyer Holdings Inc., in satisfaction of their contractual liquidity rights granted at the time of NFI’s initial public offering in 2005; and
6. **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 9th day of April, 2010.

BY ORDER OF THE BOARD OF DIRECTORS

By: “The Honourable Brian Tobin”

The Honourable Brian Tobin
Chairman 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, 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 and special meeting (the “**Meeting**”) of shareholders (the “**Shareholders**”) of NFI to be held on May 13, 2010, 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.

Each income deposit security of NFI (“**IDS**”) represents one common share (“**Common Share**”) of NFI and C\$5.53 principal amount of 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. All references to “**Common Shares**” in this Information Circular include Common Shares held separately or as a component of IDSs.

The information contained in this Information Circular is given as at April 9, 2010, 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) The Canadian Depository for Securities Limited or its nominee (“**CDS**”), which holds global certificates representing the outstanding IDSs, and Common Shares that have been separated (if any), 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 the IDSs and Common Shares that you own, maintain written records (book-entries) of who are the beneficial owners of IDSs and Common Shares and how many IDSs and Common Shares 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 IDSs and Common Shares.

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 ADP Investor Communications (“**ADP IC**”)) 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 ADP IC 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 Somebody 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.

<p><i>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 the Common Shares.</i></p>
--

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 employees 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 the Agent's representative, you may also require the Agent 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 Agent 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.

Appointment of Proxies

The persons named in the form of proxy are representatives of NFI. The NFI representatives designated in the form of proxy will vote 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. The

Agent will vote Common Shares underlying IDSs in respect of which they are instructed on any ballot that may be called for, in accordance with your instructions.

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

- (a) **FOR** the ratification of the increase in the number of directors of NFI from six members to seven members;
- (b) **FOR** the election of the seven nominees to the board of directors listed under the heading “Matters to be Considered at the Meeting - Election of Directors”, those nominees being all of the current members of the board of directors of NFI;
- (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; and
- (d) **FOR** the issuance of IDSs (including the underlying Common Shares) to certain members of the Company’s current and former management team in connection with the exchange or redemption of their indirectly held Class B common shares and Class C common shares of NFI’s subsidiary, New Flyer Holdings Inc., in satisfaction of their contractual liquidity rights granted at the time of NFI’s initial public offering in 2005.

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 10, 2010 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 chairman 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 47,323,100 Common Shares and IDSs outstanding. All of the outstanding Common Shares are registered in the name of the Agent and are held by the Agent in trust for the holders of the IDSs.

At the Meeting, each Shareholder of record at the close of business on March 31, 2010, 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, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to the Common Shares.

MATTERS TO BE CONSIDERED AT THE MEETING

Annual Meeting Matters

Financial Statements

The consolidated financial statements of NFI for the fiscal year ended January 3, 2010, 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 its inception.

Ratification of 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. The Board increased the number of directors of the Board from six to seven members and appointed Patricia Jacobsen as a new director to the Board on November 12, 2009. The shareholders are being asked to re-elect Ms. Jacobsen at this time. In order to elect Ms. Jacobsen as a director, the shareholders are also being asked to ratify the increase in the number of directors of NFI from six to seven 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 ratification of the increase in the number of directors of NFI from six to seven members. The management representatives designated in the enclosed form of proxy (if not expressly directed to the contrary in such form) also intend to vote **FOR** the election, as Directors, of the nominees whose names are set out below. All nominees 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 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.

The following table sets forth the names of, and certain information for, the persons nominated for election as directors. Biographies for each Director, which include a summary of each Director’s principal occupation and employment within the five preceding years, are set out on pages 49 and 50 of NFI’s Annual Information Form for

the financial year ended January 3, 2010 (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.

Name and Province and Country of Residence	Position with NFI	Principal Occupation	Director Since	Ownership or Control Over Voting Securities (IDSs/ Common Shares)
The Honourable Brian Tobin ^{a, b} Toronto, Ontario, Canada	Director	Senior Business Advisor, Fraser Milner Casgrain LLP	June 16, 2005	32,300 ^d
V. James Sardo ^{a, b, c} Mississauga, Ontario, Canada	Director	Corporate Director	June 16, 2005	22,000 ^e
Wayne M.E. McLeod ^{a, b} Toronto, Ontario, Canada	Director	Corporate Director	June 16, 2005	6,800
Larry Edwards ^{a, b, f} Tulsa, Oklahoma, USA	Director	Corporate Director	September 3, 2008	102,176 ^g
John Marinucci ^b Oakville, Ontario, Canada	Director	Corporate Director ^h	June 16, 2005	96,600 ⁱ
Patricia Jacobsen ^b Vancouver, British Columbia	Director	Corporate Director	November 12, 2009	0
Paul Soubry Winnipeg, Manitoba, Canada	Director	President and Chief Executive Officer, NFI ^j	May 11, 2009	33,800

a Member of the Audit Committee.

b Member of the Compensation, Nominating 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 52 of the AIF.

d Mr. Tobin owns 14,000 IDSs directly and has control over 18,300 IDSs.

e Mr. Sardo owns 20,000 IDSs directly and is a trustee of a trust that holds 2,000 IDSs.

f 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 50 of the Annual Information Form.

g Mr. Edwards owns 19,816 IDSs directly and has control over or is a beneficiary of 82,360 IDSs.

h 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.

i See also “Interests of Management Optionholders” on page 29 of this Information Circular.

j 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.

Special Business

Proposed Retained Interest Conversion

As described in NFI’s continuous disclosure filings, upon the closing of the initial public offering of NFI on August 19, 2005, certain members of the Company’s current and former management team (the “**management optionholders**”) exchanged their former stock options for cash and fully vested options exercisable for non-voting units of New Flyer LLC (“**NFL LLC**”). NFL LLC, in turn, was issued Class B common shares and Class C common shares (“**Class B Shares**” and “**Class C Shares**”, respectively) of New Flyer Holdings, Inc. (“**NFL Holdings**”), a subsidiary of NFI and an indirect holding company of New Flyer’s operating business. The Class B Shares and Class C Shares represent the retained ownership interest of the prior owners and management of the business. Under the terms of the Class B Shares and Class C Shares and the Securityholders Agreement of NFL

Holdings, holders have the right (referred to as the “**Liquidity Right**”), in certain circumstances, to request NFL Holdings to use its best efforts to arrange financing to acquire or purchase for cancellation their Class B Shares and/or Class C Shares. Such financing may include an offering of IDSs.

In 2007 and twice in 2008, the Liquidity Right was exercised by New Flyer Transit, L.P. (an entity comprised of the pre-IPO shareholders) and, on the first two occasions by NFL LLC. New Flyer subsequently completed public offerings of IDSs in order to finance the purchase for cancellation of a portion of the Class B Shares and Class C Shares. In the case of NFL LLC, the cash proceeds were used to purchase for cancellation a portion of the options held by the management optionholders. As of the closing of the second public offering in 2008, all of the Class B Shares and Class C Shares held by New Flyer Transit, L.P. had been purchased for cancellation. As of the date hereof, the management optionholders hold, through the remaining Class B and Class C Shares held by NFL LLC, an approximate 5% economic interest in NFL Holdings and the remaining approximate 95% economic interest is held by NFL. The management optionholders include the following current directors and officers of New Flyer: John Marinucci, Glenn Asham, David White, Paul Smith, Hans Peper and Janice Harper, who hold in the aggregate approximately 64% of the outstanding options to acquire non-voting units of NFL LLC. Persons who are former managers and are no longer employed by New Flyer hold in the aggregate approximately 32% of the outstanding options and the remaining approximate 4% of the outstanding options are held by certain non-executive employees of New Flyer.

Rather than conducting a further public offering of IDSs to finance the purchase of the remaining Class B Shares and Class C Shares held by NFL LLC on the exercise of its Liquidity Right, New Flyer proposes to engage in a series of transactions that will result in the exchange or redemption of such Class B Shares and Class C Shares, the cancellation of all remaining options of the management optionholders and the issuance of new IDSs to the management optionholders based on the closing price of the IDSs on the TSX on the second day before the completion of the transactions (the “**Retained Interest Conversion**”). In this manner, the management optionholders’ existing ownership interest in New Flyer would be converted into a continuing ownership interest in the form of IDSs with a similar result as if the Liquidity Right was exercised for cash proceeds which were in turn used by the management optionholders to acquire newly issued IDSs at the prevailing market price. Upon the completion of the Retained Interest Conversion, the management optionholders would receive, in the aggregate, approximately 2.1 million IDSs, representing approximately 4% of the outstanding IDSs. Accordingly, on completion of the Retained Interest Conversion, the management optionholders’ percentage ownership interest, in the aggregate, in New Flyer’s business will remain substantially unchanged.

The precise number of IDSs to be issued will vary depending on the exchange rate between the Canadian dollar and the US dollar at the time the transactions are completed (the “**Closing Exchange Rate**”) in a manner consistent with the provisions of the Securityholders Agreement of NFL Holdings. Specifically, the aggregate number of IDSs to be issued will be equal to the aggregate number of Class B Shares and Class C Shares outstanding adjusted as follows (x) if the Closing Exchange Rate is lower than US\$1 = C\$1.2038, such number will be reduced by the percentage by which the Closing Exchange Rate is less than US\$1=C\$1.2038, and (y) if the Closing Exchange Rate is greater than US\$1 = C\$1.2038, such number will be increased by the percentage by which the Closing Exchange Rate is greater than US\$1=C\$1.2038. In all cases, the number of IDSs received by the management optionholders would be no greater than the number of IDSs that would be issued in a public offering of IDSs to provide cash to purchase for cancellation the Class B Shares and Class C Shares held indirectly by the management optionholders.

The IDSs received by the management optionholders would be issued on a private placement basis and would not be freely tradeable for a period of four months pursuant to Canadian securities laws. Some of the management optionholders (who are not directors or officers of New Flyer) may elect to receive cash instead of IDSs. Such cash payments, together with certain withholding taxes payable by the management optionholders, would be funded by the acquisition of a portion of the newly issued IDSs by other management optionholders or directors or officers of New Flyer. Such acquisitions would involve not more than approximately 7% of the aggregate number of IDSs to be received by the management optionholders and would be completed at the prevailing IDS market price.

Completing the Retained Interest Conversion transactions to satisfy the management optionholders’ Liquidity Right rather than completing another public offering of IDSs would provide the following benefits to New Flyer and its IDS holders:

- The transaction costs required to be borne by New Flyer for the Retained Interest Conversion would be significantly lower than completing another public offering of IDSs given that there would be no need for a prospectus or the underwriting process and the associated accounting, legal, printing and other costs. Management expects that these cost savings for New Flyer to be approximately Cdn\$2,000,000.
- A public offering requires significant time and focus from management that could otherwise be devoted to running and improving New Flyer's business.
- A public offering would be completed at a discount to the prevailing market price of the IDSs, which could adversely affect the IDS trading price for all IDS holders. (In the case of New Flyer's three prior follow-on public offerings of IDSs, the issue price represented an average discount to the prevailing market price of approximately 5.6%.) The Retained Interest Conversion does not involve the issuance of IDSs at a discount.
- Instead of receiving cash, as in the case of a public offering, the management optionholders would receive IDSs representing a continuing ownership interest in New Flyer.

The Retained Interest Conversion is also more cost efficient for the management optionholders in that their proceeds would not be reduced by the amount of underwriting fees and issue price discount associated with a public offering.

From the perspective of ongoing cash distributions, management expects that the issuance of new IDSs in exchange for the Class B Shares and Class C Shares will be either cash flow neutral or slightly accretive for New Flyer. This expectation is based on the current level of distributions paid on the Class B and Class C Shares and the IDSs and the number of IDSs expected to be issued in connection with the Retained Interest Conversion.

The Toronto Stock Exchange requires that the issuance of IDSs in connection with the Retained Interest Conversion be approved by Shareholders because the transaction has been reviewed under its security based compensation policies. The number of votes required to approve the issuance of IDSs in connection with the Retained Interest Conversion shall be not less than 50.1% of the votes cast by Shareholders (excluding votes cast by management optionholders who currently hold IDSs), represented either in person or by proxy, at the Meeting.

Following receipt of the requisite approval by Shareholders, New Flyer expects to complete the Retained Interest Conversion transactions by the end of May 2010.

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 approval of the issuance of IDSs in connection with the Retained Interest Conversion.

COMPENSATION DISCUSSION AND ANALYSIS

Currency

For reporting purposes, NFI prepares its financial statements in United States dollars and in conformity with accounting principles generally accepted in Canada, or Canadian GAAP. Although all compensation was earned by NFI's named executive officers ("NEOs") and Directors and was paid by NFI in Canadian dollars, all amounts in this Compensation Discussion and Analysis are expressed in United States dollars, except where otherwise indicated. All United States dollar amounts disclosed in this Compensation Discussion and Analysis were determined by multiplying the NEOs' and the Directors' compensation earned in Canadian dollars by an exchange rate of Cdn.\$0.9515 = US\$1.00. This foreign exchange rate was the Bank of Canada's closing exchange rate on December 31, 2009.

Named Executive Officers

NFI's NEOs are determined in accordance with applicable securities laws. In 2009, the NEOs were:

Name	Title
John Marinucci ⁽¹⁾	President and Chief Executive Officer
Paul Soubry ⁽²⁾	President and Chief Executive Officer
Glenn Asham	Chief Financial Officer and Treasurer
Paul Smith	Executive Vice President, Sales and Marketing
Hans Peper	Executive Vice President, Customer Services
David White	Executive Vice President, Supply Management

(1) 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.

(2) 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.

Executive Compensation Philosophy and Objectives

The objectives of the Company with respect to compensation of executive officers are to provide compensation levels necessary to attract and retain highly qualified executives and to motivate key executives to contribute to the business and financial objectives of the Company by:

- providing compensation levels competitive with compensation levels at peer group companies in the transportation manufacturing industry;
- linking executive compensation to corporate performance and the creation of shareholder value;
- rewarding achievement of corporate and individual performance objectives; and
- promoting internal equity and a disciplined qualitative and quantitative assessment of performance.

Annual Compensation Process

Compensation, Nominating and Corporate Governance Committee

NFI's compensation, nominating and corporate governance committee (the "**Governance Committee**") is responsible for, among other things, approving, determining and/or making recommendations to the Directors concerning the principal elements of executive compensation for the NEOs (including the President and Chief Executive Officer ("**CEO**")) and the Company's other executives. The Governance Committee also reviews and makes recommendations to the Directors 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 six directors: V. James Sardo (Chair), The Honourable Brian Tobin, Wayne McLeod, Larry Edwards, Patricia Jacobsen and John Marinucci. All the members of the Governance Committee are directors who are independent of management. None of the members of the Governance Committee is an officer, employee or former officer or employee of NFI or any of its affiliates, except for Mr. Marinucci who 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.

The following discussion describes the factors that the Governance Committee considers in determining and approving compensation for the Company's executives.

Factors Considered in Determining Compensation

In determining the total potential amount of compensation to be awarded to an executive for a particular year, the Governance Committee generally considers, among other things, the following factors:

- *Scope of Responsibility.* The Governance Committee attempts to set each executive's compensation at a level commensurate with the scope of the executive's responsibility. In general, the greater the scope of an executive's responsibility, the greater the total compensation that will be awarded to the executive.
- *Performance.* The Board and the Governance Committee believe that a key factor in determining the amount of an executive's compensation is the Company's financial and operational performance, as well as the executive's individual performance. The Board assesses the Company's performance primarily based on objective factors, such as achieving certain "Adjusted EBITDA", "Distributable Cash" and "payout ratio" targets as described below. Other objective measures of the Company's performance may include other operational measures. Individual performance is primarily assessed based on subjective measures of performance and the achievement of individual executive objectives. The Board and the Governance Committee have in the past and in appropriate circumstances awarded discretionary bonuses to executives. Additional information regarding the relationship between the historical performance of the IDSs and the Company's compensation to executives is set forth below under the heading "Performance Graph".
- *Skills and Experience.* One of the objectives of the Company's compensation program is to attract and retain highly qualified and experienced executives. In general, the greater the level of skill and experience of an executive, the greater the total compensation that will be awarded to the executive.
- *Compensation Levels at Comparable Companies.* From time to time the Governance Committee may compare compensation paid to the Company's executives to the compensation paid to executives at other similarly situated companies. In November, 2009, the Governance Committee retained Towers Perrin Inc. to conduct a review of executive compensation. The executive compensation review continues and no decisions have been made as of the date hereof, except for the compensation of the CEO.

The executive compensation study compared CEO compensation relative to North American comparator peer groups. The CEO position was compared against benchmark positions based on the role and responsibilities of chief executive officers in similarly-sized representative organizations. The Canadian and United States comparator companies are listed in Schedule "A" to this Information Circular. The North American competitive talent pool contained a blend of 40% Canadian companies and 60% United States companies. The Canadian data is representative of organizations that are of similar size to the Company (on the basis of revenue) in general industry, but excludes financial services, insurance and retail businesses. The United States data is representative of organizations in the Industrial Manufacturing, Automotive and Transportation Vehicles, and Transportation industries of similar size to the Company (on the basis of revenue). Additional considerations in comparing CEO compensation included an analysis of the competitive market in the Company's industry and assessment of the Company's business model and operating scope.

- *Recommendations of Management.* Although the Governance Committee is responsible for determining and, where mandated or in its discretion, making recommendations to the Board regarding, compensation to be paid to the Company's executives, the Governance Committee believes that the CEO provides useful input in advising on recommended levels of compensation for the NEOs (other than the CEO) because he is well-positioned to assess their individual performance and contribution to the Company's overall performance. The Governance Committee considers the recommendations and other relevant information provided by the CEO.

The Governance Committee does not apply a mathematical formula in considering the factors described above, and the weight to be assigned to each factor may vary from year to year and among executives. In allocating total compensation among each element of the Company's compensation program, the Governance Committee will consider a variety of factors, including the total compensation to be awarded to an executive, decisions with respect to the other elements of compensation and the Governance Committee's views regarding the relative importance of the objectives listed above with respect to any particular fiscal year.

Elements of Executive Officer Compensation

The Company's executive compensation program is comprised of the following components: (1) salary; (2) short-term cash bonus incentive plan ("**STIP**"); (3) long-term incentive component based on the performance unit plan ("**PUP**") and, for certain NEOs, ending at the end of fiscal 2009, based on the long term incentive plan ("**LTIP**"); and (4) benefits (including retirement benefits) and perquisites.

Salary

Base salary is the principal fixed component of pay, and is intended to compensate executive officers for fulfilling their duties and assists in the attraction and retention of key executives. Base salaries for each of the NEOs are initially set in their respective employment agreements. These salaries, and the other terms of the employment agreements, are developed through negotiation with each NEO and based on a consideration of the factors described above under the heading "Annual Compensation Process – Factors Considered in Determining Compensation." Salaries are reviewed by the Governance Committee and the Board on an annual basis, and merit increases are considered for all executive officers and are generally effective on or about January 1st of each year. Salaries paid to the NEOs in 2009 are reflected in the "Summary Compensation Table" on page 18 of this Information Circular.

Short-Term Incentive Plan (Non-Equity Bonus Plan)

In 2005 the Company implemented a short-term cash bonus incentive plan (or "**STIP**") in order to align the interests of the Company's executives with the short-term interests of NFI's securityholders. All executive officers are eligible to participate in the STIP. Payments under the STIP are determined based upon the Company achieving certain short-term strategic, financial and/or operational measures, which are set annually by the Governance Committee, in consultation with the CEO and as approved by the Board. Currently, payments under the STIP are based on the Company achieving certain "Adjusted EBITDA" and "payout ratio" targets for the fiscal year, both of which are performance measures that NFI regularly reports in its quarterly and annual financial filings. Payout ratio refers to the aggregate amount of cash distributions on the IDSs and the Class B Shares and Class C Shares held by New Flyer LLC, expressed as a percentage of "Distributable Cash". Definitions of Adjusted EBITDA and Distributable Cash are provided in NFI's consolidated annual financial statements for the fiscal year ended January 3, 2010. In setting the target performance levels each year, the Governance Committee considers, among other things, the Company's historical and projected levels of Adjusted EBITDA, Distributable Cash and the payout ratio. The Governance Committee has selected Adjusted EBITDA and payout ratio as the applicable performance measures because the committee believes that these measures are reflective of the short-term interests of IDS holders.

Under the STIP, the Governance Committee establishes bonus milestones based on the achievement of certain Adjusted EBITDA and payout ratio targets and a corresponding payout for the milestone achieved, expressed as a percentage of the executive's base salary. The minimum targets are based on management's budgeted projections of Adjusted EBITDA and the payout ratio for the particular fiscal year and no payments are made if the Company does not achieve the minimum targets. Generally, as the Company generates higher levels of Adjusted EBITDA and lowers

its payout ratio, the aggregate bonus payment increases (subject to a maximum). The Governance Committee believes that this structure strongly motivates executives to generate high levels of Adjusted EBITDA and high levels of Distributable Cash, thereby lowering the Company's payout ratio.

The targets under the STIP are set based on the Company's annual business plan approved by the Board and takes into account the risks of and opportunities for the Company in achieving the annual strategic, financial and operational measures. The targets set out in the annual STIP are weighted as described below as the Governance Committee and the Board believe that IDS holders view Adjusted EBITDA as a proxy for the value of the Company and that the Company's payout ratio is considered a reasonable measure of the Company's ability to sustain distributions on its IDS. The Governance Committee and the Board believe that the set STIP targets will be challenging for the Company to achieve; in addition a payout to management under the STIP is not guaranteed.

The Company generates revenue and income in both Canada and the United States, and prepares and reports its financial statements in United States dollars. The amount of Adjusted EBITDA generated by the Company throughout the year fluctuates based on the U.S. dollar / Canadian dollar foreign exchange rate. In setting the STIP targets, the Governance Committee and the Board have determined that, as fluctuations in the foreign exchange rates are beyond the control of management, participants in the STIP should neither benefit nor be disadvantaged from the effects these fluctuations have on the Company's Adjusted EBITDA. The Governance Committee and the Board have therefore decided that the Company's Adjusted EBITDA should be normalized at an exchange rate of US \$1.00 = Cdn. \$1.25 in determining the Adjusted EBITDA bonus milestone under the STIP. This exchange rate was the budgeted foreign exchange rate used in the annual business plan approved by the Board for fiscal 2009 and reflected the Board's expectation for the average rate of foreign exchange in 2009.

For fiscal 2009, annual cash bonus milestones and possible bonus payout ranges for all of the NEOs under the STIP were as follows:

Bonus Milestones		Cash Bonus Range (% of Base Salary)		
Adjusted EBITDA ⁽¹⁾ (in millions of \$)	Payout Ratio	Adjusted EBITDA Bonus	Payout Ratio Bonus	Total Bonus
\$90 - \$125.5	85% - 65%	0-150%	0-50%	0-200%

- (1) As discussed above, in determining the payout under the STIP, the Company's actual Adjusted EBITDA results (before the provisions for the LTIP and the PUP) were normalized at an exchange rate of US\$1.00 = Cdn. \$1.25 to remove the effects of fluctuations in the rate of foreign exchange throughout 2009.

In fiscal 2009 NFI achieved “normalized” Adjusted EBITDA before the provisions for PUP and LTIP (as discussed above) of \$101.2 million and a payout ratio of 68%. Accordingly, the cash bonuses paid under the STIP to each NEO was equal to the percentage of base salary earned as set out in the table below. See the “Summary Compensation Table” on page 18 of this Information Circular.

Name and Title Of NEO	Percentage of Base Salary Which STIP Bonus Represents
John Marinucci ⁽¹⁾ <i>President and Chief Executive Officer</i>	71%
Paul Soubry ⁽²⁾ <i>President and Chief Executive Officer</i>	80%
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	76%
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	76%
Hans Peper <i>Executive Vice President, Customer Services</i>	76%
David White <i>Executive Vice President, Supply Management</i>	76%

(1) 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.

(2) 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.

Long-Term Incentive Component

Performance Unit Plan

Effective January 1, 2008, NFI ULC adopted the PUP to replace the LTIP (see description of the LTIP below). The purpose of the PUP is 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 financial performance. One of the key advantages of the PUP is that it will further align the interests of management and IDS holders given that the award grant and redemption values will be determined based on the market price of the IDSs.

Under the terms of the PUP, the Governance Committee may grant eligible participants each year Performance Units. Subject to vesting and other conditions in the PUP, Performance Units give holders the right to receive a cash payment equal to the fair market value of an IDS. When distributions are paid on an IDS, additional Performance Units equivalent to the amount of the distributions multiplied by the number of Performance Units held (and determined based on the then market price of the IDSs) will be credited to the participant’s Performance Unit account, and will vest at the same time as the underlying Performance Units.

When the Company achieves certain specified minimum Adjusted EBITDA targets, a percentage of the Performance Units granted to a participant will vest at the end of the third fiscal year following the date of grant as follows:

EBITDA Targets	Actual Adjusted EBITDA as a % of Target EBITDA	Vesting Percentage
Below Threshold EBITDA	less than 85%	0
At Threshold EBITDA	85%	35%
At Target EBITDA	100%	100%
At or above Maximum EBITDA	110% or more	200%

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. The number of Performance Units granted to each of the NEOs for fiscal 2009 were determined based on the percentage of such NEO's base salary set out in that NEO's employment agreement. Employment termination and certain change of control events occurring during a performance period affect the vesting and redemption of Performance Units, as described further in the "Termination and Change of Control Benefits" section below.

PUP Grants in Most Recently Completed Financial Year

Name and Title of NEO	Number of Performance Units Awarded	End of Performance Period Until Payout	Estimated Future Payouts ⁽¹⁾		
			Number of Threshold Units (35%)	Number of Target Units (100%)	Number of Maximum Units (200%)
John Marinucci ⁽²⁾ <i>President and Chief Executive Officer</i>	122,850	2011	42,998	122,850	245,700
Paul Soubry ⁽³⁾ <i>President and Chief Executive Officer</i>	101,351	2011	35,473	101,351	202,702
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	41,462	2011	14,512	41,462	82,924
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	46,069	2011	16,124	46,069	92,138
Hans Peper <i>Executive Vice President, Customer Services</i>	46,069	2011	16,124	46,069	92,138
David White <i>Executive Vice President, Supply Management</i>	41,462	2011	14,512	41,462	82,924

(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 EBITDA, the Target EBITDA and the Maximum EBITDA, respectively, as described in this section, with each Performance Unit having a value equivalent to the value of an IDS, consistent with the valuation for purposes of determining accounting fair value.

(2) 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. As a result of Mr. Marinucci's retirement from the Company, 112,856 of the Performance Units will be forfeited.

(3) 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.

Long-Term Incentive Plan

The PUP replaced the LTIP, which continued in effect through the end of fiscal 2009 for certain senior management who were participants of the LTIP on December 31, 2007. Like the PUP, the purpose of the LTIP was to provide eligible participants with compensation opportunities to attract, retain and motivate key personnel and reward senior management by making a significant portion of their incentive compensation directly dependent upon achieving key strategic, financial and operational objectives that were crucial to ongoing growth and profitability, strengthening the alignment of interests between employees of the Company and holders of IDSs.

Pursuant to the LTIP, NFL Holdings set aside a pool of funds based upon the amount, if any, by which Distributable Cash per IDS exceeds certain defined targets. The Governance Committee had the power to, among other things: (i) determine those individuals who participated in the LTIP; (ii) determine the level of participation of each participant; and (iii) determine the time or times when LTIP awards were to be paid to each participant. The Governance Committee limited the participation in the LTIP to senior management and determined that all of the senior management participating in the LTIP would share equally in the pool of funds set aside under the plan.

The LTIP provided for awards that may be earned based on the amount by which Distributable Cash per annum per IDS exceeds a base threshold per annum equal to \$1.10, or the “**Base Threshold**”. The percentage amount of that excess which forms the LTIP incentive pool was determined in accordance with the table below:

Percentage by which Distributable Cash per IDS exceeds the Base Threshold	Proportion of Excess Distributable Cash Available for LTIP Payments
5% or less	10%
Over 5% to 10%	15% of any excess over 5% to 10%
Greater than 10%	20% of any excess over 10%

The Base Threshold had initially been set for an initial term of three years, subject to the ability of the Governance Committee to adjust such threshold from time to time after the first anniversary of the closing of the IDS Offering. For fiscal 2009, the Governance Committee set the Base Threshold at \$1.17 per annum. The percentage by which Distributable Cash per IDS exceed the Base Threshold was 46%, which resulted in the following payments to NEOs under the LTIP. Awards under the LTIP were paid in cash and fully vested once earned.

Name and Title Of NEO	Long-Term Incentive Plan Payment (\$)
John Marinucci ⁽¹⁾ <i>President and Chief Executive Officer</i>	146,260
Paul Soubry ⁽²⁾ <i>President and Chief Executive Officer</i>	0
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	585,039
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	585,039
Hans Peper <i>Executive Vice President, Customer Services</i>	585,039
David White <i>Executive Vice President, Supply Management</i>	585,039

(1) 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.

(2) 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.

Discretionary Bonus

The Board and the Governance Committee have discretionary authority to award an annual cash bonus to reward exceptional individual results and accomplishments. With the exception of the CEO, no discretionary bonuses were awarded to any of the NEOs in respect of fiscal 2009 because the Governance Committee determined that the fiscal 2009 payments under the STIP were sufficient to adequately compensate the NEOs for their individual performance. The Board and the Governance Committee however, approved a discretionary cash bonus for the CEO in the amount of \$142,725 relating to fiscal 2009. This discretionary bonus was approved to reward and recognize the CEO for individual performance in 2009 and to address concerns with the competitiveness of the CEO total compensation as compared to the North American peer group of companies.

Benefits, Pension and Perquisites

The Company currently provides a limited number of perquisites to its executive management team in addition to other benefits available to employees generally in order to assist in the attraction and retention of key executives. These include the payment of contributions to the defined contribution plan. See also “Retirement Plan Benefits” on pages 20 and 21 of this Information Circular.

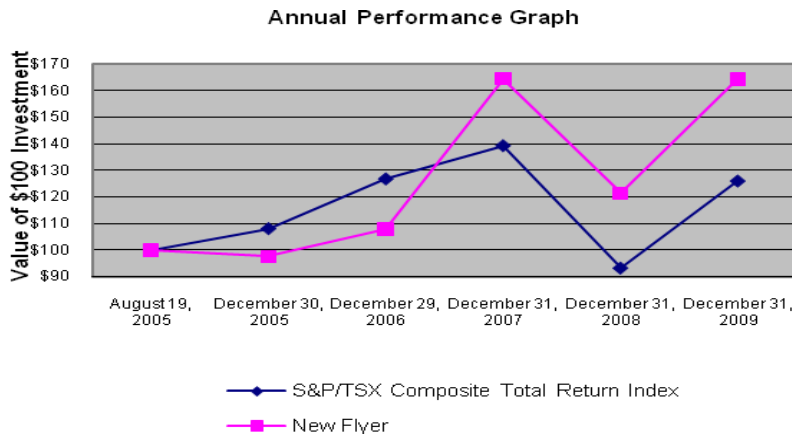
Compensation Changes Made after January 3, 2010

The Governance Committee and the Board has determined that the existing compensation program for the executives will remain in place for 2010. On the basis of the results of the CEO compensation study conducted by the Governance Committee in late 2009 and in order to reflect the median market base salary for the position of CEO, the Governance Committee and the Board adjusted the CEO's compensation effective January 1, 2010, by increasing the CEO's base salary from \$550,000 to \$650,000.

PERFORMANCE GRAPH

The following graph compares the total cumulative return on funds invested in IDSs (assuming reinvestment of distributions) with the total cumulative return of the Standard and Poors/TSX Composite Total Return Index (the "TSX Total Return Index") for the period from August 19, 2005, to January 3, 2010. On January 3, 2010, the IDSs closed at Cdn. \$10.05. For the period from August 19, 2005 to January 3, 2010, the total cumulative return of the IDSs outperformed the total cumulative return of the TSX Total Return Index by 30%.

As described above in this Information Circular, the Company's performance based compensation is based on the Company achieving Adjusted EBITDA and payout ratio targets, 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 and payout ratio generated by the Company on the one hand and the market price of IDSs on the other hand.



SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the NEOs for the year ended January 3, 2010.

Name and Title of NEO	Year	Salary	Share-based Awards ⁽¹⁾	Non-Equity Incentive Plan Compensation		Pension Value ⁽³⁾	All Other Compensation	Total Compensation ⁽⁴⁾
				Annual Incentive Plans ⁽²⁾				
				STIP	LTIP			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
John Marinucci ^{(5) (6)} <i>President and Chief Executive Officer</i>	2009	203,469	951,475	143,661	146,260	20,932	99,905	1,565,702
Paul Soubry ^{(7) (8)} <i>President and Chief Executive Officer</i>	2009	493,120	784,967	537,789	0	20,932	0	1,836,808
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	2009	256,898	321,123	193,942	585,039	20,932	0	1,337,934
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	2009	285,443	356,803	215,491	585,039	20,932	0	1,463,708
Hans Peper <i>Executive Vice President, Customer Services</i>	2009	285,443	356,803	215,491	585,039	20,932	0	1,463,708
David White <i>Executive Vice President, Supply Management</i>	2009	256,898	321,123	193,942	585,039	20,932	0	1,337,934

- (1) Represents the value of awards granted under the PUP.
- (2) Represents payments under the (i) STIP and any discretionary bonus payments, and (ii) LTIP, for fiscal 2009 (that were paid in fiscal 2010).
- (3) Represents contributions made by the Company to the executive's registered retirement plan.
- (4) Represents the sum of all amounts included in the other columns of the Summary Compensation Table.
- (5) 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. In addition to the salary earned while he was President and Chief Executive Officer of the Company, the salary amount disclosed in the Summary Compensation Table includes the salary paid to Mr. Marinucci during his tenure as Senior Advisor. Following his retirement, Mr. Marinucci also received \$99,905 for compensation as a Director for fiscal 2009, which amount is disclosed under the "All Other Compensation" column above.
- (6) Upon his retirement from the Company and in accordance with the terms of the PUP, Mr. Marinucci forfeited 112,856 performance units that were granted in 2009 (having a value of \$874,070). The amount disclosed under the "share-based awards" column above is the gross PUP award granted Mr. Marinucci and includes this forfeited amount.
- (7) 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. Mr. Soubry became a Director on May 11, 2009 but does not receive any fees in connection with his service as a Director.
- (8) The aggregate annual incentive plan payment 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.

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 3, 2010. The Company does not offer option-based awards as a compensation element to the NEOs.

Name and Title of NEO	Share-based Awards ⁽¹⁾	
	Number of shares or units that have not vested ⁽²⁾	Market or payout value of share-based awards that have not vested ⁽³⁾ (\$)
John Marinucci ⁽⁴⁾ <i>President and Chief Executive Officer</i>	203,101	1,928,590
Paul Soubry ⁽⁵⁾ <i>President and Chief Executive Officer</i>	101,351	962,401
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	67,544	641,379
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	74,157	704,174
Hans Peper <i>Executive Vice President, Customer Services</i>	74,157	704,174
David White <i>Executive Vice President, Supply Management</i>	67,544	641,379

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

(2) Represents the number of notional IDSs underlying the Performance Units granted under the PUP, which were unvested as at January 3, 2010.

(3) Represents the aggregate value of the IDSs listed in the adjacent column of this Share-Based Awards Table, calculated based on the market price of the IDSs on the TSX on January 3, 2010.

(4) 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. As a result of Mr. Marinucci’s retirement from the Company, 159,760 of the Performance Units will be forfeited (having a value of \$1,517,041).

(5) 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.

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 3, 2010, as well as the value of non-equity incentive plan compensation that the NEOs earned on or before January 3, 2010.

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	LTIP
	(\$)	(\$)	(\$)
John Marinucci ⁽³⁾ <i>President and Chief Executive Officer</i>	0	143,661	146,260
Paul Soubry ⁽⁴⁾ <i>President and Chief Executive Officer</i>	0	537,789	0
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	0	193,942	585,039
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	0	215,491	585,039
Hans Peper <i>Executive Vice President, Customer Services</i>	0	215,491	585,039
David White <i>Executive Vice President, Supply Management</i>	0	193,942	585,039

(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 2009.

(2) Represents bonus payments earned under the (i) STIP and any discretionary bonus payments, and (ii) the LTIP, for fiscal 2009 (that were paid in fiscal 2010).

(3) 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.

(4) 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.

RETIREMENT PLAN BENEFITS

The registered retirement plan for the executives of the Company based in Canada is a non-contributory defined contribution plan. All of the NEOs are executives 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 (none of whom are NEOs) 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	Non-compensatory	Accumulated value at year end
John Marinucci ⁽¹⁾ <i>President and Chief Executive Officer</i>	124,706	20,932	0	0
Paul Soubry ⁽²⁾ <i>President and Chief Executive Officer</i>	0	20,932	3,051	23,983
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	101,243	20,932	27,008	149,183
Paul Smith <i>Executive Vice President, Sales and Marketing</i>	151,137	20,932	12,587	184,656
Hans Peper <i>Executive Vice President, Customer Services</i>	101,644	20,932	22,804	145,380
David White <i>Executive Vice President, Supply Management</i>	109,932	20,932	25,106	155,970

- (1) 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. Upon his retirement, Mr. Marinucci withdrew all of the funds in his registered retirement plan (being approximately \$146,000).
- (2) 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.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Paul Soubry

NFI ULC entered into an indefinite term employment agreement with Paul Soubry commencing January 19, 2009. 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, or a breach of Mr. Soubry's non-competition, confidentiality and intellectual property obligations. "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 pro-rated bonus. If Mr. Soubry's employment ends as a result of death or disability, then Mr. Soubry or his estate will be entitled to amounts earned to the termination date, payment of a pro rated bonus and salary continuance for a period of 12 months.

Mr. Soubry is bound by non-competition and non-solicitation covenants during the term of employment and for a period of 12 months 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 sets 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 pro rated 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 pro rated 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 pro rated 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 immediately vest. "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. or all or substantially all of the assets of New Flyer Holdings, Inc. Additional PUP terms are described in the "Compensation Discussion and Analysis" section above.

Glenn Asham, Paul Smith, Hans Peper and David White

NFI ULC entered into employment agreements commencing January 1, 2008 with each of Messrs. Asham, Smith, Peper and White. Each of the employment agreements have a two year term which provide for automatic renewals, unless NFI ULC or the NEO gives 12 months notice of non-renewal. Each of the employment agreements have been renewed for an additional year, ending December 31, 2010. The 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 pro-rated 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 White 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 also sets out employment termination and Change of Control consequences, as set out above in the description of Mr. Soubry's employment terms.

Under the provisions of the LTIP, all unvested entitlements immediately vest on the termination of an LTIP participant (which includes Messrs. Asham, Smith, Peper and White) without Cause, the resignation of an LTIP participant with Good Reason or the death of an LTIP participant; provided that, no payment of distribution will be made until the end of the performance period in accordance with the terms of the LTIP. If an LTIP participant ceases to be entitled to participate in the LTIP for any other reason (including as a result of termination for Cause or resignation without Good Reason), such participant forfeits all right, title and interest with respect to any unvested entitlements under the LTIP as of such date.

Summary of Termination Payments

The following table sets forth the estimated incremental payments, payables 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 3, 2010. In certain of the scenarios below, the amount of the incremental payments payable to the NEO under the STIP and 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 2010 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, 2009 however, the NEOs would have been entitled to receive 100% of their entitlement under the STIP bonus as disclosed in the Summary Compensation Table.

Name	Termination Without Cause or Resignation for Good Reason	Termination for Cause	Resignation without Good Reason	Death and Disability	Termination Without Cause or Resignation for Good Reason and Change of Control	Change of Control and no termination of employment
Paul Soubry <i>President and Chief Executive Officer</i>	<ul style="list-style-type: none"> • Base salary = \$618,459 (100% of base salary for 12 months). • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = pro rata number of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • Base salary = \$618,459 (100% of base salary for 12 months) • STIP = pro rata entitlement to the STIP determined as at end of fiscal 2010 • PUP (Disability) = pro rata portion of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. • PUP (Death) = pro rata portion of units based on number of days in performance period prior to termination immediately vest. Paid within 60 days of death. 	<ul style="list-style-type: none"> • Base salary = \$618,459 (100% of base salary for 12 months) • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = \$784,967 (dollar value of entitlements under PUP immediately vest). 	<ul style="list-style-type: none"> • PUP = \$784,967 (dollar value of entitlements under PUP immediately vest).

Name	Termination Without Cause or Resignation for Good Reason	Termination for Cause	Resignation without Good Reason	Death and Disability	Termination Without Cause or Resignation for Good Reason and Change of Control	Change of Control and no termination of employment
Glenn Asham <i>Chief Financial Officer and Treasurer</i>	<ul style="list-style-type: none"> • Base salary = \$256,898 (100% of base salary for 12 months). • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = pro rata number of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • Base salary = \$256,898 (100% of base salary for 12 months) • STIP = pro rata entitlement to the STIP determined as at end of fiscal 2010 • PUP (Disability) = pro rata portion of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. • PUP (Death) = pro rata portion of units based on number of days in performance period prior to termination immediately vest. Paid within 60 days of death. 	<ul style="list-style-type: none"> • Base salary = \$256,898 (100% of base salary for 12 months) • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = \$630,352 (dollar value of entitlements under PUP immediately vest). 	<ul style="list-style-type: none"> • PUP = \$630,352 (dollar value of entitlements under PUP immediately vest).

Name	Termination Without Cause or Resignation for Good Reason	Termination for Cause	Resignation without Good Reason	Death and Disability	Termination Without Cause or Resignation for Good Reason and Change of Control	Change of Control and no termination of employment
<p>Paul Smith Executive Vice President, Sales and Marketing</p>	<ul style="list-style-type: none"> • Base salary = \$285,442 (100% of base salary for 12 months). • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = pro rata number of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • Base salary = \$285,442 (100% of base salary for 12 months) • STIP = pro rata entitlement to the STIP determined as at end of fiscal 2010 • PUP (Disability) = pro rata portion of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. • PUP (Death) = pro rata portion of units based on number of days in performance period prior to termination immediately vest. Paid within 60 days of death. 	<ul style="list-style-type: none"> • Base salary = \$285,442 (100% of base salary for 12 months) • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = \$689,819 (dollar value of entitlements under PUP immediately vest). 	<ul style="list-style-type: none"> • PUP = \$689,819 (dollar value of entitlements under PUP immediately vest).

Name	Termination Without Cause or Resignation for Good Reason	Termination for Cause	Resignation without Good Reason	Death and Disability	Termination Without Cause or Resignation for Good Reason and Change of Control	Change of Control and no termination of employment
<p>Hans Peper <i>Executive Vice President, Customer Services</i></p>	<ul style="list-style-type: none"> • Base salary = \$285,442 (100% of base salary for 12 months). • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = pro rata number of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • Base salary = \$285,442 (100% of base salary for 12 months) • STIP = pro rata entitlement to the STIP determined as at end of fiscal 2010 • PUP (Disability) = pro rata portion of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. • PUP (Death) = pro rata portion of units based on number of days in performance period prior to termination immediately vest. Paid within 60 days of death. 	<ul style="list-style-type: none"> • Base salary = \$285,442 (100% of base salary for 12 months) • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = \$689,819 (dollar value of entitlements under PUP immediately vest). 	<ul style="list-style-type: none"> • PUP = \$689,819 (dollar value of entitlements under PUP immediately vest).

Name	Termination Without Cause or Resignation for Good Reason	Termination for Cause	Resignation without Good Reason	Death and Disability	Termination Without Cause or Resignation for Good Reason and Change of Control	Change of Control and no termination of employment
<p>David White <i>Executive Vice President, Supply Management</i></p>	<ul style="list-style-type: none"> • Base salary = \$256,898 (100% of base salary for 12 months). • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = pro rata number of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • STIP = \$0 (no entitlement to STIP payment). • PUP = \$0 (all units are forfeited). 	<ul style="list-style-type: none"> • Base salary = \$256,898 (100% of base salary for 12 months) • STIP = pro rata entitlement to the STIP determined as at end of fiscal 2010 • PUP (Disability) = pro rata portion of units based on number of days in performance period prior to termination. Will continue to vest as if he had remained employed. • PUP (Death) = pro rata portion of units based on number of days in performance period prior to termination immediately vest. Paid within 60 days of death. 	<ul style="list-style-type: none"> • Base salary = \$256,898 (100% of base salary for 12 months) • STIP = 50% of the STIP determined as at end of fiscal 2010. • PUP = \$630,352 (dollar value of entitlements under PUP immediately vest). 	<ul style="list-style-type: none"> • PUP = \$630,352 (dollar value of entitlements under PUP immediately vest).

DIRECTOR COMPENSATION

Compensation for non-management directors of NFI is \$57,090 per year, \$1,427 per meeting for attending Board and committee meetings in person or by phone. The chairperson of the Board receives additional remuneration of \$85,635 per year. The chairperson of the audit committee receives additional remuneration of \$14,273 per year and the chairperson of the compensation, nominating and corporate governance committee receives additional remuneration of \$9,515 per year. Directors may also receive a per diem of \$1,903 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 of NFI 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".

Director Compensation Table

The following table sets forth the compensation earned by each Director for the year ended January 3, 2010.

Name ⁽¹⁾	Fees earned (\$)	All other compensation (\$)	Total (\$)
The Honourable Brian Tobin <i>Toronto, Ontario, Canada</i>	216,698	0	216,698
V. James Sardo <i>Mississauga, Ontario, Canada</i>	122,978	0	122,978
Wayne M.E. McLeod <i>Toronto, Ontario, Canada</i>	124,310	0	124,310
Larry Edwards <i>Tulsa, Oklahoma, USA</i>	113,463	0	113,463
Patricia Jacobsen Vancouver, British Columbia, Canada	13,310	0	13,310
John Marinucci ⁽²⁾ Oakville, Ontario Canada	0	0	0

(1) Compensation disclosure for Mr. Soubry, who was an NEO and a director in fiscal 2009, can be found in the "Summary Compensation Table" on page 18 of this Information Circular.

(2) The fees earned by Mr. Marinucci in his capacity as a Director were earned subsequent to his retirement from the Company on March 31, 2009. Compensation disclosure for Mr. Marinucci, as it relates to director fees and compensation earned during his employment with the Company as President and Chief Executive Officer until January 18, 2009 and as Senior advisor for the period January 19, 2009 until March 31, 2009, are found in the "Summary Compensation Table" on page 18 of this Information Circular.

IDS Ownership Guideline

The Board promotes and supports the ownership of the Company's IDS by the Directors and has established an IDS ownership guideline. Under the IDS ownership guideline, each Director, within five years of being appointed to the Board, is expected to own 12,000 IDSs. For the current IDS ownership by each Director, see the table under the heading "Matters to be Considered at the Meeting – Ratification of Increase in Number of Directors and Election of Directors" on pages 6, to and including, page 9 of this Information Circular.

INDEBTEDNESS OF DIRECTORS AND OFFICERS OF THE COMPANY

No amounts are owed to NFI or any of its subsidiaries, by any director or officer of NFI, or any former directors or officers of NFI.

INTERESTS OF MANAGEMENT OPTIONHOLDERS

Upon the closing of the initial public offering of NFI on August 19, 2005 (the “**IDS Offering**”), certain members of the executive management team exchanged their former management options for cash and fully vested options (the “**Management Options**”) exercisable for non-voting units of NFL LLC.

NFL LLC owns Class B Shares and Class C Shares representing, as at April 9, 2010, an approximate 5.0% economic interest in NFL Holdings. Management optionholders generally may not transfer the Management Options or the underlying non-voting units of NFL LLC other than on death, by operation of law or for limited estate planning purposes. Generally, NFL LLC may not transfer its Class B Shares and Class C Shares except pursuant to the exercise of its liquidity right or an exercise by NFL Holdings of its redemption right.

Each management optionholder has “monetization rights” forming part of the holder’s Management Options, which rights vest (in general) in equal portions on each anniversary of the closing of the IDS Offering for a three-year period. Under those rights after each of the three years, the management optionholder has the right to request that a portion of their Management Options be purchased for cancellation in order to receive cash proceeds resulting from the disposition, if any, of one-third of the management optionholder’s underlying interest in NFL Holdings represented by the Class B and Class C Shares held through NFL LLC. If the management optionholder resigns (without good reason) or is terminated for cause before the monetization rights have vested, the management optionholder will not be able to receive the cash in respect of the unvested portion except on the death of such person or in the event of a completed take-over bid for NFI or similar arm’s length direct or indirect sale of the Company.

NFL LLC receives, as and when declared, monthly dividends with respect to Class B Shares and Class C Shares held by it. The holders of the Management Options have the right to require NFL LLC, on a monthly basis, to use any amounts received by NFL LLC in respect of such dividends to purchase for cancellation a portion of the Management Options held by the holder. Such purchase for cancellation does not reduce the indirect interest of the management optionholders in the Class B Shares and Class C Shares held by NFL LLC.

Pursuant to the rights attached to the Management Options owned by management in NFL LLC, each of the NEOs (other than Paul Soubry) have caused NFL LLC each month since the closing of the IDS Offering to purchase for cancellation a portion of the Management Options held by each of them. In order to pay the cash purchase price to each of the NEOs (other than Paul Soubry) for such Management Options being purchased for cancellation, NFL LLC uses the dividends received by it with respect to Class B Shares and Class C Shares owned by it in NFL Holdings. Such purchase for cancellation does not reduce the indirect interest of management in the Class B Shares and Class C Shares held by NFL LLC.

On completion of the Retained Interest Conversion transactions described on pages 7, to and including, page 9 of this Information Circular, all of the outstanding Class B Shares and Class C Shares held by NFL LLC will be exchanged or redeemed and new IDSs will be issued to the management optionholders. In this manner, the management optionholders’ existing ownership interest in New Flyer (represented by the Management Options) will be converted into a continuing ownership interest in the form of IDSs. See “Matters to be Considered at the Meeting — Special Business — Proposed Retained Interest Conversion.”

AUDIT COMMITTEE

Information regarding NFI’s audit committee (the “**Audit Committee**”) can be found on pages 55 and 56 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 Governance Committee acts as an advisor to the Directors to enhance NFI’s corporate governance through a continuing assessment of NFI’s approach to corporate governance. The Governance Committee will make recommendations to the Directors on emerging best practices and other policy improvements.

1. Board of Directors

- The independent members of the Board, within the meaning of Multilateral Instrument 52-110 – *Audit Committees*, are The Honourable Brian Tobin, V. James Sardo, Wayne M.E. McLeod, Larry Edwards and Patricia Jacobsen.
- John Marinucci is independent of management of NFI, but because he was recently the President and Chief Executive Officer of the Company, Mr. Marinucci doesn't satisfy the independence requirements under Multilateral Instrument 52-110 – *Audit Committees*.
- The non-independent director of NFI is Paul Soubry, the President and Chief Executive Officer of NFI.
- Six of the seven members of the Board are independent of management.
- The chairman of the Board is The Honourable Brian Tobin, an independent director.
- Mr. Tobin sits on the following public company boards (other than NFI): Aecon Group Inc., Lions Gate Entertainment Corp., Newport Partners Income Fund and he is the executive chairman of Consolidated Thompson Iron Mines Limited.
- Mr. Sardo sits on the following public company boards (other than NFI): Northstar Healthcare Inc. and Macquarie Power and Infrastructure Fund.
- Mr. McLeod sits on the following public company boards (other than NFI): Morguard Investments Inc., SMTC Corporation and Richards Packaging Income Fund.
- Mr. Marinucci sits on the following public company board (other than NFI): SMTC Corporation.
- Other than NFI, Mr. Edwards, Ms. Jacobsen and Mr. Soubry do not sit on any other public company board.
- The independent directors hold meetings, as may be necessary, at which members of management are not in attendance. During fiscal 2009, there were 13 meetings of the independent directors 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.
- During 2009, there were 22 meetings of the Board (either in person or by teleconference). All Directors attended such meetings except for: Mr. Tobin who was absent for one meeting, Mr. Sardo who was absent for one meeting, Mr. McLeod who was absent for two meetings and Mr. Marinucci who was absent for one meeting.

2. Board of Directors Mandate

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

3. Position Descriptions

Position descriptions for the chairperson of the Board of directors and the chairpersons of the Governance Committee and Audit Committee are found in the Appendix of the Board mandate included as Schedule "B" 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

- (e) demonstrate leadership values and integrity in all aspects of managing NFI and its subsidiaries in the best interests of its stakeholders;
- (f) in conjunction with the Board, develop a multi-year strategic plan and an annual business plan;
- (g) provide leadership and vision in setting and implementing 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;
- (h) 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;
- (i) set an operational philosophy that is performance driven, while providing leadership to management in support of NFI's commitment to its Code (as defined below);
- (j) at the discretion of the securityholders and the Directors, serve on the Board;
- (k) 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;
- (l) meet regularly with the Chair and other Directors to ensure that Directors are being provided with necessary information and resources to fulfill their responsibilities and statutory obligations;
- (m) on an ongoing basis, work with the 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;
- (n) serve as chief spokesperson and liaison for NFI, including effectively managing relations with NFI's external stakeholders, such as securityholders, the investment community, the media, governments and the public generally;
- (o) oversee the direction of NFI's tax management and planning;
- (p) with the CFO and under the supervision of the Audit Committee:
 - (i) establish and maintain NFI's disclosure controls and procedures through appropriate policies and procedures, including NFI's Disclosure and Insider Trading Policy;
 - (ii) 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;
 - (iii) ensure the accuracy, completeness, integrity and appropriate disclosure NFI's financial statements and other financial information through appropriate policies and procedures; and

- (iv) ensure that NFI has complied with all regulatory requirements for NFI's financial information, reporting, disclosure requirements and internal controls over financial reporting;
- (q) 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;
- (r) 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;
- (s) with the Governance Committee:
 - (i) ensure, through supervision and performance assessment, that NFI and its subsidiaries have an effective senior management team and that there exists a plan of succession and development for the CEO, CFO and senior management;
 - (ii) directing the selection and retention of senior management; and
 - (iii) develop a compensation and benefit plan for senior management.
- (t) provide required regulatory certifications regarding NFI and its activities; and
- (u) carry out any other appropriate duties and responsibilities assigned by the Directors.

4. Orientation and Continuing Education

Management, working with the Directors, has embarked upon a process to provide orientation opportunities for new directors to familiarize them with NFI and its business. All new directors will participate in an active orientation operation program soon after the date on which a new director first joins the Board. To date, each of NFI's independent Directors (with the exception of Ms. Jacobsen who was appointed to the Board on November 12, 2009) have visited NFI's main Winnipeg facilities and its facility in St. Cloud, Minnesota to obtain an understanding of the operations, maintenance and staffing issues that are key drivers to NFI's success. All of the directors have also attended NFI's corporate headquarters in Winnipeg, Manitoba for a visit with staff and a tour of that office's operations. In addition to operational orientation, management will schedule periodic presentations for the current Directors to ensure they are aware of major business trends and industry practices as and when required. Directors have periodically visited the Company's customers and have attended industry conferences, such as the annual conference held by the Canadian Urban Transit Association. Directors are also encouraged to participate in continuing education, at NFI's expense, in order to remain current with governance best practices. Four of the five Directors are members of the Institute of Corporate Directors and have graduated from the Directors Education Program.

5. Ethical Business Conduct

On October 11, 2005, the Directors adopted 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.

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

6. Nomination of Directors and Compensation

The Board has appointed a compensation, nominating and 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 is responsible for identifying individuals qualified to become new directors and recommending to the Directors the new director nominees. In making its recommendations, the Governance Committee considers:

- the skills and competencies that should be possessed by a director;
- the skills and competencies possessed by each existing Director;
- the skills and competencies each nominee would bring to the Board; and
- the independence of the nominee.

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.

7. Other Board of Directors Committees

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

8. Assessments

The Governance Committee is responsible for the annual assessment of the effectiveness of the Directors and all committees of the Board (other than the Governance Committee). The effectiveness of the Governance Committee is reviewed by the Directors. The Governance Committee evaluates individual directors on an ongoing basis to assess their suitability for re-election.

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 Cdn. \$167,000, 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 Cdn. \$40 million, with a Cdn. \$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.

Additionally, for a period of six years following the closing of the IDS Offering, NFL Holdings will provide the former directors and officers of Transit Holdings, and its direct and indirect subsidiaries immediately prior to closing of the IDS Offering, with indemnification from and against any liabilities and costs in respect of any action or suit brought against them in connection with the execution of their duties of office prior to closing of the IDS Offering, excluding certain liabilities. NFL Holdings has obtained insurance to support this obligation. The aggregate coverage under the insurance policy is Cdn. \$20 million, with a Cdn. \$250,000 deductible per occurrence. The total premium paid for the insurance coverage was Cdn. \$250,000, representing a one time payment until the policy expires in August 2011.

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 IDS Offering.

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 2009 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 3, 2010, is provided in NFI's financial statements and 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
Chairman of the Board of Directors

Toronto, Ontario
April 9, 2010

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	Mathews 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	Mathews 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”

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 Compensation, Nominating and Corporate Governance Committee (the "Governance 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 Governance Committee and, if determined appropriate by the Board on the recommendation of the Governance Committee, resign from the Board.

5. 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 Governance 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.

6. 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.

7. EVALUATION OF BOARD, DIRECTORS AND COMMITTEES

The Governance 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.

8. 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.
- 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 Management

- Information provided by management to directors is critical to their 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. The directors periodically assess the quality, completeness and timeliness of information provided by management to the Board.

(d) Management Performance Review and Rewards

- The Governance 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.

9. 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.

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.

10. 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 Governance 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.

11. **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.

12. **ORIENTATION OF DIRECTORS**

The Chief Executive Officer and the Chairman of the Board shall develop an orientation and education program for all directors of the Corporation and its subsidiaries. This program will include a review of the Corporation's organizational structure and material documentation, copies of all applicable policies and manuals and an explanation of the business carried on by the Corporation and its subsidiaries and their key assets. Education of directors shall be continuing so that they maintain and enhance their understanding of their responsibilities as directors of the Corporation and its subsidiaries.

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 Governance 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 Governance 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 Governance 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 Governance 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 Governance 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 Governance Committee for changes when appropriate; and
- (h) provide additional services required by the Board.