EXECUTION VERSION

INVESTMENT AGREEMENT

AMONG

MARCOPOLO S.A.

AND

NEW FLYER INDUSTRIES INC.

January 23, 2013

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INVESTMENT AGREEMENT

THIS INVESTMENT AGREEMENT is made effective the 23rd day of January, 2013 among:

> **MARCOPOLO S.A.**, a corporation incorporated under the laws of Brazil (the "**Investor**")

– and –

> **NEW FLYER INDUSTRIES INC.**, a corporation incorporated under the laws of the Province of Ontario (the "**Corporation**")

WHEREAS:

A. the Investor and the Corporation desire to enter into a mutually beneficial long term strategic relationship;

B. the Investor is prepared to make the investment (described herein) in the Corporation, subject to the terms and conditions of this Agreement; and

C. each Party's board of directors has approved its entry into this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals hereto), unless there is something in the subject matter or context inconsistent therewith:

(a) "**Acquisition Proposal**" has the meaning attributed to such term in Section 6.9.

(b) "**Acquisition Proposal Notice**" has the meaning attributed to such term in Section 6.9.

(c) "**Actual Knowledge**" means, unless otherwise indicated, to the actual knowledge of each of Paul Soubry, Glenn Asham and Colin Pewarchuk, after reasonable inquiry.

(d) "**Additional Shares**" has the meaning attributed to such term in Section 2.1(b).

(e) "**affiliate**" means, with respect to any person or entity, any other person or entity which directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person or entity. For the purposes of this definition and the definition of "subsidiary", "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person or entity, whether through the ownership of voting securities, by contract or otherwise.

(f) "**Agreement**" means this Investment Agreement (and not any particular Article or Section of this Investment Agreement), and includes the Schedules to this Investment Agreement.

(g) "**Bank Guarantee**" has the meaning attributed to such term in Section 6.1.

(h) "**Board**" has the meaning attributed to such term in Section 6.10.

(i) "**Business**" means the business carried on by the Corporation and its subsidiaries as described in the Public Disclosure Documents.

(j) "**Business Day**" means any day excepting a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario.

(k) "**Canadian GAAP**" means generally accepted accounting principles for publicly accountable enterprises at the relevant time determined with reference to The Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time, which for certainty, for financial periods beginning on or after January 1, 2011, are International Financial Reporting Standards.

(l) "**Closing Date**" means February 15, 2013 or such other earlier date as the Parties may agree; provided that if Section 7.3(a) cannot be satisfied on or prior to February 15, 2013, the Closing Date shall mean March 1, 2013.

(m) "**Closing Time**" means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Investor and the Corporation may agree upon in writing.

(n) "**Coliseum Agreement**" means the agreement between the Corporation and Coliseum Capital Management, LLC dated March 21, 2012.

(o) "**Common Shares**" means the common shares in the capital of the Corporation.

(p) "**Convertible Debentures**" means the 6.25% convertible unsecured subordinated debentures of the Corporation, due June 30, 2017.

(q) "**Corporation**" means New Flyer Industries Inc.

(r) "**Director Eligibility Requirements**" has the meaning attributed to such term in Section 6.10(a).

(s) "**disposition**" has the meaning attributed to such term in Section 6.6(a).

(t) “**Excluded Shares**” has the meaning attributed to such term in Section 6.11(a).

(u) “**Governance Committee**” has the meaning attributed to such term in Section 6.10(a).

(v) “**Governmental Entity**” means any: (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, regulatory or administrative authority, central bank, court, commission, tribunal, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; (iii) any quasi-governmental, self-regulatory organization or private body exercising any regulatory, expropriation or taxing authority under or for the account of its members or any of the above (including the Toronto Stock Exchange and the BM&FBovespa); or (iv) any arbitrator exercising competent jurisdiction over the affairs of the applicable person, asset, obligation or other matter.

(w) “**Hold Period**” has the meaning attributed to such term in Section 6.6(a).

(x) “**Initial Shares**” has the meaning attributed to such term in Section 2.1.

(y) “**Investor**” means Marcopolo S.A.

(z) “**Investor Acquisition Proposal**” has the meaning attributed to such term in Section 6.9(a).

(aa) “**Investor Nominee**” has the meaning attributed to such term in Section 6.10.

(bb) “**Laws**” means any and all laws, including all federal, state, provincial, local and foreign statutes, codes, legislation, ordinances, decrees, rules, regulations and municipal by-laws and all judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards or other requirements of any other Governmental Entity binding on or affecting the person, property or matter referred to in the context in which the term was used.

(cc) “**Material Adverse Effect**” means any effect or change with respect to the Business, the Corporation or any of its subsidiaries that: (i) is, or would reasonably be expected to be, materially adverse to the results of operations, financial condition, assets, capital, liabilities (contingent or otherwise) or business operations of the Corporation and its subsidiaries, taken as a whole on a consolidated basis or (ii) does, or would reasonably be expected to, materially and adversely affect the consummation by the Corporation of the transactions contemplated by this Agreement.

(dd) “**Material Contracts**” has the meaning attributed to such term in Section 5.1(p).

(ee) “**New Shares**” has the meaning attributed to such term in Section 6.11(a).

(ff) "**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*.

(gg) "**NI 52-109**" means National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

(hh) "**Nominee**" has the meaning attributed to such term in Section 2.2.

(ii) "**Non-Disclosure Agreement**" means the agreement on mutual disclosure of confidential information between the Corporation and the Investor dated April 3, 2012.

(jj) "**Offeror**" has the meaning attributed to such term in Section 6.9(a).

(kk) "**Ordinary Course**" means, with respect to an action taken by a person, that such action (i) is consistent in all material respects with past practices of the person; (ii) is taken in the course of the normal day-to-day operations of the person, or (iii) is consistent with industry practice where there is no established past practices of the person or is not taken in the course of such normal day-to-day operations.

(ll) "**Parties**" means the Corporation and the Investor; and "Party" means the applicable one of them.

(mm) "**Public Disclosure Documents**" means, collectively, all of the following documents:

(i) annual information form of the Corporation dated March 30, 2012;

(ii) management information circular of the Corporation dated March 28, 2012 distributed in connection with the annual meeting of shareholders held on May 20, 2012;

(iii) audited consolidated financial statements of the Corporation as at January 1, 2012, January 2, 2011, and January 4, 2010 and for the 52-weeks ended January 1, 2012 and January 2, 2011, together with the notes thereto and auditor's report thereon;

(iv) management's discussion and analysis of financial condition and results of operations of the Corporation for the 13-weeks and 52-weeks ended January 1, 2012;

(v) unaudited interim condensed consolidated financial statements of the Corporation filed on SEDAR since January 1, 2012, together with the notes thereto;

(vi) management's discussion and analysis of financial condition and results of operations filed on SEDAR since January 1, 2012; and

(vii) material change reports field on SEDAR since January 1, 2012.

(nn) "**Purchase Price**" means $10.50 per Common Share**.**

(oo) "**Purchased Shares**" has the meaning attributed to such term in Section 2.1.

(pp) "**restricted transferee**" has the meaning attributed to such term in Section 6.6(b).

(qq) "**Securities Commissions**" means the applicable securities commission or securities regulatory authority in each of the provinces and territories of Canada.

(rr) "**Securities Laws**" means, collectively, the applicable securities Laws of each of the provinces and territories of Canada and the respective regulations and rules made under those securities Laws together with all applicable policy statements, instruments, notices, blanket orders and rulings of the Canadian Securities Administrators and the Securities Commissions.

(ss) "**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

(tt) "**Share Rights**" has the meaning attributed to such term in Section 6.11(a).

(uu) "**Standstill Agreement**" means the Standstill Agreement dated October 19, 2012 between Marcopolo S.A. and New Flyer Industries Inc.

(vv) "**Standstill Period**" has the meaning attributed to such term in Section 6.7.

(ww) "**subsidiary**" means, with respect to any person, any other person which is controlled directly or indirectly by that person.

(xx) "**Superior Proposal**" means a binding written proposal by the Investor in the form of a definitive transaction agreement that is capable of immediate acceptance by the Corporation to acquire not less than all of the outstanding Common Shares (or, if the Acquisition Proposal so provides, all or substantially all of the assets of the Corporation and its subsidiaries), that (i) is not subject to a due diligence or financing condition more onerous (as determined by the Board acting reasonably and in good faith) than that contained in the Acquisition Proposal (if any) and in respect of which any required financing to complete such proposal has been demonstrated to be available to the satisfaction of the Board, acting reasonably and in good faith, (ii) is reasonably capable of being completed in accordance with its terms, taking into account to the extent considered appropriate by the Board and acting reasonably and in good faith, all financial, legal, regulatory, and other aspects of such proposal and the person making such proposal, and (iii) the Board determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the proposal, including all legal, financial, regulatory and other aspects of such proposal, any break fees or expenses in connection with the Acquisition Proposal and the person making such proposal, would, if consummated in accordance with its terms (and without assuming away the risk of non-completion), result in a transaction more favourable from a financial point of view to holders of Common Shares than the Acquisition Proposal in question.

(yy) "**Term Sheet**" means the indicative term sheet dated November 25, 2012 between Marcopolo S.A. and New Flyer Industries Inc.

(zz) "**TSX**" means the Toronto Stock Exchange.

1.2 Interpretation

Unless the context otherwise requires, the following provisions will govern the interpretation of this Agreement:

(a) the words "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule, and other references are to those contained in or attached to this Agreement, in each case unless otherwise specified;

(b) each reference to "days" in this Agreement means calendar days, unless the term "Business Days" is used. Each reference to a time of day in this Agreement means that time in Toronto, Ontario, unless otherwise specified. In computation of periods of time in this Agreement from a specified date to a later specified date, the word "from" means "from and excluding" and the words "to" and "until" each means "to and including";

(c) the term "person" is to be broadly interpreted and includes a natural person, a firm, a corporation, a partnership, a limited liability company, a trust, an unincorporated organization, a Governmental Entity or any other entity, and the executors, administrators or other legal representatives of an individual in such capacity;

(d) the words "include", "including" and similar expressions mean "including but not limited to";

(e) the meanings given to terms defined in this Agreement apply to both the singular and plural forms of those terms;

(f) except as otherwise specified in this Agreement, each reference in this Agreement to a statute, requirement of law or governmental consent shall be deemed to refer to such statute, requirement of law or governmental consent as the same may be amended, supplemented or otherwise modified from time to time;

(g) except as otherwise specified in this Agreement, each reference in this Agreement to any agreement (including a reference to this Agreement):

(i) includes all schedules, exhibits, annexes or other attachments thereto; and

(ii) refers to that agreement as it may be amended, supplemented or otherwise modified from time to time;

(h) each reference in this Agreement to a Party shall be deemed to include that Party's successors and permitted assigns;

(i) all references in this Agreement to "Dollars" or "$" are to lawful money of Canada;

(j) where in this Agreement a term is defined, a derivative of that term shall have a corresponding meaning; and

(k) the headings of Sections, Articles or Schedules will not be considered in interpreting the text of this Agreement.

1.3 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day that action shall be required to be taken on the next succeeding day which is a Business Day.

1.4 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

1.5 Incorporation of Schedules

The following Schedule shall form part of this Agreement:

Schedule "A" Forms of Press Releases.

ARTICLE 2
<u>THE INVESTMENT</u>

2.1 The Investment

Subject to the terms and conditions of this Agreement, the Investor hereby subscribes for and agrees to purchase from the Corporation:

(a) on the Closing Date, 4,925,530 Common Shares (the "**Initial Shares**"), representing 9.99% of the issued and outstanding Common Shares at the date hereof (after giving effect to such issuance), at the Purchase Price for an aggregate subscription price of $51,718,065 and

(b) after the Closing Date, on the earliest of (A) the fifth Business Day following receipt of a written direction by the Corporation, (B) the first anniversary following the Closing Date (provided that if such day is not a Business Day, then the following Business Day), and (C) the fifth Business Day following the

Corporation's receipt of written notice from the Investor after the public announcement of a takeover bid having been made by a third party for at least 20% of the outstanding Common Shares or the entry into a business combination agreement involving the acquisition of at least 20% of the consolidated assets of the Corporation by a third party, an additional 6,162,304 Common Shares (the "**Additional Shares**", together with the Initial Shares, the "**Purchased Shares**"), representing, together with the Initial Shares, 19.99% of the total issued and outstanding Common Shares on the date hereof (which is determined as if all Purchased Shares were issued on the date hereof), at the Purchase Price for an aggregate subscription price of $64,704,192.

2.2 Agreement to Issue

The Corporation hereby accepts such subscription and agrees to issue the Purchased Shares to the Investor or a wholly-owned subsidiary of the Investor (the "**Nominee**") in accordance with the provisions of this Agreement, provided that (A) the Nominee agrees in writing in favour of the Corporation and in form and substance reasonably satisfactory to the Corporation to be bound by the terms and conditions of this Agreement applicable to the Investor, (B) the Investor shall remain bound and subject to its obligations hereunder and shall be responsible for ensuring such wholly-owned subsidiary complies with its obligations under this Agreement, and (C) if the Nominee ceases at any time to be a wholly-owned subsidiary of the Investor, the Investor shall cause the Nominee to transfer the Purchased Shares to the Investor or one of its wholly-owned subsidiaries in accordance with Section 6.6(c).

The Corporation agrees to issue all of the Additional Shares to the Investor prior to, or concurrently with, the completion of any treasury offering for capital raising purposes of Common Shares or securities exchangeable for or exercisable for or convertible into Common Shares (for greater certainty, excluding issuances upon the conversion of the Convertible Debentures or pursuant to any stock option or incentive plan).

2.3 Acknowledgement

The Investor covenants to execute and deliver all documentation as may be required to be executed and delivered by it pursuant to applicable Securities Laws in connection with the investment. The Investor acknowledges that:

(a) the Purchased Shares issued will be subject to transfer restrictions pursuant to Section 2.5 of National Instrument 45-102 – *Resale of Securities*, that (without limiting Section 6.6), unless otherwise permitted under applicable Securities Laws, it must not trade the Purchased Shares before the date that is four months and a day after the date of issuance of such shares, and that the Purchased Shares will bear a legend as per Section 2.5(2)3(i) of National Instrument 45-102 – *Resale of Securities*;

(b) the Corporation is required to file reports of trades with all applicable Securities Commissions containing personal information about the Investor. These reports of trades will include the full name, residential address and telephone number of the

Investor, the number and type of purchased securities, the purchase price, the date of the purchase and the prospectus and registration exemption relied upon under applicable Securities Laws to complete such purchase. In Ontario, this information is collected indirectly by the Ontario Securities Commission under the authority granted to it under, and for the purposes of the administration and enforcement of, the securities legislation in Ontario. The Corporation may also be required pursuant to applicable Securities Laws to file this Agreement on the System for Electronic Analysis and Retrieval ("**SEDAR**"). By executing this Agreement, the Investor authorizes the indirect collection of the information described in this Section 2.3(b) and consents to the disclosure of such information to the public through (i) the filing of a report of trade with all applicable Securities Commissions and (ii) the filing of this Agreement on SEDAR;

(c) the Purchased Shares are being offered on a "private placement" basis;

(d) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Purchased Shares;

(e) there is no government or other insurance covering the Purchased Shares;

(f) there are risks associated with the purchase of the Purchased Shares;

(g) it has had an opportunity to conduct satisfactory due diligence on the Corporation and its subsidiaries;

(h) it has obtained independent legal advice from Canadian counsel with respect to its investment in the Purchased Shares;

(i) the Corporation has advised it that the Corporation is relying on an exemption from the requirements to provide the Investor with a prospectus and to sell the Purchased Shares though a person registered to sell securities under applicable Securities Laws and, as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by applicable Securities Laws, including statutory rights of rescission or damages, will not be available to it; and

(j) it is aware, and it will advise its affiliates and its and their respective directors, officers and employees, that Securities Laws impose certain restrictions with respect to the communication of material non-public information and with respect to the purchase and sale of securities of a "reporting issuer" (as such term is defined under the applicable Securities Laws) by a person who has received material non-public information, and it hereby agrees to abide by all applicable Securities Laws.

ARTICLE 3
PUBLICITY

3.1 Press Releases

The Corporation shall issue the press release substantially in the form attached as Schedule "A1" as soon as practicable after the signing of this Agreement. Where required by applicable Securities Laws, the Corporation shall file or cause to be filed in accordance therewith, a copy of the press release and a material change report in respect of the issue of the Purchased Shares and the terms and conditions of this Agreement with the applicable Securities Commissions and the TSX. The Investor shall issue the press releases and file an early warning report substantially in the form attached as Schedule "A2".

3.2 Publicity

Except for the press releases and the report provided for in Section 3.1 and a set of written responses to frequently asked questions in respect of this Agreement to be agreed upon by the Parties hereto, none of the Parties shall issue, or permit any of its affiliates, directors, officers, employees or agents to issue any other press release or other written public statement with respect to this Agreement or the transactions contemplated hereby without the prior reasonable consultation with the other Party (taking into account any legal or regulatory timing requirements for such disclosure).

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

4.1 Representations and Warranties

As of the date hereof (and upon the issuance of Additional Shares in the case of subsections (a), (b), (c), (d), (e) and (f) below) the Investor represents and warrants to the Corporation as follows and acknowledges that the Corporation is relying on these representations and warranties in entering into this Agreement and issuing the Purchased Shares:

(a) *Accredited Investor*. The Investor is:

   (i) subject to applicable Securities Laws of the Provinces of Ontario and Manitoba;

   (ii) an "accredited investor" as defined in Section 1.1 of National Instrument 45-106 - *Prospectus and Registration Exemptions*;

   (iii) purchasing the Purchased Shares as principal; and

   (iv) not a person created or used solely to purchase or hold securities as an accredited investor as described under paragraph (m) of the definition of "accredited investor" as defined in Section 1.1 of National Instrument 45-106 - *Prospectus and Registration Exemptions*.

(b) *Brazilian Securities Laws.* The Investor is purchasing the Purchased Shares in compliance with all applicable securities laws of Brazil, including any state or district thereof, and the issuance of the Purchased Shares to the Investor does not require the registration of the Purchased Shares or the filing of a prospectus or any similar document with respect to the Purchased Shares under the laws of Brazil or any state or district thereof.

(c) *Ownership of Securities*. With the exception of the Purchased Shares, neither the Investor nor any of its affiliates beneficially owns any securities of the Corporation.

(d) *Investment Purposes.* The Investor is purchasing the Purchased Shares for investment purposes only, and not in a transaction or series of transactions involving a purchase and sale or a repurchase and resale in the course of or incidental to a distribution.

(e) *Offering Memorandum*. The Investor has not been provided with an offering memorandum or prospectus (each as defined under applicable Securities Laws) or any similar document in connection with the issue of the Purchased Shares, and the decision to execute this Agreement and to subscribe for and purchase the Purchased Shares has not been based on any verbal or written representations as to fact or otherwise made by or on behalf of the Corporation, other than such written representations as are expressly contained in this Agreement.

(f) *U.S. Person*. The Investor is not a "U.S. Person" (as such term is defined in Rule 902(k) of Regulation S under the United States Securities Act of 1933, as amended.

(g) *Organization, Power and Authority*. The Investor is duly incorporated and organized and is validly existing under the laws of its jurisdiction of formation and has all power and authority necessary to enter into and perform its obligations under this Agreement and will on the Closing Date have all power and authority necessary to enter into and perform its obligations under the Bank Guarantee.

(h) *Enforceable Agreements*. This Agreement has been and, on or prior to the Closing Date, the Bank Guarantee will be, duly authorized, executed and delivered by the Investor and constitute valid and legally binding obligations of the Investor, enforceable against the Investor in accordance with their respective terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of a court.

(i) *No Consents Required*. Except for the early warning report to be filed by the Investor pursuant to Section 3.1, no consent, approval, authorization, order or agreement of, or registration, filing or qualification with, any Governmental

Entity or other person is required for the execution, delivery or performance of this Agreement or the Bank Guarantee by the Investor.

(j) *No Conflicts.* Neither the entering into, delivery or performance of this Agreement or the Bank Guarantee nor the completion of the transactions contemplated hereby or thereby by the Investor will: (i) conflict with or result in the violation or breach of any of the provisions of the constating documents or by-laws of the Investor; (ii) conflict with, or result in a breach or violation of any of the terms of, or constitute a default under, or result in the creation or imposition of any lien or right of any other person upon any assets of the Investor pursuant to any agreement or other instrument to which the Investor is a party or by which the Investor is bound or to which any of the assets of the Investor is subject, or (iii) result in the violation of any Law in respect of which the Investor must comply, with such exceptions, in the case of each of clauses (ii) and (iii) above, as would not have a material adverse effect on the ability of the Investor to consummate the transactions contemplated hereby.

(k) *Finder's Fee*. There is no person acting on the Investor's behalf in connection with the transactions contemplated herein who is entitled to any brokerage or finder's fee.

(l) *Availability of Funds.* The Investor will have, at and after the Closing Date, available funds sufficient to pay the aggregate Purchase Price for the Purchased Shares as required pursuant to this Agreement.

4.2 Survival of Representations and Warranties

No investigations made by or on behalf of the Corporation at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation or warranty made by the Investor herein or pursuant hereto.

The covenants, representations and warranties of the Investor contained in this Agreement shall survive the completion of the investment herein provided for and shall continue in full force and effect for the benefit of the Corporation.

Notwithstanding the foregoing, the Corporation shall not be entitled to bring any action or assert any claim based on any inaccuracy or incorrectness in, or any breach of, any of the representations and warranties of the Investor, whether contained in this Article 4 or otherwise made in this Agreement (other than those contained in Sections 4.1(a), 4.1(b), 4.1(c), 4.1(d), 4.1(e), 4.1(f), 4.1(g), 4.1(h), 4.1(i) and 4.1(l), which shall survive indefinitely) after the expiration of the one-year period commencing on the Closing Date unless, prior to the expiration of that one-year period, written notice of that claim setting forth the details thereof shall have been delivered by the Corporation to the Investor.

The Corporation agrees and acknowledges that, except as set forth in this Agreement, neither the Investor nor any other persons on behalf of the Investor makes any representation or warranty, express or implied, at law or in equity, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

5.1 Representations and Warranties

As of the date hereof, the Corporation represents and warrants to the Investor as follows and acknowledges that the Investor is relying on these representations and warranties in entering into this Agreement:

(a) *Organization, Power and Authority*.

(i) The Corporation is a corporation incorporated and organized and validly subsisting under the Laws of the province of Ontario, and is up to date with respect to all of its corporate filings under those Laws, except where the failure to make such filings would not have a Material Adverse Effect.

(ii) The Corporation has all necessary corporate power, authority and capacity to (x) own or lease its property and assets and to carry on its business as presently conducted; (y) execute, deliver and to perform its obligations under this Agreement; and (z) issue and deliver the Purchased Shares in accordance with this Agreement.

(iii) Each of the Corporation's subsidiaries is organized and validly existing and in good standing under the Laws of its jurisdiction of formation, and is up to date with respect to all of its filings under those Laws, except where the failure to make such filings would not have a Material Adverse Effect.

(iv) Each of the Corporation's subsidiaries has all necessary corporate power, authority and capacity to own or lease its property and assets and to carry on its business as presently conducted.

(b) *Enforceable Agreements.* This Agreement has been duly authorized, executed and delivered by the Corporation and constitutes valid and legally binding obligations of the Corporation, enforceable against the Corporation in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of a court.

(c) *Authorization of the Purchased Shares.* The Purchased Shares have been duly authorized for issuance and sale by the Corporation pursuant to this Agreement and, upon the Corporation having received the full purchase price therefor, the Purchased Shares will be validly issued and outstanding as fully paid and non-assessable shares. Except as set forth in the Coliseum Agreement, the issuance of the Purchased Shares is not subject to any pre-emptive right, right of first refusal or similar right.

(d) *Share Certificate*. The form and terms of the certificates for the Purchased Shares have been approved and adopted by the Board and comply with the requirements of the *Business Corporations Act* (Ontario) and the TSX.

(e) *Transfer Agent*. Computershare Investor Services Inc. at its principal office in the city of Toronto is the duly appointed transfer agent and registrar for the Common Shares.

(f) *Cease Trade Orders*. No order, ruling or determination having the effect of ceasing or suspending the distribution or trading of the Common Shares or ceasing or suspending the trading of any other securities of the Corporation, or prohibiting the distribution of the Common Shares has been issued or made by any Governmental Entity and no proceedings have been initiated or, to the Actual Knowledge of the Corporation, are pending or threatened by any Governmental Entity in relation thereto.

(g) *No Consents Required*. No consent, approval, authorization, order or agreement of, or registration, filing or qualification with, any Governmental Entity or other person is required for the execution, delivery or performance of this Agreement by the Corporation or the issuance and sale of the Purchased Shares, other than consent and listing approval of the TSX and the filing by the Corporation of a material change report and Form 45-106F1 with the Securities Commissions no later than 10 days after the distribution of the Purchased Shares.

(h) *No Conflicts*. Subject to the matters referred to in Section 5.1(g) above, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby by the Corporation will (x) violate any Law of any Governmental Entity to which the Corporation is subject, or any provision of the Corporation's articles of incorporation and by-laws; or (y) conflict with, result in a breach of, constitute a default under, result in the acceleration of, or create in any party the right to accelerate, terminate, modify or cancel any agreement, contract, lease, license, instrument or other arrangement to which the Corporation is a party or by which it is bound or to which any of its assets is subject, which in the case of item (y) would result in a Material Adverse Effect.

(i) *Public Record.* The Common Shares are listed for trading on the TSX and the Corporation is not in default in any material respect of any of the listing requirements of the TSX applicable to the Corporation. As of the date hereof, the Corporation is in compliance in all material respects with its obligations under applicable Securities Laws and the published policies and requirements of the TSX to make timely disclosure of material information. The Corporation is a "reporting issuer", or the equivalent, in each of the provinces and territories of Canada and is not in default in any material respect of any of the requirements under applicable Securities Laws. The information and statements set forth in the Public Disclosure Documents at their respective filing dates did not (taken as a whole after giving effect to all filings made after the time of filing and prior to the date hereof) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Corporation has not filed any confidential material change report with any of the Securities Commissions which remains confidential.

(j) *Authorized and Issued Capital of the Corporation and its Subsidiaries*. The authorized capital of the Corporation consists of an unlimited number of Common Shares and, as of the date hereof (prior to the issuance of the Purchased Shares), 44,379,070 Common Shares are validly issued and outstanding as fully-paid and non-assessable shares of the Corporation. Other than the Convertible Debentures, the Coliseum Agreement and the incentive plans of the Corporation described in the Corporation's Public Disclosure Documents or as disclosed to the Investor in writing on or prior to the date hereof or pursuant to this Agreement, no securities exchangeable or exercisable for or convertible into Common Shares or other securities of the Corporation are issued and outstanding and no person has any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option for the purchase of any securities of the Corporation. The Corporation is the beneficial owner, directly or indirectly, of all of the outstanding shares or other securities of its subsidiaries, and no securities exchangeable or exercisable for or convertible into securities of any subsidiaries of the Corporation are issued and outstanding and no person has any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option for the purchase, transfer or disposition of any securities of such entities. To the Actual Knowledge of the Corporation, the Public Disclosure Documents correctly disclose the names of all persons who beneficially own or exercise control or direction over 10% or more of the outstanding Common Shares.

(k) *Financial Statements*. Except as disclosed in the Public Disclosure Documents, the financial statements contained in the Public Disclosure Documents present fairly, in all material respects, the consolidated financial position, results of operation and cash flows of the Corporation as of the dates and for the periods covered thereby, as applicable, and have been prepared in accordance with Canadian GAAP in each case consistently applied and in accordance in all material respects with applicable Securities Laws.

(l) *Indebtedness*. Except as disclosed in the Public Disclosure Documents (or as disclosed to the Investor in writing), none of the Corporation nor any of its subsidiaries has outstanding or has agreed to create any bonds, debentures, notes, mortgages or other indebtedness for borrowed money (other than indebtedness for borrowed money incurred in the Ordinary Course since January 1, 2012) owing to persons (other than the Corporation or any of its subsidiaries) that are material, either individually or in the aggregate, to the Corporation and its subsidiaries taken as a whole.

(m) *No Undisclosed Liabilities*. Except as disclosed in the Public Disclosure Documents or except as would not reasonably be expected to have a Material Adverse Effect, (1) none of the Corporation or any of its subsidiaries has any liabilities or obligations owing to persons (other than the Corporation or any of its subsidiaries), whether contingent or otherwise, other than (A) liabilities incurred in the Ordinary Course since January 1, 2012, or (B) liabilities that are not required by Canadian GAAP to be reflected or reserved against in the financial statements of the Corporation; and (2) none of the Corporation nor any of its subsidiaries maintains any off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated persons.

(n) *Internal Controls and Disclosure Controls and Procedures*. Except as disclosed in the Public Disclosure Documents, the Corporation and its subsidiaries have designed and maintain a system of "internal control over financial reporting" (as such term is defined in NI 52-109) intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP and, to the Actual Knowledge of the Corporation, there are no material weaknesses in its internal controls over financial reporting. Except as disclosed in the Public Disclosure Documents, the Corporation and its subsidiaries have designed and maintain "disclosure controls and procedures" (as that term is defined in NI 52-109) intended to provide reasonable assurance that material information relating to the Corporation and its subsidiaries is made known to the Corporation's chief executive officer and chief financial officer by others within those entities, including such that information required to be disclosed by the Corporation in "annual filings" or in "interim filings" (as those terms are defined in NI 52-109) or other reports submitted by the Corporation under the applicable Securities Laws is recorded, processed, summarized and reported within the time periods specified in the applicable Securities Laws.

(o) *Auditors*. Deloitte & Touche LLP, who have audited and/or reviewed the consolidated financial statements of the Corporation included in the Public Disclosure Documents, are independent chartered accountants with respect to the Corporation and its subsidiaries, as required by applicable Securities Laws. Since August 19, 2005, there has not been any change of auditors of the Corporation, nor is there currently nor has there been any reportable disagreements (within the meaning of NI 51-102 of the Canadian Securities Administrations) with Deloitte & Touche LLP or any disagreements respecting any matter that resulted in a reservation in the auditors' report with respect to the audited financial statements of the Corporation.

(p) *No Violation or Default of Material Contracts*. Except as disclosed in the Public Disclosure Documents, no breach, default or other event exists, has occurred or, to the Actual Knowledge of the Corporation, has been threatened, which after notice or lapse of time or both, would constitute a default under or breach of, by the Corporation or, to the Actual Knowledge of the Corporation, by any other person, any material contract, indenture, deed, mortgage, loan agreement, note, lease, licence or other material agreement or instrument to which the Corporation or any of its subsidiaries is a party or by which any of them or any of their respective assets, properties or businesses are or may be bound or subject (collectively, the "**Material Contracts**"), except such defaults or breaches which would not either individually or in the aggregate have a Material Adverse Effect; and each Material Contract is in full force and effect except where such failures to be in full force and effect would not either individually or in the aggregate have a Material Adverse Effect;

(q) *Litigation.*

(i) Except as disclosed in the Public Disclosure Documents, there are no actions, suits or proceedings, whether on behalf of or against the Corporation or any of its subsidiaries, or, to the Actual Knowledge of the Corporation, pending or threatened against or affecting the Corporation or any of its subsidiaries before any Governmental Entity, that would, individually or in the aggregate, result in a Material Adverse Effect.

(ii) Except as disclosed in the Public Disclosure Documents, there are no judgments or consent decrees unsatisfied against the Corporation or any of its subsidiaries or, to the Actual Knowledge of the Corporation, any injunctions to which the Corporation or any of its subsidiaries is subject, except such judgments, consent decrees or injunctions which would not either individually or in the aggregate have a Material Adverse Effect.

(r) *Compliance with Laws.* Except as disclosed in the Public Disclosure Documents, to the Actual Knowledge of the Corporation, each of the Corporation and its subsidiaries are in compliance with all applicable Laws, except where the failure to so comply would not, individually or in the aggregate, result in a Material Adverse Effect.

(s) *No Options On Assets*. No person has any contract, option or commitment, or any right capable of becoming such for the purchase, lease, licence or other acquisition of any material part of the assets of the Corporation and its subsidiaries taken as a whole, except pursuant to customer contracts in the Ordinary Course or pursuant to any lien or security interests granted under or in connection with bank indebtedness.

(t) *Business Plan.* The Corporation has provided to the Investor a copy of its Business Plan dated December 17, 2012, the content of which was approved by the Board on December 17, 2012. Such Business Plan was prepared in good faith by management of the Corporation and reflects assumptions and estimates that management believed to be reasonable at the time of its preparation.

(u) *No Broker's Fee*. Neither the Corporation nor any of its subsidiaries is a party to any contract, agreement or understanding with any person that would give rise to a valid claim against the Investor for a brokerage commission, finder's fee or like payment in connection with the issuance and sale of the Purchased Shares.

5.2 Survival of Representations and Warranties

No investigations made by or on behalf of the Investor at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation or warranty made by the Corporation herein or pursuant hereto.

The covenants, representations and warranties of the Corporation contained in this Agreement shall survive the issue of the Purchased Shares and shall continue in full force and effect for the benefit of the Investor.

Notwithstanding the foregoing, the Investor shall not be entitled to bring any action or assert any claim based on any inaccuracy or incorrectness in or breach of any of the representations or warranties of the Corporation, whether contained in this Article 5 or otherwise made in this Agreement (other than those contained in Section 5.1(a), 5.1(b), 5.1(c), 5.1(d), and 5.1(g), which shall survive indefinitely), after, in the case of Section 5.1(i) only, the expiration of the three-year period commencing on the Closing Date and in the case of all other representations and warranties (other than those that survive indefinitely), the expiration of the one-year period commencing on the Closing Date unless, prior to the expiration of the applicable period, written notice of that claim setting forth the details thereof shall have been delivered by the Investor to the Corporation.

The Investor agrees and acknowledges that, except as set forth in this Agreement, neither the Corporation nor any other persons on behalf of the Corporation makes any representation or warranty, express or implied, at law or in equity, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE 6
COVENANTS OF THE CORPORATION AND THE INVESTOR

6.1 Financing and Bank Guarantee

Promptly following execution of this Agreement, the Investor shall use its best efforts to obtain as soon as reasonably practicable (i) the required financing to satisfy its obligations to purchase the Initial Shares pursuant to this Agreement, including promptly negotiating and executing any required financing documentation on commercially reasonable terms which would not delay or prevent the purchase of the Initial Shares on or prior to March 1, 2013, and (ii) a guarantee or letter of credit reasonably acceptable to the Corporation (the "**Bank Guarantee**") from a reputable commercial bank irrevocably and unconditionally guaranteeing the obligations of the Investor to purchase the Additional Shares pursuant to this Agreement.

6.2 Use of Proceeds

The Corporation shall use the net proceeds of the issue of the Purchased Shares for investments in production, product development, acquisitions and other strategic projects and for general corporate purposes, in each case as determined in the sole discretion of the Corporation. The

Corporation shall not use any of such net proceeds to fund, or permit the funding of, any increase in dividend payments or to fund any special distribution to shareholders of the Corporation (provided that there shall be no restriction on the ability of the Corporation to fund such increases from other funds available to it).

6.3 Fees and Expenses

All fees, costs and expenses incurred in connection with the preparation and negotiation of this Agreement shall be paid by the Party incurring that cost or expense, whether or not the investment is completed.

6.4 TSX Approval

Promptly following execution of this Agreement, the Corporation shall apply to the TSX for conditional listing approval of the Purchased Shares. The Corporation shall make such further filings and pay all related fees as are necessary for the Purchased Shares to be unconditionally listed and posted for trading on the TSX as soon as practicable taking into account the requirements to the TSX. The Investor shall prepare and deliver to the Corporation for delivery to the TSX any documents and other filings, including but not limited to any Personal Information Forms, as the TSX may require from the Investor for the purpose of listing the Purchased Shares.

6.5 Filings

The Corporation shall, in accordance with applicable Securities Laws, prepare and make any filings and pay any associated fees required by applicable Securities Laws in respect of the Purchased Shares.

6.6 Restrictions on Transfer

(a) *Post-Closing Hold Period*. The Investor shall not, directly or indirectly, transfer, sell, assign, gift, pledge, encumber, hypothecate, mortgage, exchange or otherwise dispose of (including through the sale or purchase of options or other derivative instruments with respect to the Purchased Shares) (any such occurrence a "**disposition**"), all or any portion of the Purchased Shares, or its economic interest therein, after the date hereof for a period of two (2) years plus one day following the Closing Date (the "**Hold Period**") without the prior written consent of the Corporation.

(b) *Disposition*. Without limiting Section 6.6(a), the Investor shall not, without the prior written consent of the Corporation, knowingly dispose or agree to dispose (directly or indirectly, or pursuant to any series of related transactions intentionally structured to circumvent the provisions of this Section 6.6(b)) of any of the Purchased Shares, in one or a series of transactions, (i) to any person that at the time of the disposition is a manufacturer, seller or distributor of buses, including light-duty, medium-duty or heavy-duty transit buses, or any affiliate thereof (a "**restricted transferee**"), or (ii) to any person that, immediately following such disposition, would have, either by itself or together with its affiliates and (to the extent known by the Investor) joint actors, beneficial ownership or control or direction over, directly or indirectly, 10% or more of the then issued and outstanding Common Shares. The Corporation agrees, without in any way limiting the restrictions contained in Sections 6.6(a) and 6.6(b), to reasonably cooperate with the Investor, and any permitted transferee holding Common Shares, in order to facilitate a disposition of the Purchased Shares that would not be restricted by the provisions of Section 6.6(b) by identifying any other potential purchasers known to it and, subject to applicable Securities Laws, by making the Corporation's management reasonably available for one in person or telephonic meeting (to take place at a mutually agreeable time and location) with each potential purchaser for securities with an aggregate purchase price of at least $10 million. If the Investor, with the cooperation of the Corporation as described in the preceding sentence, has been unsuccessful for a period of twelve consecutive months beginning after the expiration of the Hold Period in identifying one or more persons to purchase all of its Common Shares at a reasonably acceptable price (with regard to the then prevailing market price of the Common Shares), then, without limiting Section 6.6(a), the restriction contained in Section 6.6(b)(i) shall not apply, provided that the Investor shall not dispose of Common Shares representing more than 5% of the then issued and outstanding Common Shares to any restricted transferee. Notwithstanding anything contained in this Section 6.6(b), following the Hold Period, the Investor, and any permitted transferee holding Common Shares, may dispose of any of its Common Shares on the open market through the facilities of the TSX or any other stock exchange on which Common Shares may be listed, excluding pre-arranged or block trades or trades that are effected to intentionally circumvent the provisions of this Section 6.6.

(c) Notwithstanding the foregoing restrictions in this Section 6.6, the Investor or its Nominee shall be permitted to (i) transfer its Purchased Shares to a wholly-owned subsidiary of the Investor, provided that (A) the transferee agrees in writing in favour of the Corporation and in form and substance reasonably satisfactory to the Corporation to be bound by the terms and conditions of this Agreement applicable to the Investor, (B) the Investor shall remain bound and subject to its obligations hereunder and shall be responsible for ensuring such wholly-owned subsidiary complies with its obligations under this Agreement, and (C) if the transferee ceases at any time to be a wholly-owned subsidiary of the Investor, the Investor shall cause the transferee to transfer the Purchased Shares to the Investor or one of its wholly-owned subsidiaries, provided that the transferee complies with (A) above; and (ii) grant a security interest over the Purchased Shares to the secured lenders of the Investor that are regulated financial institutions, provided that such lenders agree in writing in favour of the Corporation and in form and substance reasonably satisfactory to the Corporation to be bound by all terms and conditions of the Agreement applicable to the Investor.

6.7 Standstill

Subject to Section 6.9(e), commencing on the date hereof and ending on the expiration of the Hold Period and, in addition, if the Investor has (at any time) an Investor Nominee serving on the Board, for a period ending one (1) year following the date that such Investor Nominee ceases to serve on the Board (the "**Standstill Period**"), the Investor shall not and shall cause each of its affiliates not to, without the prior written consent of the Corporation: (i) in any manner acquire, agree to acquire or make to securityholders of the Corporation any offer to acquire, directly or indirectly, any securities of the Corporation, which, together with the securities of the Corporation owned or over which control or direction is exercised by the Investor and its affiliates (or any person acting jointly or in concert therewith) immediately prior to such acquisition, would result in such persons having beneficial ownership of and/or control or direction over more than an aggregate of 19.99% of the outstanding voting securities of the Corporation (determined (x) as if all Purchased Shares were issued on the date hereof, and (y) in accordance with subsections 89(5), 90(1), 90(2) and 90(3) of the *Securities Act* (Ontario) as it exists on the date hereof, including with respect to control or direction in addition to ownership); (ii) propose or offer to enter into, directly or indirectly, any amalgamation, plan of arrangement, merger or business combination involving the Corporation or its subsidiaries or to purchase, directly or indirectly, a material portion of the property or assets of the Corporation or its subsidiaries; (iii) directly or indirectly "solicit" or participate or join with any person in the "solicitation" of any "proxies" (as such terms are defined in the *Securities Act* (Ontario)) to vote, or seek to influence any person with respect to the voting of, any securities of the Corporation; (iv) otherwise act alone or jointly or in concert with others to seek to control or to influence the management, the board of directors or policies of the Corporation; (v) make any public or private disclosure of any consideration, intention, plan or arrangement inconsistent with any of the foregoing; or (vi) advise, assist, encourage or act jointly or in concert with any other person in connection with any of the foregoing except for the limited purpose of making an Investor Acquisition Proposal pursuant to the provisions of Section 6.9. It is agreed that if the Investor Nominee is serving on the Board, such Investor Nominee may, if he or she believes it is in the best interests of the Corporation to do so, during Board meetings and other confidential discussions with management and members or a member of the Board, seek to influence the management and the Board, and such Investor Nominee may vote on any matter as he or she may believe is in the best interests of the Corporation.

Notwithstanding the foregoing provisions of this Section 6.7, the Investor shall not be restricted from approaching the Board on a confidential basis to propose a potential transaction to be negotiated with the Corporation.

6.8 Non-Solicitation

During the Standstill Period, the Investor shall not and shall cause each of its affiliates not to solicit for hire or employment, directly or indirectly, any management-level employees of the Corporation or its affiliates and the Investor shall not and shall cause each of its affiliates not to agree to employ any employee so solicited. For the purposes of this clause, "solicitation" shall not include solicitation (i) by advertising in a newspaper or periodical of general circulation in the industry; or (ii) by an employee of an executive search firm acting on the Investor's behalf where the Investor did not instruct or encourage such solicitation.

6.9 Acquisition Proposals

(a) If at any time the Corporation has entered into a definitive agreement with a person (the "**Offeror**") in respect of a bona fide offer (an "**Acquisition Proposal**") to purchase or acquire all (but not less than all) of the Common Shares or all or substantially all of the assets of the Corporation and its subsidiaries taken as a whole, the Corporation shall promptly provide the Investor written notice thereof (the "**Acquisition Proposal Notice**") and thereafter the Investor shall, subject to Section 6.9(d), and at its sole option (i) notwithstanding Section 6.6, at the time provided therefor pursuant to such Acquisition Proposal, take all necessary or advisable steps as requested by the Corporation to transfer to such Offeror and/or vote in favour of such Acquisition Proposal, as applicable, or cause to be so transferred and/or voted, all of the Common Shares beneficially held by it and its affiliates at such time, or over which it or its affiliates exercise control or direction at such time, or (ii) notwithstanding Section 6.7, within ten (10) Business Days of receipt of the Acquisition Proposal Notice, make its own written Acquisition Proposal (the "**Investor Acquisition Proposal**") that it believes constitutes a Superior Proposal, provided that such proposal is made in a strictly confidential manner to the Board.

(b) Within five (5) Business Days of receipt of the Investor Acquisition Proposal, the Corporation shall deliver a written notice (the "**Corporation's Notice**") to the Investor of the determination of the Board that (i) the Investor Acquisition Proposal constitutes a Superior Proposal and the intention of the Board, subject to the Offeror's right (if any) to match such Superior Proposal and the completion of any go-shop or other market canvass contemplated in the definitive agreement with respect to the Acquisition Proposal, to accept the Investor Acquisition Proposal, or (ii) the Investor Acquisition Proposal does not constitute a Superior Proposal and of the intention of the Board to proceed with and consummate the Acquisition Proposal referred to in the Acquisition Proposal Notice. If the Board makes a determination under Section 6.9(b)(i) and the Offeror exercises its right to match the Superior Proposal, the matching proposal shall be treated as a new Acquisition Proposal and subject to the provisions of this Section 6.9 *mutatis mutandi* except that all references to ten (10) Business Days and five (5) Business Days shall instead refer to three (3) Business Days. If the Board makes the determination under Section 6.9(b)(ii), notwithstanding Section 6.6, the Investor shall, at the time provided therefor pursuant to such Acquisition Proposal, take all necessary or advisable steps as requested by the Corporation to transfer to such Offeror and/or vote in favour of such Acquisition Proposal, as applicable, or cause to be so transferred and/or voted, all of the Common Shares beneficially held by it and its affiliates at such time, or over which it or its affiliates exercise control or direction at such time, including tendering Common Shares to a takeover bid prior to the expiry thereof or voting Common Shares at any meeting in respect of the Acquisition Proposal made by the Offeror.

(c) Without limiting the foregoing, if the Investor does not make an Investor Acquisition Proposal in accordance with Section 6.9(a)(ii) or the Board determines that the Investor Acquisition Proposal does not constitute a Superior Proposal in accordance with Section 6.9(b), subject to Section 6.9(d) and provided that the Corporation gives written notice to the Investor at least ten (10) Business Days prior to the exercise of its rights under this Section 6.9(c), the Investor hereby appoints the Corporation as its attorney, with full power of substitution, in the name of the Investor to accept the Acquisition Proposal by voting or tendering Common Shares thereto, as applicable, and to execute and deliver all documents and instruments to give effect to such acceptance (including where applicable to establish a binding contract of purchase and sale between the Investor and the Offeror) with respect to all of the Common Shares owned by the Investor and its affiliates or over which it or they exercise control or direction. Such appointment, being coupled with an interest, is irrevocable by the Investor and will not be revoked by the insolvency, bankruptcy, death, incapacity, dissolution, liquidation or other termination of the existence of the Investor. The Investor agrees that it will perform the agreement resulting from acceptance of the Acquisition Proposal in accordance with its terms and will ratify and confirm all that the Corporation may do or cause to be done pursuant to the foregoing provided it is consistent with the Corporation's rights pursuant to this Agreement. The sale of Common Shares by the Investor pursuant to an Acquisition Proposal will be completed in accordance with the provisions of, and at the same time as the sale of all other Common Shares being acquired as part of, the Acquisition Proposal.

(d) Section 6.9 shall not apply with respect to any Acquisition Proposal Notice delivered by the Corporation to the Investor within 12 months following the date hereof unless the consideration payable per Common Share pursuant to such Acquisition Proposal is at least equal in value to the Purchase Price.

(e) Notwithstanding Section 6.7, if the Investor delivers an Investor Acquisition Proposal pursuant to Section 6.9(a)(ii) and the Board determines that such Investor Acquisition Proposal does not constitute a Superior Proposal under Section 6.9(b)(ii), the Investor may make the Investor Acquisition Proposal directly to the securityholders of the Corporation, provided that (i) the Investor believes its Acquisition Proposal to be a bona fide Superior Proposal and (ii) the terms and conditions of such Investor Acquisition Proposal are in all material respects no less favourable to securityholders of the Corporation than the Investor Acquisition Proposal submitted to the Corporation. For greater certainty, nothing contained in this Section 6.9(e) shall limit or delay the obligations of the Investor or the rights of the Corporation pursuant to this Section 6.9, including tendering Common Shares to a takeover bid prior to the expiry thereof or voting Common Shares at any meeting in respect of the Acquisition Proposal made by the Offeror.

6.10 Investor Nominee

For so long as the Investor (together with its affiliates) holds at least 10% or more of the then issued and outstanding Common Shares, (which shall be determined as if all Purchased Shares were issued on the Closing Date), the Corporation shall take the steps necessary to (i) nominate to the board of directors of the Corporation (the "**Board**") one (1) nominee selected by the

Investor (the "**Investor Nominee**"), (ii) recommend to the Corporation's shareholders entitled to vote on the election of directors at the next annual general meeting of the Corporation that such shareholders vote in favour of or consent to the election of (or against the removal, as the case may be) the Investor Nominee as a director of the Corporation, and (iii) cause all properly completed proxies received by the Corporation in respect of the election or removal of directors at the relevant time to be voted in the manner specified in such proxies, in each case subject to the following terms and conditions:

(a) The Investor Nominee shall be an individual acceptable to the Board, acting reasonably; provided that, the Investor Nominee (i) is recommended for nomination by the Human Resources, Compensation and Corporate Governance Committee (the "**Governance Committee**"), which recommendation shall not be unreasonably withheld, (ii) satisfies all applicable legal and regulatory requirements for directors of the Corporation, including requirements of the TSX and applicable Securities Laws and (iii) is determined by the Governance Committee to be "independent" for the purposes of National Instrument 52-110 – *Audit Committees* (clauses (i), (ii) and (iii) being collectively referred to herein as the "**Director Eligibility Requirements**").

(b) If, at any time (i) the Investor Nominee is unwilling or unable to continue to serve as a nominee of the Investor or director of the Corporation, including as a result of failing to meet the Director Eligibility Requirements or (ii) the Investor determines to remove and replace the Investor Nominee, the Investor will be entitled to nominate an alternate director by notice to the Corporation. In any of the cases described above in this paragraph, the Investor shall use its commercially reasonably efforts to cause the Investor Nominee to resign from the Board as promptly as practicable, and, following such resignation, provided that such alternate meets the Director Eligibility Requirements, the Board shall, subject to applicable Laws regarding the appointment of directors between shareholder meetings, cause such alternate to be appointed to the Board as promptly as practicable.

(c) For so long as the Investor Nominee serves on the Board and the board of directors of New Flyer Industries Canada ULC includes a representative of Coliseum Capital Management, LLC, the Corporation shall cause the Investor Nominee to be elected to the board of directors of New Flyer Industries Canada ULC, unless such Investor Nominee is prohibited from serving as a member of such board due to applicable law, rule or regulation.

(d) Upon election to the Board, the Investor Nominee shall be eligible to be considered for appointment by the Board as a member of any committee of the Board in existence from time to time in the same manner as all directors of the Corporation.

(e) The Investor acknowledges and agrees that the Investor Nominee may be excluded from certain committee membership and meetings of committees and the Board or applicable portions thereof in the event of actual or potential conflicts of interest, as and to the extent determined by the Board or the applicable committee thereof, acting reasonably.

(f) Notwithstanding this Section 6.10, if after the expiration of the Hold Period, the Investor or any affiliate engages, without the consent of the Board, in any of the activities described in Section 6.7(i) through (vi), then the Investor's right to an Investor Nominee (if applicable at such time) pursuant to this Section 6.10 shall, immediately upon commencement of any such activity, cease to apply.

6.11 Subsequent Equity Financings

Notwithstanding Section 6.7, the Corporation hereby grants to the Investor, for so long as the Investor (together with its affiliates) holds at least 10% of the then issued and outstanding Common Shares, (which shall be determined as if all of the Purchased Shares were issued on the Closing Date), a pre-emptive right (the "**Pre-Emptive Right**") to purchase, on substantially the same terms and conditions and at the lowest price as such New Shares (as defined below) are issued to any other person, up to that proportion of any New Shares that the Corporation may from time to time issue so as to enable the Investor to maintain its percentage ownership of issued and outstanding Common Shares that it holds immediately prior to the issuance of such New Shares (which shall be determined as if all of the Purchased Shares were issued on the Closing Date). The Pre-Emptive Right shall operate as follows:

(a) The term "**New Shares**" shall mean any equity securities including Share Rights (as defined below) which are issued by the Corporation for any reason on or after the date hereof; provided, however, that "New Shares" shall not include: (i) Common Shares issuable upon conversion of, or with respect to, convertible securities, including warrants and stock options, outstanding as of the date hereof; (ii) Common Shares issued as consideration pursuant to the acquisition of another entity, business or assets by the Corporation; (iii) Common Shares or Share Rights issued pursuant to compensation plans for employees, officers, directors and consultants of the Corporation and its subsidiaries; (iv) Common Shares issued in connection with any stock split, stock dividend, or recapitalization by the Corporation in which all shareholders are affected equally; (v) Common Shares issued in connection with the exercise, exchange or conversion of Share Rights; (vi) Common Shares issued in payment or satisfaction of bona fide arm's length indebtedness or for services; (vii) Common Shares issued as a bona fide commission or finder's fee; or (viii) Common Shares issued pursuant to any shareholder rights plan adopted by the Board (any securities described in (i) to (viii) being hereinafter referred to as "**Excluded Shares**"). The term "**Share Rights**" shall mean warrants, stock options, exchangeable or convertible securities, subscriptions or other like rights to purchase or otherwise acquire New Shares.

(b) For the purposes of calculating the number of then issued and outstanding Common Shares in the introductory paragraph of this Section 6.11, the number of issued and outstanding Common Shares shall be calculated to exclude (i) any Excluded Shares issued by the Company from and after the date of this Agreement, and (ii) any Common Shares or Share Rights (but only to the extent such Share Rights are exchanged, exercised or converted into Common Shares by third parties) issued by the Company from and after the date of this Agreement if the Investor is unable to exercise its Pre-Emptive Right with respect to such Common Shares or Share Rights, as the case may be, as a result of securities law or regulatory impediments.

(c) The acquisition by the Investor of New Shares pursuant to the Pre-Emptive Right shall be subject to all applicable regulatory approvals and substantially the same terms and conditions as are applicable to the issuance of the New Shares to other purchasers thereof; provided, that (i) the Corporation shall not be required to register any securities in the United States or qualify any securities by prospectus in Canada or take similar steps in any other applicable jurisdiction as a result of the acquisition by the Investor of New Shares pursuant to the Pre-Emptive Right; and (ii) such New Shares may be subject to applicable private placement and other restrictions in Canada and any other applicable jurisdiction. Notwithstanding the foregoing provisions of this Section 6.11, the exercise of the Pre-Emptive Right by the Investor is subject to the Investor's ability to acquire New Shares in accordance with the requirements of applicable Laws and stock exchange regulations, including that the Investor must be eligible to purchase any New Shares on a private placement basis in Canada and any other applicable jurisdiction in accordance with applicable Laws.

(d) In the event that the Corporation proposes to undertake an issuance of New Shares, it shall give the Investor written notice (the "**Offering Notice**") of its intention, describing the type of New Shares and the expected price (or range) and the general terms upon which the Corporation proposes to issue such New Shares. The Investor shall have five (5) Business Days from the date of receipt of any such Offering Notice to agree to exercise the Pre-Emptive Right and to purchase the New Shares for the price and upon the general terms specified in the Offering Notice by giving written notice of exercise to the Corporation. Failure of the Investor to timely respond to the notice within said five (5) Business Day period shall be deemed an election to decline to exercise the Pre-Emptive Right.

(e) Shares acquired under this Pre-Emptive Right shall be subject to the restrictions on transfer as described in Section 6.6.

(f) If the Corporation amends the terms regarding the grant of pre-emptive rights contained in the Coliseum Agreement to provide terms that are more favourable than those contained in this Section 6.11, then the Corporation shall execute such instruments and take all steps as may be necessary to amend this Agreement to provide the Investor with pre-emptive rights as favourable as the pre-emptive rights that are being provided pursuant to the Coliseum Agreement, as amended.

6.12 Distribution Rights

(a) Provided that the Investor and its affiliates continue to hold 5% or more of the issued and outstanding Common Shares, if the Investor or its affiliates wish to directly or indirectly distribute any new or existing products and services in Canada and/or the United States, the Investor shall, subject to any restrictions contained in contractual arrangements of such entities existing as of the date hereof, first offer the right to distribute such products and services to the Corporation before directly distributing such products and services or offering any distribution arrangement to any other person and shall negotiate in good faith with the Corporation to reach mutually acceptable terms and conditions for such distribution arrangements. If the Parties cannot reach such mutually acceptable terms and conditions after negotiating in good faith for a reasonable amount of time, then the Investor may directly distribute such products and services or grant such distribution rights to a third party on terms and conditions no more favourable to the third party than those offered to the Corporation. If any direct or indirect joint venture to which the Investor or one of its affiliates is a participant and with respect to which the Investor does not hold a controlling interest is considering or proposing to distribute any products or services in Canada and/or the United States, then the Investor shall (if it is aware of such consideration or proposal) use its commercially reasonable efforts to encourage such joint venture to comply with the foregoing provisions of this Section 6.12(a) with respect to the products and services offered or proposed to be offered by such joint venture.

(b) The Investor intends to offer the Corporation the opportunity to manufacture a wide range of different types of buses in Canada and the United States. If the Investor wishes to manufacture any type of bus in Canada and/or the United States (whether by acquiring an existing manufacturer or establishing a new facility) and has provided the Corporation with a reasonable opportunity to participate with the Investor in such opportunity, but the Corporation does not wish to participate, nothing in this Agreement will preclude the Investor from manufacturing, selling or servicing that type of bus and the provisions in Section 6.12(a) shall not apply in respect of that type of bus.

(c) Provided that the Investor and its affiliates continue to hold 5% or more of the issued and outstanding Common Shares, if the Corporation or its affiliates wish to directly or indirectly distribute any new or existing products and services outside of Canada and/or the United States, the Corporation shall, subject to any restrictions contained in contractual arrangements of such entities existing as of the date hereof, first offer the right to distribute such products and services to the Investor before directly distributing such products and services or offering any distribution arrangement to any other person and shall negotiate in good faith with the Investor to reach mutually acceptable terms and conditions for such distribution arrangements. If the Parties cannot reach such mutually acceptable terms and conditions after negotiating in good faith for a reasonable amount of time, then the Corporation may directly distribute such products and services or grant such distribution rights to a third party on terms and conditions no more favourable to the third party than those offered to the Investor. If any direct or indirect joint venture to which the Corporation or one of its affiliates is a participant and with respect to which the Corporation does not hold a controlling interest is considering or proposing to distribute any products or services outside of Canada and the United States, then the Corporation shall (if it is aware of such consideration or proposal) use its commercially reasonable efforts to encourage such joint venture to comply with the foregoing provisions of this Section 6.12(c) with respect to the products and services offered or proposed to be offered by such joint venture.

6.13 Investment Rights

(a) Provided that the Investor and its affiliates continue to hold 5% or more of the issued and outstanding Common Shares, if the Investor or its affiliates wish to directly or indirectly acquire an equity stake in excess of 5% of any entity that (i) manufactures monocoque structure transit buses anywhere in Canada or the United States, or (ii) is headquartered in Canada or the United States and sells or services monocoque structure transit buses anywhere in Canada or the United States, then the Investor shall first offer to the Corporation the right to co-invest as equal equity partners with the Investor with respect to such acquisition. The Parties agree to negotiate in good faith to determine mutually acceptable terms and conditions of such coinvestment. If the Parties cannot reach such mutually acceptable terms and conditions after negotiating in good faith for a reasonable amount of time, then the Investor may proceed with such acquisition or investment provided that any third party coinvestor is granted terms and conditions no more favourable to the third party than those offered to the Corporation. If the Investor learns in advance that any direct or indirect joint venture to which the Investor or one of its affiliates is a participant and with respect to which the Investor does not hold a controlling interest is considering or proposing to make an investment in the monococque structure transit bus market in Canada or the United States, then the Investor (if it is aware of such consideration or proposal) shall use its commercially reasonable efforts to encourage such joint venture to comply with the foregoing provisions of this Section 6.13(a) with respect to such acquisition or investment opportunities.

(b) The Parties agree that any acquisition of or business combination transaction involving the entities notified in writing by the Corporation to the Investor on the date hereof shall be effected by or through the Corporation.

6.14 Indemnification

(a) *By the Investor*. Subject to the limitation periods set forth in Section 4.2 to the extent applicable, the Investor shall indemnify and hold harmless the Corporation from and against any and all expenses, costs, losses, claims, actions, damages, fines, penalties and liabilities (including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the reasonable fees and expenses of their counsel that may be incurred in advising with respect to any of the foregoing) to which the Corporation may become subject in any capacity, under any statute or common law or otherwise, insofar as, and to the extent that, such expenses, costs, losses, claims, actions, damages, fines, penalties or liabilities relate to, are caused by, result from, arise out of or are based upon, directly or indirectly:

(i) any non-performance or non-fulfillment of any covenant or agreement on the part of the Investor contained in this Agreement; or

(ii) any inaccuracy, or breach of any representation or warranty made by the Investor in this Agreement.

(b) *By the Corporation*. Subject to the limitation periods set forth in Section 5.2 to the extent applicable, the Corporation shall indemnify and hold harmless the Investor from and against any and all expenses, costs, losses, claims, actions, damages, fines, penalties and liabilities (including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the reasonable fees and expenses of their counsel that may be incurred in advising with respect to any of the foregoing) to which Investor may become subject in any capacity, under any statute or common law or otherwise, insofar as, and to the extent that, such expenses, costs, losses, claims, actions, damages, fines, penalties or liabilities relate to, are caused by, result from, arise out of or are based upon, directly or indirectly:

(i) any non-performance or non-fulfillment of any covenant or agreement on the part of the Corporation contained in this Agreement; or

(ii) any inaccuracy, or breach of any representation or warranty made by the Corporation in this Agreement.

(c) *General*. A party entitled to be indemnified pursuant to Section 6.14(a) or Section 6.14(b) is referred to herein as an "**Indemnified Party**" and a party or parties liable for such indemnification is referred to herein as the "**Indemnifying Party**". In the event of any claim, action, suit, proceeding or investigation by a third party that results or may result in an Indemnified Party being entitled to indemnification hereunder, such Indemnified Party shall promptly, after receiving notice *thereof*, notify the Indemnifying Party in writing of the nature thereof, provided that any failure to so notify the Indemnifying Party shall not affect the liability of the Indemnifying Party hereunder, except and only to the extent that the failure to so notify materially prejudices the defence of the claim, action, suit, proceeding or investigation by the Indemnifying Party or materially increases their liability under this Section 6.14.

ARTICLE 7
CLOSING

7.1 Place of Closing

The completion of the issue of (i) the Initial Shares shall take place at the Closing Time on the Closing Date and (ii) the Additional Shares shall take place at 8:00 (am) (Toronto time) on the date referred to in Section 2.1(b), in each case at the offices of Torys LLP in Toronto, Ontario, or at such other time and place as the Corporation and the Investor may agree upon in writing.

7.2 Closing Deliveries by the Corporation

On the Closing Date and on the date of issuance of the Additional Shares in the case of Sections 7.2(d) and 7.2(e), the Corporation shall execute and deliver or cause to be executed and delivered to the Investor, in form and substance satisfactory to the Investor, acting reasonably:

(a) certified copies of the articles and by-laws of the Corporation and the resolutions duly passed by the Corporation's board of directors approving this Agreement, and the completion of the transactions contemplated hereby;

(b) an opinion of counsel to the Corporation regarding the Corporation's participation in this Agreement and the transactions contemplated hereby, in form and substance satisfactory to the Investor, acting reasonably;

(c) a waiver by Coliseum Capital Management, LLC of all pre-emptive rights it may have to purchase treasury shares of the Corporation as a result of the issue of the Purchased Shares;

(d) a global book-entry certificate representing the Purchased Shares registered in the name of CDS & Co.; and

(e) such further and other documents and assurances as may be reasonably required by the Investor to be delivered by or on behalf of the Corporation to complete the issue and purchase of the Purchased Shares.

7.3 Closing Deliveries by the Investor

On the Closing Date, and on the date of issuance of the Additional Shares in the case of Subsections 7.3(a) and 7.3(e), the Investor shall deliver or cause to be delivered to the Corporation in form and substance satisfactory to the Corporation, acting reasonably:

(a) payment in immediately available funds for the Initial Shares or the Additional Shares, as applicable, to be purchased by the Investor;

(b) a copy of the Bank Guarantee;

(c) certified copies of the articles and by-laws of the Investor and the resolutions duly passed by the Investor's board of directors, or other appropriate authority, approving this Agreement and the completion of the transactions contemplated hereby;

(d) an opinion of Brazilian and Canadian counsel to the Investor regarding the Investor's participation in this Agreement and the transactions contemplated hereby, in form and substance satisfactory to the Corporation, acting reasonably; and

(e) such further and other documents and assurances as may be reasonably required by the Corporation to be delivered by or on behalf of the Investor to complete the issue and purchase of the Purchased Shares.

7.4 Investor Conditions of Closing

The obligations of the Investor under this Agreement to purchase the Initial Shares at the Closing Time shall be conditional upon the following:

(a) the Corporation having obtained conditional listing approval from the TSX;

(b) no cease trade order or injunction having been issued restraining the transactions contemplated hereby; and

(c) the completion of all the deliveries contemplated by Section 7.2 by the Corporation.

The foregoing conditions are inserted for the exclusive benefit of the Investor and may be waived, in whole or in part, by the Investor.

7.5 Corporation Conditions of Closing

The obligations of the Corporation under this Agreement to issue the Purchased Shares shall be conditional upon the following:

(a) the Corporation having obtained conditional listing approval from the TSX;

(b) no cease trade order or injunction having been issued restraining the transactions contemplated hereby; and

(c) the completion of all deliveries contemplated by Section 7.3 by the Investor.

The foregoing conditions are inserted for the exclusive benefit of the Corporation and may be waived, in whole or in part, by the Corporation.

ARTICLE 8
GENERAL PROVISIONS

8.1 Notices

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given or made (i) as of the date delivered or sent if delivered personally or sent by facsimile or (ii) as of the date delivered if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by the Parties by like notice):

(a) if to the Corporation:

New Flyer Industries Inc.
79 Wellington Street West
Suite 3000
Toronto, ON M5K 1N2

Attention: Paul Soubry
Fax No.: (204) 224-6652

with a copy to:

Torys LLP
Suite 3000, TD Centre
Wellington Street West
Box 270, TD Centre
Toronto, ON M5K 1N2

Attention: Michael Amm
Fax No.: (416) 865-7380

if to the Investor:

Marcopolo S.A.
Marcopolo Street, 280 - Bairro Planalto
Caxias do Sul - RS - Brasil - CEP: 95086-200

Attention: Jose Rubens de la Rosa
Fax No.: (54) 2101 4114

with a copy to:

McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto, ON M5K 1E6

Attention: David Tennant
Fax No.: (416) 868-0673

8.2 Entire Agreement

This Agreement and the Non-Disclosure Agreement:

(a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Parties, including but not limited to the Standstill Agreement and the Term Sheet, with respect to the subject matter hereof; and

(b) shall be binding on and enure to the benefit of the Parties and their respective successors and permitted assigns.

The Parties agree that upon the execution of this Agreement, the Standstill Agreement will be terminated and will be of no force and effect hereafter.

This Agreement may not be amended or modified in any respect except by written instrument executed by the Corporation and the Investor.

8.3 Remedies

The Parties agree that the Corporation and the Investor shall be entitled to equitable relief (without the need to post security), including injunction and specific performance, in the event of any breach or anticipatory breach by the Corporation or the Investor or its affiliates, as the case may be, of the provisions of this Agreement, in addition to any other remedies available to the Corporation or the Investor, as the case may be, at law or in equity, and the Parties acknowledge and agree that an award of damages may not be an effective or adequate remedy in the event of a breach by the Corporation or the Investor or its affiliates, as the case may be, of this Agreement. The Investor agrees to be responsible and liable for any breach of this Agreement by its affiliates (as if the Investor's affiliates were parties to and bound by the provisions of this Agreement).

8.4 Additional Rights

Except as otherwise provided herein each Party's rights under this Agreement are in addition to and not in substitution for any other rights of that Party at law, in equity or otherwise.

8.5 Assignment

Except as provided for herein, neither the Corporation nor the Investor may assign or transfer this Agreement or any of the rights or obligations under it without the prior written consent of the other party.

8.6 Severability

The Corporation and the Investor agree that if any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

8.7 Attornment

The Corporation and the Investor agree that this Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Corporation and the Investor irrevocably attorns and submits to the non-exclusive jurisdiction of the Ontario courts situated in the City of Toronto, and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

8.8 Further Assurances

Each of the parties upon the request of the other, whether before or after the Closing Date, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may reasonably be necessary or desirable to complete the transactions contemplated herein.

8.9 Time

The Corporation and the Investor agree that time is of the essence in the Agreement.

8.10 Paramountcy

If there is any inconsistency between the provisions of this Agreement and the provisions of any agreement executed and delivered pursuant to this Agreement, the provisions of this Agreement will govern. If there is any inconsistency between the provisions in the body of this Agreement and any Schedule or other attachment, the provisions in the body of this Agreement will govern.

8.11 Counterpart Execution

The Corporation and the Investor agree that this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or electronic form and the parties may rely on delivery by electronic delivery of an executed copy of this Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement by their duly authorized officers as of the date first above written.

MARCOPOLO S.A.

By: *"Ruben Antonio Bisi"*
Name: Ruben Antonio Bisi
Title: Director

By: *"Jose Antonio Valiati"*
Name: Jose Antonio Valiati
Title: Director

NEW FLYER INDUSTRIES INC.

By: *"Paul Soubry"*
Name: Paul Soubry
Title: Chief Executive Officer

By: *"Glenn Asham"*
Name: Glenn Asham
Title: Chief Financial Officer

SCHEDULE “A1”

NEW FLYER

Marcopolo S.A. to make a C$116 million Strategic Investment in New Flyer

Winnipeg, Manitoba, Canada, January 23, 2013: (TSX:NFI, TSX:NFI.DB.U) New Flyer Industries Inc. ("New Flyer" or the "Company"), the leading manufacturer of heavy-duty transit buses in Canada and the United States, announced today that Marcopolo S.A. has agreed to make a strategic investment of C$116 million to acquire 11,087,834 newly issued common shares, representing a 19.99% stake in New Flyer. Each common share will be issued at a price of C$10.50 per share, or a 20% premium to the 30 day volume-weighted average trading price of New Flyer's common shares on the TSX for the period ending January 23, 2013. 4,925,530 common shares will be issued to Marcopolo upon closing expected on or prior to March 1, 2013 for aggregate consideration of C$51.7 million with the remainder of the shares to be issued to Marcopolo at the same price per share in one tranche over the next 12 months following closing as determined by New Flyer based on its investment and financing needs and in certain other circumstances. The investment is subject to customary TSX approval.

Founded in 1949, and headquartered in Caxias do Sul, Brazil, Marcopolo is one of the world's largest bus builders and is primarily engaged in the manufacturing of buses, bus bodies, and components with a product line covering a wide range of models including: coach, urban, micro-buses, and mini-buses. Marcopolo is listed on the Brazilian stock exchange (BM&F Bovespa: POMO3, POMO4).

With anticipated annual net revenues of approximately US$1.9 billion in 2012, Marcopolo has a market capitalization of approximately US$2.8 billion and employs over 22,000 people around the world. Marcopolo manufactures over 32,000 buses annually - 60% are for the Brazilian market and 40% for international markets. Bus manufacturing is carried out directly by Marcopolo and through various joint ventures with companies like Daimler, Tata Motors, and others in seventeen plants located in Brazil, South Africa, Argentina, Australia, Colombia, Egypt, India and Mexico. Marcopolo also has a factory for bus parts and component fabrication in China. Further information is available on Marcopolo's web site at www.marcopolo.com.br.

Marcopolo's most recent investments include: a 75% stake in Volgren, Australia's largest bus body manufacturer, and a 51% share of Metalsur Carrocerias S.R.L, an Argentine company which specializes in manufacturing intercity bus bodies through a Marcopolo controlled company called Metalpar. Marcopolo also owns minority stakes in the following Brazilian parts suppliers: Spheros (heating/ventilation/air conditioning), WSUL (seating foam), and MVC (plastics).

Marcopolo's strategic plan has included a stated intent to enter the Canadian and US market and as such it identified New Flyer as an attractive investment given the Company's leading position in the public transit market, operational excellence, commitment to LEAN practises, and capacity to innovate and grow.

New Flyer plans to use the net proceeds of the Marcopolo investment to continue to support its future growth and diversification initiatives in accordance with the Company's strategic plan and for general corporate purposes. In May 2012 of a Joint Venture with the UK's largest bus builder, Alexander Dennis Limited, to introduce a MiDi bus in Canada and the US to both public and private operators. In August 2012 New Flyer completed its conversion from an Income Deposit Security structure to a common share corporation.

The two companies also signed a Memorandum of Understanding to explore opportunities to cooperate on engineering, technical, purchasing and operational matters, with a focus on reducing New Flyer's bus manufacturing and aftermarket part costs and enhancing New Flyer's competitiveness. The companies further agreed to assess Marcopolo's technology and products for possible introduction into the Canadian and US markets through New Flyer as well as New Flyer's technology and products for potential distribution into global markets.

The investment agreement permits Marcopolo to nominate a member to the Board of Directors of New Flyer (the “Board”) while Marcopolo holds at least 10% of the outstanding common shares of New Flyer and grants Marcopolo pre-emptive rights to purchase additional securities in certain circumstances to maintain its proportionate interest in New Flyer. Marcopolo has agreed to certain disposition and standstill restrictions including a requirement to hold the shares it acquires for a period of at least two years and a restriction on acquisitions of additional New Flyer securities and certain other actions for a period of at least two years. The agreement also provides that if New Flyer in the future enters into an agreement with a third party providing for the acquisition of all of New Flyer’s shares or assets, then Marcopolo will, subject to certain exceptions, agree to vote in favor of and to sell its shares as part of the transaction unless Marcopolo has made an alternative proposal that the Board believes is superior or that the shareholders have determined to accept.

The Honourable Brian Tobin P.C., O.C., Chair of the New Flyer Board of Directors, said “We are thrilled to have such a respected global leader in the industry invested in our company and actively supporting New Flyer’s strategic plan. We were approached by Marcopolo nearly one year ago and both companies have invested considerable time and resources to get to know one another, thereby ensuring that this investment makes sound strategic, economic and cultural sense for each of us”.

Paul Soubry, President and CEO of New Flyer added: “Marcopolo is a world-class company with extensive technology, expertise and experience and we look forward to working with them to take New Flyer to the next level. We were impressed with Marcopolo on so many levels: from product range, to technology and capability, to their commitment to all stakeholders (employees, customers, shareholders, suppliers and their communities in which they operate). This investment will allow us to be more aggressive in executing our growth, diversification and new product development agenda while giving us timing flexibility in drawing the second portion of the funds to ensure that the additional dividend requirements can be better matched to cash flows generated from the use of those funds”.

José Rubens de la Rosa, CEO of Marcopolo, said “The investment is in line with Marcopolo's growth strategy and marks its definitive entry into the U.S. and Canadian markets, two of the most sophisticated and advanced in the world. New Flyer has experience in manufacturing products with high standards in terms of specifications and sophistication and in the development and application of sustainable technologies, such as hybrid vehicles powered by renewable and alternative fuels."

BMO Capital Markets acted as financial advisor to New Flyer on the transaction and Blair Franklin acted as financial advisor to Marcopolo.

A conference call for analysts and interested listeners will be held on Thursday January 24, 2013 at 1:00 p.m. (ET). The call-in number for listeners is 888-231-8191 or 647-427-7450. A live audio feed of the call will also be available at http://www.newswire.ca/en/webcast/detail/1103267/1202307. Management will discuss the Marcopolo Strategic Investment Transaction presentation which will be available on New Flyer’s web site at http://www.newflyer.com/index/events_and_presentations. A replay of the call will be available from 4:00 p.m. (ET) on January 24th until 11:59 p.m. (ET) on January 31st. To access the replay, call toll free 1-855-859-2056 or 416-849-0833 and then enter pass code number 92676348. The replay will also be available on New Flyer’s web site at http://www.newflyer.com/index/events_and_presentations.

About New Flyer
New Flyer is the leading manufacturer of heavy-duty transit buses in Canada and the United States. The Company’s three manufacturing facilities – in Winnipeg, MB; St. Cloud, MN and Crookston, MN – are all ISO 9001, ISO 14001 and OHSAS 18001 certified. The Company currently operates a parts fabrication facility in

Elkhart, IN and four parts distribution centers in Winnipeg, MB; Brampton, ON; Erlanger, KY and Fresno, CA. The Company also operates a New Product Development center in Winnipeg, MB and a service center in Arnprior, ON.

With a skilled workforce of over 2,200 employees, New Flyer is a technology leader, offering the broadest product line in the industry, including drive systems powered by clean diesel, natural gas, electric trolley as well as energy-efficient diesel-electric hybrid and now all-electric battery vehicles. New Flyer has delivered over 32,000 heavy-duty buses in Canada and the United States. All products are supported with an industry-leading, comprehensive parts and service network. Further information is available on New Flyer's web site at www.newflyer.com.

The common shares and convertible unsecured subordinated debentures of New Flyer are traded on the Toronto Stock Exchange under the symbols NFI and NFI.DB.U, respectively.

Forward-Looking Statements

This press release may contain forward-looking statements relating to expected future events, including the timing, and completion, of the investment described herein and commercial cooperation between New Flyer and Marcopolo. Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including satisfaction of conditions to closing contained in the investment agreement, risks related to acquisitions, joint ventures and other strategic relationships with third parties, market and general economic conditions and economic conditions of and funding availability for customers to purchase buses and to purchase parts or services, customers may not exercise options to purchase additional buses, the ability of customers to terminate contracts for convenience and the other risks and uncertainties discussed in the materials filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Due to the potential impact of these factors, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

For further information, please contact:

Glenn Asham
Chief Financial Officer
(204) 224-1251

SCHEDULE "A2"

MARCOPOLO MAKES STRATEGIC INVESTMENT IN NEW FLYER

Caxias do Sul, January 23, 2013: Marcopolo, a leading Brazilian company in bus body production, announces today that has agreed to make a strategic investment of C$116.4 million (Canadian dollar) to acquire 11,087,834 newly issued common shares, representing a 19.99% stake in New Flyer Industries Inc.

Each common share will be issued at a price of C$10.50 per share. 4,925,530 common shares will be issued to Marcopolo upon closing expected on or prior to March 1, 2013 for aggregate consideration of C$51.7 million with the remainder 6,162,304 shares to be issued to Marcopolo at the same price per share in one tranche over the next 12 months following closing as determined by New Flyer based on its investment and financing needs and in certain other circumstances. The investment is subject to customary Toronto Stock Exchange approval.

New Flyer is the leading manufacturer of complete urban transit buses in Canada and the United States, with sales of USD 926 million and production totaling approximately 1,800 units in 2011, and is recognized for its pioneering initiative and innovation in the application of new technologies. The company has over 2,200 employees and offers the broadest product line in the U.S. industry, including drive systems powered by clean diesel, LNG and CNG, electric buses, as well as energy-efficient diesel and electric hybrid buses.

The company has already delivered more than 32,000 buses in Canada and the United States and has an extensive technical assistance and spare parts network. The company currently owns three bus factories, one in Winnipeg, Canada, and two in the U.S. state of Minnesota, in the cities of St. Cloud and Crookston, in addition to a parts and components factory, in Elkhart, Indiana, and four parts distribution centers in both countries. More information can be obtained on New Flyer's website: www.newflyer.com.

New Flyer plans to use the net proceeds of the Marcopolo investment to support its future growth and diversification initiatives in accordance with the Company’s strategic plan and for general corporate purposes.

The two companies also signed a Memorandum of Understanding to explore opportunities to cooperate on engineering, technical, purchasing and operational matters, with a focus on reducing New Flyer’s bus manufacturing and aftermarket part costs and enhancing New Flyer’s competitiveness. The companies further agreed to assess Marcopolo’s technology and products for possible introduction into the Canadian and US markets through New Flyer as well as New Flyer’s technology and products for potential distribution into global markets.

The investment agreement permits Marcopolo to nominate a member to the Board of Directors of New Flyer (the “Board”) while Marcopolo holds at least 10% of the outstanding common shares of New Flyer and grants Marcopolo pre-emptive rights to purchase additional securities in certain circumstances to maintain its proportionate interest in New Flyer. Marcopolo has agreed to certain disposition and standstill restrictions including a requirement to hold the shares it acquires for a period of at least two years and a restriction on acquisitions of additional New Flyer securities and certain other actions for a period of at least two years.

The agreement also provides that if New Flyer in the future enters into an agreement with a third party providing for the acquisition of all of New Flyer's shares or assets, then Marcopolo will, subject to certain exceptions, agree to sell its shares as part of the transaction unless Marcopolo has made an alternative proposal that the Board believes is superior or that the shareholders have determined to accept.

José Rubens de la Rosa, CEO of Marcopolo, said "The investment is in line with Marcopolo's growth strategy and marks its definitive entry into the U.S. and Canadian markets, two of the most sophisticated and advanced in the world. New Flyer has experience in manufacturing products with high standards in terms of specifications and sophistication and in the development and application of sustainable technologies, such as hybrid vehicles powered by renewable and alternative fuels."

One of the world's largest bus manufacturers, Marcopolo expects, according to guidance disclosed on December 19, 2012, to earn consolidated net revenues of BRL 4.3 billion in 2013, with an overall production of 35,200 units.

MARCOPOLO MAKES STRATEGIC INVESTMENT IN NEW FLYER

Toronto: January 23, 2013 – Marcopolo S.A. ("**Marcopolo**"), a leading Brazilian company in bus body production, has agreed with New Flyer Industries Inc. ("**New Flyer**") to make a strategic acquisition of 11,087,834 newly issued common shares ("**Shares**") of New Flyer on a private placement basis for $10.50 per Share. 4,925,530 Shares will be issued to Marcopolo upon closing expected on or prior to March 1, 2013, with the remainder (6,162,304 Shares) to be issued to Marcopolo at the same price per Share in one tranche over the next 12 months following closing as determined by New Flyer based on its investment and financing needs and in certain other circumstances. Upon completion of the acquisition, Marcopolo will own 19.99% of the then issued and outstanding Shares.

Marcopolo is purchasing the Shares for investment purposes and may increase or decrease its equity investment in New Flyer through market transactions, private agreements, treasury issuances, exercise of options, warrants or other convertible securities or otherwise at any time subject to applicable contractual restrictions and depending on market conditions and any other relevant factors from time to time.

Marcopolo and New Flyer also signed a Memorandum of Understanding to explore opportunities to cooperate on engineering, technical, purchasing and operational matters, with a focus on reducing New Flyer's bus manufacturing and aftermarket part costs and enhancing New Flyer's competitiveness. The companies further agreed to assess Marcopolo's technology and products for possible introduction into the Canadian and US markets through New Flyer as well as New Flyer's technology and products for potential distribution into global markets.

Marcopolo's address is Marcopolo Street, 280 - Bairro Planalto, Caxias do Sul - RS - Brasil - CEP: 95086-200.

EARLY WARNING REPORT FILED PURSUANT TO PART 3 OF NATIONAL INSTRUMENT 62-103

(1) Name and address of the offeror:

Marcopolo S.A.
Marcopolo Street, 280 - Bairro Planalto, Caxias do Sul - RS - Brasil - CEP: 95086-200

(2) Designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release and whether it was ownership or control that was acquired in those circumstances:

Marcopolo S.A. ("**Marcopolo**") has agreed with New Flyer Industries Inc. ("**New Flyer**") to make a strategic acquisition of 11,087,834 newly issued common shares ("**Shares**") of New Flyer on a private placement basis for $10.50 per Share. 4,925,530 Shares will be issued to Marcopolo upon closing expected on or prior to March 1, 2013, with the remainder (6,162,304 Shares) to be issued to Marcopolo at the same price per Share in one tranche over the next 12 months following closing as determined by New Flyer based on its investment and financing needs and in certain other circumstances. Upon completion of the acquisition, Marcopolo will own 19.99% of the then issued and outstanding Shares.

(3) Designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to obligation to file the news release:

See item (2) above.

(4) Designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph (3) over which

(i) the offeror, either alone or together with any joint actors, has ownership and control:

See item (2) above.

(ii) the offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor; and

Not applicable.

(iii) the offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

(5) Name of the market in which the transaction or occurrence that gave rise to the news release took place:

Not applicable.

(5.1) The value, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release:

$10.50 per Share.

(6) Purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer:

Marcopolo is purchasing the Shares for investment purposes and may increase or decrease its equity investment in New Flyer through market transactions, private agreements, treasury issuances, exercise of options, warrants or other convertible securities or otherwise at any time subject to applicable contractual restrictions and depending on market conditions and any other relevant factors from time to time.

Marcopolo and New Flyer also signed a Memorandum of Understanding to explore opportunities to cooperate on engineering, technical, purchasing and operational matters, with a focus on reducing New Flyer's bus manufacturing and aftermarket part costs and enhancing New Flyer's competitiveness. The companies further agreed to assess Marcopolo's technology and products for possible introduction into the Canadian and US markets through New Flyer as well as New Flyer's technology and products for potential distribution into global markets.

(7) General nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities:

Marcopolo entered into an investment agreement with New Flyer setting out the price and general terms of the transaction. The investment agreement permits Marcopolo to nominate a member to the Board of Directors of New Flyer while Marcopolo holds at least 10% of the outstanding Shares and grants Marcopolo pre-emptive rights to purchase additional securities in certain circumstances to maintain its proportionate interest in New Flyer. Marcopolo has agreed to certain disposition and standstill restrictions including a requirement to hold the Shares it acquires for a period of at least two years and a restriction on acquisitions of additional New Flyer securities and certain other actions for a period of at least two years. The agreement also provides that if New Flyer in the future enters into an agreement providing for the acquisition of all of New Flyer's Shares or assets, then Marcopolo will, subject to certain exceptions, agree to vote in favour of and to sell its Shares as part of the transaction unless Marcopolo has made an alternative proposal that the board believes is superior or the other shareholders decide to accept.

(8) Names of any joint actors in connection with the disclosure required by this report:

Not applicable.

(9) In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value of the consideration paid by the offeror:

The aggregate purchase price for the Common Shares is $116,422,257 and will be paid in cash.

(10) If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities:

Not applicable.

(11) If applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance:

Not applicable.

DATED this ___ day of January, 2013.

MARCOPOLO S.A.

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title: