

NAVISTAR INTERNATIONAL CORP
Form DEF 14A
January 12, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. _)

Filed by the Registrant: X

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

X

Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

Navistar International Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

X

No fee required.

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- (2) Aggregate number of securities to which transaction applies:
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- (1) Amount Previously Paid:
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- (4) Date Filed:

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NAVISTAR INTERNATIONAL CORPORATION

4201 WINFIELD ROAD

P.O. BOX 1488

WARRENVILLE, ILLINOIS 60555

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TUESDAY, FEBRUARY 16, 2010

11:00 A.M. CENTRAL TIME

HYATT LISLE HOTEL

1400 CORPORETUM DRIVE

LISLE, ILLINOIS 60532

January 12, 2010

To our stockholders:

On behalf of the Board of Directors of Navistar International Corporation you are cordially invited to attend our 2010 Annual Meeting of Stockholders to:

- .. Elect as directors the nominees named in the attached proxy statement;
- .. Ratify the selection of our Independent Registered Public Accounting Firm;
- .. Approve an amendment to our 2004 Performance Incentive Plan to increase the number of shares available for issuance thereunder from 3,250,000 to 5,750,000;
- .. Approve an amendment to our 2004 Performance Incentive Plan to modify the performance measures; and
- .. Conduct any other business properly brought before the meeting.

This proxy statement and the form of proxy are first being made available to our stockholders on January 12, 2010. In order to attend our 2010 Annual Meeting of Stockholders, you must have an admission ticket to attend. Procedures for requesting an admission ticket are detailed on page 69 of this proxy statement. Attendance and voting is limited to stockholders of record at the close of business on January 4, 2010.

By Order of the Board of Directors,

Curt A. Kramer

Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE STOCKHOLDERS MEETING TO BE HELD ON FEBRUARY 16, 2010:

THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT

[HTTP://IR.NAVISTAR.COM/ANNUALPROXY.CFM](http://ir.navistar.com/annualproxy.cfm)

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PART ONE ATTENDANCE AND VOTING MATTERS

FREQUENTLY ASKED QUESTIONS REGARDING ATTENDANCE AND VOTING

Q: Why am I receiving this proxy statement?

A: You are receiving this proxy statement because the Board of Directors (the Board) of Navistar International Corporation (Navistar or the Company) is soliciting your proxy to vote your shares at our 2010 annual meeting of stockholders (the Annual Meeting). This proxy statement includes information that we are required to provide to you under the rules of the U.S. Securities and Exchange Commission (SEC) and is designed to assist you in voting your shares.

Q: What is the purpose of the Annual Meeting?

A: The purpose of the Annual Meeting is to have stockholders act upon the matters outlined in the notice of annual meeting and this proxy statement, which include (i) the election of the nominees named in this proxy statement as directors, (ii) the ratification of Navistar's independent registered public accounting firm, (iii) the approval of an amendment to our 2004 Performance Incentive Plan to increase the number of shares available for issuance thereunder from 3,250,000 to 5,750,000 and (iv) the approval of an amendment to our 2004 Performance Incentive Plan to modify the performance measures. In addition, management may report on the performance of Navistar and respond to questions from stockholders.

Q: Who can attend the Annual Meeting?

A: Anyone wishing to attend the Annual Meeting must have an admission ticket issued in his or her name. Admission is limited to:

stockholders of record on January 4, 2010, or
a stockholder's authorized proxy holder or representative.

You must provide evidence of your ownership of shares with your ticket request. The specific requirements for obtaining an admission ticket are specified in the Admission & Ticket Request Procedure on page 69 of this proxy statement.

Q: What is the difference between a stockholder of record and stock held in street name ?

A: A stockholder of record or registered stockholder is a stockholder whose ownership of Navistar stock is reflected directly on the books and records of our transfer agent, Mellon Investor Services (the Transfer Agent). If you hold stock through a bank, broker or other intermediary, you hold your shares in street name and are not a stockholder of record. For shares held in a street position, the record owner of the shares is your bank, broker or other intermediary. Navistar only has access to ownership records for the registered shares so, if you are not a registered stockholder, for the purpose of requesting a ticket to attend the Annual Meeting, the Company needs additional documentation to evidence your stock ownership as of the record date, such as, a copy of your brokerage account statement, a letter from your broker, bank or other nominee or a copy of your voting instruction card.

Q: When is the record date and who is entitled to vote?

A: The Board set January 4, 2010, as the record date for the Annual Meeting. Holders of Navistar common stock on that date are entitled to one vote per share. As of January 4, 2010, there were approximately 70,827,477 shares of Navistar common stock outstanding. If you are a participant in any

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of the Company's 401(k) or retirement savings plans, your proxy card will represent the number of shares allocated to your account under the plan and will serve as a direction to the plan's trustee as to how the shares in your account are to be voted.

A list of all registered holders will be available for examination by stockholders during normal business hours at 4201 Winfield Road, Warrenville, Illinois 60555 at least ten days prior to the Annual Meeting and will also be available for examination at the Annual Meeting.

Q: How do I vote?

A: *For stockholders of record:* You may vote by any of the following methods:

in person stockholders who obtain an admission ticket (following the specified procedure) and attend the Annual Meeting will receive a ballot for voting.

by mail use the proxy and/or voting instruction card provided.

by phone or via the Internet follow the instructions on the enclosed proxy and/or voting instruction card.

If you vote by phone or via the Internet, please have your proxy and/or voting instruction card available. The control number appearing on your card is necessary to process your vote. A phone or Internet vote authorizes the named proxies in the same manner as if you marked, signed and returned the card by mail.

For holders in street name: You will receive instructions from the holder of record that you must follow in order for your shares to be voted.

Q: How can I authorize someone else to vote for me?

A: If you want to authorize someone other than the individual(s) named on the proxy card to vote for you:

cross out the individual(s) named and insert the name of the individual you are authorizing to vote; or

provide a written authorization to the individual you are authorizing to vote along with your proxy card.

For holders in street name: You should contact your broker to obtain documentation with authorization to attend or vote at the Annual Meeting.

To obtain an admission ticket for your authorized proxy representative, see the requirements specified in the Admission & Ticket Request Procedure on page 69 of this proxy statement.

Q: How can I change or revoke my proxy?

A: *For stockholders of record:* You may change or revoke your proxy at any time before it is exercised by (i) submitting a written notice of revocation to Navistar c/o the Corporate Secretary at 4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois 60555, (ii) providing a later dated proxy, (iii) voting by telephone or Internet at a later time or (iv) attending the Annual Meeting and voting in person. For all methods of voting, the last vote cast will supersede all previous votes.

For holders in street name: You may change or revoke your voting instructions by following the specific directions provided to you by your bank or broker.

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Q: Is my vote confidential?

A: Yes. Proxy cards, ballots and voting tabulations that identify stockholders are kept confidential. There are exceptions for contested proxy solicitations or when necessary to meet legal requirements. Broadridge Financial Solutions, Inc., the independent proxy tabulator used by Navistar, counts the votes and acts as the inspector of election for the meeting.

Q: Will my shares be voted if I do not provide my proxy?

A: If your shares are held in street name, your shares may be voted even if you do not provide the brokerage firm with voting instructions. Under New York Stock Exchange (NYSE) rules, your broker may vote shares held in street name on certain routine matters.

NYSE rules consider the ratification of the selection of independent auditors and the modification of the performance measurements and goals under Section 162(m) of the Internal Revenue Code to be routine matters. As a result, your broker is permitted to vote your shares on those matters at its discretion without instruction from you. When a proposal is not a routine matter, such as the election of directors or the approval of an increase in the number of shares authorized and available for issuance under our 2004 Performance Incentive Plan and the beneficial owner of the shares has not provided voting instructions to the brokerage firm with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote.

Q: What is the quorum requirement for the Annual Meeting?

A: Under Navistar's bylaws, holders of at least one-third of the shares of Navistar common stock outstanding must be present in person or represented by proxy in order to constitute a quorum. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum.

Q: What vote is necessary for action to be taken on proposals?

A: Directors are elected by a plurality vote of the shares present at the Annual Meeting, meaning that the director nominees with the most affirmative votes are elected to fill the available seats. As outlined in our Corporate Governance Guidelines, any director who receives more withheld votes than for votes in an uncontested election is required to tender his or her resignation to the Nominating and Governance Committee for consideration and recommendation to the Board. All other actions require an affirmative vote of the majority of shares present or represented at the Annual Meeting. Abstentions and broker non-votes have the effect of a vote against matters other than ratification of the selection of independent auditors and the modification of the performance measurements and goals under Section 162(m) of the Internal Revenue Code, which are considered routine matters as discussed above.

Votes submitted by mail, telephone or Internet will be voted by the individuals named on the card (or the individual properly authorized) in the manner indicated. If you do not specify how you want your shares voted, they will be voted in accordance with management's recommendations. If you hold shares in more than one account, you must vote each proxy and/or voting instruction card you receive to ensure that all shares you own are voted.

Q: What is house-holding?

A: If you and other residents at your mailing address own shares of Navistar common stock in street name, your broker or bank may have notified you that your household will receive only one annual report and proxy statement for each corporation in which you hold stock through that broker or bank. In this practice known as house-holding, you were deemed to have consented to that process. House-holding benefits both you and the Company because it reduces the volume of duplicate information

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received at your household and helps the Company to reduce expenses. Accordingly, the Company and your broker or bank will send one copy of our annual report and proxy statement to your address. Each stockholder will continue to receive a separate proxy card or voting instruction card. We will promptly deliver an additional copy of either document to you if you call or write us at the following address or phone number: Investor Relations, Navistar International Corporation, 4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois 60555, (630) 753-2143.

Q: What does it mean if I receive more than one proxy card?

A: Whenever possible, registered shares and plan shares for multiple accounts with the same registration will be combined into the same proxy card. Shares with different registrations cannot be combined and as a result, the stockholder may receive more than one proxy card. For example, registered shares held individually by John Doe will not be combined on the same proxy card as registered shares held jointly by John Doe and his wife.

Street shares are not combined with registered or plan shares and may result in the stockholder receiving more than one proxy card. For example, street shares held by a broker for John Doe will not be combined with registered shares for John Doe.

If you hold shares in more than one account, you must vote each proxy and/or voting instruction card you receive to ensure that all shares you own are voted. If you receive more than one card for accounts that you believe could be combined because the registration is the same, contact our stock transfer agent (for registered shares) or your broker (for street shares) to request that the accounts be combined for future mailings.

Q: Who pays for the solicitation of proxies?

A: Navistar pays the cost of soliciting proxies. This solicitation is being made by mail, but also may be made by telephone, e-mail or in person. We have hired The Altman Group, Inc. to assist in the solicitation of proxies. The Altman Group's fees are estimated to be \$10,500, plus out-of-pocket expenses, to assist in the solicitation. Proxies may also be solicited by our directors, officers and employees who will not be additionally compensated for those activities. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending proxy materials to stockholders and obtaining their votes.

Q: When are stockholder proposals or nominations due for the 2011 annual meeting?

A: Our annual meeting of stockholders is typically held on the third Tuesday in February. Accordingly, we expect to hold our 2011 annual meeting of stockholders on or around February 15, 2011. Under the rules of the SEC, we must receive any stockholder proposals to be included in our proxy statement for the 2011 annual meeting of stockholders no later than the close of business on September 14, 2010.

To otherwise seek to present a proposal at an annual meeting of stockholders or nominate directors, under our bylaws notice must be given not more than 180 days and not less than 120 days in advance of the first anniversary of the preceding year's meeting. Therefore, based on the date of our Annual Meeting, advance notice of any nominations for directors and any other proposals sought to be presented at the 2011 annual meeting of stockholders must be received between August 20, 2010 and October 19, 2010. All stockholder proposals and director nominations must be in accordance with our bylaws and delivered to Navistar by mail c/o the Corporate Secretary at 4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois 60555.

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Q: Are there any matters to be voted on at the Annual Meeting that are not included in the proxy?

A: We do not know of any matters to be acted upon at the Annual Meeting other than those discussed in this proxy statement. If any other matter is presented, proxy holders will vote on the matter in their discretion.

Q: May stockholders ask questions at the Annual Meeting?

A: Yes. During the Annual Meeting, stockholders may ask questions or make remarks directly related to the matters being voted on. In order to ensure an orderly meeting, we ask that stockholders direct questions and comments to the Chairman. In order to provide the opportunity to every stockholder who wishes to speak, each stockholder's remarks will be limited to two minutes. Stockholders may speak a second time only after all other stockholders who wish to speak have had their turn.

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PART TWO PROPOSALS AND CORPORATE GOVERNANCE INFORMATION

CORPORATE GOVERNANCE GUIDELINES

Our Board has adopted Corporate Governance Guidelines, which are available on the Investor Relations section of our website at <http://ir.navistar.com/documentdisplay.cfm?DocumentID=1309>. These guidelines reflect the Board's commitment to oversee the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing stockholder value over the long term.

BOARD OF DIRECTORS

▶ PROPOSAL 1 ELECTION OF DIRECTORS

Our Board consists of 10 directors. One director is appointed by the United Automobiles, Aerospace and Agricultural Implement Workers of America (the UAW) and is not part of our classified Board. The remaining 9 directors are divided into three equal classes for purposes of election (i.e., Class I, Class II and Class III). Only members of Class II of our classified Board are up for election at the Annual Meeting. The nominees were evaluated and recommended by the Nominating and Governance Committee in accordance with the process for nominating directors as found on page 14 of this proxy statement. If elected, the Class II Directors will hold office for an additional three year term expiring in 2013, or until their earlier death, resignation or retirement.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the Board or, as an alternative, the Board may reduce the number of directors to be elected at the Annual Meeting.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES PRESENTED IN PROPOSAL 1.

Class II Directors Whose Term Expires at the 2010 Annual Meeting THIS IS THE ONLY CLASS OF DIRECTORS UP FOR ELECTION AT THE ANNUAL MEETING.

Eugenio Clariond,* 66, Director since 2002. He retired as Chairman of the Board of Directors and Chief Executive Officer of Group IMSA, S.A., a producer of steel processed products, steel and plastic construction products and aluminum and other related products, in 2006. He served as Chief Executive Officer from 1985 through 2006 and as Chairman from 2003 through 2006. He is a director of Grupo Financiero Banorte, S.A., Mexichem S.A., the Mexico Fund, Inc. and Johnson Controls, Inc. He is also Chairman of the Mexican Fund for Nature Conservancy and President of the USA-Mexico Business Council. *Committees: Finance and Nominating and Governance.*

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Diane H. Gulyas,* 53, Director since 2009. She is the President responsible for E.I. DuPont De Nemours and Company's (DuPont) performance polymers, which contains three business units—engineering polymers, elastomers and films, with annual revenues of approximately \$4 billion. She joined DuPont in 1978 and spent her first 10 years in a variety of sales, marketing, technical and systems development positions, primarily in the company's polymers business. She later served as vice president and general manager for DuPont's advanced fiber business and then group vice president of the \$3 billion electronic and communication technologies platform. In April 2004, she was named chief marketing and sales officer, where she was responsible for corporate branding and marketing communications, market research, e-business and marketing/sales capability worldwide. She was named to her current position in October 2009. *Committee: Finance.*

William H. Osborne,* 49, Director since 2009. He is President and Chief Executive Officer of Federal Signal Corporation, a \$1 billion manufacturer and marketer of fire, safety and municipal infrastructure equipment, since September 2008. Prior to joining Federal Signal Corporation he served in a number of senior-level positions with Ford Motor Company. Most recently, he served as president and chief executive officer of Ford of Australia from February 2008 to September 2008. Previously, he served as president and chief executive officer of Ford of Canada from November 2005 to January 2008, and as Executive Director, Pickup Truck and Commercial Vehicles, North American Truck Business of Ford Motor Company from December 2003 to November 2005. His earlier assignments included a variety of roles in product design, development and engineering. Prior to joining Ford, he held positions at Chrysler and General Motors from 1977 to 1990. He is also a director of Federal Signal Corporation. *Committee: Finance.*

THE FOLLOWING CLASSES OF DIRECTORS ARE NOT UP FOR ELECTION AT THE ANNUAL MEETING.

Class III Directors Whose Term Expires at the 2011 Annual Meeting

James H. Keyes,* 69, Director since 2002. He retired as Chairman of the Board of Johnson Controls, Inc., an automotive system and facility management and control company, in 2003, a position he had held since 1993. He served as Chief Executive Officer of Johnson Controls, Inc. from 1988 until 2002. He is a director of Pitney Bowes, Inc. and on the Board of Trustees of Fidelity Mutual Funds. *Committees: Audit (Chair), Compensation, Nominating and Governance and Executive.*

John D. Correnti,* 62, Director since 1994. He is Chairman and Chief Executive Officer of Steel Development Co., LLC, a steel mill operational and development company. Prior to this position he was President and Chief Executive Officer of SeverCorr, LLC, a manufacturer of high quality flat-rolled steel products, from 2005 until 2008 and Chairman of the Board of Directors and Chief Executive Officer of Birmingham Steel Corporation, a manufacturer of steel and steel products, from 1999 to 2002. Mr. Correnti served as Chief Executive Officer, President and Vice Chairman of Nucor Company, a mini mill manufacturer of steel products, from 1996 to 1999, and as its President and Chief Operating Officer and as a director from 1991 to 1996. He is a director of Corrections Corporation of America and also serves on the Clarkson University Board of Trustees and the Mississippi University for Women Foundation Board. *Committees: Audit, Nominating and Governance and Compensation (Chair).*

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Daniel C. Ustian, 59, Director since 2002. He is President and Chief Executive Officer of Navistar since 2003 and Chairman of the Board of Directors of Navistar since 2004. He is also Chairman of Navistar, Inc. since 2004 and President and Chief Executive Officer of Navistar, Inc. since 2003 and a director since 2002. Prior to these positions he was President and Chief Operating Officer, from 2002 to 2003, and President of the Engine Group of Navistar, Inc. from 1999 to 2002, and he served as Group Vice President and General Manager of Engine & Foundry from 1993 to 1999. He is a member of the Business Roundtable and the Society of Automotive Engineers. *Committee: Executive.*

Class I Directors Whose Term Expires at the 2012 Annual Meeting

David D. Harrison,* 62, Director since 2007. He served as Executive Vice President and Chief Financial Officer of Pentair, Inc., a \$3 billion global manufacturing company, with more than 15,000 employees, from 2000 until his retirement in February 2007. Prior to joining Pentair, he held several executive positions with General Electric Co. and Borg Warner Corp., including positions in Europe and Canada. Mr. Harrison is currently managing partner of HCI, Inc., a real estate investment firm, a director of National Oilwell Varco, Inc., a leading global manufacturer of oil well drilling equipment and a director of James Hardie, a world leader in fibre cement technology. *Committees: Audit and Compensation.*

Steven J. Klinger,* 50, Director since 2008. He has been President and Chief Operating Officer of Smurfit-Stone Container Corporation since 2006. On January 26, 2009, Smurfit-Stone Container Corporation filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Prior to this position, he served as Executive Vice President, Packaging, Pulp & Global Procurement at Georgia-Pacific Corporation from 2003 to 2006 and President of Packaging, Georgia-Pacific from 2000 to 2002. Prior to 2000, he held numerous other positions within Georgia-Pacific. He is also a director of Smurfit-Stone Container Corporation since December 2008. *Committees: Audit and Compensation.*

Michael N. Hammes,* 68, Director since 1996. He served as Chairman and Chief Executive Officer of Sunrise Medical Inc., which designs, manufactures and markets home medical equipment worldwide, from 2000 until his retirement as CEO in 2007 and as Chairman in 2008. He was Chairman and Chief Executive Officer of the Guide Corporation, an automotive lighting business, from 1998 to 2000. He was also Chairman and Chief Executive Officer of The Coleman Company, Inc., a manufacturer and distributor of camping and outdoor recreational products and hardware/home products, from 1993 to 1997. He is Chairman of James Hardie, a public company and the world leader in fibre cement technology. In addition, Mr. Hammes is a member of the board of two private companies (DynaVox Mayer-Johnson and DeVilbiss) and chairman of another private company (Joerns Healthcare Inc.). All of these private companies are involved in medical equipment for the health care industry. *Committees: Compensation, Finance (Chair), Nominating and Governance (Chair) and Executive.* He is also Lead Director of Navistar since December 2007.

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Additional Director Who Is Not Elected by Stockholders

Dennis D. Williams,* ** 56, Director since 2006. The UAW employs Mr. Williams as a director of UAW Region 4, a position he has held since 2001. Prior to this position, Mr. Williams served as Assistant Director of Region 4 since 1995. Prior to joining the UAW, Mr. Williams was employed by Case Company from 1977 to 1988. Mr. Williams also served for four years in the United States Marine Corps. *Committee: Finance.*

* Indicates each director deemed independent in accordance with our Corporate Governance Guidelines and Section 303A of the NYSE Listed Company Manual Corporate Governance Standards.

** In July 1993, we restructured our postretirement health care and life insurance benefits pursuant to a settlement agreement, which required, among other things, the addition of a seat on our Board. The director's seat is filled by a person appointed by the UAW. This director is not part of our classified Board and is not elected by stockholders at the Annual Meeting. Mr. Williams was elected as a director in June 2006 to fill the seat previously held by David McAllister, the former UAW director who held this position from 2001 until his removal by the UAW in June 2006.

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We established the Navistar International Corporation Executive Stock Ownership Program in 1997 to more closely align the interests of stockholders and our senior management. Under this program all of our executive officers and certain senior managers are required to purchase and hold a specified amount of our common stock equal to a multiple of his or her annual base salary. Certain executive officers received full-recourse loans for the purchase price of our common stock they purchased through the program. Effective July 30, 2002, we ceased offering to our executive officers loans under this program. The loans extended to our executive officers prior to July 30, 2002, however, remain in effect in accordance with their then existing terms and conditions. These existing loans accrue interest at the applicable federal rate (as determined by Section 1274(d) of the Internal Revenue Code) on the purchase date (or date of refinance) for loans of stated maturity, compounded annually, are unsecured obligations and have a nine-year term.

For current outstanding loans, principal and interest is due at maturity in a balloon payment. The payment of the loan will be accelerated if a participant's employment is terminated for cause or for certain other reasons prior to, or following, a change of control. The loan may be prepaid at any time at the participant's option.

The following executive officers of the Company have outstanding loans under this program. The table indicates the largest amount of the indebtedness outstanding during fiscal 2009, the interest rate charged and the aggregate outstanding balance as of December 31, 2009.

Name	Maximum Indebtedness During Fiscal	Aggregate Outstanding Balance as of	Interest Rate (%)
	2009(\$)	December 31, 2009(\$)	
Gregory W. Elliott	\$132,306	\$132,306	4.77% & 5.02%
Daniel C. Ustian	\$410,761	\$410,761	4.77%

Our Policy and Procedures with Respect to Related Person Transactions governs the review, approval and ratification of transactions involving the Company and related persons where the amount involved exceeds \$120,000. Related persons include our executive officers, directors, director nominees, 5% stockholders and immediate family members of such persons and entities in which one of these persons has a direct or indirect material interest. Under this policy, prior to entering into any related-person transaction, the General Counsel or Corporate Secretary of Navistar is to be notified of the facts and circumstances of the proposed transaction, including: (i) the related person's relationship to the Company and interest in the transaction; (ii) the material facts of the proposed transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the benefits to the Company of the proposed transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

The General Counsel or Corporate Secretary then assesses whether the proposed transaction is a related-person transaction for purposes of the policy and SEC rules. If the General Counsel or Corporate Secretary determines that the proposed transaction is a related-person transaction, the proposed transaction is then submitted to the Audit Committee of the Board for its consideration. The Audit Committee considers all of the relevant facts and circumstances available, including (if applicable) but not limited to: (i) the benefits to the Company; (ii) the impact on a director's independence, in the event such person is a director; (iii) the availability of other sources for comparable products or services; (iv) the terms of the transaction; and (v) the terms available to

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unrelated third parties or to employees generally. No member of the Audit Committee shall participate in any review, consideration or approval of any related-person transaction with respect to which such member or any of his or her immediate family members is the related person. The Audit Committee approves only those proposed transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as determined by the Audit Committee in good faith. In the event that the Company becomes aware of a related-person transaction that has not been previously approved or ratified, a similar process will be undertaken in order to determine if the existing transaction should continue or be terminated and/or if any disciplinary action is appropriate. The General Counsel or Corporate Secretary may also develop, implement and maintain from time to time certain administrative procedures to ensure the effectiveness of this policy.

A copy of our Policy and Procedures with Respect to Related Person Transactions is available on the Investor Relations section of our website at <http://ir.navistar.com/documentdisplay.cfm?DocumentID=3617>.

For fiscal year 2009 and to the date of this proxy statement, the following five related-person transactions occurred:

The first occurred in June 2009 and related to a lump sum payment in the amount of \$2.5 million to the surviving spouse of the Company's former Director and Chief Financial Officer, Terry M. Endsley. Mr. Endsley passed away in April 2009. The Compensation Committee determined that in light of Mr. Endsley's career-long commitment, major contributions to the Company's positive impact during the restatement process and the fact that he missed the Company's Management Retirement Objective (MRO) eligibility by months at the time of his death, it was appropriate to make this lump sum payment to Mrs. Endsley. Since Mr. Endsley was a Director and Chief Financial Officer during a portion of fiscal year 2009, he and his spouse were subject to our Policy and Procedures with Respect to Related Person Transactions. The Audit Committee determined that the lump sum payment to the surviving spouse of the Company's former Director and Chief Financial Officer, Terry M. Endsley, is not inconsistent with the best interests of the Company and approved the transaction.

The second originally occurred in June 2009 and was ratified in December 2009 and related to Diane H. Gulyas, a Director of the Company, and her service as fundraising chair of the United Way, Delaware. The Company contributed in excess of \$120,000 to the United Way in support of its fundraising campaign and expects to do so again in 2010. None of these contributions were made to United Way, Delaware and Ms. Gulyas did not participate in the solicitation of these contributions, nor did she receive any direct or indirect material benefit from that relationship. After consideration of the matter the Audit Committee determined that this related person transaction is not inconsistent with the best interests of the Company and ratified and approved the transaction.

The third originally occurred in August 2008 and related to our Vice President and Treasurer, James M. Moran, in regards to his wife Kristin Moran's employment as the General Counsel of our finance subsidiary, Navistar Financial Corporation. As General Counsel of Navistar Financial Corporation, Mrs. Moran receives compensation in excess of \$120,000 per year. Since Mrs. Moran's employment pre-dated Mr. Moran's appointment as our Vice President and Treasurer, that relationship was permissible under the applicable provisions of our Policy and Procedures with Respect to Related Person Transactions and did not require Audit Committee approval. Any material change in the terms of Mrs. Moran's employment would, however, need to be approved by the Audit Committee.

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The fourth originally occurred in December 2007 and was ratified in December 2009 and related to the retention of Evercore Trust Company as an investment manager for certain of our employee benefit plan trusts as more fully described in footnote (D) to the table disclosing more than 5% owners of our common stock on page 29 of this proxy statement. As compensation for its investment manager services, Evercore Trust Company is paid an aggregate yearly service fee of \$250,000. The Audit Committee determined that the investment manager service provided by Evercore Trust Company is not inconsistent with the best interests of the Company and ratified and approved the transaction.

The fifth occurred in September 2009 and relates to our Chief Financial Officer, Andrew Cederoth, whose brother in law, Daniel McEachern, is a sourcing manager at Navistar, Inc. As sourcing manager at Navistar, Mr. McEachern received compensation in excess of \$120,000 per year. Since Mr. McEachern's employment predated Mr. Cederoth's appointment as our Executive Vice President and Chief Financial Officer, that relationship was permissible under the applicable provisions of our Policy and Procedures with Respect to Related Person Transactions and did not require Audit Committee approval. Any material change in the terms of Mr. McEachern's employment would, however, need to be approved by the Audit Committee.

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DIRECTOR INDEPENDENCE DETERMINATIONS

We believe that a majority of our members of our Board should be independent non-employee directors. Our Board has affirmatively determined that each of Messrs. Clariond, Correnti, Hammes, Harrison, Keyes, Klinger, Osborne and Williams and Ms. Gulyas qualifies as an independent director in accordance with the NYSE's independence requirements and our own internal guidelines for determining director independence and is financially literate. All of the members of our Audit Committee, Compensation Committee, Finance Committee and the Nominating and Governance Committee are independent and financially literate.

Both the NYSE requirements and our own guidelines include a series of objective tests for determining the independence of a director, such as that the director is not an employee of Navistar and has not engaged in various types of commercial or charitable relationships with Navistar. A copy of our existing guidelines for determining director independence, as included in our Corporate Governance Guidelines, is available on the Investor Relations section of our website at <http://ir.navistar.com/documentdisplay.cfm?DocumentID=1309>. Our Board has made a determination as to each independent director that no relationship exists which, in the opinion of the Board, would interfere with the exercise of the director's independent judgment in carrying out his or her responsibilities as a director. In making these determinations, our Board reviewed and discussed information provided by the directors and Navistar with regard to each director's business and personal activities as they may relate to Navistar, its management and/or its independent registered public accounting firm. We intend to explain in our public filings the basis for any determination by the Board that a relationship is not material if the relationship does not satisfy one of the specific categories of immaterial relations contained in our existing guidelines.

NOMINATING DIRECTORS

If you want to recommend a director candidate, you must do so in accordance with our bylaws that require advance notice to the Company and provide the information described therein. If you are interested in recommending a director candidate, you should request a copy of the bylaw provisions by writing to our Corporate Secretary at 4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois 60555.

The Nominating and Governance Committee identifies nominees for directors from various sources, including suggestions from Board members and management, and in the past has used third party consultants to assist in identifying and evaluating potential nominees. The Nominating and Governance Committee will consider persons recommended by the stockholders in the same manner as a committee-recommended nominee. The Nominating and Governance Committee has specified the following minimum qualifications that it believes must be met by a nominee for a position on the Board:

have the highest personal and professional ethics and integrity and values that are compatible with the Company's values;

have had experiences and achievements that have given them the ability to exercise good business judgment;

can make significant contributions to the Company's success;

are willing to devote the necessary time to the work of the Board and its committees which includes being available for the entire time of meetings;

can assist and evaluate the Company's management;

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are involved only in other activities or interests that do not create a conflict with their responsibilities to the Company and its stockholders;

understand and meet their responsibilities to the Company's stockholders including the duty of care (making informed decisions) and the duty of loyalty (maintaining confidentiality and avoiding conflicts of interest); and

have the potential to serve on the Board for at least five years.

The Nominating and Governance Committee believes that consideration should also be given to having a diversity of backgrounds, skills, and perspectives among the directors, and that generally directors should not be persons whose primary activity is investment banking, law, accounting, or consulting. In addition, the selection of directors should consider the need to strengthen the Board by providing a diversity of persons in terms of their expertise, age, sex, race, education, and other attributes which contribute to the Board's diversity. As outlined in our Corporate Governance Guidelines, any director who receives more withheld votes than for votes in an uncontested election is required to tender his or her resignation to the Nominating and Governance Committee for consideration and recommendation to the Board. The Board will publicly disclose its decision.

BOARD MEETINGS, COMMUNICATIONS AND COMMITTEES

The Board has documented its governance practices in our Corporate Governance Guidelines. These governance standards embody many of our long-standing practices, policies and procedures, which are the foundation of our commitment to best practices. In December 2009, the Board conducted an evaluation of the directors, the committees and the Board.

The Board has five standing committees: an Audit Committee, a Compensation Committee, an Executive Committee, a Finance Committee and a Nominating and Governance Committee. Each of the committees, except for the Executive Committee, is governed by a written charter, copies of which are available on the Investor Relations section of our website at <http://ir.navistar.com/documents.cfm>.

In fiscal year 2009, the full Board met 13 times. In addition, the Board's independent directors met 2 times in regularly scheduled executive sessions to evaluate the performance of the Chief Executive Officer and to discuss corporate strategies. The Chairs of our Audit, Compensation, Nominating and Governance and Finance committees of the Board each preside as the chair at meetings or executive sessions of outside directors at which the principal items to be considered are within the scope of the authority of his or her committee. Any interested party may communicate with the chair of any of these committees by sending an e-mail to presiding.director@navistar.com or by writing to the Presiding Director c/o the Corporate Secretary, at 4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois 60555. In addition, you can contact any of our directors or our Board as a group by writing to them c/o the Corporate Secretary at the same address. All communications will be received and processed by the Corporate Secretary in his discretion. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities will be forwarded to the appropriate employee within the Company. Solicitations, junk email and obviously frivolous or inappropriate communications will not be forwarded. You will receive a written acknowledgement from the Corporate Secretary's Office upon receipt of your communication.

All of the directors attended 75% or more of all the meetings of the Board and the committees on which he or she serves. The Company encourages all Board members to attend all meetings, including the Annual Meeting. Nine out of the then eleven directors attended our 2009 annual meeting of stockholders.

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Below is a table indicating committee membership and a description of each committee of the Board.

Committee Membership⁽¹⁾

(as of January 12, 2010)

	Audit	Compensation	Executive	Finance	Nominating & Governance
William H. Osborne				ü	
Eugenio Clariond				ü	ü
John D. Correnti	ü	ü*			ü
Diane H. Gulyas				ü	
Michael N. Hammes		ü	ü	ü*	ü*
David D. Harrison	ü	ü			
James H. Keyes	ü*	ü	ü		ü
Steven J. Klinger	ü	ü			
Daniel C. Ustian			ü*		
Dennis D. Williams				ü	

(1) On August 25, 2009, Y. Marc Belton retired from the Board and each committee he served on and Terry M. Endsley passed away on April 14, 2009.

* Indicates the chair of the committee

Audit Committee The Audit Committee oversees the Company's financial reporting process on behalf of the Board. The Audit Committee reviewed the fiscal 2009 audit plans of the Company's independent registered public accounting firm and internal audit staff, reviewed the audit of the Company's accounts with the independent public accountants and the internal auditors, considered the adequacy of audit scope and reviewed and discussed with the auditors and management the auditors' reports. The Audit Committee also reviewed environmental surveys and compliance activities for the Company's facilities and the expense accounts of executive officers and directors. The Audit Committee also reviews and decides on conflicts of interest and related person transactions that may affect executive officers and directors. In December 2009 the Board designated Mr. James H. Keyes, Mr. Steven J. Klinger and Mr. David D. Harrison as Audit Committee financial experts, as defined by applicable law, rules and regulations. In fiscal year 2009, the Audit Committee held 9 meetings. The Audit Committee conducted an evaluation of its performance in December 2009.

Compensation Committee The Compensation Committee makes recommendations to the Board with respect to the election and responsibilities of all executive officers, reviews and approves the compensation of executive officers who are not also directors of the Company, recommends to the independent members of the Board the compensation of executive officers who also are directors of the Company, administers the Company's equity compensation plans, furnishes an annual Compensation Committee Report on executive compensation and reviews and discusses the Compensation Discussion & Analysis (CD&A) with management and recommends to the Board the inclusion of the CD&A in the Company's proxy statement. Upon management's recommendation, the Compensation Committee also reviews basic changes to non-represented employees' base compensation and incentive and benefit plans. Additional information on the roles and responsibilities of the Compensation Committee is provided in the CD&A on page 32 of this proxy statement. The Compensation Committee held 5 meetings in fiscal year 2009. The Compensation Committee conducted an evaluation of its performance in December 2009.

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Executive Committee The Executive Committee is composed of 3 directors, 2 of whom are independent directors. The Executive Committee represents the Board between meetings for the purpose of consulting with officers, considering matters of importance and either taking action or making recommendations to the Board. The Executive Committee held no meetings in fiscal year 2009.

Finance Committee The Finance Committee reviews the Company’s financing requirements, custody and management of assets which fund the pension and retirement savings plans of the Company’s subsidiaries, procedures by which projections and estimates of cash flow are developed, dividend policy and operating and capital expenditure budgets. The Finance Committee held 6 meetings in fiscal year 2009. The Finance Committee conducted an evaluation of its performance in December 2009.

Nominating and Governance Committee The Nominating and Governance Committee is responsible for the organization of the Board, reviewing and making recommendations to the Board concerning nominees for election as directors and reviewing and recommending corporate governance practices, policies of the Company and changes to the Company’s charter and by-laws. In addition, the Nominating and Governance Committee leads the Board in its self-evaluation process. The Nominating and Governance Committee held 5 meetings in fiscal year 2009. The Nominating and Governance Committee conducted an evaluation of its performance in December 2009.

CODE OF CONDUCT

Our Code of Conduct embodies a code of ethics (the Code) applicable to all of our directors, officers and employees which establishes the principles, policies and conduct for professional behavior in the workplace. Every director, officer and employee is required to read and follow the Code. A copy of our Code of Conduct is available on the Investor Relations section of our website at <http://ir.navistar.com/documentdisplay.cfm?DocumentID=4850>. Any waiver of the Code for executive officers or directors of the Company requires the approval of the Audit Committee and must be promptly disclosed to the Company’s stockholders. We intend to disclose on the Investor Relations section of our website (<http://ir.navistar.com/documents.cfm>) any amendments to, or waivers from, the Code that is required to be publicly disclosed under the rules of the SEC.

The Audit Committee has established procedures for employees, vendors and others interested parties to communicate concerns with respect to our accounting, internal controls or financial reporting to the Audit Committee, which has responsibility for these matters. Concerns may be reported as follows:

Via the Navistar Business Abuse and Compliance Hotline

1 -877-734-2548

or via the Internet at

tnwinc.com/webreport/default.asp

Write to the Audit Committee
Audit Committee

c/o Corporate Secretary

Navistar International Corporation

4201 Winfield Road

P.O. Box 1488

Warrenville, IL 60555

E-mail the Audit Committee

Audit.committee@navistar.com

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AUDIT COMMITTEE REPORT

Management of the Company has the primary responsibility for the integrity of the accounting, auditing and financial reporting practices of the Company, including the system of internal controls. The Independent Registered Public Accounting Firm (the Auditors) are responsible for performing an independent audit of the Company s consolidated financial statements and internal controls over financial reporting in accordance with standards established by the Public Company Accounting Oversight Board (United States) and issuing a report thereon. The Audit Committee s responsibility is to monitor these processes. In this regard, the Audit Committee meets periodically with management, the internal auditors and the Auditors. The Audit Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in conducting any such investigations. The Audit Committee is responsible for selecting and, if appropriate, replacing our auditors, KPMG LLP (KPMG).

The Audit Committee has discussed with the Company s auditors the overall scope and execution of the independent audit and has reviewed and discussed the audited financial statements with management. Discussions about the Company s audited financial statements included the auditors judgments about not only the acceptability of the accounting principles, but also the quality, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee also discussed with the auditors other matters required by Statement on Auditing Standards No. 114 *The Auditor s Communication With Those Charged With Governance*. The Auditors provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and the Audit Committee discussed the auditors independence with management and the Auditors. The Audit Committee concluded that the Auditors independence had not been impaired.

Based on the above-mentioned review and discussions with management and KPMG, and subject to the limitations on the roles and responsibilities of the Audit Committee referred to above and in the Audit Committee s written charter, the Audit Committee recommended to the Board that the Company s audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended October 31, 2009 for filing with the SEC. In addition, the Audit Committee has engaged KPMG to serve as the Company s Independent Registered Accounting Firm for 2010.

Audit Committee

James H. Keyes, Chairman

John D. Correnti

David D. Harrison

Steven J. Klinger

Table of Contents***INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEE INFORMATION***

In January 2009 our Audit Committee approved the engagement of KPMG as our independent registered public accounting firm. The following table presents aggregate fees billed or expected to be billed by KPMG for audit services and fees for audit-related services (including associated out-of-pocket costs) incurred for the years ended October 31, 2009 and 2008, on our behalf:

(in millions)	2009	2008
Audit fees	\$21.3	\$25.3
Audit-related fees	0.4	0.2
Tax fees		
All Other fees		
Total fees	\$21.7	\$25.5

A description of the types of services provided in each category is as follows:

Audit Fees These are fees for professional services for the audit of our annual consolidated financial statements, limited review of our quarterly consolidated financial statements, and services that are normally provided in connection with statutory and regulatory filings. This includes fees for the audit of Navistar Financial Corporation (NFC) and fees in connection with the SEC investigation related to our financial statements.

Audit-Related Fees These are fees for the assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, including procedures related to our and NFC s financing transactions.

Tax Fees These are fees for professional services rendered for tax compliance, tax advice and tax planning. For 2009 and 2008, the Company incurred less than \$100,000 in tax fees.

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All Other Fees These are fees for permissible products and services provided by KPMG that do not meet the above categories. For 2009 and 2008, the Company did not incur any other fees.

The Audit Committee pre-approved all audit and non-audit services provided to us in accordance with the Audit Committee's pre-approval policy. In accordance with the Audit Committee's pre-approval policy, the Audit Committee annually considers for pre-approval all proposed audit and non-audit services which are known early in the year to be performed in the coming year by our independent registered public accounting firm and the estimated fees for such services. Additional fees related to certain audit-related or non-audit services proposed to be provided by our independent registered public accounting firm may be pre-approved by management, so long as the fees for such additional services individually or in the aggregate do not exceed \$400,000 in any 12-month period, and are reported to the Audit Committee at the next regularly scheduled committee meeting. Other proposed audit-related or non-audit services (not within the scope of the approved engagement) may be considered and, if appropriate, pre-approved by the chair of the Audit Committee if the related additional fees are estimated to be less than \$250,000, otherwise the Audit Committee must pre-approve all additional audit-related and non-audit services to be performed by our independent registered public accounting firm. In making its decision to utilize our independent registered public accounting firm, the Audit Committee considers whether the provision of such services is compatible

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with maintaining that firm's independence and to that end receives certain representations from the firm regarding their independence and permissibility under applicable laws and regulations of non-audit services provided by the firm to us.

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board seeks an indication from stockholders of their approval or disapproval of the Audit Committee's appointment of KPMG as the Company's Independent Registered Public Accounting Firm for fiscal 2010. KPMG has been the Company's auditors since 2006. For additional information regarding the Company's relationship with KPMG, please refer to the Audit Committee Report on page 18 of this proxy statement and the Audit Fees presented on page 19 of this proxy statement.

If the appointment of KPMG as auditors for 2010 is not approved by the stockholders, the adverse vote will be considered a direction to the Audit Committee to consider other auditors for next year. However, because of the difficulty in making any substitution of auditors after the beginning of the current year, the appointment for fiscal 2010 will stand, unless the Audit Committee finds other good reason for making a change.

Representatives of KPMG will be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. The representatives will also be available to respond to questions at the Annual Meeting.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 2.

2004 PERFORMANCE INCENTIVE PLAN MODIFICATIONS

On February 17, 2004, the stockholders of the Company approved our 2004 Performance Incentive Plan (the Plan), including the performance measurements and goals set forth therein. The Plan has been amended from time to time. The Plan is an omnibus type of equity compensation plan that provides the Company the means by which to grant annual incentive compensation (i.e., bonuses) as well as long-term incentive compensation to its key employees. The types of awards that are used for employees under the Plan are primarily performance-based cash and stock awards, restricted stock and stock unit awards, stock appreciation rights (SARs) and stock options. The Plan also allows the Company to provide equity compensation to its non-employee directors and consultants. Set forth below the Proposals is a description of the material features of the Plan.

On December 15, 2009, the Compensation Committee of the Board approved amendments to the Plan to (i) increase the number of shares authorized and available for issuance under the Plan from 3,250,000 to 5,750,000, (ii) modify the performance measurements and goals set forth in Section VI the Plan to include earnings before interest and taxes (EBIT), (iii) extend the period of time in which an option holder is permitted under the Plan (other than on account of death, total and permanent disability or qualified retirement) to exercise vested stock options from 90 days to 12 months and (iv) modify the change in control provisions set forth in Section XX of the Plan to provide for the vesting of awards only upon both a change in control and a termination event (a double trigger event) as opposed to the original vesting of awards solely upon a change in control (a single trigger event). The amendments numbered (iii) and (iv) discussed above do not require approval of stockholders and therefore your approval is not being requested hereunder. Amendment number (i) discussed above requires stockholder approval under NYSE rules and amendment number (ii) discussed above requires stockholder approval under the provisions of Section 162(m) of the Internal Revenue Code. Accordingly, stockholder approval is solely being requested on matters (i) and (ii) discussed above.

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¶ PROPOSAL 3 APPROVAL OF AN AMENDMENT TO OUR 2004 PERFORMANCE INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE THEREUNDER FROM 3,250,000 TO 5,750,000

We are asking for the approval of an amendment to our Plan to increase the number of shares available for issuance thereunder from 3,250,000 to 5,750,000. We believe that issuing these additional shares under the Plan is necessary to continue to meet the Company's objectives of attracting, motivating and retaining employees, directors and consultants. You are being asked to approve this amendment to the Plan.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 3.

¶ PROPOSAL 4 APPROVAL OF AN AMENDMENT TO OUR 2004 PERFORMANCE INCENTIVE PLAN TO MODIFY THE PERFORMANCE MEASURES

In accordance with Section 162(m) of the Internal Revenue Code, as amended (the Code) and the regulations promulgated thereunder, we are also asking for the authority to amend the Plan to include earnings before interest and taxes as one of the performance measures of the Plan. Specifically, the approval of the material terms of the performance measurements under the Plan is required under Section 162(m) of the Code to preserve the Company's deduction for compensation relating to certain awards granted under the Plan to certain executive officers. We believe that revising the performance measures is necessary to continue to meet the Company's objectives of attracting, motivating and retaining employees, directors and consultants. You are being asked to approve this amendment to the Plan.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 4.

Material Features of the Plan

The following is a summary of the material features of the Plan and is qualified in its entirety by reference to the complete text of the Plan, which, as amended and restated, is attached to this proxy statement as Appendix A.

Eligibility. Employees eligible to be considered for awards under the Plan are key employees of the Company and its subsidiaries, including the Company's executive officers, who are designated by the Compensation Committee (typically senior managers and above). All non-employee directors and consultants are also eligible to be considered for certain awards under the Plan. As of January 4, 2010, there were approximately 10 current or former non-employee directors, 2 current consultants and 303 current or former key employees eligible to participate in the Plan.

Shares Authorized under the Plan. A total of 3,250,000 shares of common stock are reserved for awards under the Plan. If the amendment authorizing the issuance of 2,500,000 additional shares is approved, there will be a total of 5,750,000 shares of common stock reserved for awards under the Plan. No more than 1,000,000 of these shares may be used over the term of the Plan for awards other than stock options. In addition, the total number of shares of common stock that will be available as awards under the Plan in any calendar year to any one individual will not exceed 1,000,000 shares. Shares subject to awards under the Plan or any other prior plan that are cancelled, expired, forfeited, settled in cash, tendered to satisfy the purchase price of an award, withheld to satisfy tax obligations or otherwise terminated without a delivery of shares to the participant again become available for awards under the Plan. The Compensation Committee may make appropriate adjustments in the number of shares available under the Plan to reflect any stock dividend, recapitalization, merger, consolidation, split-up, combination or exchange of shares, spinoffs or other similar event. As of January 4, 2010, 561,090 shares of common stock remain available for issuance under the Plan.

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Plan Benefits. Future benefits under the Plan are not currently determinable. Moreover, the benefits to any director, officer, employee or consultant from future equity awards will not increase by reason of approval of these proposals. Whether future awards will be made will depend on Compensation Committee action, and the value of any future equity awards will ultimately depend on the future price of the Company's common stock, among other factors, and will be subject to such vesting conditions as the Compensation Committee determines from time to time. For further details on the awards granted for fiscal 2009, please refer to the executive and director compensation tables beginning on pages 43 and 61, respectively, of this proxy statement.

In accordance with SEC rules, the following table lists all options granted to the individuals and groups indicated below since the adoption of the Plan in 2004. The option awards listed below for the covered executives and directors include the option awards listed in the executive and director compensation tables beginning on pages 43 and 61, respectively, of this proxy statement and are not additional awards. As of January 4, 2010, the closing price of Navistar stock on the NYSE was \$40.145 per share.

Persons or Groups of Persons	Number of Shares Underlying Options
Daniel C. Ustian Chairman, President and Chief Executive Officer	456,912
William A. Caton ⁽¹⁾ Executive Vice President and Chief Risk Officer	89,642
Terry M. Endsley ⁽²⁾ Former Executive Vice President and Chief Financial Officer	52,759
Andrew J. Cederoth Executive Vice President and Chief Financial Officer	49,581
Deepak T. Kapur President, Truck Group	159,318
Pamela J. Turbeville ⁽³⁾ Senior Vice President and Chief Executive Officer	123,117 ⁽⁴⁾
Navistar Financial Corporation	
Steven K. Covey Senior Vice President, Chief Ethics Officer and General Counsel	103,206
All current executive officers as a group ⁽⁵⁾	962,676
All current directors who are not executive officers as a group	85,600
Each nominee for election as a director	23,600
Each associate of any such director, executive officer or nominees	
Each other person who received or is to receive 5% of such options, warrants or rights	
All employees, including all current officers who are not executive officers as a group	1,559,980

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- (1) Mr. Caton retired from the Company effective October 31, 2009.
- (2) Mr. Endsley passed away on April 14, 2009.

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(3) Ms. Turbeville's employment terminated as of January 31, 2009.

(4) Includes 40,614 restoration stock option grants.

(5) Includes the executives listed above.

Administration. The Compensation Committee has been designated by the Board to administer all awards under the Plan. The Compensation Committee has the discretion to determine the employees, non-employee directors and consultants who will participate in the Plan, the size and types of the awards, the performance levels at which awards will be earned and the terms and conditions of such awards, subject to certain limitations set forth in the Plan. In addition, the Compensation Committee has full and final authority to interpret the Plan.

Effective Date; Term of the Plan. The effective date of the Plan is February 17, 2004 and the effective date of the amendments contemplated by these proposals if approved would be February 16, 2010. The term of the Plan is ten years from February 17, 2004. No awards may be granted under the Plan after February 16, 2014, but awards made before that date may continue to be exercisable and/or to vest after that date, and will otherwise be governed by the terms of the Plan.

Awards under the Plan. At the discretion of the Compensation Committee, (i) employees may be granted awards under the Plan in the form of annual cash incentive awards, stock options, restricted stock or stock unit awards, SARs or other awards, as described below, (ii) non-employee directors may be granted awards in the form of non-qualified stock options or restricted stock or stock units awards, as described below and (iii) consultants may be granted awards in the form of non-qualified stock options, restricted stock or stock units awards, SARs or other stock based awards as described below. Such awards may be granted singly, in combination, or in tandem.

Stock Options. The Plan provides for the granting of incentive stock options, which are intended to meet the requirements of Section 422 of the Code, to employees and non-qualified stock options to employees, directors and consultants. A stock option is a right to purchase a specified number of shares of common stock at a specified grant price. All stock options granted under the Plan must have an exercise price per share that is not less than 100% of the fair market value of the common stock on the date of grant and a term of no more than ten years. The grant price, number of shares, term and conditions of exercise, whether an option will qualify as an incentive stock option under the Code or a non-qualified stock option, and other terms of a stock option grant will be determined by the Compensation Committee as of the grant date.

Unless otherwise determined by the Compensation Committee, one-third of the stock options will become exercisable after one year from the date of the grant, an additional one-third after two years from the date of the grant and the final one-third after three years after the date of the grant. Subject to certain exceptions, (i) for stock options granted prior to December 15, 2009, they will expire three months after the termination of a participant's employment or service with the Company and (ii) for stock options granted on or after December 15, 2009, they will expire twelve months after the termination of a participant's employment or service with the Company. If a participant dies while employed by or serving the Company or after retirement, all outstanding stock options will fully vest, and may be exercised by the personal representatives or distributees, for a period of two years after the date of death. If an employee terminates employment or service on or after age 55 with ten or more years of continuous service, or in the case of a non-employee director, retires from the Board in accordance with Board's retirement policy, the participant may thereafter exercise stock options according to their original terms.

The exercise price of any stock option must be paid in full at the time the stock option is exercised in cash, by means of net settlement or in common stock owned by the participant or by

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a combination of cash and common stock. In addition, the participant must remit an amount in cash or common stock sufficient to satisfy tax withholding requirements or choose to net settle the stock option exercise.

Provisions that permit a participant to elect to restore a stock option upon exercise may be contained in the terms of the stock options awarded to employees or consultants. However, the Compensation Committee may not reprice, or otherwise discount, any outstanding stock option. Restoration provisions under the Plan generally permit the exercise of vested non-qualified stock options (the underlying option) by use of common stock that has been owned by the participant, for at least six months if acquired from the Company. New restoration stock options are then granted to the participant at the fair market value of the common stock on the date of the grant of the restoration option in an amount equal to the number of shares that were used to exercise the underlying stock option, plus the number of shares that were withheld for the required tax liability. The restoration stock option will have a term equal to the remaining term of the underlying option, will generally become exercisable six months after the date of grant, and otherwise will have the same general terms and conditions of other non-qualified stock option granted under the Plan. The shares that represent the difference between the exercise price of the underlying option and the value of the shares on the date of exercise (less withholding taxes) generally cannot be transferred by the participant for a period of three years after exercise of the underlying option. Prior to January 1, 2005, a participant may have elected to defer delivery of those shares. For any grants made under the Plan after January 1, 2005, participants may no longer defer delivery of those shares. Non-employee directors may not be granted restoration stock options under the Plan. In December 2008, the Compensation Committee approved the elimination of the Restoration Stock Option Program under the Plan in connection with future long-term incentive grants, beginning with the grants made in December 2008.

Restricted Stock and Stock Units. The Plan also provides for the granting of stock awards to employees, consultants and non-employee directors that consist of grants of restricted common stock or units denominated in common stock. The terms, conditions and limitations applicable to any award of restricted stock or stock unit will be decided by the Compensation Committee. However, any restricted stock and stock unit award must have a minimum restriction period of three years from the date of grant, except that the Plan provides for earlier vesting upon a termination due to death. Participants holding restricted stock awarded under the Plan will be entitled to receive dividends, if and when declared by the Board.

Other Stock-Based Awards. The Plan also provides for the granting of stock appreciation rights (SARs) and other stock-based awards to employees and consultants that the Compensation Committee deems consistent with the purposes of the Plan. A SAR is a right to receive a payment, in cash or common stock, equal to the excess of the fair market value of a specified number of shares of common stock over a specified grant price. A SAR may be granted to the holder of a stock option with respect to all or a portion of the shares of common stock subject to such stock option (a tandem SAR) or may be granted separately. The holder of a tandem SAR may elect to exercise either the stock option or the SAR, but not both. All SARs granted under the Plan must have an exercise price per share that is not less than the fair market value of the common stock on the date of grant and a term of no more than ten years. The grant price, term, number of shares, terms and conditions of exercise, and other terms of a SAR grant will be fixed by the Compensation Committee as of the grant date.

Annual Cash Incentive Awards. The Plan also provides for the granting of annual cash incentive awards to employees contingent on attainment of performance or other objectives established by the Compensation Committee at the beginning of each fiscal year. Generally, the terms, conditions and limitations applicable to any cash incentive award will be decided in the

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discretion of the Compensation Committee. At the discretion of the Compensation Committee, amounts payable in respect of cash incentive awards granted under the Plan may be deferred.

Performance Measures. At the discretion of the Compensation Committee, any of the above-described awards to employees may be contingent on attainment of performance goals which are based on one or more of the following pre-established criteria: (a) income measures; (b) return measures; (c) cash flow, cash flow return on investments, which equals net cash flows divided by owners equity; (d) gross revenues from operations; (e) total revenue; (f) cash value added; (g) economic value added; (h) share price; (i) sales growth; (j) market share; (k) the achievement of certain quantitatively and objectively determinable non-financial performance measures; (l) earnings before interest and taxes; and (m) any combination of, or a specified increase in, any of the foregoing (the Performance Measures). As noted in Proposal 4 on page 21, we are asking for authority to amend the Plan to include earnings before interest and taxes as one of the Performance Measures of the Plan.

Where applicable, Performance Measures will be expressed in terms of attaining a specified level of the particular criteria or attaining a specified increase (or decrease) in the particular criteria and may be applied to the performance of the employee or the Company as a whole, at a subsidiary level or at an operating unit level, or a combination thereof, all as determined by the Compensation Committee. Generally, the terms, conditions and limitations applicable to any award that is subject to the attainment of the Performance Measures will be decided by the Compensation Committee. Performance Measures may include varying levels of performance at which different percentages of the award will be made (or specified vesting will occur). The achievement of Performance Measures will be subject to certification by the Compensation Committee. The Compensation Committee has the authority to make equitable adjustments to the Performance Measures. In no event will the performance period for any performance-based equity award be less than one year.

At the discretion of the Compensation Committee, certain awards granted under the Plan that are subject to the attainment of one or more of the Performance Measures will be intended to qualify as performance-based compensation under Section 162(m) of the Code. Section 162(m) generally disallows deductions for compensation in excess of \$1,000,000 for some executive officers unless the compensation qualifies as performance-based compensation. The Plan contains provisions consistent with the Section 162(m) requirements for performance-based compensation. However, the Compensation Committee may award non-deductible compensation when such grants are in the best interest of the Company, balancing tax efficiency with long-term strategic objectives.

Employee Award Limitations. Under the Plan, no employee may be granted during any fiscal year:

Stock Options and/or SARs that are exercisable for more than 1,000,000 shares of common stock in the aggregate;

Restricted stock and/or stock units covering or relating to more than 1,000,000 shares of common stock in the aggregate; or

Cash incentive awards having a value, as determined on the date of grant, in excess of \$4,000,000.

Transferability. Awards made under the Plan may not be assigned or otherwise encumbered, except as provided by the participant's last will and testament and by the applicable laws of descent and distribution.

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Change in Control. For any award issued prior to January 1, 2010, the Plan provided that upon the occurrence of a Change in Control (as defined in the Plan), all restricted stock and stock unit awards would be immediately vested and free of all restrictions, and all outstanding unexercised stock options would become immediately exercisable and remain fully exercisable for a period of three years from the date of the Change in Control. For any award issued on or after January 1, 2010, the Plan provides that upon both (x) the occurrence of a Change in Control (as defined in the Plan) and (y) either immediately before the date on which the Change in Control occurred or during the 36 month period after the date of the then-most recent Change in Control, certain termination events should occur with respect to such Plan participant, then all of such participant's restricted stock and stock unit awards will be immediately vested and free of all restrictions, and all outstanding unexercised stock options will become immediately exercisable and remain fully exercisable for a period of three years from the date of the Change in Control.

Amendment, Modification, and Termination. The Compensation Committee may amend, modify, or terminate the Plan, at any time, except that stockholder approval is required for any amendment that would (i) increase the number of shares of common stock available for issuance under the Plan or increase the limits applicable to awards under the Plan; (ii) lower the exercise price of a stock option or SAR grant value below 100% of the fair market value of the common stock on the date of grant; (iii) remove the prohibition on repricing set forth in the Plan; or (iv) require stockholder approval as a matter of law or under rules of the New York Stock Exchange.

Federal Income Tax Consequences

The following is a brief summary of the federal income tax aspects of awards that may be made under the Plan based on existing U.S. federal income tax laws. This summary is general in nature and does not address issues related to the tax circumstances of any particular participant. This discussion is not to be construed as tax advice.

Restricted Stock and Stock Units Awards. Generally, the grant of restricted stock has no federal income tax consequences at the time of grant. Rather, at the time the shares are no longer subject to a substantial risk of forfeiture (as defined in the Code), the grantee will recognize ordinary income to the extent of the excess of the fair market value of the stock on the date the risk of forfeiture ceases over the participant's cost for such stock (if any). A grantee may, however, elect to be taxed at the time of the grant. The Company generally will be entitled to a tax deduction at the time and in the amount that the grantee recognizes ordinary income.

In general, no taxable income is realized by a participant in the Plan upon the award of stock units. Such participant generally would include in ordinary income the fair market value of the award of stock at the time shares of stock are delivered free of any substantial risk of forfeiture. The Company generally will be entitled to a tax deduction at the time and in the amount that the grantee recognizes ordinary income.

Stock Options and SARs. Some of the stock options issuable under the Plan may constitute incentive stock options within the meaning of Section 422 of the Code, while other options granted under the Plan may be non-qualified stock options. Generally, in the case of an incentive stock option, the optionee will not recognize any income for U.S. federal income tax purposes upon the grant of the incentive stock option. However, upon the exercise of an incentive stock option, the difference between the exercise price of the incentive stock option and the fair market value of the common stock at the time of exercise is an item of tax preference that may require payment of an alternative minimum tax. An optionee will generally realize taxable income upon the sale of shares acquired by exercise of an incentive stock option. If certain holding period requirements have been satisfied with respect to outstanding shares so acquired, taxable income will constitute long-term capital gain and the Company will not be entitled to a tax deduction.

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In the case of the exercise of a non-qualified stock option, the optionee will generally not be taxed upon the grant of an option. Rather, at the time of exercise of the non-qualified stock option, the optionee will generally recognize ordinary taxable income (subject to withholding) in an amount equal to the difference between the fair market value of the shares on the date of exercise and the exercise price. The Company is generally entitled to a deduction at the time and in an amount equal to the income recognized by the optionee.

A grant of SARs has no federal income tax consequences at the time of grant. Upon exercise of SARs the amount of any cash received by the holder under the Plan will be subject to ordinary income tax in the year of receipt, and the Company will be entitled to a corresponding deduction for federal income tax purposes.

Cash Incentive Awards. The recipient of a cash incentive award normally will recognize ordinary income at the time the payment is received, and the Company will be entitled to a corresponding deduction for federal income tax purposes.

General. In addition to ordinary income tax, amounts that are treated as wages will be subject to payroll tax and withholding by the Company.

Outstanding Stock Options

In order to provide stockholders with a better understanding of the outstanding stock options held by executives, employees and directors, we have provided the following tables, which sets forth information regarding stock options outstanding on January 4, 2010. As noted in the table below, our executives and employees have continued to hold their stock options after they vested, and, in some cases for periods in excess of 6 years. Consequently, as more stock options remain outstanding, this overhang increases our total potential dilution. Our total potential dilution, including all outstanding equity awards, as well as the shares being requested in this proposal would be 12.44%⁽¹⁾. If we exclude the in-the-money stock options that have been outstanding for more than 6 years, our dilution is only 10.38%⁽¹⁾.

	Vested Options Outstanding (in millions)	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life
Substantially in-the-money options outstanding in excess of six years	1,860,275	\$ 29.9786	2.2 Years
Other options outstanding in excess of six years	1,074,489	\$ 42.6870	3.6 Years
All options outstanding less than six years	2,958,831	\$ 30.9234	6.9 Years

⁽¹⁾ Dilution was calculated as all shares remaining available for grant under existing plans, plus the 2,500,000 shares requested in this proposal, plus all shares issuable upon exercise of outstanding stock options (with or without the in-the-money options outstanding for more than 6 years) and vesting of outstanding restricted stock, restricted stock units and performance shares divided by (i) basic common shares outstanding + (ii) shares in the numerator all as of January 4, 2010.

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Substantially in-the-money options outstanding in excess of six years was determined with an exercise price of less than \$40.005, which was the average of the high and low of Navistar's stock on January 4, 2010. Additional information regarding these options is as follows:

Grant Date	Outstanding Options	Exercise Price	Remaining Contractual Life (in years)
5/2/2002	1,800	34.5625	.3
6/1/2000	1,208	32.6250	.4
9/1/2000	483	37.7200	.6
12/12/2000	187,259	21.2200	.9
12/13/2000	8,500	21.4350	.9
2/1/2001	800	27.9500	1
7/1/2001	1,733	27.9500	1.5
7/2/2001	1,067	28.5900	1.5
8/1/2001	800	32.1800	1.5
12/11/2001	705,262	38.2000	1.9
12/12/2001	12,500	37.9250	1.9
12/21/2001	6,189	39.9200	.9
1/8/2002	6,000	39.7050	2
2/11/2002	4,280	39.0300	.9
6/1/2002	1,375	35.1850	2
12/10/2002	836,015	26.3850	2.9
12/11/2002	16,000	25.8200	2.9
1/1/2003	3,250	23.9550	2.9
2/15/2003	3,754	22.8000	3.1
2/19/2003	58,100	23.9650	3.1
3/26/2003	2,275	25.4300	3.2
7/1/2003	1,300	31.8100	3.5
10/1/2003	325	37.9600	3.7
Total substantially in-the-money options outstanding in excess of six years	1,860,275	29.9786	2.2

The Company continues to manage its burn rate of equity awards granted over time to levels it believes are reasonable and appropriate. The Company's three-year average burn rate was 0.83%, significantly below the 2% limit used by many advisory groups. Burn rate was calculated as the three year average of the total number of stock options, restricted stock, restricted stock units and performance shares awarded during each year divided by the weighted average common shares outstanding for each fiscal year.

Table of Contents**PART THREE OTHER IMPORTANT INFORMATION*****PERSONS OWNING MORE THAN FIVE PERCENT OF NAVISTAR COMMON STOCK***

This table indicates, as of December 31, 2009, all persons we know to be beneficial owners of more than 5% of our common stock. This information is based on a review of Schedule 13D, Schedule 13G and Form 4 reports filed with the SEC by each of the firms listed in the table below.

Name and Address	Total Amount and Nature of Beneficial Ownership	Percent of Class
Oppenheimer Funds, Inc. Two World Financial Center 225 Liberty Street New York, NY 10281 FMR LLC	8,248,640(A)	11.65%
Edward C. Johnson 3d 82 Devonshire Street Boston, Massachusetts 02109 International Truck and Engine Corporation Non-contributory Retirement Plan Trust International Truck and Engine Corporation Retirement Plan for Salaried Employees Trust	7,903,755(B)	11.096%
International Truck and Engine Corporation Retiree Health Benefit Trust c/o International Truck and Engine Corporation 4201 Winfield Road Warrenville, Illinois 60555 Evercore Trust Company, N.A.	7,755,030(C)	10.30%
55 East 52 nd Street, 36 th Floor New York, NY 10055	6,255,030(D)	8.88%

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- (A) As reported in Schedule 13G, as amended by Amendment No. 4, filed November 5, 2009 with the SEC by Oppenheimer Funds, Inc. It is reported in the Schedule 13G/A that 8,248,640 shares, or 11.65% of the common stock outstanding of Navistar are beneficially owned by Oppenheimer Funds, Inc., over which it has shared voting power and shared dispositive power.
- (B) As reported in a Schedule 13G, as amended by Amendment No. 1 filed February 17, 2009 with the SEC by FMR LLC (FMR), Edward C. Johnson, 3d, Chairman of FMR, and Fidelity Management and Research Company, a wholly-owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 (Fidelity). It is reported in the Schedule 13G/A that (1) Fidelity is the beneficial owner of 7,334,025 shares or 10.296% of the Common Stock outstanding of the Company as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940, (2) Edward C. Johnson 3d, and FMR, through its control of Fidelity, and the funds each has sole power to dispose of 7,334,025 shares owned by such funds and neither FMR nor Edward C. Johnson 3d, has sole power to vote or direct the voting of the shares owned directly by such funds, which power resides with such funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by such funds Boards of Trustees, (3) Pyramis Global Advisors, LLC (PGALLC), an indirect wholly-owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 46,000 shares or 0.065% of the Common Stock outstanding of the Company as a result of its serving as investment advisor to the institutional account(s), non-U.S. mutual funds, or investment companies registered under Section 8 of the Investment Company Act of 1940 owning such shares, (4) Edward C. Johnson 3d and FMR, through its control of PGALLC, each has sole dispositive power over 46,000 shares and sole power to vote or to direct the voting of 46,000 shares owned by the institutional account(s) or funds advised by PGALLC as reported above, (5) Members of the family of Edward C. Johnson 3d are the predominant owners, directly or through trusts, of Series B voting common shares of FMR, representing 49% of the voting power of FMR. The Johnson family group and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and

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the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR, (6) Pyramis Global Advisors Trust Company (PGATC), an indirect wholly-owned subsidiary of FMR and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 352,990 shares or 0.496% of the outstanding Common Stock of the Company as a result of its serving as investment manager of institutional accounts owning such shares, (7) Edward C. Johnson 3d and FMR, through its control of PGATC, each has sole dispositive power over 352,990 shares and sole power to vote or to direct the voting of 352,990 shares of Common Stock owned by the institutional accounts managed by PGATC as reported above, and (8) FIL Limited (FIL) and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL is the beneficial owner of 170,740 shares or 0.240% of the Common Stock outstanding of the Company.

- (C) As reported in Schedule 13G, as amended by Amendment No. 1, filed May 19, 2006 with the SEC by Navistar, Navistar, Inc. (formerly known as International Truck and Engine Corporation (International)), International Truck and Engine Corporation Non-Contributory Retirement Plan Trust (the Hourly Trust), International Truck and Engine Corporation Retirement Plan for Salaried Employees Trust (the Salaried Trust), and International Truck and Engine Corporation Retiree Health Benefit Trust (the Health Benefit Trust and together with Hourly Trust and Salaried Trust, the Trusts). It is reported in the Schedule 13G/A that on November 8, 2002 Navistar sold an aggregate amount of 7,755,030 shares of its common stock, in three separate transactions as follows: 4,653,018 shares to the Hourly Trust, 1,551,006 shares to the Salaried Trust and 1,551,006 shares to the Health Benefit Trust. Each trust is a funding trust for an employee benefit plan sponsored by International. The trust agreements of the Hourly Trust and the Salaried Trust provide that the trustee of the trust is only a directed trustee with respect to Navistar stock held by the trusts and that the Pension Fund Investment Committee of International (whose members are for the most part executive officers of Navistar, the PFIC), or an investment manager designated by the PFIC, is to direct the trustee with respect to the voting or disposition of Navistar stock. The trust agreement for the Health Benefit Trust provides that International, or an investment manager appointed by International, is to direct the trustee with respect to voting and disposition of Navistar stock. International delegated authority for such matters related to the Health Benefit Trust to the PFIC. Jennison Associates LLC had subsequently been appointed the investment manager for each trust with respect to the Navistar stock, and Jennison had been given discretionary authority regarding voting and disposition of the Navistar stock. Subsequently, on May 8, 2006, the United States Trust Company, National Association (US Trust) was appointed as investment manager for each of the trusts to replace Jennison Associates, LLC who resigned its appointment effective the close of business May 7, 2006. Like Jennison, US Trust had been given discretionary authority regarding voting and disposition power over the Navistar stock. Bank of America Corporation (BAC) bought US Trust and served as successor in interest to US Trust's business. Effective May 1, 2009, BAC completed the sale of its Special Fiduciary Services (SFS) business to Evercore Partners (Evercore), at which time Evercore became the successor trustee of certain trusts administered by SFS. A portion of the shares reported by BAC on Schedule 13G for Navistar were beneficially owned prior to May 1, 2009 by BAC as a result of SFS acting in its capacity as a trustee over certain shares of Navistar. In connection with the sale, from May 1 until May 29, 2009, BAC provided certain transitional services to Evercore as its agent with regard to the SFS accounts (the Accounts), as a result of which BAC may be deemed for Section 13 purposes to have had dispositive power over the shares of Navistar during that time. After May 29, 2009, BAC ceased to provide those services to Evercore with respect to the Accounts, including the shares of Navistar that Evercore held as trustee. See paragraph D below. Since the PFIC and Navistar have the power to revoke or change the appointment of Evercore (and therefore reacquire the voting and dispositive control over the Navistar stock), the committee, International or Navistar could be considered beneficial owners of the Navistar stock. *Please note on May 6, 2009, the Trusts sold 1,500,000 shares of Navistar stock pursuant to Rule 144 under the Securities Act of 1933, but this sale is not reflected in the beneficial ownership amount above because under Rule 13d-2(b) of the Securities Exchange Act, the Trusts do not need to file an amended Schedule 13G until 45 days after the end of the calendar year.*
- (D) As reported in Schedule 13G, as amended by Amendment No. 4, filed June 10, 2009 with the SEC by Evercore Trust Company, N.A (Evercore Trust). It is reported in the Schedule 13G/A that 6,255,030 shares or 8.88% of the common stock outstanding of Navistar are beneficially owned by Evercore Trust, over which it has sole voting power and sole dispositive power. This filing amends the statement on Schedule 13G filed by Bank of America Corporation (BAC) with the SEC on February 13, 2009. Effective May 1, 2009, BAC completed the sale of its Special Fiduciary Services (SFS) business to Evercore Partners (Evercore), at which time Evercore became the successor trustee of certain trusts administered by SFS. A portion of the shares reported by BAC on Schedule 13G for Navistar were beneficially owned prior to May 1, 2009 by BAC as a result of SFS acting in its capacity as a trustee over certain shares of Navistar. In connection with the sale, from May 1 until May 29, 2009, BAC provided certain transitional services to Evercore as its agent with regard to the SFS accounts (the Accounts), as a result of which BAC may be deemed for Section 13 purposes to have had dispositive power over the shares of Navistar during that time. After May 29, 2009, BAC ceased to provide those services to Evercore with respect to the Accounts, including the shares of Navistar Evercore held as trustee. *Please note that the number of shares beneficially owned by Evercore differs from the amount reflected in (C) above because the Schedule 13G filed by Evercore reflects the 1,500,000 shares sold by the Trusts on May 6, 2009.*

Table of Contents**NAVISTAR COMMON STOCK OWNED BY EXECUTIVE OFFICERS AND DIRECTORS**

This table shows how much common stock our executive officers and directors beneficially own as of December 31, 2009. In general, beneficial ownership includes those shares a director or executive officer has the power to vote or transfer, and stock options exercisable within 60 days. Except as noted, the persons named in the table below have the sole voting and investment power with respect to all shares beneficially owned by them.

Name/Group	Number of Shares			Percent of Class
	Owned ⁽¹⁾	Obtainable Through Stock Option Exercise	Total	
William A. Caton ⁽³⁾	54,947		54,947	*
Andrew J. Cederoth	22,737	40,077	62,814	*
Eugenio Clariond	9,257	17,200	26,457	*
John D. Correnti	20,253	22,200	42,453	*
Steven K. Covey	31,754	78,401	110,155	*
Terry M. Endsley ⁽⁴⁾				*
Diane H. Gulyas				*
Michael N. Hammes	5,166	15,700	20,866	*
David D. Harrison	2,787	1,200	3,987	*
Deepak T. Kapur	77,401	165,986	243,387	*
James H. Keyes	18,211	17,200	35,411	*
Steven J. Klinger	1,787	1,200	2,987	*
William H. Osborne				*
Pamela J. Turbeville ⁽⁵⁾	38,993	227,541	266,534	*
Daniel C. Ustian	148,035	717,422	865,457	1.2
Dennis D. Williams				*
All Directors and Executive Officers as a Group (18 persons) ⁽⁶⁾	407,114	1,243,564	1,650,678 ⁽²⁾	2.3

* Percentage of shares beneficially owned does not exceed one percent.

(1) The number of shares shown for each executive officer (and all executive officers as a group) includes the number of shares of Company common stock owned indirectly, as of December 31, 2009, by such executive officers in our 401(k) Retirement Savings Plan and Retirement Accumulation Plan, as reported to us by the Plan trustee.

(2) Includes shares over which there is shared voting and investment power as follows: Directors and Executive Officers as a Group 6,722 shares.

(3) Mr. Caton separated service with the Company on October 31, 2009. Amounts disclosed in this table are to the best of the Company's knowledge and have not been independently verified with the former executive.

(4) Mr. Endsley passed away on April 14, 2009 and as such no shares were beneficially owned by him as of December 31, 2009.

(5) Ms. Turbeville separated service with the Company on January 31, 2009. Amounts disclosed in this table are to the best of the Company's knowledge and have not been independently verified with the former executive.

(6) Includes current directors and executive officers as a group.

The number of shares owned by each director and executive officer (and all directors and executive officers as a group) includes restricted stock units (RSUs) that were granted under the 2004 Performance Incentive Plan on September 18, 2008. It also includes RSUs granted to the

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executive officers on December 16, 2008 and December 15, 2009. The September 2008 RSUs vest ratably over a three year period with 25% vesting on each of the first and second anniversary of the date of grant, with the remaining 50% vesting on the third anniversary of the date of grant. The December 2008 and 2009

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RSUs vest ratably over a three year period with 1/3rd vesting on each of the first three anniversaries of the date of grant, so that in 3 years the RSUs are 100% vested. At the request of the UAW, the UAW representative director, Dennis Williams, does not receive stock or stock option grant awards.

Under our Executive Stock Ownership Program, executives may defer their cash bonus into deferred share units (DSUs). If an executive officer has elected to defer a cash bonus, the number of shares shown for such executive officer includes these DSUs. These DSUs vest immediately. The number of shares shown as owned for each executive officer (and all executive officers as a group) also includes premium share units (PSUs) that were awarded pursuant to the Executive Stock Ownership Program. PSUs vest in equal installments on each of the first three anniversaries of the date on which they are awarded.

Under our Non-Employee Directors Deferred Fee Plan, directors may defer all or a portion of their annual retainer and meeting fees into phantom stock units. If a director has elected to defer a portion of their annual retainer and/or meeting fees into phantom stock units, these phantom stock units are shown as owned.

Under our 2004 Performance Incentive Plan and prior plans, executives may defer the receipt of shares of Company common stock due in connection with a restoration stock option exercise of non-qualified stock options that were vested prior to December 31, 2004. If an executive has elected to defer receipt of these shares into stock units, these stock units are also shown as owned. The deferral feature has been eliminated with respect to future stock option grants under the 2004 Performance Incentive Plan and for non-qualified stock options granted from prior plans that vest on or after January 1, 2005.

COMPENSATION

Compensation Discussion and Analysis for Fiscal 2009 (November 1, 2008 – October 31, 2009)

The Compensation Committee (the Committee) of our Board has the responsibility to approve and monitor all compensation and benefit programs for our executive officers (designated as Section 16 Officers) and makes recommendations for the compensation and benefits of our Chief Executive Officer (the CEO), which is then approved by the independent members of our Board. As part of its responsibility, the Committee reviews the performance of executive officers and approves compensation based on the overall successes of the individual executive, his or her specific business unit to the extent applicable, and the organization as a whole. The Committee is governed by a written charter, a copy of which is available on the Investor Relations section of our website at <http://ir.navistar.com/documentdisplay.cfm?DocumentID=809>.

Our executive compensation program for our named executive officers (NEOs), as well as other executives, is designed to closely align executive rewards with corporate, group and individual performance and the total return to stockholders. We developed an overall compensation philosophy that is built on a foundation of guiding principles:

Competitive Positioning: Total remuneration is designed to attract and retain the executive talent required to achieve our goals through a market competitive total remuneration package.

Performance Orientation: Executive compensation is performance-based with a direct link to Company, business unit, and individual performance. It is also designed to align the interests of executives and stockholders.

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Fairness: Compensation programs are designed to be fair and equitable across all employee groups and should not unfairly discriminate in favor of any one individual or group on the basis of age, service, or other non-performance related criteria.

Ownership and Responsibility: Programs recognize individual contributions as well as link executive and stockholder interests through compensation programs that reward our executives, including our NEOs based on the financial success of the Company and increases to stockholder value.

Market Compensation Review

We continuously monitor the market competitiveness of our executive compensation program. Over the past couple of years, the Committee has reviewed various components of the program to ensure that (i) pay opportunities are competitive with the market, (ii) there is an appropriate link between performance and pay and (iii) the program supports our stated compensation philosophy. This process included consultation with Exequity, LLP (Exequity), which compared compensation of our executives, including our NEOs, on short-term incentive awards, long-term incentives, executive severance arrangements, other benefits and our overall compensation and benefits philosophy to that of our comparator group and broader market practice. Exequity was engaged by the Committee and is responsible solely to the Committee. The Committee considered both Exequity’s advice and management’s opinion in determining the compensation strategy. On an ad hoc basis, the Committee may engage Exequity to provide information regarding specific executive compensation topics of interest.

For fiscal 2009, our comparator group consisting of 24 companies was chosen from a cross section of manufacturing and transportation and equipment companies that have revenues from one half to two times our revenues. For fiscal 2009, Arvin Meritor, Incorporated and Emerson Electric were deleted and Oshkosh Corporation and Whirlpool Corporation were added to the list. Based upon our comparator group criteria stated above, Arvin Meritor was deleted because it was below the limit on lower revenues and Emerson Electric was deleted due to higher revenues in comparison to the range. We added Oshkosh Corporation based upon its revenue fit as well as its manufacture of specialty vehicles, specifically for the Department of Defense. Whirlpool Corporation was also added due to its revenue fit and manufacturing business. We review executive compensation against this peer group of companies with which we compete for talent. Information about this list of companies is used by Exequity and management when the Committee requests specific executive compensation analyses. The Committee approved the following peer group for fiscal 2009.

Fiscal 2009 Compensation Peer Group

AGCO Corporation	Goodrich Corporation	Oshkosh Corporation
Cummins Incorporated	Goodyear Tire and Rubber	PACCAR Incorporated
Danaher Corporation	Harley Davidson, Incorporated	Parker-Hannifin
Deere and Company	Illinois Tool Works	PPG Industries, Inc.
Dover Corporation	Ingersoll-Rand Co. Ltd.	Terex Corporation
Eaton Corporation	ITT Industries, Incorporated	Textron, Incorporated
General Dynamics	Lear Corporation	TRW Automotive Holdings Corporation
Genuine Parts Company	Masco Corporation	Whirlpool Corporation

A broader industry survey published by Hewitt Associates was also used to provide us with additional compensation market data. Please refer to Appendix B to this proxy statement for a list of participants in Hewitt’s 2009 TCM survey. For individual executive positions, if the market data from the peer group of companies was not statistically reliable because of the small sample size, we also used the manufacturing group (or if the sample size is large enough, the all-industry group) of this broader

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survey data. When we use broader industry surveys, we use market data within our revenue scope, either overall consolidated revenue for corporate roles and/or business unit revenue for business unit specific roles. This is especially true for the base salary competitive market review.

For base salary, short-term incentives, and long-term incentives, we target the 50th percentile (market median). We established a policy of targeting base salaries at the 50th percentile (market median) of the competitive market, based on the peer group, where available, or the broader industry survey. We refer to this as the competitive market data, competitive marketplace, or the like. We consider an executive to be compensated competitively if his or her base salary is within 85 to 115 percent of the market median. Under special circumstances when we are recruiting for critical roles, we target an executive's salary at the 75th percentile. Our incentive compensation plans provide executives with the opportunity to earn total compensation at the 50th percentile of the competitive market for target corporate performance and at the 75th percentile for distinguished corporate and individual performance.

Typically, the CEO makes recommendations to the Committee on annual base salary increases for the NEOs other than himself (see the section entitled *Summary of the Executive Salary Planning Approval Process*). For our Annual Incentives, the CEO may recommend that the Committee adjust awards to reflect individual performance. For long-term incentives, awards generally follow our fixed share guidelines with no adjustments recommended by the CEO.

Pay Mix

Our pay mix of base salary, short-term incentives, and long-term incentives generally tracks to the marketplace with the majority of total compensation opportunity, specifically annual and long-term incentives, being contingent on and variable with performance. This structure supports our pay-for-performance compensation philosophy.

Elements of Executive Compensation

The key elements of our executive compensation program include base salary, short-term incentives, long-term incentives, retirement benefits, perquisites, and other benefits. We also maintain stock ownership guidelines for our executives, including our NEOs. Although decisions relative to each of these compensation elements are made separately, the Committee considers the total compensation and benefits package when making any compensation decision.

Base Salary

We pay each executive officer, a competitive base salary, on a monthly basis, for services rendered during the year. Base salaries for executive officers, including our NEOs, are typically reviewed and adjusted based on evaluating (i) the responsibilities of their positions, (ii) the competitive marketplace data and (iii) the performance of each executive during the fiscal year.

Summary of the Executive Salary Planning Approval Process

The head of each business unit reviews competitive salary market data relevant to his or her direct and indirect reports.

The head of each business unit provides salary recommendations for his or her direct and indirect reports.

The CEO reviews and approves and/or adjusts all of these salary recommendations.

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The Committee reviews the salary for the CEO, and the CEO's salary recommendations for all Section 16 Officers. The CEO does not recommend nor is he involved in decisions regarding his own compensation.

The Committee then recommends and the independent members of the Board approve or adjust the salary recommendation for the CEO. As described in greater detail below, we have a detailed procedure in place for reviewing the performance of the CEO and determining the annual salary of the CEO.

Due to the economic environment in fiscal 2009, traditional base salary performance increases to executives, including NEOs, did not occur.

CEO Performance Evaluation

Each year, typically in December, the Committee and the independent members of the Board evaluate the CEO's performance for the prior fiscal year. This review is based on the CEO's achievement of goals set prior to the start of that year. The CEO presents this information to the full independent members of the Board, who then discuss it in executive session. The CEO is not present during this discussion. The independent members' evaluation of the CEO's performance then forms the basis for the decision on the CEO award under our Annual Incentive Plan award (AI Plan) which is described below, for the prior fiscal year and base salary for the new fiscal year. The chair of the Committee then informs the CEO of the compensation decisions and the performance evaluation on which those decisions were based.

At the December 2009 Board meeting, the independent members of the Board did not recommend a base salary increase for Mr. Ustian. Mr. Ustian's base salary was last increased in December 2007. In this regard, we have not yet determined whether there will be performance increases in general to base salary for executives, including NEOs, in fiscal year 2010. Also, in December 2009, the independent members of the Board approved a fiscal 2009 AI Plan award (AI award) at the distinguished level (150% of Target) for Mr. Ustian based upon both the Company's successful financial results in the worst truck market in recent history and his strong performance in fiscal 2009 as a result of his achievements within our three strategic pillars of great products, competitive costs and profitable growth. As discussed in the Annual Incentive section below, the Company's fiscal year 2009 financial results of \$2.86 earnings per share (EPS) met the distinguished level of performance.

Annual Incentive

The AI Plan is a short-term incentive program that exists to reward, motivate and retain employees as well as align rewards with performance for the fiscal year. The AI Plan is a key element in the executive compensation package as the Company intends for a significant portion of an executive's, including the NEO's, total compensation to be performance-related. The AI Plan for 2009 was based on attaining financial and non-financial performance goals established and approved by the Committee. The AI Plan is authorized under our stockholder approved 2004 Performance Incentive Plan (the Plan). The Plan is an omnibus plan that allows for various awards such as cash, stock options, stock appreciation rights, restricted stock, premium share units, and deferred share units. The AI Plan and the Plan do not have claw-back provisions, which, for example, would retract a prior incentive award when financial results are restated after the award was paid.

The following were factors in the 2009 AI Plan:

Consolidated Financial Performance: For all of our executives, consolidated financial performance is heavily weighted in the calculation of incentive payments in order to

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encourage integrated execution across organizational boundaries within the Company. We believe that it is important to encourage executives to work together for the best consolidated results rather than to focus on results at one business unit at the expense of other business units. Consolidated financial goals are based on our Return on Equity (ROE), as determined by the Committee. We use ROE because we believe that, in the long term, it is highly correlated with stock price and stockholder value. We are in a volatile industry, in which demand for our products is subject to cyclical fluctuation. The profitability of our business is heavily influenced by the cycle of truck sales in North America. Consequently, we use the following truck industry demand-adjusted (volume-adjusted) ROE target methodology to evaluate Company performance. We target a 16.5% ROE on average over the business cycle based on a forecasted average truck industry volume, which is re-evaluated every year based upon industry forecast. This prevents us from giving management an unduly large incentive payment in years when the truck market is strong. Rather, financial results must be even stronger than industry performance for management to receive a payment. Conversely, this methodology is intended to prevent us from unduly under-compensating management in years when the truck market is weak. The volume-adjusted ROE target for 2009 was 12.8% which included an adjustment for the sustainable piece of the military business of \$1.5 billion. The amount of income required to earn incentive payments was calculated using this ROE target which is then converted to an EPS goal, excluding a settlement gain, impairment charges and refinancing costs. The original earnings target was \$5.62 per share based upon an average truck industry volume of 328,000 units. This EPS goal was adjusted mid-year to \$0.80 per share due to the dramatic decrease in the truck volume to an estimated 165,000 -185,000 units. The following table outlines the revised goals. In light of the economy and the decrease in the expected truck volume, these EPS goals were challenging.

Goal	EPS
Threshold (25% of Target)	\$ (1.60)
Target (100%)	\$ 0.80
Distinguished (150% of Target)	\$ 2.42
Super Distinguished (200% of Target)	\$ 3.20

Individual Performance: This is measured by our annual Total Performance Management (the TPM) assessment. The TPM process is a performance management tool that focuses on employee career development, goal setting, performance appraisals, and evaluation. The TPM assessment reviews how well the executive performed with regard to both individual goals and defined skills and behaviors. However, generally only financial goals are applicable to awards to our NEOs except where individual performance is used for downward discretion. For 2009, individual performance was used for downward discretion. For Mr. Cederroth, achievements included cost reductions, including but not limited to SG&A, postretirement costs and professional fees and refinancing initiatives. For Mr. Kapur, achievements included the School Bus, Medium Truck, Severe Service Truck, Class 8 Truck and Heavy Truck market share while investing in our future with mergers, acquisitions and joint ventures such as Monaco and NC² (Caterpillar and Navistar joint venture) and preparing for global growth. For Mr. Covey, achievements included significant legal matters including commercial and regulatory issues.

In October 2008, the Committee originally approved a fiscal year 2009 plan under which the monetary pool for AI awards for the CEO and Level 13 and Corporate employees, as for the previous year, would be based 100% upon consolidated results, but for all other plan participants AI awards would be based 80% upon consolidated results and 20% upon business unit results.

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Due to the dramatic decrease in truck industry volume, the Committee, using its authority under the Plan, revised its original goals mid year and adjusted the fiscal 2009 EPS goal to \$0.80 per share. In addition, the Committee also revised the AI award pool composition from a mix of consolidated and business unit performance to 100% consolidated performance. Based upon the mid-year adjusted goals, the final fiscal year 2009 EPS results of \$2.86 per share, allowed the Committee to award distinguished performance level payments under the Plan. However, in determining final individual AI awards, the Committee used its downward discretion based upon the NEOs overall individual achievements.

The AI Plan has threshold, target, distinguished, and super-distinguished performance payout levels for the NEOs which range from 25% to 200% of target. Based upon performance, in some years, the Company may not make AI payments, but the Company also has the ability under the plan to make maximum payments at 200% of target bonus opportunity for super-distinguished performance. Consolidated financial results between performance levels are interpolated on a straight-line basis to determine payment amounts.

Generally, AI awards are not paid when consolidated results are below threshold. However, in rare circumstances, the AI Plan may allow for payments to executives, including NEOs, who work for a business unit with above-threshold performance when consolidated performance is below threshold. In any event, under no circumstances will the AI Plan provide payments when net income is negative.

The Committee has the discretion to adjust a bonus payment. In doing so, the Committee historically has considered the requirements of Section 162(m) of the Internal Revenue Code. While the Committee generally intends for incentive compensation to be tax deductible, there may be instances when the Committee decides to award a non-deductible amount. The Committee did not award a non-deductible AI amount for fiscal 2009.

Fiscal 2009 AI Plan Weights

Named Executive Officer	Corporate /Business Unit Weight	Business Unit
Daniel C. Ustian	100% / 0%	Corporate / Consolidated
William A. Caton	100% / 0%	Corporate / Consolidated
Terry M. Endsley	100% / 0%	Corporate / Consolidated
Andrew J. Cederoth	100% / 0%	Corporate / Consolidated
Deepak T. Kapur	100% / 0%	Truck
Pamela J. Turbeville	100% / 0%	Navistar Financial Corporation
Steven K. Covey	100% / 0%	Corporate / Consolidated

Final NEO awards were based upon consolidated financial performance and then the Committee used downward discretion to make individual award decisions.

Fiscal 2009 AI Target Award Percentages and Amount Earned

Named Executive Officer	Target as a % of Base Salary	2009 Annual Incentive Amount Earned
Daniel C. Ustian	110%	\$ 1,946,000
William A. Caton	95%	N/A
Terry M. Endsley	75%	