

NAVISTAR INTERNATIONAL CORP
Form PRE 14A
December 22, 2010
Table of Contents

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:

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))**
- 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)

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Table of Contents

NAVISTAR INTERNATIONAL CORPORATION

4201 WINFIELD ROAD

P.O. BOX 1488

WARRENVILLE, ILLINOIS 60555

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TUESDAY, FEBRUARY 15, 2011

11:00 A.M. CENTRAL TIME

HILTON CHICAGO

720 SOUTH MICHIGAN AVENUE

CHICAGO, ILLINOIS 60603

January 14, 2011

To our stockholders:

On behalf of the Board of Directors of Navistar International Corporation you are cordially invited to attend our 2011 Annual Meeting of Stockholders, which will be held on February 15, 2011, at 11:00 a.m. Central Time, at the Hilton Chicago, 720 South Michigan Avenue, Chicago, Illinois 60603. At our Annual Meeting, our stockholders will be asked to:

- .. Elect as directors the nominees named in the accompanying proxy statement;
- .. Ratify the appointment of our Independent Registered Public Accounting Firm;
- .. Approve an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of our Common Stock from 110,000,000 to 220,000,000;
- .. Act on an advisory vote on executive compensation;
- .. Act on an advisory vote on the frequency of the advisory vote on executive compensation; 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 14, 2011. In order to attend our 2011 Annual Meeting of Stockholders, you must have an admission ticket to attend. Procedures for requesting an admission ticket are detailed on page 72 of this proxy statement. Attendance and voting is limited to stockholders of record at the close of business on December 31, 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 15, 2011:

THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT

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

Table of Contents

TABLE OF CONTENTS

<u>FREQUENTLY ASKED QUESTIONS REGARDING ATTENDANCE AND VOTING</u>	2
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	8
<u>CORPORATE GOVERNANCE</u>	14
<u>CORPORATE GOVERNANCE GUIDELINES</u>	14
<u>RELATED PARTY TRANSACTIONS AND APPROVAL POLICY</u>	14
<u>DIRECTOR INDEPENDENCE DETERMINATIONS</u>	16
<u>BOARD LEADERSHIP STRUCTURE</u>	16
<u>RISK OVERSIGHT</u>	17
<u>NOMINATING DIRECTORS</u>	17
<u>BOARD COMMITTEES AND MEETINGS</u>	18
<u>COMMUNICATION WITH THE BOARD</u>	20
<u>CODE OF CONDUCT</u>	21
<u>AUDIT COMMITTEE REPORT</u>	22
<u>PERSONS OWNING MORE THAN FIVE PERCENT OF NAVISTAR COMMON STOCK</u>	23
<u>NAVISTAR COMMON STOCK OWNED BY EXECUTIVE OFFICERS AND DIRECTORS</u>	25
<u>COMPENSATION</u>	27
<u>COMPENSATION COMMITTEE REPORT</u>	27
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	27
<u>Executive Summary</u>	27
<u>Detailed Review of Executive Compensation</u>	28
<u>EXECUTIVE COMPENSATION TABLES</u>	39
<u>COMPENSATION RISK</u>	57
<u>COMPENSATION OF DIRECTORS</u>	58
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	63
<u>PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	65
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEE INFORMATION</u>	66
<u>PROPOSAL 3 APPROVE AN AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION</u>	67
<u>PROPOSAL 4 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	69
<u>PROPOSAL 5 ADVISORY VOTE ON FREQUENCY OF VOTE ON EXECUTIVE COMPENSATION</u>	70
<u>OTHER MATTERS</u>	71
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	71
<u>Availability of Form 10-K and Annual Report to Stockholders</u>	71
<u>Matters Raised at the Meeting not Included in this Proxy Statement</u>	71
<u>ADMISSION AND TICKET REQUEST PROCEDURE</u>	72
<u>APPENDIX A</u>	A-1
<u>APPENDIX B</u>	B-1

Table of Contents

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 2011 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) Proposal 1 the election of the nominees named in this proxy statement as directors, (ii) Proposal 2 the ratification of the appointment of Navistar's independent registered public accounting firm, (iii) Proposal 3 the approval of an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of common stock of the Company (**Common Stock**) from 110,000,000 to 220,000,000, (iv) Proposal 4 an advisory vote on executive compensation, a so-called **Say-on-Pay** proposal, and (v) Proposal 5 an advisory vote on the frequency of the advisory vote on executive compensation, a so-called **Say-When-on-Pay** proposal. In addition, management may report on the performance of Navistar and respond to appropriate questions from stockholders.

Q: How does the Board recommend that I vote?

A. The Board recommends that you vote:

FOR the election of each of the director nominees (Proposal 1);

FOR the ratification of the appointment of KPMG LLP, as our independent registered public accounting firm (Proposal 2);

FOR the approval of the amendment to our Restated Certificate of Incorporation to increase the number of our authorized shares of Common Stock (Proposal 3);

FOR the approval of the advisory vote on executive compensation (Proposal 4); and

FOR the approval of the advisory vote on the frequency of the advisory vote on executive compensation to be held every year (Proposal 5).

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 December 31, 2010 and one immediate family member;

An authorized proxy holder of a stockholder of record on December 31, 2010; or

An authorized representative of a stockholder of record who has been designated to present a properly-submitted stockholder proposal.

Table of Contents

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 72 of this proxy statement.

Q: What is a stockholder of record?

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, BNY 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 name, the stockholder of record of the shares is your bank, broker or other intermediary. Navistar only has access to ownership records for the stockholders of record. So, if you are not a stockholder of record, 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 has set December 31, 2010, as the record date for the Annual Meeting. Holders of Common Stock on that date are entitled to one vote per share. As of December 31, 2010, there were approximately [_____] shares of Common Stock outstanding. If you are a participant in any 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 (10) 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 in person 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 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

Table of Contents

Road, P.O. Box 1488, Warrenville, Illinois 60555, (ii) signing and returning a new proxy card with a later date, (iii) validly submitting a later-dated vote by telephone or via the Internet on or before 11:59 pm EST on February 14, 2011 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.

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 elections for the Annual Meeting.

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

A: *For stockholders of record:* If you are the stockholder of record and you do not vote by proxy card, by telephone or via the Internet or in person at the Annual Meeting, your shares will not be voted at the Annual Meeting.

For holders in street name: 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 considers the ratification of the appointment of our independent registered public accounting firm (Proposal 2) and the approval of the amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock (Proposal 3), 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 (Proposal 1), the Say-On-Pay proposal (Proposal 4) and the Say-When-On-Pay proposal (Proposal 5), and you have not provided voting instructions to the brokerage firm with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. The missing votes for these non-routine matters are called a broker non-votes.

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 Common Stock outstanding on the record date 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: It will depend on each proposal.

Proposal 1 (election of directors) requires a plurality vote of the shares present or represented at the Annual Meeting and entitled to vote, 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.

Table of Contents

Proposal 2 (ratification of the appointment of our independent registered public accounting firm) requires the affirmative vote of a majority of the shares present or represented at the Annual Meeting and entitled to vote.

Proposal 3 (amendment to our Restated Certificate of Incorporation) requires the affirmative vote of at least a majority of the outstanding shares of our Common Stock.

Proposal 4 (Say-On-Pay proposal) represents an advisory vote and the results will not be binding on the Board or the Company. The affirmative vote of a majority of the shares present or represented at the Annual Meeting and entitled to vote on the matter will constitute the stockholders' non-binding approval with respect to our executive compensation programs. The Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Proposal 5 (Say-When-On-Pay proposal) represents an advisory vote and the results will not be binding on the Board or the Company. The affirmative vote of a plurality of the shares present or represented at the Annual Meeting and entitled to vote on the matter will constitute the stockholders' non-binding approval with respect to the frequency of submission to stockholders of Say-on-Pay proposals. The Board will review the voting results and take them into consideration when making future decisions regarding the frequency of the advisory vote on executive compensation.

With respect to Proposals 2, 3 and 4, you may vote FOR, AGAINST or ABSTAIN. If you abstain from voting on any of these proposals, the abstention will have the same effect as an AGAINST vote. With respect to Proposal 1, you may vote FOR all nominees, WITHHOLD your vote as to all nominees, or FOR all nominees except those specific nominees from whom you WITHHOLD your vote. A properly executed proxy marked WITHHOLD with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Proxies may not be voted for more than three directors and stockholders may not cumulate votes in the election of directors. With respect to Proposal 5, you may vote FOR Every Year, FOR Every Two Years, FOR Every Three Years, or ABSTAIN. Please select one choice only. If you abstain from voting on Proposal 1 or 5, the abstention will not have an effect on the outcome of the vote.

Broker non-votes will not affect the outcome on a proposal that requires a plurality vote (Proposals 1 and 5) or on a proposal that requires the approval of a majority of the votes present in person or represented by proxy and entitled to vote (Proposals 2 and 4), but will have the effect of a vote against matters that require approval of a majority of the outstanding shares entitled to vote (Proposal 3).

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 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 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.

Table of Contents

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 Alliance Advisors to assist in the solicitation of proxies. Alliance Advisors' fees are estimated to be \$10,500.00, 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 2012 annual meeting?

A: Our annual meeting of stockholders is typically held on the third Tuesday in February. Accordingly, we expect to hold our 2012 annual meeting of stockholders on or around February 21, 2012. Under the rules of the SEC, we must receive any stockholder proposals to be included in our proxy statement for the 2012 annual meeting of stockholders no later than the close of business on September 16, 2011.

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 2012 annual meeting of stockholders must be received between August 19, 2011 and October 18, 2011. 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.

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 properly presented, proxy holders will vote on the matter in their discretion.

Table of Contents

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.

Q: How can I find the results of the Annual Meeting?

A: Preliminary results will be announced at the Annual Meeting. Final results will be published in a Current Report on Form 8-K to be filed with the SEC within four business days after the Annual Meeting. If the official results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as they become available.

Table of Contents

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 III of our classified Board are up for election at the Annual Meeting. If elected, the Class III Directors will hold office for an additional three year term expiring in 2014, 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.

The following summarizes additional information about each of the nominees and continuing directors as of the date of this proxy statement, including their business experience, director positions held currently or at any time during the last five years, involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that qualify our nominees and continuing directors to serve as directors of the Company. The nominees were evaluated and recommended by the Nominating and Governance Committee in accordance with the process for nominating directors as found on page 17 of this proxy statement.

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

Class III Directors Whose Term Expires at the 2011 Annual Meeting THIS IS THE ONLY CLASS OF DIRECTORS UP FOR ELECTION AT THE ANNUAL MEETING.

James H. Keyes,* 70, Director since 2002 (*Committees: Audit (Chair), Compensation, Nominating and Governance and Executive*). Mr. Keyes 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. (*Committees: Audit and Compensation*) and on the Board of Trustees of Fidelity Mutual Funds (*Committees: Audit and Compliance*). He was also formerly a director of LSI Logic Corporation.

Mr. Keyes has broad experience as former chief executive officer of a public company, experience as a certified public accountant, experience as a member of other public company boards of directors, and he has a Masters in Business Administration. He possesses strong skills and experience in accounting, corporate governance, finance, human resources/compensation/employee benefits, manufacturing (domestic and international), mergers and acquisitions and treasury matters, which well qualifies him to serve on our Board.

Table of Contents

John D. Correnti,* 63, Director since 1994 (*Committees: Audit, Nominating and Governance and Compensation (Chair)*). Mr. Correnti has served as Chairman and Chief Executive Officer of Steel Development Company, LLC, a steel mill operational and development company, since 2007. 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. He was Chairman and Chief Executive Officer of SteelCorr, LLC from 2002 to 2005, and Chairman 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 Non-Executive Chairman of the Board of Directors of Calisolar, a private solar cells manufacture, and a director of Corrections Corporation of America, a public provider of correctional solutions (*Committee: Compensation*). He also serves on the Clarkson University Board of Trustees and the Mississippi University for Women Foundation Board.

Mr. Correnti's executive leadership and experience gained through his service as a chief executive of established and start-up companies, both public and private, and his public company director experience contributes significantly to the Board's composition. His skills and experience in accounting, corporate governance, distribution, engineering, human resources, compensation, and employee benefits, manufacturing (domestic and international), marketing, mergers and acquisitions, non-U.S. sales and distribution and purchasing matters well qualifies him to serve on our Board.

Daniel C. Ustian, 60, Director since 2002 (*Committee: Executive*). Mr. Ustian has served as President and Chief Executive Officer of Navistar since 2003 and Chairman of the Board of Directors of Navistar since 2004. He has also served as 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.

Mr. Ustian's knowledge of the Company and its operations, including his experience running the engine business, the foundry and other experiences at the Company over the last 37 years, is invaluable to the Board in evaluating and directing the Company's future. As a result of his professional and other experiences, Mr. Ustian possesses particular knowledge and experience in a variety of areas, including corporate governance, distribution, engineering, manufacturing (domestic and international), marketing, mergers and acquisitions, sales/military/government and union/labor relations, which strengthens the Board's collective knowledge, capabilities and experience and well qualifies him to serve on our Board.

Table of Contents

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

Class I Directors Whose Term Expires at the 2012 Annual Meeting

David D. Harrison,* 63, Director since 2007 (*Committees: Audit and Compensation*). Mr. Harrison 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. He also served as Executive Vice President and Chief Financial Officer of Pentair, Inc. from 1994 to 1996. Prior to joining Pentair, he held several executive positions with General Electric Co. and Borg Warner Corp from 1972 through 1994. Mr. Harrison is currently managing partner of HCI, Inc., a real estate investment firm, and has served in that capacity since 2007. He is also a director of National Oilwell Varco, Inc. (*Committee: Audit (Chair)*), a leading global manufacturer of oil well drilling equipment, and James Hardie (*Committees: Audit and Compensation (Chair)*), a world leader in fibre cement technology.

Mr. Harrison is an experienced director having spent over 40 years in manufacturing. He has a distinguished finance background (BA in Accounting, MBA in Finance and is a Certified Management Accountant), having significant expertise in corporate finance roles and information technology, as well as international operations experience in Western Europe, Eastern Europe and Canada and public company director experience. In addition to those described above, Mr. Harrison has skills and experience in accounting, corporate governance, human resources, compensation and employee benefits, mergers and acquisitions, tax and treasury matters, which well qualifies him to serve on our Board.

Steven J. Klinger,* 51, Director since 2008 (*Committees: Audit and Compensation*). Mr. Klinger has been President and Chief Operating Officer of Smurfit-Stone Container Corporation, a global paperboard and paper-based packaging company, since 2006. On January 26, 2009, Smurfit-Stone Container Corporation filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code and emerged from bankruptcy on June 30, 2010. Prior to this position, he served as Executive Vice President, Packaging, Pulp & Global Procurement at Georgia-Pacific Corporation, a pulp and paper company, 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 and acquired significant labor relations experience over 28 years in the pulp and paper industry. He has also served as a director of Smurfit-Stone Container Corporation since December 2008.

Mr. Klinger has served in accounting roles as a former Internal Auditor, Division Controller and Assistant Operations Controller, and as a Director of Corporate Development he led over \$2 billion of divestitures and participated in over \$10 billion of mergers and acquisitions. He has experience selling products and running operations internationally in Canada, Mexico, China, South America, Europe, the Middle East, Central America and Southeast Asia and has been responsible for multiple joint ventures in the US, Canada, China, Central America and Southeast Asia. As a result of these professional and other experiences, Mr. Klinger possesses particular knowledge and experience in a variety of areas, including accounting, finance, manufacturing (domestic and international), sales and marketing (domestic and international), mergers and acquisitions, purchasing and union/labor relations, which contributes greatly to the Board's composition and well qualifies him to serve on our Board.

Table of Contents

Michael N. Hammes,* 69, Director since 1996 (*Committees: Compensation, Finance (Chair), Nominating and Governance (Chair) and Executive*). Mr. Hammes also served as Lead Director of the Company since December 2007. 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 (*Committees: Audit, Compensation and Nominating and Governance*), the world leader in fibre cement technology, and a director of DynaVox Mayer-Johnson (*Committee: Nominating and Governance*), the leading provider of speech generating devices and symbol-adapted special education software. Mr. Hammes is also a member of the board of DeVilbiss, which is involved in medical equipment for the health care industry.

As a result of these professional and other experiences, Mr. Hammes possesses particular knowledge and experience in a variety of areas, including accounting, corporate governance, distribution, finance, manufacturing (domestic and international), marketing, non-U.S. sales/distribution and product development, which strengthens the Board's collective knowledge, capabilities and experience and well qualifies him to serve on our Board.

Class II Directors Whose Term Expires at the 2013 Annual Meeting

Eugenio Clariond,* 67, Director since 2002 (*Committees: Finance and Nominating and Governance*). Mr. Clariond 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 has been Chairman of Verzatec, S.A., producer of aluminum and plastic construction parts, since 2004, and is also a director of Texas Industries, Inc. (*Committees: Audit and Governance (Chair)*), a producer of construction materials, Johnson Controls, Inc. (*Committees: Finance and Compensation*), a global diversified company in the building and automotive industries, and Grupo Financiero Banorte, S.A., a Mexican bank, and Mexichem S.A. (*Committees: Audit and Governance*), a Mexican chemical company. During the last five years, Mr. Clariond served as a director of the Mexico Fund, Inc. through 2010. He was also Chairman of the Mexican Fund for Nature Conservancy, a founding member and past Vice-Chairman of the World Business Council for Sustainable Development, and Chairman of the United States-Mexico Business Committee of the Mexican Business Council for Foreign Trade. He is also a director of Monterrey Tech and the Center of Studies from the Private Sector for Sustainable Development. He is on the Advisory Board of the McCombs School of Business at the University of Texas at Austin, the Harte Research Institute for Gulf of Mexico Studies and the Jacobs School of Engineering of the University of California at San Diego.

Table of Contents

As a result of the positions and experience described above, Mr. Clariond has leadership experience with large, complex and diverse organizations, including in the automotive industry, and experience in strategic planning which well qualifies him to serve on our Board. His years of service on other public company boards provide him with additional perspectives from which to view the Company's operations and the Board's activities. Mr. Clariond's skills in accounting, corporate governance, finance, human resources/compensation/employee benefits, manufacturing (domestic and international), marketing, mergers and acquisitions and non-U.S. sales and distribution strengthen the Board's collective knowledge, capabilities and experience.

Diane H. Gulyas,* 54, Director since 2009 (*Committee: Finance*). Ms. Gulyas 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.

As a result of these professional and other experiences, Ms. Gulyas possesses executive and management experience that well qualifies her to serve on our Board. Her skills in engineering, manufacturing (domestic and international), marketing and non-U.S. sales and distribution contribute greatly to the Board's composition.

William H. Osborne,* 50, Director since 2009 (*Committee: Finance*). Mr. Osborne was President and Chief Executive Officer of Federal Signal Corporation, a \$1 billion manufacturer and marketer of fire, safety and municipal infrastructure equipment, from September 2008 until November 2010. 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 has also served as a director of Federal Signal Corporation.

Mr. Osborne has thirty years experience in the global automotive industry as a manufacturing, sales and product development executive. His expertise in building and leading complex global organizations as well as his strong background and experience in engineering, manufacturing (domestic and international) and marketing well qualifies him to serve on our Board.

Table of Contents

Additional Director Who Is Not Elected by Stockholders

Dennis D. Williams,* ** 57, Director since 2006. (*Committee: Finance*). UAW Secretary Treasurer and Director, Agricultural Implement and Transnational Departments since June 2010. The UAW employs Mr. Williams as Secretary-Treasurer and Director of its Agricultural Implement and Transnational Departments, a position he has held since June 2010. Prior to this position, Mr. Williams served as Director of UAW Region 4 from 2001 to June 2010 and as Assistant Director of Region 4 from 1995 to 2001. 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.

* 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.

Involvement in Certain Legal Proceedings

On August 5, 2010, the SEC announced that a final administrative settlement had been reached with the Company and certain current and former employees of the Company, including Mr. Ustian, the Company's Chairman and Chief Executive Officer, regarding the SEC's investigation of matters surrounding the Company's restatement of its financial results from 2002 through the first three quarters of 2005. As part of the administrative settlement, without admitting or denying any wrongdoing, Mr. Ustian consented to a cease and desist order requiring future compliance with an internal accounting control provision of the federal securities laws and, pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, agreed to return to the Company an aggregate of \$1,320,000 (paid through the tender of shares of Common Stock) representing his fiscal 2004 monetary bonus, the only bonus that he received during the restatement period.

Table of Contents**CORPORATE GOVERNANCE*****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.

RELATED PARTY TRANSACTIONS AND APPROVAL POLICY

We established the Navistar 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 loans to our executive officers under this program. The loans extended to our executive officers prior to July 30, 2002, however, remained in effect in accordance with their then existing terms and conditions. These loans accrued 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, were unsecured obligations and had a nine-year term. All principal and interest under these loans had to be repaid at maturity in a balloon payment.

The following executive officers of the Company had outstanding loans under this program during fiscal year 2010. The table below indicates the largest amount of the indebtedness outstanding and interest rate charged during fiscal year 2010. All principal and interest under these loans were repaid in full in fiscal year 2010.

Name	Maximum Indebtedness During Fiscal	
	2010(\$)	Interest Rate (%)
Gregory W. Elliott	\$135,915	4.77% & 5.02%
Daniel C. Ustian	\$418,867	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

Table of Contents

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 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>.

Since the beginning of fiscal year 2010, the following three related-person transactions occurred:

The first originally occurred in August 2008 and relates 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.

The second originally occurred in December 2007 and was ratified in December 2010 and related to the retention of Evercore Trust Company as an investment manager for certain of our employee benefit plan trusts. As compensation for its investment manager services, Evercore Trust Company was paid an aggregate yearly service fee of \$250,000. By virtue of serving as investment manager for certain of our employee benefit plan trusts that at times exceeded 5% ownership during 2010, Evercore Trust Company was deemed to be more than a 5% beneficial owner of our Common Stock. The Audit Committee determined that the investment manager service provided by Evercore Trust Company was not inconsistent with the best interests of the Company and ratified and approved the transaction.

The third originally 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.

Table of Contents

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 each has been determined to be 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.

BOARD LEADERSHIP STRUCTURE

The Company's Corporate Governance Guidelines allow the Board to select the Chairman of the Board and the CEO and determine from time to time whether the positions are combined and filled by one person or separated and filled by two persons. Currently, Mr. Daniel C. Ustian, our CEO, is also Chairman. The Board has determined that selecting our CEO as Chairman is in the best interests of the Company and its stockholders because this leadership structure promotes a unified vision for our Company, strengthens the ability of the CEO to develop and implement strategic initiatives and facilitates our Board's efficient and effective functioning.

The Board also believes the combination of Chairman and CEO position is appropriate in light of the independent oversight provided by the Board and the appointment of an independent Lead Director. On October 20, 2009, the Board appointed Mr. Michael N. Hammes to serve as Lead Director for a second two-year term. Our Lead Director's duties and responsibilities include: (i) facilitating communications and information sharing among the independent directors; (ii) advising on Board meeting agendas; (iii) advising on meeting materials; (iv) participating in the evaluation and selection of candidates for selection to the Board; (v) participating in the recruiting of new directors; (vi) overseeing the Board self-evaluation process and individual director evaluations, if such individual director evaluations are performed; (vii) participating in the evaluation of the CEO; (viii) participating in the development of recommendations to the Board for the election of Board Committee members and the appointment of Committee chairs; (ix) chairing Board meetings in the absence of the Chair; (x) making recommendations about retention of consultants reporting to the Board; (xi) attending all Board Committee meetings; and (xii) consulting with the CEO prior to the CEO's personal transactions in the Corporation's securities. In addition, the Lead Director provides feedback to the CEO regarding the other directors' comments and concerns.

Table of Contents

RISK OVERSIGHT

Our Board has overall responsibility for the oversight of risk management at our Company. Day to day risk management is the responsibility of management, which has implemented an Enterprise Risk Management process to identify, assess, manage and monitor risks that face our Company. Enterprise Risk Management operates within our Internal Audit and Sarbanes-Oxley Compliance department and coordinates its efforts with these departments. Our Board, either as a whole or through its Committees, regularly discusses with management our major risk exposures, their potential impact on our Company, and the steps we take to monitor and control such exposures.

While our Board has general oversight responsibility for risk at our Company, the Board has delegated some of its risk oversight duties to the various Board Committees. In particular, the Audit Committee is responsible for generally reviewing and discussing the Company's policies and guidelines with respect to risk assessment and risk management. It also focuses on the management of financial risk exposure and oversees financial statement compliance and control environment risk exposure. The Nominating and Governance Committee oversees risks related to corporate governance, including risk related to the political environment. The Compensation Committee assists our Board in overseeing the management of risks arising from our compensation policies and programs and programs related to assessment, selection, succession planning, training and development of executives of the Company. Finally, the Finance Committee is responsible for overseeing policies with respect to financial risk assessment and financial risk management including, without limitation, risks relating to liquidity/access to capital and macroeconomic trends/environment risks. Each of the Board Committees reviews these risks and then discusses the process and results with the full Board.

The Board believes the combined role of Chairman and CEO is an effective structure for the Board to understand the risks associated with the Company's strategic plans and objectives. Additionally, maintaining an independent Board with a Lead Director permits open discussion and assessment of the Company's ability to manage these risks.

NOMINATING DIRECTORS

You may recommend any person as a candidate for director by writing to Corporate Secretary at 4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois 60555 and complying with the procedures set forth in our bylaws. Your letter must include all of the information required by our bylaws including, but not limited to, the proposed nominee's biographical information and principal occupation; the number of shares of capital stock of the Company which are owned by the proposed nominee, appropriate information about the proposed nominee that would be required to be included in a proxy statement under the rules of the SEC, the number of shares held by you, information about the relationship between the proposed nominee and you, and a representation that you intend to appear in person or by proxy at the meeting to nominate the proposed nominee. Your letter must be accompanied by the written consent of the proposed nominee to being named as a nominee and to serve as a director if elected. You may only recommend a candidate for director if you hold shares of the Company's stock on the date you give the notice described above and on the record date for the annual meeting of stockholders at which you propose such nominee be elected.

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:

knowledge and contacts in the Company's industry and other relevant industries;

positive reputation in the business community;

Table of Contents

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

experiences and achievements that provide the nominee with the ability to exercise good business judgment;

ability to make significant contributions to the Company's success;

ability to work successfully with other directors;

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;

ability to assist and evaluate the Company's management;

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

understands and meets its 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

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, ethnicity, education, and other attributes which contribute to the Board's diversity.

The satisfaction of the above criteria is implemented and assessed through ongoing consideration of directors and nominees by the Nominating and Governance Committee and the Board, as well as the Board's self-evaluation process. Based upon these activities and its review of the current composition of the Board, the Nominating and Governance Committee and the Board believe that these criteria have been satisfied.

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 COMMITTEES AND MEETINGS

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 October 2010, 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>.

Table of Contents

In fiscal year 2010, the full Board met six (6) times. In addition, the Board's independent directors met three (3) times in regularly scheduled executive sessions to (i) evaluate the performance of the Chief Executive Officer, (ii) discuss corporate strategies and (iii) discuss the Board's self-evaluation. 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.

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. All of our directors attended our 2010 Annual Meeting.

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

Committee Membership

(as of December 31, 2010)

	Audit	Compensation	Executive	Finance	Nominating & Governance
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			
William H. Osborne				ü	
Daniel C. Ustian			ü *		
Dennis D. Williams				ü	

* Indicates the chair of the committee

Audit Committee The Audit Committee assists the Board in fulfilling its responsibility for oversight of the Company's financial reporting process, the Company's legal and regulatory compliance, the independence, qualifications and performance of the Company's independent auditor and the performance of the Company's internal audit function. The Audit Committee reviewed the fiscal year 2010 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 reviews and decides on conflicts of interest and related person transactions that may affect executive officers and directors and also discusses policies and guidelines with respect to risk assessment and risk management. Additional information on the roles and responsibilities of the Audit Committee is provided under "Audit Committee Reports" on page 22. In December 2010 the Board designated Mr. John D. Correnti, Mr. David D. Harrison, Mr. James H. Keyes and Mr. Steven J. Klinger as Audit Committee financial experts, as defined by applicable law, rules and regulations. In fiscal year 2010, the Audit Committee held nine (9) meetings. The Audit Committee conducted an evaluation of its performance in October 2010.

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

Table of Contents

compensation of executive officers who are not also directors of the Company, reviews and approves the Company's compensation strategy and any associated risk, 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 reviews basic changes to non-represented employees' base compensation and incentive and benefit plans. The Compensation Committee also oversees the development and implementation of succession plans for senior executives and positions as needed. Additional information on the roles and responsibilities of the Compensation Committee is provided in the CD&A on page 27 of this proxy statement. The Compensation Committee held six (6) meetings in fiscal year 2010. The Compensation Committee conducted an evaluation of its performance in October 2010.

Executive Committee The Executive Committee is composed of three (3) directors, two (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 one meeting in fiscal year 2010.

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 also oversees the Company's policies with respect to financial risk assessment and financial risk management. The Finance Committee held six (6) meetings in fiscal year 2010. The Finance Committee conducted an evaluation of its performance in October 2010.

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, recommending corporate governance practices, policies of the Company and changes to the Company's charter and by-laws and overseeing risks related to corporate governance. In addition, the Nominating and Governance Committee leads the Board in its self-evaluation process. The Nominating and Governance Committee held six (6) meetings in fiscal year 2010. The Nominating and Governance Committee conducted an evaluation of its performance in October 2010.

COMMUNICATION WITH THE BOARD

Interested parties may communicate with any of our directors, our Board as a group, our non-employee directors as a group or any committees of the Board 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. The Board has given the Corporate Secretary the discretion to distribute communications to the director or directors, after ascertaining whether the communications are appropriate to duties and responsibilities of the Board. 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.

Table of Contents

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

Table of Contents

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. KPMG LLP (KPMG), our independent registered public accounting firm, is 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 our independent registered public accounting firm. 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 independent registered public accounting firm.

The Audit Committee has discussed with KPMG 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 KPMG's 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 KPMG other matters required by Statement on Auditing Standards No. 114 (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. KPMG 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 registered public accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee discussed the independence of the independent registered public accounting firm with management and KPMG. The Audit Committee concluded that KPMG's 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, 2010 for filing with the SEC. In addition, the Audit Committee has engaged KPMG to serve as the Company's independent registered public accounting firm for 2011.

Audit Committee

James H. Keyes, Chairman

John D. Correnti

David D. Harrison

Steven J. Klinger

Table of Contents**PERSONS OWNING MORE THAN FIVE PERCENT OF NAVISTAR COMMON STOCK**

This table indicates, as of December 15, 2010, all persons we know to be beneficial owners of more than 5% of our Common Stock. This information is based, in part, on a review of Schedule 13D, Schedule 13G and Section 16 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 (A)
FMR LLC		
Edward C. Johnson 3d	10,585,914(B)	14.73%
82 Devonshire Street, Boston, Massachusetts 02109		
BlackRock, Inc.		
	4,729,483(C)	6.58%
40 East 52 nd Street, New York, NY 10022		
Owl Creek I, L.P.		
Owl Creek II, L.P.		
Owl Creek Advisors, LLC		
	3,858,900(D)	5.37%
Owl Creek Asset Management, L.P.		
Jeffrey A. Altman		
640 Fifth Avenue, 20th Floor, New York, NY 10019		

(A) Applicable percentage ownership is based upon 71,853,614 shares of Common Stock outstanding as of November 30, 2010.

(B) As reported in a Schedule 13G, as amended by Amendment No. 2 filed February 16, 2010 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 8,173,417 shares of Common Stock 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 8,173,417 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) Strategic Advisers, Inc., a wholly-owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, provides investment advisory services to individuals. As such, FMR's beneficial ownership includes 2,125 shares of Common Stock, beneficially owned through Strategic Advisers. (4) Pyramid 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 129,820 shares of Common Stock as a result of its serving as investment adviser 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, (5) Edward C. Johnson 3d and FMR, through its control of PGALLC, each has sole dispositive power over 129,820 shares and sole power to vote or to direct the voting of 129,820 shares owned by the institutional account(s) or funds advised by PGALLC as reported above, (6) 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

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the voting power of FMR. The Johnson family group and all other Series B stockholders have entered into a stockholders' 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 the execution of the stockholders' 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, (7) 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 911,921 shares of Common Stock as a result of its serving as investment manager of institutional accounts owning such shares, (8) Edward C. Johnson 3d and FMR, through its control of PGATC, each has sole dispositive power over 911,921 shares and sole power to vote or to direct the voting of 836,973 shares of Common Stock owned by the institutional accounts managed by PGATC as reported above, (9) 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 1,368,631 shares of Common Stock, and (10) FIL has sole dispositive power over 1,368,631 shares and sole power to vote or direct the voting of 1,357,431 shares and no power to vote or direct the voting of 11,200 shares of Common Stock held by the international funds as reported above. Partnerships controlled predominantly by members of the family of Edward C. Johnson own shares of FIL voting stock with the right to cast approximately 47% of the total votes which may be cast by all holders of FIL voting stock.

Table of Contents

- (C) As reported in Schedule 13G, filed January 29, 2010 with the SEC by BlackRock, Inc. It is reported in the Schedule 13G that BlackRock, Inc. is the holding company of certain subsidiaries that hold, in the aggregate, 4,729,483 shares of Common Stock, over which BlackRock, Inc. has sole voting power and sole dispositive power. According to the Schedule 13G, the subsidiaries of BlackRock, Inc. that hold shares of Common Stock are BlackRock Asset Management Japan Limited; BlackRock Advisors (UK) Limited; BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Asset Management Canada Limited; BlackRock Asset Management Australia Limited; BlackRock Advisors, LLC; BlackRock Financial Management, Inc.; BlackRock Investment Management, LLC; BlackRock (Luxembourg) S.A.; BlackRock International Ltd; BlackRock Investment Management UK Ltd; State Street Research & Management Co.
- (D) As reported in Schedule 13G, filed June 7, 2010 with the SEC by Owl Creek I, L.P., Owl Creek II, L.P., Owl Creek Advisors, LLC, Owl Creek Asset Management, L.P. and Jeffrey A. Altman. It is reported in the Schedule 13G that (1) 52,200 shares of Common Stock are beneficially owned by Owl Creek I, L.P., over which it has shared voting power and shared dispositive power, (2) 791,500 shares of Common Stock are beneficially owned by Owl Creek II, L.P., over which it has shared voting power and shared dispositive power, (3) 843,700 shares of Common Stock are beneficially owned by Owl Creek Advisors, LLC, over which it has shared voting power and shared dispositive power, (4) 3,015,200 shares of Common Stock are beneficially owned by Owl Creek Asset Management, L.P. over which it has shared voting power and shared dispositive power, (5) 3,858,900 shares of Common Stock are beneficially owned by Jeffrey A. Altman, over which he has shared voting power and shared dispositive power and (6) Owl Creek Advisors, LLC is the general partner of Owl Creek I and Owl Creek II, and as such has the power to direct the affairs of Owl Creek I and Owl Creek II, Owl Creek Asset Management, L.P. is the investment manager of Owl Creek Overseas Fund, Ltd and Owl Creek Socially Responsible Investment Fund, Ltd, and as such has the power to direct the affairs of Owl Creek Overseas Fund, Ltd and Owl Creek Socially Responsible Investment Fund, Ltd and Jeffrey A. Altman is the managing member of Owl Creek Advisors, LLC and the managing member of the general partner of Owl Creek Asset Management, L.P., and in such capacities has the power to direct their operations.

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

The following table sets forth certain information regarding beneficial ownership of our Common Stock as November 30, 2010 by: (i) each of our directors or nominees for director; (ii) each of our executive officers named in the Summary Compensation Table on page 39 (NEOs); and (iii) all of our directors, nominees for director and executive officers as a group. In general, beneficial ownership includes those shares a director or NEO 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	Owned ⁽¹⁾	Number of Shares			Total	Percent of Class
		Number of DSUs, PSUs or RSUs With No Risk of Forfeiture ⁽²⁾	Obtainable Through Stock Option Exercise			
Andrew J. Cederoth	5,823	9,941	42,601	58,365	*	
Eugenio Clariond ⁽⁴⁾	55,425	10,169	19,734	85,328	*	
John D. Correnti	5,655	14,313	22,234	42,202	*	
Phyllis E. Cochran	15,889	20,127	111,970	147,986	*	
Steven K. Covey	13,973	19,264	87,420	120,657	*	
Diane H. Gulyas						