

NAVISTAR INTERNATIONAL CORP

Form 11-K

June 17, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 11-K**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2013**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 1-9618**

**A. Full title of the plan and the address of the plan, if different from that of the issuer named below:  
NAVISTAR, INC.**

**401(k) PLAN FOR REPRESENTED EMPLOYEES**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:  
NAVISTAR INTERNATIONAL CORPORATION**

**2701 Navistar Drive**

**Lisle, Illinois 60532**

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**REQUIRED INFORMATION**

Navistar, Inc. is the Plan Administrator of the Navistar, Inc. 401(k) Plan for Represented Employees ( the Plan ). The Plan is subject to the Employee Retirement Income Security Act of 1974 ( ERISA ). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan as of December 31, 2013 and 2012, and for the year ended December 31, 2013, and the schedules as of December 31, 2013, have been prepared in accordance with the financial reporting requirements of ERISA.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator for the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**Navistar, Inc. 401(k) Plan for Represented Employees**

By: Navistar, Inc.  
Plan Administrator

Name: /s/ Richard C. Tarapchak  
Richard C. Tarapchak  
Title: Senior Vice President and  
Controller  
(Principal Accounting Officer)

June 17, 2014

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**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
NAVISTAR, INC. 401(k) PLAN FOR REPRESENTED EMPLOYEES  
DECEMBER 31, 2013 AND 2012**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Participants and Administrator

Navistar, Inc. 401(k) Plan for Represented Employees

We have audited the accompanying statements of net assets available for benefits of Navistar, Inc. 401(k) Plan for Represented Employees (the Plan ) as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Navistar, Inc. 401(k) Plan for Represented Employees as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held at end of year, Form 5500, Schedule H, Item 4i as of December 31, 2013 and delinquent participant contributions, Form 5500, Schedule H, Item 4a for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Grant Thornton LLP

Chicago, IL

June 17, 2014

**Table of Contents****Navistar, Inc. 401(k) Plan for Represented Employees****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****December 31,**

	2013	2012
<b>Assets</b>		
Investment in Master Trust, at fair value	\$ 133,709,223	\$ 130,065,284
<b>Receivables</b>		
Participant pretax contributions	43,195	77,112
Employer contributions	308,064	370,300
Notes receivable from participants	5,107,215	4,530,501
<b>Total receivables</b>	<b>5,458,474</b>	<b>4,977,913</b>
<b>Total assets</b>	<b>139,167,697</b>	<b>135,043,197</b>
<b>Liabilities</b>		
Refunds due to participants		31,786
<b>Net assets available for benefits, at fair value</b>	<b>139,167,697</b>	<b>135,011,411</b>
Proportionate share of adjustment from fair value to contract value for fully benefit-responsive investment contracts	76,827	(1,053,068)
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 139,244,524</b>	<b>\$ 133,958,343</b>

The accompanying notes are an integral part of these statements.



**Table of Contents****Navistar, Inc. 401(k) Plan for Represented Employees****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****Year ended December 31, 2013**

Net investment gain from Master Trust (Note C)	\$ 24,677,096
Interest income on notes receivable from participants	191,927
<b>Contributions</b>	
Participant pretax	6,575,972
Employer retirement	411,522
Employer matching	1,114,332
Rollovers from other qualified plans	22,096
<b>Total contributions</b>	<b>8,123,922</b>
Benefits paid to participants	(26,413,801)
Administrative expenses	(10,880)
<b>Increase in net assets prior to transfers</b>	<b>6,568,264</b>
Transfers to other qualified plans within Master Trust, net	(1,282,083)
<b>NET INCREASE</b>	<b>5,286,181</b>
Net assets available for benefits	
Beginning of year	133,958,343
End of year	\$ 139,244,524

The accompanying notes are an integral part of this statement.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE A - DESCRIPTION OF THE PLAN**

The following description of the Navistar, Inc. 401(k) Plan for Represented Employees (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

***General***

The Plan, established October 2, 1991, is sponsored by Navistar, Inc. (the Company), the principal operating subsidiary of Navistar International Corporation (Navistar), to provide savings and retirement benefits for certain eligible represented employees of the Company and of certain affiliates participating under the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

***Eligibility***

The Plan is offered to eligible Company employees who are represented by a labor organization under a collective bargaining agreement who have met certain seniority or service requirements under the terms of the respective bargaining agreements.

***Contributions and Vesting***

Participant contributions may be made to the Plan only on a pretax basis and are subject to annual maximum limits equal to the lesser of 25% (20% for Workhorse Custom Chassis, LLC employees) of the participant's eligible compensation or a prescribed Internal Revenue Service (IRS) dollar amount. Those participants who were age 50 or over during the Plan year are permitted to contribute additional amounts on a pretax basis. Subject to Company approval, certain eligible employees are allowed to make rollover contributions to the Plan if such contributions satisfy applicable regulations. Such employees are not required to be participants for any other purpose than their rollover account; however, no pretax salary reduction contributions may be made until such time as such employee would otherwise become eligible to and does elect participation in the Plan. Participant salary reduction contributions and rollover contributions are fully vested immediately.

For the 2013 and 2012 Plan years, certain collective bargaining agreements provide for an employer retirement contribution. This contribution is employer-provided and is allocated among eligible members of the applicable bargaining unit based on the participant's age at either year-end, or the calendar quarter in accordance with the applicable collective bargaining agreement, and eligible compensation. Certain collective bargaining agreements also provide for an employer matching contribution of either 25% of the first 6% of eligible compensation deferred by the participant or 100% of the first 4% of eligible compensation deferred by the participant, as specified in the eligible participant's respective collective bargaining agreement.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE A - DESCRIPTION OF THE PLAN - Continued**

***Contributions and Vesting - Continued***

Participants vest in the employer retirement and matching contributions credited to their account in accordance with the vesting schedule as set forth in their respective collective bargaining agreement. Non-vested contributions are forfeited when a participant retires or terminates service. Such forfeitures are used to offset future Company contributions. At December 31, 2013 and 2012, forfeited non-vested accounts approximated \$107,000 and \$369,000, respectively. For the Plan year ended December 31, 2013, \$378,000 of forfeitures were used to offset Company contributions.

***Investment Options***

Participants direct the investment of their account balances and future contributions. Investment options during 2013 and 2012 consisted of funds classified as registered investment companies, common and collective funds or Navistar common stock.

***Participant Accounts***

Individual accounts are maintained for each Plan participant. Realized and unrealized appreciation and depreciation, dividends and interest are allocated to participants based on their proportionate share of the funds. Fund managers' fees are charged to participants' accounts as a reduction of the return earned on each investment option. All other administrative costs related to the Plan are paid directly by the Company.

***Notes Receivable from Participants***

Participants may borrow from their fund accounts a minimum of \$1,000 up to the lesser of 50% of their total account balance or \$50,000, with no more than two loans outstanding at a time. Company matching and retirement contributions are not available for loans. Loan transactions are treated as a transfer between the applicable investment funds and the loan fund. Loan terms range from one to five years, with the exception of loans made for the purchase of a principal residence, which may be repaid in installments over a period of up to ten years. The loans are secured by the balance in the participant's account and bear interest at a rate equal to prime plus one percentage point.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE A - DESCRIPTION OF THE PLAN - Continued**

***Payment of Benefits***

Participants may request either an in-service or hardship withdrawal of certain of their account assets. Participants may only withdraw authorized pretax salary reduction contributions after attaining age 59-1/2, or on a hardship basis prior to attaining age 59-1/2. The employer retirement contributions, matching contributions and investment earnings thereon are not eligible for in-service withdrawal. The amount of any withdrawal, distribution or loan is first charged against the participant's interest in Plan investments other than the Navistar Stock Fund on a pro rata basis. Any subsequent distributions of an account invested in the Navistar Stock Fund will be made in the form of Navistar common stock.

A participant's vested account is distributable at the time a participant separates from service with the Company, suffers a total and permanent disability or dies. A participant who is on layoff is considered to have terminated employment after the 12 month anniversary of the commencement of the period of continuous layoff. The Plan was amended effective January 1, 2013 so that when the participant terminates employment prior to the participant reaching normal retirement age, with a vested balance of \$5,000 or less, and does not elect to have the distribution paid directly to an eligible retirement plan, or receive a distribution, then the balance will be rolled over to an individual retirement plan designated by the Plan Administrator. If the asset value is more than \$5,000, the participant has the option of receiving the account upon separation or deferring receipt until no later than age 65. Accounts are distributed in a single sum.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The financial statements of the Plan are presented on the accrual basis of accounting.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Risks and Uncertainties***

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

***Investment Valuation***

The Plan follows guidance on accounting for fair value measurements which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. The Plan uses a three-level hierarchy of measurements based upon the reliability of observable and unobservable inputs used to arrive at fair value. Observable inputs are independent market data, while unobservable inputs reflect the Plan management's assumptions about valuation. Depending on the inputs, the Plan classifies each fair value measurement as follows:

Level 1 based upon quoted prices for *identical* instruments in active markets,

Level 2 based upon quoted prices for *similar* instruments, prices for identical or similar instruments in markets that are not active, or model-derived valuations all of whose significant inputs are observable, and

Level 3 based upon one or more significant unobservable inputs.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Investment Valuation - Continued***

The following describes the methods and significant assumptions used to estimate fair value of the Plan's investments:

The Plan's investment in the Navistar, Inc Defined Contribution Plans Master Trust ( Master Trust ) is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

The investments held by the Master Trust are valued as follows:

Common and collective funds: Valued at the net asset value ( NAV ) used as a practical expedient to estimate fair value as provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active.

Registered investment companies (mutual funds): Valued at the NAV of shares held by the plan at year end, which is obtained from an active market.

Common stock: Valued at the closing price reported on the active market on which the security is traded.

See Note C - Master Trust for the Master Trust's investments by level within the fair value hierarchy as of December 31, 2013 and 2012.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Notes Receivable from Participants***

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2013 or 2012. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

***Income Recognition***

Security transactions are accounted for on the trade-date basis. Dividend income is accrued on the ex-dividend date. Interest income is recorded on the accrual basis.

***Participant Withdrawals***

As of December 31, 2013 and 2012, there were no benefits due to former participants who have withdrawn from participation in the Plan. Benefits are recorded when paid.

***Administrative Fees***

Most administrative expenses of the Plan are paid by the Company. Certain Plan administrative expenses are paid by the Plan and are expensed as incurred.

***Transfers***

Transfers between the Plan and the other plan participating in the Master Trust occur when a participant incurs a change in job status, or a job transfer to another affiliate, that makes the participant ineligible to participate in their current plan and requires the transfer of their account balance to another plan within the Master Trust for which they are eligible. During 2013, net transfers of (\$1,282,083) were transferred from the Plan for such changes to other plan within the Master Trust.

**Table of Contents****Navistar, Inc. 401(k) Plan for Represented Employees****NOTES TO FINANCIAL STATEMENTS****December 31, 2013 and 2012****NOTE C - MASTER TRUST**

All of the Plan's investment assets are held in a trust account at JPMorgan Chase Bank (the Trustee) and consist of a divided interest in an investment account of the Master Trust, a master trust established by the Company and administered by the Trustee. Use of the Master Trust permits the commingling of Plan assets with the assets of another defined contribution plans sponsored by the Company and its affiliated companies for investment and administrative purposes. Although assets of the plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

The participating plans in the Master Trust net assets (after adjustment from fair value to contract value for fully benefit-responsive investment contracts) and their respective percent interests as of December 31, 2013 and 2012, calculated on a cash basis, are as follows:

	2013	2012
Navistar, Inc. 401(k) Plan for Represented Employees	15.22%	16.03%
Navistar, Inc. Retirement Accumulation Plan	84.78	83.97

The following table presents the carrying value of investments of the Master Trust as of December 31:

	2013	2012
Common and collective funds	\$ 465,767,994	\$ 469,757,811
Registered investment companies	393,094,102	318,941,070
Navistar common stock	19,663,179	20,525,947
JP Morgan cash investment	101,580	
<b>Total investments, at fair value</b>	<b>878,626,855</b>	<b>809,224,828</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	324,152	(4,528,357)
<b>Net investments</b>	<b>\$ 878,951,007</b>	<b>\$ 804,696,471</b>



**Table of Contents****Navistar, Inc. 401(k) Plan for Represented Employees****NOTES TO FINANCIAL STATEMENTS****December 31, 2013 and 2012****NOTE C - MASTER TRUST - Continued**

The net investment earnings of the Master Trust for the year ended December 31, 2013, are summarized below:

Dividend and interest income	
Common and collective funds	\$ 46,392
Registered investment companies	17,919,975
Total dividend and interest income	17,966,367
Net realized and unrealized appreciation (depreciation) in fair value of investments	
Common and collective funds	45,543,277
Registered investment companies	83,700,312
Navistar common stock	15,025,846
Net appreciation in fair value of investments	144,269,435
Other income	36,147
Net investment income	\$ 162,271,949

**Table of Contents****Navistar, Inc. 401(k) Plan for Represented Employees****NOTES TO FINANCIAL STATEMENTS****December 31, 2013 and 2012****NOTE C - MASTER TRUST - Continued**

The following tables present the Master Trust's investments by level within the fair value hierarchy as of December 31, 2013 and 2012:

2013	Level 1	Level 2	Level 3	Total
<b>Common and collective funds</b>				
Cash equivalents (a)	\$	\$ 598,863	\$	\$ 598,863
Target date (b)		198,384,731		198,384,731
Index (c)		69,009,980		69,009,980
Fixed income (d)		197,876,000		197,876,000
<b>Total common and collective funds</b>		<b>465,869,574</b>		<b>465,869,574</b>
<b>Registered investment companies</b>				
<b>Equities</b>				
Multi Cap Value	74,672,209			74,672,209
Large Cap Value	33,287,692			33,287,692
Large Cap Growth	79,527,300			79,527,300
Small Cap Core	83,764,620			83,764,620
Mid Cap Growth	78,489,892			78,489,892
International Core	43,352,389			43,352,389
<b>Total registered investment companies</b>	<b>393,094,102</b>			<b>393,094,102</b>
Navistar common stock	19,663,179			19,663,179
<b>Total assets at fair value</b>	<b>\$ 412,757,281</b>	<b>\$ 465,869,574</b>	<b>\$</b>	<b>\$ 878,626,855</b>

**Table of Contents****Navistar, Inc. 401(k) Plan for Represented Employees****NOTES TO FINANCIAL STATEMENTS****December 31, 2013 and 2012****NOTE C - MASTER TRUST - Continued**

2012	Level 1	Level 2	Level 3	Total
<b>Common and collective funds</b>				
Cash equivalents (a)	\$	\$ 6,814,011	\$	\$ 6,814,011
Target date (b)		180,025,362		180,025,362
Index (c)		55,851,045		55,851,045
Fixed income (d)		227,067,393		227,067,393
<b>Total common and collective funds</b>		<b>469,757,811</b>		<b>469,757,811</b>
<b>Registered investment companies</b>				
<b>Equities</b>				
Multi Cap Value	61,547,879			61,547,879
Large Cap Value	26,284,402			26,284,402
Large Cap Growth	65,843,903			65,843,903
Small Cap Core	59,750,029			59,750,029
Mid Cap Growth	66,442,959			66,442,959
International Core	39,071,898			39,071,898
<b>Total registered investment companies</b>	<b>318,941,070</b>			<b>318,941,070</b>
Navistar common stock	20,525,947			20,525,947
<b>Total assets at fair value</b>	<b>\$ 339,467,017</b>	<b>\$ 469,757,811</b>	<b>\$</b>	<b>\$ 809,224,828</b>

The common and collective trust funds do not have a readily determinable fair value and are valued at their net asset value per share as provided by the funds' administrators. The following provides additional information regarding these funds:

(a) The investment strategy of this category is to seek capital preservation and a high degree of liquidity. Redemption is permitted daily with written notice.

(b) The investment strategy of this category is to provide stability to investors as retirement approaches through a diversified fund of funds portfolio of stock and bond funds. The percentage of stock funds will gradually decrease and the percentage of bond funds will gradually increase as time gets closer to each fund's target date. Redemption from these funds, on a Plan level, is permitted at the end of each month with 30 days written notice. Such advance notice may be waived if mutually agreed by both parties.

(c) The investment strategy of this category is to provide exposure to a broad equity market and to mirror the aggregate price and dividend performance of the S&P 500 Index. Redemption is permitted daily with written notice.

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**Navistar, Inc. 401(k) Plan for Represented Employees**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

**NOTE C - MASTER TRUST - Continued**

(d) The investment strategy of this category is (i) to protect principal from market fluctuations and produce relatively predictable returns that should exceed those of money market funds and (ii) to provide a high total return consistent