

NAVISTAR INTERNATIONAL CORP  
Form DEF 14A  
January 18, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A  
(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant:  X  
Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- X
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Navistar International Corporation**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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X

\_\_\_\_\_ No fee required.

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- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

\_\_\_\_\_ Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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**NAVISTAR INTERNATIONAL CORPORATION**

**2701 NAVISTAR DRIVE**

**LISLE, ILLINOIS 60532**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TUESDAY, FEBRUARY 19, 2013**

**11:00 A.M. CENTRAL TIME**

**HYATT LISLE HOTEL**

**1400 CORPORETUM DRIVE**

**LISLE, ILLINOIS 60532**

January 18, 2013

To our stockholders:

On behalf of the Board of Directors of Navistar International Corporation you are cordially invited to attend our 2013 Annual Meeting of Stockholders, which will be held on February 19, 2013, at 11:00 a.m. Central Time, at the Hyatt Lisle Hotel, 1400 Corporetum Drive, Lisle, Illinois 60532. 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;
- .. Act on an advisory vote on executive compensation;
- .. Approve the Navistar International Corporation 2013 Performance Incentive Plan; and
- .. Act upon any other matters properly brought before the Annual Meeting.

The accompanying proxy statement and the form of proxy are first being made available to our stockholders on January 18, 2013. In order to attend our 2013 Annual Meeting of Stockholders, you must have an admission ticket to attend. Procedures for requesting an admission ticket are detailed in the accompanying proxy statement. Attendance and voting is limited to stockholders of record at the close of business on January 11, 2013.

By Order of the Board of Directors,

Curt A. Kramer

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Secretary

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE STOCKHOLDERS MEETING TO BE HELD ON FEBRUARY 19, 2013:**

**THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT**

**[HTTP://WWW.NAVISTAR.COM/NAVISTAR/INVESTORS](http://www.navistar.com/navistar/investors)**

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**EXECUTIVE SUMMARY**

During 2012, the Board of Directors (the Board) of Navistar International Corporation (Navistar or the Company) formed a special committee (the Saratoga Committee) to review, oversee and monitor strategic matters affecting the Company, including (1) resolution of the Company's emission strategy, (2) financing and liquidity matters affecting the Company, (3) the Company's communication strategy, (4) governance matters and/or proxy contests affecting the Company and (5) the Company's strategic plan; and to report its findings and make recommendations thereon back to the full Board. This review, along with other events during 2012, resulted in a number of changes in our business strategy, Board composition, management, corporate governance and compensation policies. These changes are highlighted below and are described in more detail throughout this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012.

**Business Strategy**

We experienced significant strategic and operational challenges in 2012, but have taken actions that we believe will reverse our course and are evaluating additional opportunities to enhance value. As a result of these challenges, we announced changes to our engine strategy, signed supply agreements with Cummins Inc. (Cummins), and reinforced our cash position. During this period of transition, we are renewing our focus on strengthening our North American core businesses and evaluating non-core businesses and engineering programs through a disciplined use of Return on Invested Capital. We are making steady progress in our six guiding principles of quality, cost, sense of urgency, great products, customer satisfaction, and people. The entire organization is aligned to address three major priorities in 2013: significantly improving the quality of our products, meeting every one of our critical truck and engine launch dates, and delivering on our operating plan while maximizing our cash flows.

Over the second half of 2012, we made a number of significant strides in accomplishing our turnaround efforts, which include:

In July, we announced our next generation clean engine solution to meet 2010 U.S. Environmental Protection Agency (EPA) emissions standards. Our engine strategy combines our Advanced Exhaust Gas Recirculation engines with an after-treatment system using Selective Catalytic Reduction (SCR).

In August, we obtained additional financing through our new senior secured, \$1 billion term loan credit facility.

In August, we took actions to control spending across the Company with targeted reductions of certain costs which included a voluntary separation program, attrition and involuntary reductions in force. In addition to these actions in the U.S., our Brazilian operations utilized an involuntary reduction in force to eliminate certain positions. Approximately 1,300 employees were impacted by these actions, of which 1,200 employees exited by October 31, 2012 and the remaining will exit in 2013.

In October, we signed a definitive agreement with Cummins to supply its SCR after-treatment system to us. This after-treatment system will be combined with our engines to meet 2010 EPA emissions standards. In addition to our agreement with Cummins, we continue to refine plans and timelines to begin introducing our new product offering. We maintain our target of a phased-in product introduction plan commencing with the MaxxForce 13L engine in April 2013, followed by our medium engine offerings.

In October, we announced our intention to close our Garland, Texas truck manufacturing plant.

As part of our expanded relationship with Cummins, we are offering Cummins 15 liter ISX diesel engine, which currently meets EPA emissions standards, in certain models. We began offering Cummins 15 liter ISX diesel engine as a part of our North American on-highway truck line-up in December.

In October, we received net proceeds of \$192 million from our equity offering with an additional \$14 million received in November.

**Composition of the Board**

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During 2012, our Board underwent a significant number of changes due, in part, to the retirement of Diane H. Gulyas, David D. Harrison, Steven J. Klinger, Eugenio Clariond and Daniel C. Ustian, and agreements relating to the composition of our Board entered into with two of our largest stockholders, Carl C. Icahn and several entities controlled by him (collectively, the Icahn Group ) and Mark H. Rachesky, MD and several entities controlled by him (collectively, the MHR Group ). Pursuant to our agreements with each of the Icahn Group and the MHR Group, we granted each of

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them the right to appoint one director to serve on our Board, and the two of them together the right to appoint a third director to serve on our Board. Mr. Vincent J. Intrieri was appointed as the Icahn Group representative and Dr. Mark H. Rachesky was appointed as the MHR Group representative. On December 10, 2012, Mr. Samuel J. Merksamer was appointed as the mutually agreed upon representative of both the Icahn Group and the MHR Group. In addition to the appointments by the Icahn Group and the MHR Group, the Board appointed Mr. John C. Pope, following Mr. Harrison's retirement in October 2012.

As a result of these changes, the committees of our Board also went through several changes in composition during 2012. The Company appointed Mr. Intrieri to the Company's Nominating and Governance Committee, effective October 8, 2012 and the Company's Finance Committee, effective December 11, 2012. The Board appointed Dr. Rachesky to the Company's Nominating and Governance Committee effective October 16, 2012 and the Company's Compensation and Finance Committees, effective December 11, 2012. Mr. Pope was appointed a member of the Board's Audit Committee effective October 16, 2012 and the Company's Compensation and Finance (chair) Committees, effective December 11, 2012. Furthermore, effective December 11, 2012, Mr. Merksamer was appointed a member of the Company's Audit and Compensation Committees, Gen. McChrystal was appointed a member of the Company's Compensation Committee and Mr. Williams was appointed a member of the Company's Audit Committee and removed from the Company's Finance Committee.

## **Changes in Management**

In August 2012, Daniel C. Ustian informed the Board of his retirement as Chairman, President, Chief Executive Officer, and member of the Board, effective immediately. The Board of Directors appointed Lewis B. Campbell, former Chairman, President, and Chief Executive Officer of Textron Inc., as Executive Chairman of the Board of Directors and interim Chief Executive Officer to replace Mr. Ustian. At the same time, the Company also announced that it promoted Troy A. Clarke, previously President of Truck and Engine operations at the Company, to the position of President and Chief Operating Officer of Navistar.

The Company made several other management changes during the second half of 2012:

Prior to his August 2012 promotion, Troy Clarke assumed responsibility for all Navistar's operations in the newly-created role of President, Truck and Engine in July 2012. He had previously been president of Navistar Asia Pacific.

In July, Jack Allen became president of North America Truck and Parts, an expansion of his previous role.

In July, Engine Group President Eric Tech expanded his role to become president of Global Truck and Engine, responsible for all of our business operations outside of North America.

Effective October 31, 2012, Dee Kapur retired from the Company as its Chief Product Officer.

In December 2012, the Company appointed Dennis Mooney as the new group vice president, Global Product Development to replace Ramin Younessi.

## **Corporate Governance**

During 2012, we strove to maintain effective governance practices and policies, and to solicit and consider input from our stockholders. At our 2012 annual meeting, management proposed and stockholders approved an amendment to our Certificate of Incorporation that declassified our Board. Beginning with the 2014 annual meeting, the Board will be completely declassified and all directors will be subject to annual election to one-year terms. In March 2012, we amended our Bylaws to remove an Exclusive Forum provision that certain of our stockholders and proxy advisory firms objected to. In June 2012, we adopted a Stockholder Rights Plan designed to deter coercive takeover tactics including the accumulation of shares in the open market or through private transactions and to prevent an acquiror from gaining control of the Company without offering a fair and adequate price to all of the Company's stockholders. The Stockholder Rights Plan will expire in June 2013 and has a trigger threshold of 15%.



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In addition to these actions during the year, we believe that the following items, among others, contribute to a strong governance and compensation profile:

9 of 10 directors are independent under NYSE rules.

We have an independent lead director.

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We have 100% independent Board standing committees.

Our charter and bylaws may be amended by a simple majority vote.

We do not provide tax gross-ups to Section 16 Officers or excise tax gross-ups on change in control payments.

We have double trigger change in control benefits.

Our NEOs (excluding our newly appointed CEO) and directors are subject to stock ownership guidelines.

The vesting period for our NEOs stock options (excluding our newly appointed Chief Executive Officer) and RSUs is over a 36 month period.

**Compensation Policies**

For a summary of our commitment to best practices and changes made in fiscal year 2012 to our executive compensation policies, please see the *Executive Summary* section of the *Compensation, Discussion and Analysis* section of this proxy statement.

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**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 is soliciting your proxy to vote your shares at our 2013 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 consider and 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 KPMG LLP (KPMG), the Company's independent registered public accounting firm, (iii) Proposal 3 an advisory vote on executive compensation, a so-called Say-on-Pay proposal, (iv) Proposal 4 - the approval of the Company's 2013 Performance Incentive Plan, and (v) any other matters properly brought before the Annual Meeting. In addition, management may report on the performance of the Company 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 advisory vote on executive compensation (Proposal 3); and

FOR the approval of the Navistar International Corporation 2013 Performance Incentive Plan (Proposal 4)

**Q: Who can attend the Annual Meeting?**

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

Stockholders of record on January 11, 2013;

An authorized proxy holder of a stockholder of record on January 11, 2013; or

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

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 and Ticket Request Procedure* section 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 common stock ( Common Stock ) is reflected directly on the books and records of our transfer agent, Computershare Investor Services (the Transfer Agent ). If you hold Common 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 street name, the stockholder of record of the shares is your bank, broker or other intermediary. Navistar only has access to ownership records for stockholders of record. So, if you are not a stockholder of record, for the purpose of requesting an admission ticket to attend the Annual Meeting, you must present us with 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.

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

**A:** The Board has set January 11, 2013, as the record date for the Annual Meeting. Holders of shares of Common Stock on that date are entitled to one vote per share. As of January 11, 2013, there were approximately 80,054,641 shares of Common Stock outstanding. If you hold shares of our Common Stock as a participant in any of the Company's 401(k) or retirement savings plans, your proxy card will represent the number of shares of Common Stock 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 stockholders will be available for examination by stockholders during normal business hours at 2701 Navistar Drive, Lisle, Illinois 60532 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 procedures) and attend the Annual Meeting in person by casting a ballot received at the Annual Meeting.

**by mail** using the enclosed proxy and/or voting instruction card accompanying this proxy statement.

**by phone or via the Internet** following the instructions on the enclosed proxy and/or voting instruction card accompanying this proxy statement.

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 telephone 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 your bank or broker 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 2701 Navistar Drive, Lisle, Illinois 60532, (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 18, 2013 or (iv) attending the Annual Meeting and voting in person. For all methods of voting, the last vote properly 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 appointed by Navistar for the Annual Meeting, will count the votes and act 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.

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*For holders in street name:* If your shares are held in street name, under certain circumstances, your shares may be voted even if you do not provide the bank or 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 without your instruction. NYSE rules considers the ratification of the appointment of KPMG as our independent registered public accounting firm (Proposal 2) to be a routine matter. As a result, your broker is permitted to vote your shares on that matter at its discretion without instruction from you.

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When a proposal is not a routine matter, such as the election of directors (Proposal 1), the Say-On-Pay proposal (Proposal 3) and the approval of the Navistar International Corporation 2013 Performance Incentive Plan (Proposal 4), and you have not provided voting instructions to the bank or brokerage firm with respect to that proposal, the bank or brokerage firm cannot vote the shares on that proposal. The missing votes for these non-routine matters are called broker non-votes.

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

**A:** Under Navistar's Third Amended and Restated By-Laws (the By-Laws), 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 for voting at the Annual Meeting. 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 by proxy at the Annual Meeting and entitled to vote, meaning that the director nominees with the greatest number of 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.

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

Proposal 3 (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 by proxy 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. Our Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Proposal 4 (approval of the Navistar International Corporation 2013 Performance Incentive Plan) requires the affirmative vote of a majority of the shares present or represented by proxy at the Annual Meeting and entitled to vote.

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 card 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 six directors and stockholders may not cumulate votes in the election of directors. If you abstain from voting on Proposal 1, 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 (Proposal 1) or on a proposal that requires the approval of a majority of the shares present in person or represented by proxy and entitled to vote (Proposals 2, 3 and 4).

Votes submitted by mail, telephone or Internet will be voted by the individuals named on the proxy and/or voting instruction 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?**

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**A:** If you and other residents at your mailing address own shares of Common Stock in street name, your broker or bank may notify you that your household will receive only one annual report and proxy statement for the Company if



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you hold shares through that broker or bank. In this practice known as house-holding, you were deemed to have consented to receiving only one annual report and proxy statement for your household. 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. Each stockholder will continue to receive a separate proxy and/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, 2701 Navistar Drive, Lisle, Illinois 60532, (331) 332-2143.

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

**A:** Whenever possible, shares of Common Stock, including shares held of record by a participant in any of the Company's 401(k) or retirement savings plans, for multiple accounts for the same registered stockholder will be combined into the same proxy card. Shares with different, even though similar, registered stockholders cannot be combined, and as a result, the stockholder may receive more than one proxy card. For example, shares registered in the name of John Doe will not be combined on the same proxy card as shares registered jointly in the name of John Doe and his wife.

Shares held in street name are not combined with shares registered in the name of an individual stockholder or for a participant in any of the Company's 401(k) or retirement savings plan and may result in the stockholder receiving more than one proxy and/or voting instruction card. For example, shares held in street name by a broker for John Doe will not be combined with shares registered in the name of 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 proxy and/or voting instruction card for accounts that you believe could be combined because the stockholder is the same, contact our Transfer Agent (for shares held by registered stockholders) or your broker (for shares held in street name) 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, LLC (Alliance Advisors) to assist in the solicitation of proxies. Alliance Advisors' fees for their assistance in the solicitation of proxies are estimated to be \$9,000, plus out-of-pocket expenses. Proxies may also be solicited by our directors, officers and employees who will not receive any additional compensation 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 2014 Annual Meeting of Stockholders?**

**A:** Our annual meeting of stockholders is typically held on the third Tuesday in February. Accordingly, we expect to hold our 2014 annual meeting of stockholders on or around February 18, 2014. Any stockholder proposal for inclusion in the Company's proxy materials for the 2014 annual meeting of stockholders pursuant to SEC Rule 14a-8 under the Securities Exchange Act of 1934 (the Exchange Act) must be received by the Company's Corporate Secretary no later than September 20, 2013. Any proposal may be included in next year's proxy statement only if such proposal complies with the Company's By-Laws and the rules and regulations promulgated by the SEC, including Rule 14a-8.

In addition, the Company's By-Laws require that the Company be given advance written notice of nominations for election to the Board and other matters that stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company's proxy materials in accordance with Rule 14a-8 under the Exchange Act). For matters to be presented at the 2014 annual meeting of stockholders, the Company's Corporate Secretary must receive such notice no earlier than September 22, 2013, and no later than October 22, 2013. The notice must contain, and be accompanied by, certain information as specified in the Company's By-Laws. The Company recommends that any stockholder wishing to nominate a director at, or bring any other item before, an annual meeting of stockholders review the Company's By-Laws, which are available on the Company's website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>. All stockholder proposals and director nominations must be delivered to Navistar by mail c/o the Corporate Secretary at 2701 Navistar Drive, Lisle, Illinois 60532.

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

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

**Q: May stockholders ask questions at the Annual Meeting?**

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

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

**A:** Preliminary voting results will be announced at the Annual Meeting. Final voting 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 voting results are not available at that time, we will provide preliminary voting results in the Form 8-K and will provide the final voting results in an amendment to the Form 8-K as soon as they become available.

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**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) pursuant to a settlement agreement we entered into in 1993 in connection with the restructuring of our postretirement health care and life insurance benefits. The director appointed by the UAW is not elected by stockholders at the Annual Meeting. The remaining nine directors are currently divided into three equal classes for purposes of election (i.e., Class I, Class II and Class III). At last year's annual meeting, our stockholders approved an amendment to our Restated Certificate of Incorporation, as amended (the Certificate of Incorporation) to eliminate the classification of our Board over a period of time and move to annual elections of all our directors. Therefore, the Class I directors elected at last year's annual meeting were elected to a one-year term. The Class I nominees will stand for election with our Class II nominees at the Annual Meeting for one-year terms, and beginning with the 2014 annual meeting of stockholders, our Board will be completely declassified and all directors will be subject to an annual election with one-year terms.

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. We know of no reason why any nominee would be unable to accept nomination or election. All nominees have consented to be named in this proxy statement and to serve if elected.

As discussed in the *Executive Summary*, during 2012, our Board underwent several changes as follows:

Effective August 26, 2012, Daniel C. Ustian resigned from his roles as Chairman, President, Chief Executive Officer and a member of the Board, and the Board, based on the recommendation from our Nominating and Governance Committee, appointed Lewis B. Campbell as a director, the Executive Chairman of the Board and Chief Executive Officer of the Company. Mr. Campbell was appointed a Class III director with his term expiring at the Company's 2014 annual stockholder meeting.

Effective October 8, 2012, Steven J. Klinger, a Class I director, and Eugenio Clariond, a Class II director, each retired as a member of the Board.

In the second half of 2012, our Board entered into discussions with two of our largest stockholders, namely the Icahn Group and the MHR Group. As a result of those discussions, effective as of October 5, 2012, we entered into settlement agreements with each of the Icahn Group (the Icahn Settlement Agreement) and the MHR Group (the MHR Settlement Agreement), pursuant to which each of the Icahn Group and the MHR Group have the right to appoint one director to serve on our Board, and together they have the right to appoint a third director to our Board.

Effective October 8, 2012, pursuant to the Icahn Settlement Agreement, the Company appointed Vincent J. Intrieri to the Board as the Icahn Group representative on the Board. Mr. Intrieri is serving as a Class I director, with his term expiring at the Annual Meeting. Mr. Intrieri has been nominated for election at the Annual Meeting to serve as a Class I director as the Icahn Group representative on the Board.

Effective October 8, 2012, pursuant to the MHR Settlement Agreement, the Company appointed Dr. Mark H. Rachesky to the Board as the MHR Group representative on the Board. Dr. Rachesky is serving as a Class II director, with his term expiring at the Annual Meeting. Dr. Rachesky has been nominated for election at the Annual Meeting to serve as a Class II director as the MHR Group representative on the Board.

Effective October 15, 2012, David D. Harrison, a Class I director, retired as a member of the Board, and, based upon a recommendation of our Nominating and Governance Committee, John C. Pope was appointed by our Board as a Class I director to

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fill the vacancy created by the retirement of Mr. Harrison. Mr. Pope has been nominated for election at the Annual Meeting to serve as a Class I director.

Effective December 10, 2012, Diane Gulyas, a Class II director, retired as a member of the Board.

Effective December 10, 2012, pursuant to the settlement agreements entered into with each of the Icahn Group and the MHR Group, the Company appointed Mr. Samuel J. Merksamer to the Board as the representative appointed together by the Icahn Group and the MHR Group. Mr. Merksamer is serving as a Class II director, with his term expiring at the Annual Meeting. Mr. Merksamer has been nominated for election at the Annual Meeting to serve as a Class II director as the representative appointed together by the Icahn Group and the MHR Group.

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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, public company 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 in the *Nominating Directors* section of this proxy statement.

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

**Class I and Class II Directors Whose Terms Expire at the Annual Meeting THESE ARE THE ONLY TWO CLASSES OF DIRECTORS THAT WILL BE VOTED UPON AT THE ANNUAL MEETING**

**John C. Pope**,\* 63, Director since October 2012 (*Committees: Audit, Compensation and Finance(Chair)*). Mr. Pope has been Chairman of PFI Group, LLC, a private equity investment company, since July 1994. Prior to this position, Mr. Pope was president and chief operating officer and a member of the board of directors of United Airlines and UAL Corporation until it was purchased by its employees in July 1994. He joined United Airlines and UAL Corporation in January 1988 as executive vice president, chief financial officer, and a member of the board. Mr. Pope also spent 11 years with American Airlines and its parent, AMR Corporation, serving as Senior Vice President of Finance, Chief Financial Officer and Treasurer, and he was employed by General Motors Corporation prior to entering the airline industry. Mr. Pope currently serves on the board of directors of Waste Management, Inc., and RR Donnelley & Sons, Inc. (and its predecessor companies), both since 1997. He has also served as a director of Con-Way, Inc. since 2003, and as a director of Kraft Food Group since October 2012, after serving as a director of Kraft Foods Inc. since 2001. Mr. Pope previously served as a director of Dollar Thrifty Automotive Group from 1997 to 2012, and as a director of Federal-Mogul Corporation from 1987 to 2007. Mr. Pope received his B.A. in Engineering and Applied Science from Yale University and an MBA in Finance from the Harvard Business School.

Mr. Pope has held executive, operational and financial positions at large airline companies for almost 20 years, providing him with extensive experience and knowledge of management of large public companies with large-scale logistical challenges, high fixed-cost structures and significant capital requirements. His prior service as chief financial officer of two large publicly-traded companies and president and chief operating officer of one of those companies also provides him with expertise in finance and accounting. In addition, Mr. Pope's experience as chairman and senior executive of various public companies during the past 30 years provides financial, strategic and operational leadership ability. He is an audit committee financial expert based on his experience as a member and chairman of other public company audit committees, as well as experience as a chief financial officer of public companies, and he has considerable corporate governance experience through years of service on these other public company boards. His executive, operational, financial and management experiences contribute greatly to the capabilities and composition of the Board and well qualifies him to serve on our Board.

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**Vincent J. Intrieri**,\* 56, Director since October 2012 (*Committees: Finance and Nominating and Governance*). Mr. Intrieri has been employed by Carl Icahn-related entities since October 1998 in various investment related capacities. Mr. Intrieri has served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds, since January 2008. Since November 2004, Mr. Intrieri has been a Senior Managing Director of Icahn Onshore LP, the general partner of Icahn Partners LP, and Icahn Offshore LP, the general partner of Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP, entities through which Mr. Icahn invests in securities. Mr. Intrieri is currently a director of: Chesapeake Energy Corporation, an oil and gas exploration and production company, since June 2012; CVR Energy, Inc., an independent petroleum refiner and marketer of high value transportation fuels, since May 2012; and Federal-Mogul Corporation, a supplier of automotive powertrain and safety components, since December 2007.

Mr. Intrieri was previously: a director of Icahn Enterprises G.P. Inc., the general partner of Icahn Enterprises L.P. (a diversified holding company engaged in a variety of businesses, including investment, automotive, energy, gaming, railcar, food packaging, metals, real estate and home fashion) from July 2006 through September 2012, and was Senior Vice President of Icahn Enterprises G.P. Inc. from October 2011 through September 2012; a director of Dynegy Inc., a company primarily engaged in the production and sale of electric energy, capacity and ancillary services, from March 2011 through September 2012; chairman of the board and a director of PSC Metals Inc., a metal recycling company, from December 2007 through April 2012; a director of Motorola Solutions, Inc., a provider of communication products and services, from January 2011 through March 2012; a director of XO Holdings, a telecommunications company, from February 2006 through August 2011; a director of National Energy Group, Inc., a company that was engaged in the business of managing the exploration, production and operations of natural gas and oil properties, from December 2006 through June 2011; a director of American Railcar Industries, Inc., a railcar manufacturing company, from August 2005 until March 2011; a director of WestPoint International, Inc., a manufacturer and distributor of home fashion consumer products, from November 2005 through March 2011; chairman of the board and a director of Viskase Companies, Inc., a meat casing company, from April 2003 through March 2011; a director of WCI Communities, Inc., a homebuilding company, from August 2008 through September 2009; a director of Lear Corporation, a global supplier of automotive seating and electrical power management systems and components, from November 2006 through November 2008; and President and Chief Executive Officer of Philip Services Corporation, an industrial services company, from April 2005 through September 2008.

Mr. Intrieri graduated in 1984, with distinction, from The Pennsylvania State University (Erie Campus) with a B.S. in Accounting and was a certified public accountant. Mr. Intrieri's significant experience as a director of various companies enables him to understand complex business and financial issues, which contributes greatly to the capabilities and composition of our Board and well qualifies him to serve on our Board.

**Michael N. Hammes**,\* 71, Director since 1996 (*Committees: Compensation, Finance and Nominating and Governance (Chair)*). Mr. Hammes has 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 Chief Executive Officer 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, and held a variety of executive positions with Ford and Chrysler including President of Chrysler's International Operations and President of Ford's European Truck Operations. He is Chairman of James Hardie, a world leader in fibre cement technology, and a director of DynaVox Mayer-Johnson, the leading provider of speech generating devices and symbol-adapted special education software. Mr. Hammes is also a member of the Board of Directors of DeVilbiss, which manufactures medical equipment for the health care industry.

As a result of these professional and other experiences, including his experience as a member of other public company boards of directors, Mr. Hammes possesses particular knowledge and experience in a variety of areas, including accounting, corporate governance, distribution, finance, manufacturing (domestic and international), marketing, international sales/distribution and product development, which strengthens the Board's collective knowledge, capabilities and experience.

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Likewise, his experience and leadership in serving as Chairman and Chief Executive Officer for three different companies for fifteen years well qualifies him to serve on our Board.

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**Mark H. Rachesky, M.D. \*** 53, Director since October 2012 (*Committees: Compensation, Finance and Nominating and Governance*). Dr. Rachesky is the co-founder and President of MHR Fund Management LLC, an investing firm that manages approximately \$5 billion of capital and utilizes a private equity approach to investing in middle market companies with an emphasis on special situation and distressed investments. Dr. Rachesky serves as a member and chairman of the board of directors of Loral Space & Communications Inc. since 2005, Lions Gate Entertainment Corp. since 2009, Leap Wireless International, Inc. since 2004, and Telesat Canada since 2007, and as a member of the board of directors of Emisphere Technologies, Inc. since 2005 and Nationshealth, Inc. since 2005. Dr. Rachesky previously served as a director of Neose Technologies, Inc. from 1999 to 2008. Dr. Rachesky holds a B.S. in molecular aspects of cancer from the University of Pennsylvania, an M.D. from the Stanford University School of Medicine and an M.B.A. from the Stanford University School of Business.

Dr. Rachesky brings significant corporate finance and business expertise to our Board due to his background as an investor and fund manager. Dr. Rachesky also has significant expertise and perspective as a member of the boards of directors of private and public companies in various industries, including telecommunications, pharmaceuticals and media. Dr. Rachesky's broad and insightful perspectives relating to economic, financial and business conditions affecting the Company and its strategic direction well qualifies him to serve on our Board.

**Samuel J. Merksamer \*** 32, Director since December 2012 (*Committees: Audit and Compensation*). Mr. Merksamer has served as a Managing Director at Icahn Capital LP since 2008, where he is responsible for identifying, analyzing and monitoring investment opportunities and portfolio companies for Icahn Capital. Mr. Merksamer serves as a director of Viskase Companies, Inc., American Railcar Industries, Inc., Federal-Mogul Corporation and CVR Energy, Inc. Mr. Merksamer also served on the board of directors of Dynegy Inc. from March 2011 to September 2012. From 2003 until 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management, a hedge fund management company, where he focused on high yield and distressed investments. Mr. Merksamer received an A.B. in Economics from Cornell University in 2002.

Mr. Merksamer's significant experience as a director of various companies enables him to understand complex business and financial issues, which contributes greatly to the capabilities and composition of our Board and qualifies him to serve on our Board.

**General (Retired) Stanley A. McChrystal \*** 58, Director since 2011 (*Committees: Compensation, Finance and Nominating and Governance*). Gen. McChrystal, is a retired 34-year U.S. Army veteran of multiple wars. He commanded the U.S. and NATO's security mission in Afghanistan, served as the director of the Joint Staff and was the Commander of Joint Special Operations Command, where he was responsible for the nation's deployed military counter terrorism efforts. Gen. McChrystal is a graduate of the United States Military Academy at West Point, the United States Naval Command and Staff College and was a military fellow at both the Council on Foreign Relations and the Kennedy School of Government at Harvard University. Gen. McChrystal has been serving as a member of the Board of Directors of JetBlue Airways Corporation, a commercial airline, since 2010, Chairman of the Board of Siemens Government Technologies, Inc., a wholly-owned indirect subsidiary and a Federal Business Entity of Siemens AG, since December 2011, and since August 2011, a member of the Board of Advisors of General Atomics, a world leader of resources for high-technology systems ranging from the nuclear fuel cycle to remotely operated surveillance aircraft, airborne sensors, and advanced electric, electronic, wireless and laser technologies. In 2011, Gen. McChrystal co-founded McChrystal Group, a leadership consulting firm. He also teaches a seminar on leadership at the Jackson Institute for Global Affairs at Yale University and serves alongside his wife on the Board of Directors for the Yellow Ribbon Fund, a non-profit organization committed to helping wounded veterans and their families.

As a former senior military leader, Gen. McChrystal has experience in logistics, talent management and experience with government and regulatory affairs and military contracting. Gen. McChrystal's years of military leadership and service are of great value to the Board as the Company expands its global and military businesses.





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**Class III Directors Whose Terms Expire at the 2014 Annual Meeting**

**James H. Keyes,\*** 72, Director since 2002 (*Committees: Audit (Chair), Compensation and Nominating and Governance*). 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. and is a member of the Board of Trustees of Fidelity Mutual Funds. He was also a director of LSI Logic Corporation, an electronics company that designs semiconductors and software that accelerate storage and networking in datacenters and mobile networks, from 1983 until 2008.

Mr. Keyes has broad experience as a 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 degree 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.

**John D. Correnti,\*** 65, Director since 1994 (*Committees: Audit, Nominating and Governance and Compensation (Chair)*). Mr. Correnti serves 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 Executive Chairman of the Board of Directors of Silicor Material, a private silicon manufacturer, and a director of Corrections Corporation of America, a public provider of correctional solutions. 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 contribute significantly to the capabilities and composition of our Board. His skills and experience in accounting, corporate governance, distribution, engineering, human resources, compensation, and employee benefits, manufacturing (domestic and international), marketing, mergers and acquisitions, domestic sales and distribution and purchasing matters well qualifies him to serve on our Board.

**Lewis B. Campbell,** 66, Director since August 2012. Mr. Campbell serves as Chief Executive Officer of Navistar and Executive Chairman of the Board since 2012. He is the retired Non-Executive Chairman of Textron Inc., a multi-industry company serving the aircraft, industrial products and components and financial industries. Mr. Campbell served as Non-Executive Chairman of Textron from December 2009 to August 2010. Mr. Campbell served as Chairman and Chief Executive Officer of Textron from February 1999 through November 2009 when he retired as Chief Executive Officer. Mr. Campbell has served on the Board of Directors of Bristol Myers Squibb Company since 1998, has served on the Board of Directors of Sensata Technologies Holdings N.V. since 2012 and is on the Board of Trustees of Noblis, Inc., a nonprofit science, technology and strategy organization. He is also an advisor to Caldera Ventures, LLC, and is a member of The Business Council. Mr. Campbell was also a Director of Dow Jones & Co. from 2004 to 2007.

Mr. Campbell is a demonstrated leader with keen business understanding. With his focus on operational efficiencies at Textron, Mr. Campbell is uniquely positioned to help guide the Company through its current business initiatives. As a result of his professional and other experiences, Mr. Campbell possesses particular knowledge and experience in a variety of areas, including corporate governance, engineering, human resources, compensation, and employee benefits, information technology, manufacturing (domestic and international), mergers and acquisitions, sales/military/government and

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union/labor relations, which strengthens the Board's collective knowledge, capabilities and experience. Furthermore, his first-hand knowledge of the many issues facing public companies and his service as a director for various public companies well qualifies him to serve on our Board.

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**Additional Director Who Is Not Elected by Stockholders**

**Dennis D. Williams,\* \*\*** 59, Director since 2006. (*Committee: Audit*). Mr. Williams has served as UAW's Secretary Treasurer and Director, Agricultural Implement and Transnational Departments 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 elected by stockholders at the Annual Meeting. Mr. Williams was elected as a director in June 2006 to fill the seat previously held by David McAllister, the former UAW director who held this position from 2001 until his removal by the UAW in June 2006.

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**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://www.navistar.com/navistar/investors/corporategovernance/documents>. 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***

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

The General Counsel or Corporate Secretary then assesses whether the proposed transaction is a related-person transaction for purposes of the policy and SEC rules. If the General Counsel or Corporate Secretary determines that the proposed transaction is a related-person transaction for such purposes, 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 by the Audit Committee, a similar process will be undertaken by the Audit Committee 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://www.navistar.com/navistar/investors/corporategovernance/documents>.

Since the beginning of fiscal year 2012, the following four related-person transactions occurred:

The first originally occurred in August 2008 and relates to our Vice President and Treasurer, James M. Moran, whose wife, Kristin Moran, is employed as the General Counsel of our finance subsidiary, Navistar Financial Corporation. As General Counsel of Navistar Financial Corporation, Mrs. Moran received annual compensation and benefits for fiscal year 2012 of less than \$260,000, which includes base salary, annual incentive, Company 401(k) matching contributions and other standard benefits available to all employees generally, and was granted 625 stock options and 750 cash-settled restricted stock units. Mrs. Moran's compensation and benefits are comparable to other employees with equivalent qualifications, experience, and responsibilities at the Company. Moreover, Mrs. Moran's annual compensation is market bench-marked periodically by our Corporate Compensation Department and determined outside of the related person's reporting structure. 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



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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 September 2009 and relates to our Chief Financial Officer, Andrew Cederoth, whose brother-in-law, Daniel McEachern, is a materials manager at Navistar Defense, LLC. As materials manager at Navistar Defense, Mr. McEachern received annual compensation and benefits for fiscal year 2012 of less than \$185,000, which includes base salary, annual incentive, Company 401(k) matching contributions and other standard benefits available to all employees generally. Mr. McEachern's compensation and benefits are comparable to other employees with equivalent qualifications, experience, and responsibilities at the Company. Moreover, Mr. McEachern's annual compensation is market bench-marked periodically by our Corporate Compensation Department and determined outside of the related person's reporting structure. 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.

The third occurred in January 2012 and relates to our former director, Eugenio Clariond. Mr. Clariond served as one of our directors from October 2002 through October 2012, at which time he retired as a director. The Company appointed Camiones Sierra Norte, S.A. De C.V. (Sierra Norte), an entity controlled by Mr. Clariond, as one of the Company's dealers in northeastern Mexico in January 2012. Mr. Clariond's son-in-law, Jorge Martinez Madero, was in charge of the dealership. In connection with this dealership, the Company extended a line of credit in the amount of US\$25 million to Sierra Norte. Further, Sierra Norte was expected to purchase approximately 1,520 units and approximately US\$10 million in parts from the Company on an annualized basis. The Audit Committee considered the factors described above and determined that the related person transaction resulting from Mr. Clariond's indirect ownership of, and control over, Sierra Norte was not inconsistent with the best interests of the Company and approved the transaction.

The fourth originally occurred in April 2008 and was ratified by the Audit Committee in December 2012 and relates to Mr. Jack Allen, President - North America Truck and Parts, whose sister, Maureen Selke, is employed by Marriott International, Inc. (Marriott), a global company providing hotel, resort and convention services. Marriott provided Navistar, Inc. with services in fiscal year 2012 with a value of approximately \$369,000. Mr. Allen did not participate in the solicitation or provision of these services by Marriott to Navistar, Inc. nor did he receive any direct or indirect material benefit from that relationship. Mr. Allen's sister did assist in the provision of some of the services Marriott provided to Navistar, Inc. on an arms-length basis but the amount of her compensation was not directly related to these services. Because assisting in providing services by Marriott to Navistar, Inc. reflected on her job performance, Mr. Allen's sister has a direct material interest in the services Marriott provides to Navistar, Inc. The Audit Committee considered the factors described above and determined that the Navistar/Marriott relationship is not inconsistent with the best interests of the Company and ratified and approved the transaction.

***DIRECTOR INDEPENDENCE DETERMINATIONS***

We believe that a substantial majority of the members of our Board should be independent non-employee directors. Our Board has affirmatively determined that nine of our ten directors, namely Messrs. Correnti, Hammes, Intrieri, Keyes, McChrystal, Merksamer, Pope, Rachesky and Williams, qualifies as an independent director in accordance with the NYSE's independence requirements and our own internal guidelines for determining director independence. Each of these directors has also 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://www.navistar.com/navistar/investors/corporategovernance/documents>. Our Board has made a determination as to each independent director that no relationship exists which, in the opinion of the Board, would





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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.

## ***BOARD LEADERSHIP STRUCTURE***

The Company's Corporate Governance Guidelines require the Board to select the Chairman of the Board and the CEO and to determine from time to time whether the positions are combined and filled by one person or separated and filled by two persons. Currently, our Board leadership structure consists of a Chairman (who is also our CEO), an independent Lead Director and strong committee chairs. 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 the Chairman and CEO positions is appropriate in light of the independent oversight provided by the Board and the appointment of an independent Lead Director. On December 11, 2012, the Board reappointed Mr. Hammes to serve as Lead Director until the Board's next meeting in February 2013. 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 Company's securities. In addition, the Lead Director provides feedback to the CEO regarding the other directors' comments and concerns.

## ***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 our Company faces. Enterprise Risk Management operates within our Internal Audit and Sarbanes-Oxley Compliance department and coordinates its efforts with that department. 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 periodically 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 for election at our 2014 annual meeting of stockholders by writing to our Corporate Secretary at 2701 Navistar Drive, Lisle, Illinois 60532 and complying with the procedures set forth in our By-Laws. Your letter must be received by the Company's Corporate Secretary no earlier than September 22, 2013, and no later than October 22, 2013, and must include all of the information required by our By-Laws including,



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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, any pending or threatened litigation in which the proposed nominee is a party 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 Common Stock on the date you give the notice described above, on the record date for the annual meeting of stockholders at which you propose such nominee be elected and on the date of 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;

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;

willingness 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;

involvement only in other activities or interests that do not create a conflict with his or her responsibilities to the Company and its stockholders;

understanding of and ability to meet his or her 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,

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accounting, or consulting. In addition, in selecting directors, the Nominating and Governance Committee will 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 through 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.

**Table of Contents****BOARD COMMITTEES AND MEETINGS**

The Board documented its governance practices, policies and procedures in our Corporate Governance Guidelines. These governance standards embody many of our long-standing practices, policies and procedures, which are the foundation of our commitment to best practices. In December 2012, the Board conducted an evaluation of the committees and the Board.

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

In fiscal year 2012, the full Board met fourteen times. In addition, the Board's independent directors met five times in regularly scheduled executive sessions to, among other things, evaluate the performance of the Chief Executive Officer and discuss corporate strategies. The Chairmen of our Audit, Compensation, Nominating and Governance and Finance Committees of the Board each preside as the chair at meetings or executive sessions of independent directors at which the principal items to be considered are within the scope of the authority of his committee.

During fiscal year 2012, each of the directors attended 75% or more of all the meetings of the Board and the committees on which he serves. The average attendance of all directors at meetings of the Board and the committees on which he served in fiscal year 2012 was 92%. We encourage all Board members to attend all meetings, including the Annual Meeting. All of our directors who were directors at the time of our 2012 annual meeting of stockholders attended the meeting.

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

Committee Membership				
(as of December 31, 2012)				
	Audit	Compensation	Finance	Nominating & Governance
Lewis B. Campbell				
John D. Correnti	ü	ü *		ü
Michael N. Hammes		ü	ü	ü *
Vincent J. Intrieri			ü	ü
James H. Keyes	ü *	ü		ü
Stanley A. McChrystal		ü	ü	ü
Samuel J. Merksamer	ü	ü		
John C. Pope	ü	ü	ü *	
Mark H. Rachesky		ü	ü	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 registered public accounting firm and the performance of the Company's internal audit function. The Audit Committee reviews the audit plans of the Company's independent registered public accounting firm and internal audit staff, reviews the audit of the Company's accounts with the independent registered public accounting firm and the internal auditors, considers the adequacy of audit scope and reviews and discusses with the auditors and management the auditors' reports. The Audit Committee also reviews environmental reports 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 and waivers of compliance with the Company's Code of Conduct that may affect executive officers and directors, discusses policies and guidelines with respect to risk assessment and risk management, and prepares and approves the Audit Committee Report for inclusion in the Company's proxy statement. Additional information on the roles and responsibilities of the Audit Committee is provided in the *Audit Committee Report* section of this proxy statement. All members of the Audit



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Committee are independent and the Board designated each Audit Committee member, namely Mr. John D. Correnti, Mr. James H. Keyes, Mr. Samuel J. Merksamer, Mr. John C. Pope and Mr. Dennis D. Williams, as an audit committee financial expert, as defined by applicable law, rules and regulations. In fiscal year 2012, the Audit Committee held nine meetings. The Audit Committee conducted an evaluation of its performance in December 2012.

**Compensation Committee** The Compensation Committee makes recommendations to the Board with respect to the appointment and responsibilities of all executive officers, reviews and approves the compensation of executive officers who are not also directors of the Company, reviews and approves the Company's compensation strategy and any associated risks, 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 and incentive compensation plans, engages the compensation consultants that advise the Compensation Committee and approves the consultants' fees and terms of engagement, 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 (with the exception of our CEO). Additional information on the roles and responsibilities of the Compensation Committee is provided in the CD&A section of this proxy statement. The Compensation Committee held nine meetings in fiscal year 2012. The Compensation Committee conducted an evaluation of its performance in December 2012.

**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 investment spending and capital expenditure budgets. The Finance Committee also oversees the Company's policies with respect to financial risk assessment and financial risk management, including liquidity and access to capital and macroeconomic trends. The Finance Committee held five meetings in fiscal year 2012. The Finance Committee conducted an evaluation of its performance in December 2012.

**Nominating and Governance Committee** The Nominating and Governance Committee is responsible for the organizational structure of the Board and its committees, recommending to the Board the directors to serve on the standing Board committees, reviewing and making recommendations to the Board concerning nominees for election as directors, CEO succession planning, reviewing and making recommendations to the Board concerning corporate governance practices and policies and changes to the Company's Certificate of Incorporation and By-Laws and overseeing risks related to corporate governance and the political environment. In addition, the Nominating and Governance Committee leads the Board in its self-evaluation process. The Nominating and Governance Committee held six meetings in fiscal year 2012. The Nominating and Governance Committee conducted an evaluation of its performance in December 2012.

**Executive Committee** The Executive Committee was comprised of three directors, two of whom were independent directors. Pursuant to the Icahn Settlement Agreement and the MHR Settlement Agreement, the Executive Committee was disbanded (and our By-Laws were amended to reflect the elimination of this committee) effective October 5, 2012. The Executive Committee held six meetings in fiscal year 2012.

## ***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](mailto:presiding.director@navistar.com) or by writing to the Presiding Director, c/o the Corporate Secretary, at 2701 Navistar Drive, Lisle, Illinois 60532. 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 the duties and responsibilities of the Board. Communications that relate to ordinary business matters that are not within the scope of the Board's duties and 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 acknowledgment from the Corporate Secretary's Office upon receipt of your communication.

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***CODE OF CONDUCT***

Our Code of Conduct embodies a code of ethics (the Code) applicable to all of our directors, officers and employees. The Code establishes the principles, policies, standards and conduct for professional behavior in the workplace. Every director, officer and employee is required to read and follow the Code. A copy of the Code is available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>. 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://www.navistar.com/navistar/investors/corporategovernance/documents>) 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 other 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	Write to the Audit Committee Audit Committee	E-mail the Audit Committee
1 -877-734-2548	c/o Corporate Secretary	
or via the Internet at	Navistar International Corporation	Audit.committee@navistar.com
tnwinc.com/webreport/default.asp	2701 Navistar Drive	
	Lisle, Illinois 60532	



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**AUDIT COMMITTEE REPORT**

Management of the Company has the primary responsibility for the integrity of the accounting, auditing and financial reporting practices of the Company, including the system of internal controls. 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 discussed with KPMG the overall scope and execution of the independent audit and 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 of, and 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. 61 (AICPA, Professional Standards, 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, 2012 for filing with the SEC. In addition, the Audit Committee engaged KPMG to serve as the Company's independent registered public accounting firm for fiscal year 2013.

Audit Committee

James H. Keyes, Chairman

John D. Correnti

John C. Pope

(Approved on December 10, 2012 by the members of the Audit Committee as of that date.

Mr. Merksamer and Mr. Williams were appointed to the Audit Committee on December 11, 2012.)

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

This table indicates, as of January 11, 2013, 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 persons and entities listed in the table below.

Name and Address	Total Amount and Nature of Beneficial Ownership	Percent of Class (A)
Franklin Resources, Inc. One Franklin Parkway  San Mateo, CA 94403-1906	14,725,517 <sup>(B)</sup>	18.39%
Mark H. Rachesky, M.D. 40 West 57 <sup>th</sup> Street, 24 <sup>th</sup> floor  New York, NY 10019	12,000,000 <sup>(C)</sup>	14.99%
Carl C. Icahn c/o Icahn Associates Corp., 767 Fifth Avenue, Suite 4700  New York, NY 10153	11,845,167 <sup>(D)</sup>	14.80%
GAMCO Investors, Inc. et. al. One Corporate Center  Rye, NY 10580-1435	5,678,866 <sup>(E)</sup>	7.09%
Citadel Advisors LLC 131 South Dearborn Street, 32nd Floor  Chicago, Illinois 60603	4,348,428 <sup>(F)</sup>	5.43%

(A) Applicable percentage ownership is based upon 80,054,641 shares of Common Stock outstanding as of January 11, 2013.

(B) Based on information reported to the Company by the stockholder on January 4, 2013. This amount represents the shares of Common Stock held by Franklin Resources, Inc. and its various other reporting persons as of December 31, 2012.

(C) As reported in a Form 4 filed with the SEC on January 2, 2013 by MHR Institutional Partners III LP, MHR Institutional Advisors III LLC, MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky. MHR Institutional Partners III LP and MHR Institutional Advisors III LLC each has sole voting and dispositive power over 10,959,311 shares of Common Stock, and MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky have sole voting and dispositive power over 12,000,000 shares of Common Stock. The shares reported therein are held for the accounts of (a) MHR Capital Partners Master Account LP, (b) MHR Capital Partners (100) LP, and (c) MHR Institutional Partners III LP.

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(D) As reported in Schedule 13D/A filed with the SEC on October 25, 2012 by High River Limited Partnership ( High River ), Hopper Investments LLC ( Hopper ), Barberry Corp. ( Barberry ), Icahn Partners Master Fund LP ( Icahn Master ), Icahn Partners Master Fund II LP ( Icahn Master II ), Icahn Partners Master Fund III LP ( Icahn Master III ), Icahn Offshore LP ( Icahn Offshore ), Icahn Partners LP ( Icahn Partners ), Icahn Onshore LP ( Icahn Onshore ), Icahn Capital LP ( Icahn Capital ), IPH GP LLC ( IPH ), Icahn Enterprises Holdings L.P. ( Icahn Enterprises Holdings ), Icahn Enterprises G.P. Inc. ( Icahn Enterprises GP ), Beckton Corp. ( Beckton ), and Carl C. Icahn (collectively, the Icahn Reporting Persons ). The Icahn Reporting Persons reported the following: High River has sole voting power and sole dispositive power with regard to 2,369,032 shares of Common Stock and each of Hopper, Barberry and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock; Icahn Master has sole voting power and sole dispositive power with regard to 3,727,064 shares of Common Stock and each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock; Icahn Master II has sole voting power and sole dispositive power with regard to 1,492,877 shares of Common Stock and each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock; Icahn Master III has sole voting power and sole dispositive power with regard to 657,957 shares of Common Stock and each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock. Icahn Partners has sole voting power and sole dispositive power with regard to 3,598,237 shares of Common Stock and each of Icahn Onshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares of Common Stock.

Barberry is the sole member of Hopper, which is the general partner of High River. Icahn Offshore is the general partner of each of Icahn Master, Icahn Master II and Icahn Master III. Icahn Onshore is the general partner of Icahn Partners. Icahn Capital is the general partner of each of Icahn Offshore and Icahn Onshore. Icahn Enterprises Holdings is the sole member of IPH, which is the general partner of Icahn Capital. Beckton is the sole stockholder of Icahn Enterprises GP, which is the general partner of Icahn Enterprises Holdings. Mr. Icahn is the sole stockholder of each of Barberry and Beckton. As such, Mr. Icahn is in a position indirectly to determine the investment and voting decisions made by each of the Icahn Reporting Persons. In addition, Mr. Icahn is the indirect holder of approximately 92.6% of the outstanding depositary units representing limited partnership interests in Icahn Enterprises L.P. ( Icahn Enterprises ). Icahn Enterprises GP is the general partner of Icahn Enterprises, which is the sole limited partner of Icahn Enterprises Holdings. See the Schedule 13D/A filed by the Icahn Reporting Persons for certain disclaimers of beneficial ownership.

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- (E) As reported in a Schedule 13D/A filed with the SEC on October 25, 2012, by Gabelli Funds, LLC, GAMCO Asset Management, Inc., Gabelli Securities, Inc., Gabelli Foundation, Inc., MJG Associates, Inc., MJG-IV Limited Partnership, GGCP, Inc., GAMCO Investors, Inc., and Mario J. Gabelli, (collectively, the Gabelli Reporting Persons ). The Gabelli Reporting Persons reported the following: Gabelli Funds LLC has sole voting and dispositive power with regard to 1,343,924 shares of Common Stock, GAMCO Asset Management Inc. has sole voting power with regard to 3,961,161 shares of Common Stock and sole dispositive power with regard to 4,256,461 shares of Common Stock, Gabelli Securities, Inc. has sole voting and dispositive power with regard to 3,000 shares of Common Stock, Gabelli Foundation, Inc. has sole voting and dispositive power with regard to 10,000 shares of Common Stock, MJG Associates, Inc. has sole voting and dispositive power with regard to 3,000 shares of Common Stock, MJG-IV Limited Partnership has sole voting and dispositive power with regard to 2,000 shares of Common Stock, GAMCO Investors, Inc. has sole voting and dispositive power with regard to 3,481 shares of Common Stock, Mr. Gabelli has sole voting and dispositive power with regard to 57,000 shares of Common Stock. Mr. Gabelli is deemed to have beneficial ownership of the shares of Common Stock owned beneficially by each of the foregoing entities due to the fact that he directly or indirectly controls or acts as chief investment officer for such entities. See the Schedule 13D/A filed by the Gabelli Reporting Persons for certain disclaimers of beneficial ownership.
- (F) As reported in a Schedule 13G filed with the SEC on January 3, 2012, by Citadel Advisors LLC, Citadel Holdings II LP, Citadel Investment Group II, L.L.C. and Kenneth Griffin (collectively, the Citadel Reporting Persons ). The Citadel Reporting Persons reported the following: Citadel Advisors LLC has shared voting power and shared dispositive power with regard to 4,196,228 shares of Common Stock, Citadel Holdings II LP, has shared voting power and shared dispositive power with regard to 4,196,228 shares of Common Stock, Citadel Investment Group II, L.L.C. has shared voting power and shared dispositive power with regard to 4,348,428 shares of Common Stock, and Kenneth Griffin has shared voting power and shared dispositive power with regard to 4,348,428 shares of Common Stock. See the Schedule 13G filed by the Citadel Reporting Persons for certain disclaimers of beneficial ownership.

**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 of December 31, 2012 by: (i) each of our directors or nominees for director; (ii) each of our executive officers named in the *Summary Compensation Table* ( NEOs ); and (iii) all of our directors, nominees for director and executive officers as a group. In general, beneficial ownership includes those shares of Common Stock a director, nominee for director or NEO has the power to vote or transfer, stock units with no risk of forfeiture 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 of Common Stock beneficially owned by them.

Name/Group	Owned <sup>(A)</sup>	Number of			Total	Percent of Class
		Forfeiture <sup>(B)</sup>	DSUs, PSUs or RSUs With No Risk of	Obtainable Through Stock Option		
John J. Allen	28,032	6,915	69,897	104,844	*	
Lewis B. Campbell					*	
Andrew J. Cederoth	21,925	6,529	70,963	99,417	*	
Troy A. Clarke	54,100	210	29,633	83,943	*	
John D. Correnti	5,478	13,257	27,934	46,669	*	
Michael N. Hammes	5,810		10,734	16,544	*	
Vincent J. Intrieri		646		646	*	
Deepak T. Kapur	61,557	5,879	171,998	239,434	*	
James H. Keyes	2,831	16,424	23,934	43,189	*	
Stanley A. McChrystal	1,508	4,634	1,667	7,809	*	
Samuel J. Merksamer					*	
John C. Pope		242		242	*	
Mark H. Rachesky <sup>(C)</sup>	12,000,000	1,293		12,001,293	14.7	
Daniel C. Ustian	145,678	30,011	767,259	942,948	1.2	
Dennis D. Williams <sup>(D)</sup>					*	
All Directors and Executive Officers as a Group (21 persons) <sup>(E)</sup>	12,405,499	93,754	1,441,011	13,940,264	<sup>(F)</sup> 17.1	

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

(A) The number of shares shown for each NEO (and all directors and executive officers as a group) includes the number of shares of Common Stock owned indirectly, as of December 31, 2012, by such executive officers in our Retirement Accumulation Plan, as reported to us by the Plan trustee.

(B) For additional information on deferred share units ( DSUs ), premium share units ( PSUs ) and restricted stock units ( RSUs ) see below.

(C) As reported in a Form 4 filed with the SEC on January 2, 2013 by MHR Institutional Partners III LP, MHR Institutional Advisors III LLC, MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky. See Footnote C to the section *Persons Owning More Than Five Percent of Navistar Common Stock* in this proxy statement.

- (D) At the request of the UAW, the UAW representative director, Dennis Williams, does not receive stock or stock option grant awards.
- (E) Includes all current directors, NEOs and officers for purposes of Section 16 of the Exchange Act as a group.
- (F) Includes 6,539 shares over which there is shared voting and investment power by certain executive officers (not including the NEOs) included in the Directors and Executive Officers as a group.

**DSUs PSUs and RSUs**

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

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

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

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**COMPENSATION**

***COMPENSATION COMMITTEE REPORT***

The Compensation Committee of our Board (the Compensation Committee) reviewed and discussed the Compensation Discussion and Analysis (CD&A) required by Item 402(b) of Regulation S-K with management, and based upon this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this proxy statement. The independent members of the Board reviewed and discussed the compensation of the Chief Executive Officer.

The Compensation Committee

John D. Correnti, Chairperson

Michael N. Hammes

James H. Keyes

The Independent Members of the

Board of Directors (non Compensation Committee members)

Vincent Intriери

General (Retired) Stanley A. McChrystal

Samuel J. Merksamer

John C. Pope

Mark H. Rachesky

Dennis D. Williams

(Approved on December 10, 2012 by the members of the Compensation Committee as of that date and by the Board on December 11, 2012. Gen. McChrystal, Mr. Pope, Mr. Merksamer and Mr. Rachesky were appointed to the Compensation Committee on December 11, 2012.)

***COMPENSATION DISCUSSION AND ANALYSIS***

The Compensation Committee has the responsibility to approve and monitor all compensation and benefit programs for our executive officers (for purposes of this proxy statement, the term executive officer means senior leadership of the Company, including officers for purposes of Section 16 of the Exchange Act (Section 16 Officers) and NEOs) and makes recommendations for the compensation and benefits of our Chief Executive Officer (the CEO), which is then reviewed and approved by the independent members of our Board. As part of its responsibilities, the Compensation Committee reviews the performance of our executive officers and approves compensation based on the overall successes of the individual executive, his or her specific business unit to the extent applicable, and the organization as a whole. The Compensation Committee is governed by a written charter, a copy of which is available on the Investor Relations section of our website at <http://www.navistar.com/navistar/investors/corporategovernance/documents>.

***Executive Summary***

At our 2012 annual meeting, our stockholders expressed their continued support of our executive compensation programs by approving our non-binding advisory vote on our executive compensation policies and practices by approximately 71%. In fiscal year 2012, we reviewed our executive compensation programs in light of our business results and our stockholder support of our executive compensation programs. We also held meetings with our institutional investors in order to solicit their views regarding, among other things, our executive compensation practices. Following such review and consideration, we continue to believe our executive compensation programs are designed to support our Company and our business strategies in concert with our compensation philosophies and guiding principles.

Consistent with our commitment to best practices in executive compensation, some of the compensation practices we continued to follow in fiscal year 2012 include the following:



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We do not provide tax gross-ups to Section 16 Officers for perquisites or other similar benefits.

We do not provide excise tax gross-ups on change in control payments.

We do not provide single trigger change in control benefits.

Our NEOs (excluding our new CEO) and directors are subject to stock ownership guidelines.

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The vesting period for our NEOs' stock options (excluding our new CEO) and RSUs is over a 36 month period.

An annual assessment of Compensation Risk

A summary of certain key reviews and changes to our executive compensation program in fiscal year 2012 include the following:

In late fiscal year 2012, the Compensation Committee approved an Annual Incentive Plan for fiscal year 2013 changing from segment profit as the primary financial metric to a combination of metrics, including selling and general administrative expenses (SG&A), manufacturing cash, earnings before interest, taxes, depreciation, and amortization (EBITDA), and a successful quality engine launch. These changes were a result of discussions of our strategic and operating plan between management, including our new CEO and members of our Board that align with our six guiding principles and major priorities in 2013.

The Compensation Committee as well as our entire Board reviewed our Human Resources People Strategy which addresses succession and executive development.

**CEO Transition**

Mr. Daniel C. Ustian, who served as our Chairman, President, and Chief Executive Officer prior to retiring on August 26, 2012, is also included as a NEO because he served in this role during fiscal year 2012. Mr. Lewis B. Campbell was appointed by our Board as our Executive Chairman and Chief Executive Officer on August 26, 2012, and is included as a NEO for the remainder of fiscal year 2012.

Details regarding these changes are further explained in the respective sections throughout the CD&A and this proxy statement.

**Fiscal Year 2012 Pay-for-Performance Alignment**

Fiscal year 2012 pay-for-performance was aligned. The Company experienced a net loss in fiscal year 2012 compared to a net gain in fiscal year 2011. These operating results were largely due to our inability to achieve EPA approval under our previous emissions strategy, a decrease in our military-related business, a decline in truck volumes, lower net sales from all segments, higher commodity costs and higher warranty expense. Given this financial and operational performance, performance-based compensation for our NEOs also decreased. Annual Incentive was not earned and long-term incentive values have decreased with a depressed stock price.

As we focus on fiscal year 2013, there are plans to return us to profitability, and improve the efficiency and performance of our operations. We are making steady progress in our six guiding principles of quality, cost, sense of urgency, great products, customer satisfaction and people. We are working to address three major priorities in 2013: significantly improving the quality of our products, meeting our critical launch dates, and delivering on our operating plan while maximizing our cash flows.

**Detailed Review of Executive Compensation**

**Fiscal Year 2012 NEOs**

The following table lists our fiscal year 2012 NEOs that will be discussed throughout the CD&A.

NEO	Title
Lewis B. Campbell	Executive Chairman and Chief Executive Officer
Andrew J. Cederoth	Executive Vice President and Chief Financial Officer
Troy A. Clarke	President and Chief Operating Officer
Deepak T. Kapur	Former Chief Product Officer
John J. Allen	President, North America Truck and Parts
Daniel C. Ustian	Former Chairman, President, and Chief Executive Officer



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### **Compensation Philosophy and Objectives**

Our executive compensation program for our executive officers is designed to closely align executive rewards with corporate, group and individual performance and the total return to stockholders. Our Compensation Committee has developed an overall compensation philosophy built on a foundation of the following guiding principles:

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

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

*Ownership and Responsibility:* Compensation programs are designed to recognize individual contributions as well as link executive and stockholder interests through programs that reward our executive officers, based on the financial success of the Company and increases to stockholder value.

### **Compensation Consultant**

After conducting an interview process with six consultancy firms, in June 2012, the Compensation Committee engaged Meridian Compensation Partners LLC ( Meridian ) as an independent advisor to the Compensation Committee providing executive compensation consulting services. Meridian was engaged by and reports solely to the Compensation Committee. The Compensation Committee has the sole authority to approve the terms of the engagement. Meridian did not provide any services to the Company other than executive compensation consulting services during fiscal year 2012.

In compliance with the U.S. Securities and Exchange Commission ( SEC ) and the New York Stock Exchange ( NYSE ) pending disclosure requirements regarding the independence of compensation consultants, Meridian provided the Compensation Committee with a letter addressing each of the six independence factors. Their responses affirm the independence of Meridian and the partners, consultants, and employees who service the Compensation Committee on executive compensation matters and governance issues.

### **Chief Executive Officer Compensation**

The Board and the Saratoga Committee, with the assistance of Aon Hewitt, an advisor engaged to review the compensation and benefit recommendations for the employment agreement for Mr. Campbell as Chief Executive Officer ( CEO ), reviewed pay levels of other S&P 500 companies that had similar positions. Consistent with our compensation philosophy and the market review for other Navistar executive officers, the Saratoga Committee targeted total compensation at the market median but believed the pay for the CEO should be weighted so that the greatest emphasis should be on stock price performance. Therefore, Mr. Campbell was provided a modest base salary and annual incentive target, and a competitive stock option grant. Mr. Campbell will not participate in the Company's retirement programs. A cash sign-on award was also made to retain and provide additional inducement to Mr. Campbell which will be paid in two equal installments over his first year of employment. The value of Mr. Campbell's total compensation is in line with the market median of the benchmarks reviewed by the Board and the Saratoga Committee.

Mr. Campbell's stock option grant was intended to be a one-time award and was structured with a shorter vesting period (one year) and a shorter maximum term (five years) than the Company's typical stock option grants (three year vesting with a seven year term). The shorter periods were selected to put heightened focus on stock performance. The Company's equity plan, governed by the 2004 PIP, does not allow for vesting of a stock option to be less than three years, therefore, Mr. Campbell's stock option grant was made outside of the 2004 PIP. This inducement award exception is allowable under the rules of the NYSE and is common practice when hiring senior executives.

Historically, we have not entered into employment contracts. However, in connection with Mr. Campbell's appointment as Executive Chairman and Chief Executive Officer, we entered into an Employment and Services Agreement with him (the Employment Agreement ). The following summarizes the material terms of his Employment Agreement:

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Base salary of \$500,000

Annual incentive target of \$1,000,000

New hire inducement grant of 500,000 stock options (Grant date value of \$5,335,000)

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Signing and retention bonuses totaling \$500,000 paid in two \$250,000 installments

Life insurance equal to three times base salary plus annual incentive target

Vacation equal to four weeks

Annual flexible perquisite payment of \$46,000

Director Indemnification Agreement

Reasonable costs of relocation including temporary living expenses, movement of household goods and personal effects, and travel to the new location.

Termination Payment provisions: 1) termination for any reason - payment of accrued obligations due, however if prior to the first anniversary of the Employment Agreement he is terminated as CEO because the Company has engaged a permanent CEO and he is terminated without cause as Executive Chairman, he will be entitled to a full fiscal year 2013 annual incentive award (as opposed to only earned amounts as of the termination date), and 2) termination by the Company without cause or due to Constructive Termination (in either case during the 36 months after Change in Control) - payment of a lump sum equal to 300% of base salary plus annual incentive target. Mr. Campbell does not have an executive severance agreement ( ESA ). The Employment Agreement constitutes an at-will employment and service arrangement.

Mr. Campbell does not participate in executive stock ownership guidelines, long-term incentive awards granted under the 2004 PIP, nor any retirement / pension / 401(k) plan.

In addition to CEO compensation information, Aon Hewitt also provided the Board and the Saratoga Committee competitive market data for base salary, annual incentive target, and long-term incentive target for the role of Chief Operating Officer.

**Market Compensation Review**

We continuously monitor the competitiveness of our executive compensation program. Over the past few years, the Compensation Committee has reviewed various components of our executive compensation program to ensure that (i) pay opportunities are competitive with the market, (ii) there is an appropriate link between performance and pay and (iii) the program supports our stated compensation philosophy. For example, in fiscal year 2012, we redesigned our Annual Incentive Plan ( AI Plan ) to strengthen the link to our business strategy while driving key performance behaviors. Additionally, we approved our Total Shareholder Return ( TSR ) program for fiscal year 2012 for certain select executive officers under our 2004 PIP. The TSR program includes incentives based on increasing stockholder value and outperforming the competition.

For fiscal year 2012, our compensation peer group of 22 companies was chosen from a cross section of manufacturing and transportation and equipment companies that have revenues ranging from one half to two times our revenues. We review executive compensation against this peer group of companies with whom we compete for talent. Information about this list of companies is used by Meridian and management when the Compensation Committee requests specific executive compensation analysis. The Compensation Committee approved the following peer group for fiscal year 2012.

**Fiscal Year 2012 Compensation Peer Group**

AGCO Corporation  
Cummins Incorporated

Genuine Parts Company  
Goodyear Tire and Rubber

Oshkosh Corporation  
PACCAR Incorporated

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Dana Holding Corporation  
DanaHER Corporation  
Deere and Company  
Dover Corporation  
Eaton Corporation  
General Dynamics

Harley Davidson, Incorporated  
Illinois Tool Works  
Ingersoll-Rand Co. Ltd.  
Lear Corporation  
Masco Corporation

Parker-Hannifin  
PPG Industries, Inc.  
Textron, Incorporated  
TRW Automotive Holdings Corporation  
Whirlpool Corporation

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Our Compensation Committee also reviewed a broader industry survey published by Aon Hewitt for additional compensation market data. Please refer to [Appendix A](#) of this proxy statement for a list of participants in Aon Hewitt's 2012 Total Compensation Measurement (TCM) survey. For individual executive positions, if the market data from the peer group of companies was not statistically reliable because of the small sample size, we used the manufacturing group (or if that sample size is not large enough, the all-industry group) of this broader survey data. When we use broader industry surveys, we use market data within our revenue scope, either overall consolidated revenue for corporate roles and/or business unit revenue for business unit specific roles. This is especially true for the base salary competitive market review.

In fiscal year 2012 we continued our compensation philosophy of targeting the 50<sup>th</sup> percentile (market median), for base salary, short-term incentives, and long-term incentives. We refer to this as the competitive market data, competitive market, or the like. We consider an executive officer to be within the competitive range if his or her base salary is within 80 to 120 percent of the market median. Under special circumstances, when we are recruiting for critical roles, we may target an executive officer's salary up to the 75<sup>th</sup> percentile. Our incentive compensation plans provide executive officers with the opportunity to earn total compensation at the 50<sup>th</sup> percentile of the competitive market for target performance and at the 75<sup>th</sup> percentile for distinguished performance.

### **Pay Mix**

Our pay mix of base salary, short-term incentives, and long-term incentives (Total Direct Compensation or TDC) generally tracks the marketplace. The major components of TDC, specifically short-term and long-term incentives, are contingent upon performance and, therefore, fluctuate with our financial results and share price. This structure supports our pay-for-performance compensation philosophy. Mr. Campbell's Employment Agreement governs his pay mix.

### **Elements of Executive Compensation**

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

### **Base Salary**

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

### **Summary of the Executive Salary Planning Approval Process for Fiscal Year 2012**

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

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

The CEO reviews and approves and/or adjusts all salary recommendations for executive officers other than his own.

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

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



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Traditional base salary performance increases were provided to most executive officers in early fiscal year 2012. The table below summarizes the base salary for our NEO s in fiscal year 2012, as well as their previous base salary. Some of these increases were progressions and/or promotions due to role changes.

**Table of Contents****NEO Fiscal Year 2012 Base Salary**

NEO	Previous		Base Salary as		
	Base	Effective Date	2012	Effective Date	
Lewis B. Campbell	--	--	\$ 500,000 <sup>(1)</sup>	August 26, 2012	
Andrew J. Cederoth	\$ 513,500	November 1, 2010	\$ 575,000	January 1, 2012	
Troy A. Clarke	\$ 700,000 <sup>(2)</sup>	July 1, 2012	\$ 775,000 <sup>(3)</sup>	August 26, 2012	
Deepak T. Kapur	\$ 672,000	November 1, 2010	\$ 700,000	January 1, 2012	
John J. Allen	\$ 532,350	November 1, 2010	\$ 600,000	January 1, 2012	
Daniel C. Ustian	\$ 1,250,000	January 1, 2011	\$ 1,290,000 <sup>(4)</sup>	January 1, 2012	

(1) Hired as Executive Chairman and Chief Executive Officer effective August 26, 2012.

(2) Base salary reflects a progression increase due to role change with increased responsibility and scope from President Asia-Pacific to President Truck and Engine.

(3) Base salary increased due to promotion from President Truck and Engine to President and Chief Operating Officer.

(4) Mr. Ustian's actual base salary as of October 31, 2012 was \$0 as he retired August 26, 2012.

**CEO Performance Evaluation**

Traditionally, each year in December, the Compensation Committee and the independent members of the Board evaluate the CEO's performance for the prior fiscal year. This review is based on the CEO's achievement of goals set for the start of that year. The CEO presents this information solely to the independent members of the Board, who then discuss it in executive session. The CEO is not present during this discussion. The independent members' evaluation of the CEO's performance then forms the basis for the decision on the CEO's short-term incentive award under our AI Plan for the prior fiscal year and base salary for the new fiscal year. The chairman of the Compensation Committee then informs the CEO of the performance evaluation and any compensation decisions on which those decisions were based.

In December 2011, based on the recommendation of the Compensation Committee, the independent members of the Board approved a base salary increase for Mr. Ustian from \$1,250,000 to \$1,290,000 effective January 1, 2012. In the fourth quarter of fiscal year 2012, Mr. Ustian retired from his roles as Chairman, President, Chief Executive Officer and as a member of the Board and the Board appointed a new CEO, Mr. Lewis Campbell.

In December 2012, the Compensation Committee approved Mr. Campbell's CEO goals for fiscal year 2013 which included delivering the operating plan in conjunction with continuing to reduce our overhead costs, improving our balance sheet, and strengthening our leadership team. Mr. Campbell's goals focus on six guiding principles: 1) Quality, 2) Cost, 3) Urgency, 4) Great Products, 5) Customer Satisfaction, and 6) People. Due to our fiscal year financial results and given our AI Plan's focus on aligning pay with performance, AI was not earned in fiscal year 2012. Therefore, Mr. Campbell did not receive an AI payment. The Compensation Committee did not discuss nor approve a base salary increase for Mr. Campbell at the December 2012 meeting.

**Annual Incentive**

Our AI Plan is focused on aligning pay for performance. In light of fiscal year 2012 performance, no AI payments were earned, including to NEOs. The following summarizes our AI Plan structure and features.

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The AI Plan is a short-term incentive program that exists to reward, motivate and retain employees as well as align rewards with performance for the fiscal year. The AI Plan is a key element in the executive compensation package as we intend for a significant portion of an executive officer's total compensation to be performance-related. The AI Plan for fiscal year 2012 was based on attaining financial and non-financial performance goals established and approved by the Compensation Committee. The AI Plan is authorized under our stockholder approved 2004 PIP. The AI Plan and the 2004 PIP do not currently have claw-back provisions, which, for example, would retract a prior incentive award when financial results are restated after the award was paid. Our intent is to implement a claw-back provision soon after the final SEC rules and guidelines on this topic are adopted.

Historically, the profitability of our business has been heavily influenced by the cycle of North American truck sales for our core business with Earnings per Share ( EPS ) as our primary financial metric. Consolidated financial goals for our AI Plan had in the past been based on return on pro forma equity ( ROE ). This truck industry volume measure is

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re-evaluated annually due to cyclical fluctuations. The amount of income required to earn an AI Plan award (an AI Award ) was calculated using an ROE target and then converted to an EPS goal.

During our review and redesign of our AI Plan for fiscal year 2012, we determined that truck industry volume remained the primary external factor impacting our financial performance, however, we reevaluated the use of EPS due to our need to address our post-retirement healthcare obligations and our tax valuation allowance. Due to these adjustments and our long-term strategy to address this, the previous target-setting model was reevaluated. This resulted in our decision to use Segment Profit ( SP ) as our primary performance factor as it was 1) meaningful to our investment community, 2) a solid measure of our performance, 3) unencumbered by fluctuations in tax rates or legacy cost structure, and 4) understandable to our employees. SP measures the earnings before interest and tax (EBIT) of our truck, engine, parts, and financial services segments. For fiscal year 2012, SP was our primary performance factor for AI.

The key features of our AI Plan in fiscal year 2012 are as follows:

Performance based upon SP which excludes the impact of our engineering integration efforts and restructuring of our North America manufacturing operations

Overall adjustment for business unit/functional group and individual performance

Our AI Plan ties into our overall strategy of great products, competitive costs and profitable growth and is intended to drive key behaviors including:

Focusing on reducing the impact of cyclicality

Ensuring the Company is profitable at all points of the cycle

Improving cost structure

The AI Plan has threshold, target, distinguished, and super-distinguished performance payout levels for the executive officers which range from 25% to 200% of target. Consolidated financial results between performance levels are interpolated on a straight-line basis to determine payment amounts.

The following were factors in the 2012 AI Plan:

*Consolidated Financial Performance:* For all of our executive officers, consolidated financial performance is heavily weighted in the calculation of incentive payments in order to encourage integrated execution across organizational boundaries within the Company.

We believe that it is important to encourage executive officers to work together to achieve the best consolidated organizational results rather than solely focus on individual business unit results. Consolidated financial goals are based on our SP across all segments, as determined by the Compensation Committee.

The following table outlines the fiscal year 2012 SP goals across all segments based upon a forecast for truck industry volume of 300,000 units and \$17 billion in revenue.

Goal	Annual Incentive SP (\$)
Threshold (25% of Target)	1,000M
Target (100%)	1,225M
Distinguished (150% of Target)	1,350M

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Super Distinguished (200% of Target)

1,475M

*Business Unit and Individual Performance:* The AI Plan is funded based on consolidated financial performance but may be adjusted based on assessment of business unit/functional group performance as well as individual performance.

The CEO in consultation with the Compensation Committee establishes goals for the Company including its major business units and/or functions. Performance relative to the goals is assessed quantitatively and qualitatively at the end of the fiscal year. A participant's award may be adjusted based on the performance of their business unit and/or functional area as well as their individual performance.

Individual performance is measured by our annual Total Performance Management (the TPM) assessment. The TPM process is a performance management tool that focuses on employee career development, goal setting,

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performance appraisal and evaluation. The TPM assessment reviews how well the executive performed with regard to both individual goals and defined skills and behaviors.

Generally only financial goals are applicable to awards for our NEOs except where business unit and/or individual performance is used for downward discretion. The Compensation Committee reserves the right to reduce the aggregate amounts paid under the 2012 AI Plan. Generally, AI Awards are not paid when consolidated financial results are below threshold. Since the fiscal year 2012 SP goals were not met, no AI Plan awards were earned for fiscal year 2012.

**Fiscal Year 2012 Annual Incentive Target Award Percentages and Amount Earned**

Named Executive	Target as a \$ or	2012 AI Amount
Officer	% of Base Salary	Earned
Lewis B. Campbell <sup>(1)</sup>	\$166,667	\$
Andrew J. Cederoth	75%	\$
Troy A. Clarke <sup>(2)</sup>	80%	\$
Deepak T. Kapur	75%	\$
John J. Allen	75%	\$
Daniel C. Ustian	110%	\$

(1) Mr. Campbell was hired on August 26, 2012. Per his Employment Agreement, his full fiscal year target was \$1,000,000. The amount above reflects his fiscal year 2012 target, which was pro-rated based on his partial year of service during fiscal year 2012.

(2) Mr. Clarke's target was 75% for the majority of fiscal year 2012 and was increased to 80% with his promotion to President and Chief Operating Officer.

**Fiscal Year 2013 Annual Incentive**

Upon consideration of our 2012 Say-on-Pay vote results, discussions with our stockholders, and in conjunction with our fiscal year 2013 strategic and operating plan that was reviewed with our Board, the Compensation Committee engaged Meridian to recommend changes to the AI Plan for fiscal year 2013 that more closely aligned with our goals. In a collaborative effort with the Compensation Committee, the Board, Meridian, and management, the fiscal year 2013 AI Plan was approved with the following metrics and weights:

15% SG&A Savings

30% EBITDA

30% Manufacturing Cash

25% Successful Quality Engine Launch

We expect fiscal year 2013 will be a turnaround year and we believe these metrics keep executives aligned and focused on our key financial and operational goals: 1) quality improvement, 2) achieving the launch of our new engine(s), 3) improving profitability, 4) controlling expenses, and 5) generating cash. We believe that our AI Plan for fiscal year 2013, in combination with our long-term incentive ( LTI ) program, will drive the focus on stockholder value.

There are two additional design changes for fiscal year 2013 AI.

- (1) We modified the performance-reward relationship. For target performance, only 75% of a participant's Target Award Percentage can be earned. The table below illustrates this change for fiscal year 2013 with our current NEOs.

NEO	Traditional Target as a \$ or % of Base Salary	Fiscal Year 2013 Modified Target as a \$ or % of Base Salary
Lewis B. Campbell <sup>(a)</sup>	\$ 1,000,000	\$ 750,000
Andrew J. Cederoth	75%	56.25%
Troy A. Clarke <sup>(b)</sup>	80%	60%
John J. Allen	75%	56.25%

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- (a) Mr. Campbell's target award is a dollar value not a percentage per his Employment Agreement.
  - (b) Mr. Clarke's target award percentage was increased from 75% to 80% when he was promoted to President and Chief Operating Officer.
- (2) Historically, AI Awards were paid in cash. If a 2013 AI Award is earned, half of the AI Award will be paid in cash and the other half of the AI Award will be paid in Restricted Stock Units ( RSUs ), which will be settled either in cash or shares at the election of the Company.

In order for the RSUs to be settled in Common Stock, Proposal 4 - Approval of Navistar International Corporation's 2013 Performance Incentive Plan ( 2013 PIP ) must be approved by stockholders at the Annual Meeting

This payout mix preserves cash, serves as a retention tool, and if the RSUs are share-settled, provides ownership to more employees within the organization.

**Long-Term Incentives**

Our objectives for including long-term incentives as part of our executive officers' total compensation package include:

Aligning executive and stockholder interests by tying compensation to share price appreciation;

Emphasizing returns to stockholders; and

Cultivating stock ownership.

Long-term incentive awards are governed by the 2004 PIP which is an omnibus plan that allows for various awards such as cash, stock options, stock appreciation rights, RSUs, PSUs, DSUs and performance shares. To manage the allocation of shares in the 2004 PIP, the Compensation Committee historically used a fixed share grant approach to achieve fixed share guidelines established by the Compensation Committee. The fixed share guidelines took into account the long-term incentive target by position, Black-Scholes valuation methodology, and estimated stock price. This approach assists us in managing dilution and provides a similar mix of equity vehicles for similar job roles.

The Compensation Committee approved long-term incentive awards under our 2004 PIP for fiscal year 2012 for eligible plan participants in December 2011. Select executive officers received a grant mix of stock options and cash-settled performance shares based upon the Total Shareholder Return ( TSR ) program. The TSR program provides NEOs with financial opportunities when there is increased stockholder value and the Company outperforms its competition. For these executive officers, we modified our traditional fixed share guidelines to a targeted LTI economic value, which is stated below in the NEO Fiscal Year 2012 Long-Term Incentive Awards Under the 2004 PIP table.

The stock options have a seven (7) year term and vest ratably over a three year period.

The following are features of the fiscal year 2012 TSR program:

Three-year performance period compared to our peer group.

After the three-year performance period, if performance is at or exceeds Target (performance at the 50<sup>th</sup> percentile or above as compared to our industry peer group), the cycle ends and payments are settled in cash.



After the three-year performance period, if performance is less than target, the cycle is extended for two additional years and measured for the entire five year period. Under this extension, participants can earn up to target less any earnings for the first three year measurement period.

As of the date of this proxy filing, LTI awards for fiscal year 2013 have not yet been awarded. In the event we use a TSR element in the future, we would eliminate the extension and awards would be based upon a three-year performance period only.

Beginning and ending share prices are measured using the average price during 90 day trading periods.

TSR program performance measurement:

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TSR Percentile Ranking	TSR Payout as a % of Target
<30 <sup>th</sup> percentile	%
30 <sup>th</sup> percentile	%
40 <sup>th</sup> percentile	50%
50 <sup>th</sup> percentile	100% (Target)
75 <sup>th</sup> percentile	150%
90 <sup>th</sup> percentile	200%

A payout may be earned beginning with the 31st percentile.

Provides long-term incentive values at 75<sup>th</sup> percentile or above if warranted by Company performance relative to its peers.  
**NEO Fiscal Year 2012 Long-Term Incentive Awards Granted Under the 2004 PIP**

NEO	Stock Options	Cash-settled	Targeted Economic Value
		Performance Shares (based upon TSR at Target)	
Lewis B. Campbell <sup>(1)</sup>			\$
Andrew J. Cederoth	27,800	11,100	\$1,250,000
Troy A. Clarke	33,300	13,300	\$1,500,000
Deepak T. Kapur	33,300	13,300	\$1,500,000
John J. Allen	27,800	11,100	\$1,250,000
Daniel C. Ustian	137,800	55,120	\$6,200,000

(1) Mr. Campbell was hired on August 26, 2012. In lieu of participating in the TSR program described above, he received a new hire equity inducement grant of options to purchase 500,000 shares of our Common Stock.

The chart below illustrates the difference between the accounting value (at grant date and as of fiscal year end) and the amount that would have been paid had the requisite performance period ended on October 31, 2012. Our NEOs have realized no value from the fiscal year 2012 LTI awards granted in December 2011 as stock options were underwater as of October 31, 2012 and the cash-settled performance shares would not have been earned due to negative TSR results as of October 31, 2012.

**Table of Contents****Realized Value of NEO Fiscal Year 2012 Long-Term Incentive Awards****(Granted in December 2011 for Fiscal Year 2012)**

	<b>Campbell (d)</b>	<b>Cederoth</b>	<b>Clarke</b>	<b>Kapur</b>	<b>Allen</b>	<b>Ustian</b>
<b>TSR Performance Share Awards (cash-settled)</b>						
Grant Date Value <sup>(a)</sup>	\$	\$ 560,772	\$ 671,916	\$ 671,916	\$ 560,772	\$ 2,784,662
Value as of October 31, 2012 <sup>(a)</sup>	\$	\$ 89,910	\$ 107,730	\$ 107,730	\$ 89,910	\$ 446,472
Realized Value as of October 31, 2012 <sup>(b)</sup>	\$	\$	\$	\$	\$	\$
<b>Stock Option Awards</b>						
Grant Date Value <sup>(c)</sup>	\$ 5,335,000	\$ 480,940	\$ 576,090	\$ 576,090	\$ 480,940	\$ 2,383,940
Value as of October 31, 2012 <sup>(c)</sup>	\$ 4,905,000	\$ 272,718	\$ 326,673	\$ 326,673	\$ 272,718	\$ 1,351,818
Realized Value as of October 31, 2012 <sup>(b)</sup>	\$	\$	\$	\$	\$	\$
<b>Total</b>						
Grant Date Value						
	\$ 5,335,000	\$ 1,041,712	\$ 1,248,006	\$ 1,248,006	\$ 1,041,712	\$ 5,168,602
Value as of October 31, 2012						
	\$ 4,905,000	\$ 362,628	\$ 434,403	\$ 434,403	\$ 362,628	\$ 1,798,290
Realized Value as of October 31, 2012	\$	\$	\$	\$	\$	\$

(a) Valued using Monte Carlo Simulation in accordance with FASB ASC Topic 718.

(b) Amounts that would have been paid had the requisite performance period ended on October 31, 2012.

(c) Estimated using Black-Scholes model.

(d) Mr. Campbell was hired on August 26, 2012 and is not eligible for LTI awards under our 2004 PIP. He received a new hire equity inducement grant of stock options to purchase 500,000 shares of our Common Stock. The values set forth in the chart are for the new hire equity inducement grant.

The grant date value may materially differ from the value actually received by the NEOs under the above referenced equity awards. For illustrative purposes, we calculated what the realized value of the fiscal year 2012 grant would have been if vested and/or earned as of October 31, 2012. Under certain circumstances NEOs may realize no value under an equity award. For more information, please refer to footnotes 1 and 2 related to stock awards and option awards in the *Summary Compensation Table* of this proxy statement.

**Fiscal Year 2013 Long Term Incentive**

The Compensation Committee engaged Meridian to review and recommend changes to the LTI Plan for fiscal year 2013. In a collaborative effort with the Compensation Committee, the Board, Meridian, and management have been working on various LTI design elements that align with our long-term strategic plan and focus on stockholder value. As of the the date of the proxy filing, fiscal year 2013 LTI design and awards have not yet been approved nor granted.

**Executive Stock Ownership Program**

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We believe that it is important to encourage our executive officers to hold a material amount of our Common Stock and to link their long-term economic interest directly to that of our stockholders. To achieve this goal, we established stock ownership guidelines. During fiscal year 2012, our stock ownership guidelines applied to approximately 60 executive officers, the majority of whom hold the title of vice president and above. These executive officers are expected to meet the ownership level for their position within five years of attaining that position. The ownership guidelines range from 75% to 300% of base salary (225% to 300% for NEOs) and are fixed at the number of shares that are required to be held as of the date of an executive officer's promotion or hire, based on the fair market value of the shares at that time.

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The table below summarizes the NEOs stock ownership guidelines, number of shares required, and number of shares owned. As of October 31, 2012, all of the NEOs exceeded their stock ownership guidelines.

**Executive Stock Ownership as of October 31, 2012**

Named Executive Officer	Ownership Guideline	Number of	Number of
	as a % of Base Salary	Shares Required	Shares Owned
Lewis B. Campbell <sup>(1)</sup>	N/A	N/A	N/A
Andrew J. Cederoth	225%	29,183	32,412
Troy A. Clarke	225%	21,093	50,513
Deepak T. Kapur <sup>(2)</sup>	225%	25,568	69,535
John J. Allen	225%	25,633	35,608
Daniel C. Ustian <sup>(3)</sup>	300%	60,806	178,097

(1) Mr. Campbell is not subject to stock ownership guidelines per his Employment Agreement because his appointment as CEO is on an interim basis.

(2) Mr. Kapur's stock ownership guidelines ended on his retirement from the Company on October 31, 2012.

(3) Mr. Ustian's stock ownership guidelines ended on his retirement from the Company on August 26, 2012.

**Executive Benefits and Perquisites**

The following table summarizes the executive benefits and perquisites that we provide to our NEOs:

NEO	Life Insurance <sup>(1)</sup>	Executive Physical Program <sup>(2)</sup>	Executive Flexible Perquisite Program <sup>(3)</sup>	Pension /Retirement/401(k) Plans <sup>(4)</sup>					Retiree Medical Benefits <sup>(5)</sup>
				RPSE	MRO	RAP	SRAP	SERP	
Lewis B. Campbell	ü	ü	ü						
Andrew J. Cederoth	ü	ü	ü	ü		ü	ü	ü	ü
Troy A. Clarke	ü	ü	ü			ü	ü	ü	
Deepak T. Kapur	ü	ü	ü			ü	ü	ü	
John J. Allen	ü	ü	ü	ü	ü	ü		ü	ü
Daniel C. Ustian	ü	ü	ü	ü	ü	ü		ü	ü

(1) Life Insurance. We provide our executives Company-paid life insurance equal to five times base salary. The Executive Chairman and Chief Executive Officer receives life insurance equal to three times the sum of his annual Base Salary and Annual Incentive Target.

(2) Executive Physical Exam. This program provides a Company-paid physical when an executive is first hired or promoted to an executive position. This program has been discontinued effective January 1, 2013.

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- (3) Executive Flexible Perquisites. We maintain a flexible perquisites program for our executives, which we believe is competitive and consistent with our overall compensation program, and which assists us in attracting and retaining our executive officers. The Executive Flexible Perquisites Program provides a cash stipend to each of our NEOs, the amount of which varies by executive, based upon the executive's organization level. The purpose of the cash stipend is to provide each of our NEOs with the ability to choose the perquisite that best fits his or her professional and personal situation. This program is in lieu of providing and administering such items as car leases, tax preparation, financial planning, and home security systems. We do not require the NEOs to substantiate the expenses for which they use this stipend. The annual perquisite amount is paid prospectively in equal installments in May and November.

**Annual Executive Flexible Perquisite Fiscal Year 2012**

<b>Named Executive Officer</b>	<b>Annual Flexible Perquisite Payment (\$)</b>
Lewis B. Campbell <sup>(a)</sup>	37,000
Andrew J. Cederoth	37,000
Troy A. Clarke	37,000
Deepak T. Kapur	37,000
John J. Allen	37,000
Daniel C. Ustian	46,000

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- (a) Mr. Campbell became eligible for a flexible perquisite payment upon hire. The annual amount for which he is eligible equals \$46,000. His first bi-annual payment was made in November 2012, after the end of the fiscal year, in the amount of \$30,667 which is \$23,000 plus \$7,667 for two months of retroactive payments for September and October 2012.

In certain circumstances, where a commercial flight is not available to meet an NEOs travel schedule, our NEOs and directors are authorized to use chartered aircraft for business purposes only. In these situations, we believe chartered aircraft allows us to make effective use of the executive's time. A spouse may accompany an NEO while he or she is traveling on Company business. Although this occurs on a limited basis, the spouse's travel expense is included in taxable compensation of the NEO.

### **(4) Pension/Retirement/401(k) Plans**

We began transitioning to defined contribution/401(k) plans as the primary retirement income program for all non-represented employees hired on or after January 1, 1996. These plans are as follows:

Retirement Plan for Salaried Employees ( RPSE ). This is our tax-qualified defined benefit pension plan for salaried employees hired prior to January 1, 1996.

Managerial Retirement Objective Plan ( MRO ). The MRO is our unfunded non-qualified defined benefit pension plan designed primarily to restore the benefits that executives, including our NEOs, would otherwise have received if the Internal Revenue Code limitations had not applied to the RPSE.

Retirement Accumulation Plan ( RAP ). This is our tax-qualified defined contribution/401(k) plan for salaried employees. Our NEOs receive age-weighted contributions and/or matching contributions depending on their eligibility for other retirement income programs and retiree medical coverage.

Supplemental Retirement Accumulation Plan ( SRAP ). This is our non-qualified deferred compensation plan designed primarily to restore the contributions that participants would otherwise have received if the Internal Revenue Code limitations had not applied to the RAP.

Supplemental Executive Retirement Plan ( SERP ). This is designed as a pension supplement to attract and retain key executives. The SERP is unfunded and is not qualified for tax purposes.

Additional information on the pension/401(k) plans are provided in the Pension Benefits, Non-Qualified Defined Contribution and Other Non-Qualified Deferred Compensation sections of this proxy statement. Mr. Campbell is not eligible for pension / retirement / 401(k) benefits per his Employment Agreement.

- (5) Retiree Medical Benefits. Non-represented employees, including our NEOs, hired on or after January 1, 1996, are not eligible for the retiree medical benefits program.

Effective November 1, 2009, the Compensation Committee approved a policy statement that eliminates all tax gross-ups for perquisites and other similar benefits to Section 16 Officers.

## **Employment Contracts and Executive Severance Agreements**

Except for our Chief Executive Officer, Lewis Campbell, we do not have employment contracts with our executive officers. Employment with each of them is at will. However, like many companies, to ensure stability and continuity of management, we provide our executive officers with an executive severance agreement, ( ESA ), which provides for severance benefits in the event of a specified termination such as an involuntary termination or a termination in connection with a change in control. Our ESAs were last modified effective January 1, 2010 to be more consistent with market competitive practices. Please refer to the *Potential Payments Upon Termination or Change-in-Control* section of this proxy statement for more information. A summary of Mr. Campbell's Employment Agreement appears in the *Chief Executive Officer Compensation* section of this proxy statement.

## **Tax and Accounting Implications**

**Policy on Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code provides that a public company generally may not deduct the amount of non-performance based compensation paid to certain executive officers that exceeds \$1 million in any one calendar year. However, this provision does not apply to performance-based compensation that satisfies certain legal requirements including income from certain stock options and certain formula driven compensation. In general, the Compensation Committee has considered the effect of the Internal Revenue Code limitation and has structured AI and LTI awards to NEOs in a manner intended to be exempt from the limitation. However, under certain circumstances the Compensation Committee may decide to grant compensation that is outside of the limits.



**Table of Contents****EXECUTIVE COMPENSATION TABLES**

The table below summarizes the total compensation paid to or earned by each of our NEOs for the fiscal years ended October 31, 2012, 2011, and 2010:

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Incentive Plan Comp (\$)	Change in Pension Value & Non-Qualified Deferred Equity Comp Earnings (\$) <sup>(3)</sup>	All Other Comp (\$) <sup>(4) (5) (6)</sup>	Total (\$)
<b>Lewis B. Campbell</b> Executive Chairman and Chief Executive Officer	2012 (7)	94,203	250,000 (8)		5,335,000 (9)			88,377	5,767,580
<b>Andrew J. Cederroth</b> Executive Vice President & Chief Financial Officer	2012	564,750		142,325	480,940		597,094	94,832	1,879,941
	2011	513,500		1,079,641	926,796	372,416	34,635	220,525	3,147,513
	2010	470,000		358,050	575,262	475,000	116,201	102,178	2,096,691
<b>Troy A. Clarke</b> President and Chief Operating Officer	2012	659,692		1,209,464 (10)	576,090		1,451,329	439,973	4,336,548
<b>Deepak T. Kapur</b> Former Chief Product Officer	2012	695,333		107,730	576,090		2,085,895	2,590,257	6,055,305
	2011	672,000		1,127,175	879,120	487,368	717,949	179,924	4,063,536
	2010	640,000		225,464	575,262	600,000	316,393	162,923	2,520,042
<b>John J. Allen</b> President North America Truck and Parts	2012	588,725		89,910	480,940		1,764,838	62,368	2,986,781
<b>Daniel C. Ustian</b> Former Chairman, President & Chief Executive Officer	2012	1,068,333		446,472	2,383,940		3,990,164	8,209,696	16,098,605
	2011	1,238,333		4,671,420	4,996,330	1,450,000	2,717,837	93,835	15,167,755
	2010	1,180,000	1,946,000 (11)	646,567	2,670,606	1,947,000	1,913,848	78,448	10,382,469

- (1) The amounts reported in this column reflect the aggregate fair value of stock-based awards (other than stock options) granted in the year computed in accordance with FASB ASC Topic 718, except that in compliance with SEC requirements, for awards that are subject to performance conditions, we reported the value at the grant date based upon the probable outcome of such conditions. These amounts are not paid to or realized by the NEO. The fair values of stock-based awards are estimated using the average price of our stock on the grant date. Stock-based awards settle in common stock on a one-for-one basis. The grant date fair values of each individual stock based award in 2012 (including restricted stock and PSUs) are set forth in the *2012 Grant of Plan Based Awards* table of this proxy statement. Additional information about these values is included in Note 18 to our audited financial statements included in our Form 10-K for 2012. A description of PSUs and restricted stock appears in the narrative text following the *2012 Grants of Plan-Based Awards* table of this proxy statement. In December 2011, we granted performance shares to our NEOs that vest at the end of the third fiscal year following the grant date. Our NEOs earn performance shares only if our total shareholder return over the three year performance period compares favorably to that of a 22 company peer group. Potential payouts range from 0% to 200% of the target values of these awards. The amounts in this table assume achievement of the target level of performance (100% payout) for such awards. Assuming performance at the highest level, the aggregate grant date values of the stock awards for each of our NEOs were as follows: \$179,820 for Mr. Cederoth; \$215,460 for Mr. Clarke; \$215,460 for Mr. Kapur; \$179,820 for Mr. Allen; and \$892,944 for Mr. Ustian.
- (2) The amounts reported in this column reflect the aggregate fair value of stock options granted in the year computed in accordance with FASB ASC Topic 718. These amounts are not paid to or realized by the NEO. Assumptions used in the calculation of these values are included in Note 18 to our audited financial statements included in our Form 10-K for 2012. A description of stock options appears in the narrative text following the *2012 Grants of Plan-Based Awards* table of this proxy statement.
- (3) This amount represents the change in the actuarial present value of the RPSE and MRO for Messrs. Ustian and Allen. This amount also represents the change in actuarial present value of the SERP and certain interest on the SRAP for Messrs. Kapur and Clarke. For Mr. Cederoth the amount represents the change in actuarial present value of the RPSE and SERP as well as certain interest on the SRAP.

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- (4) This includes such items as flexible perquisites cash allowances, Company-paid life insurance premiums, Company contributions to the RAP and the SRAP, taxable spouse travel, non-cash awards, club memberships, executive physicals and severance payments.

NEO	Flexible Perquisites	Company Paid Life Insurance	RAP	SRAP	Relocation	Severance	Other Lump Sum	Tax Gross-up or Reimbursement	Other	All Other Comp Total
Campbell	\$	\$ 5,697	\$	\$	\$ 81,409	(a) \$	\$	\$	\$ 1,271	\$ 88,377
Cederoth	\$ 37,000	\$ 3,481	\$ 12,250	\$ 41,859	\$	\$	\$	\$	\$ 242	\$ 94,832
Clarke	\$ 37,000	\$ 10,026	\$ 24,425	\$ 19,825	\$ 2,645	(b) \$	\$ 340,064	(c) \$ 4,621	(d) \$ 1,367	\$ 439,973
Kapur	\$ 37,000	\$ 21,058	\$ 24,425	\$ 27,755	\$	\$ 2,450,000	(e) \$ 25,000	(e) \$	\$ 5,019	\$ 2,590,257
Allen	\$ 37,000	\$ 7,354	\$	\$	\$	\$	\$	\$ 12,664	(f) \$ 5,350	\$ 62,368
Ustian	\$ 46,000	\$ 32,605	\$	\$	\$	\$ 8,127,000	(g) \$	\$	\$ 4,091	\$ 8,209,696

- (a) Mr. Campbell's relocation expenses include travel and temporary living expenses and movement of household goods.
- (b) Mr. Clarke's relocation expenses includes movement of household goods.
- (c) Mr. Clarke received a lump sum payment in the amount of \$340,064 (including gross-up) for his second tranche stock ownership requirement in accordance with his new hire offer.
- (d) Prior to his promotion, Mr. Clarke received certain reimbursements including gross-up. As a Section 16 Officer, Mr. Clarke is no longer eligible for gross-ups per our policy.
- (e) Mr. Kapur retired from the Company on October 31, 2012 and received a severance payment of \$2,450,000 and lump sum payment in lieu of outplacement in the amount of \$25,000. The severance amount paid was in accordance with the amended ESA, effective January 1, 2010. In connection with his retirement, on November 1, 2012, all of his unvested stock awards and stock options granted in fiscal year 2012 were forfeited.
- (f) Mr. Allen received reimbursement of country club memberships. He also received gross-up of certain expenses. As a Section 16 Officer, Mr. Allen is no longer eligible for gross-ups per our policy, and effective fiscal year 2013, he is no longer eligible for country club reimbursement.
- (g) Mr. Ustian retired from the Company on August 26, 2012 and received a severance payment of \$8,127,000. The severance amount paid was in accordance with the amended ESA, effective January 1, 2010. In connection with his retirement the total number of performance shares eligible for payout will be pro-rated based on his length of service during the performance period.
- (5) Fiscal year 2010 RAP contribution amounts were incorrectly reported for Messrs. Cederoth and Kapur. Actual total RAP contributions for fiscal year 2010 were \$12,250 for Mr. Cederoth and \$24,175 for Mr. Kapur.
- (6) Fiscal year 2011 RAP contribution amounts were incorrectly reported for Mr. Kapur. Actual total RAP contribution for fiscal year 2011 was \$24,175 for Mr. Kapur.
- (7) Mr. Campbell's date of hire was effective August 26, 2012.

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- (8) This amount represents Mr. Campbell's first of two installments of his signing and retention bonus.
- (9) In connection with Mr. Campbell's appointment as Chief Executive Officer, the Company entered into an Employment and Services Agreement with him in which Mr. Campbell was awarded a new hire inducement grant of 500,000 stock options.
- (10) In connection with Mr. Clarke's promotion to President and Chief Operating Officer, Mr. Clarke received a restricted stock grant which vests only upon the third anniversary of the date of grant.
- (11) This amount represents a one-time award in recognition of Mr. Ustian's achievements.

**Table of Contents****Grants of Plan-Based Awards Table Fiscal Year 2012**

The following table provides information for each of our NEOs with respect to annual and long-term incentive award opportunities, including the range of potential payouts under non-equity incentive plans for the fiscal year ending October 31, 2012. Specifically the table presents the fiscal year 2012 grants of AI Plan awards, performance shares, stock options, restricted stock, and PSUs. All AI Plan stock awards and option awards were granted under the 2004 PIP, except for stock options granted to Lewis Campbell upon his appointment as Executive Chairman and CEO of the Company on August 26, 2012.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards:	All Other Option Awards:	Exercise or Base Price of Option	Market Price on Grant Date	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum	hold	Target	Maximum	Shares of Stock or Units <sup>(3)(4)</sup>	Number of Securities Underlying Options			
		(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(#)	(\$/Sh) <sup>(6)</sup>	(\$/Sh) <sup>(6)</sup>	(\$) <sup>(7)</sup>
<b>Lewis B. Campbell</b>												
Stock Option	8/26/2012	250,000	1,000,000	2,000,000					500,000	22.98	22.98	5,335,000
<b>Andrew J. Cederoth</b>												
Performance	12/19/2011	107,813	431,250	862,500								
Stock Option	12/19/2011				5,550	11,100	22,200			27,800	37.20	36.54
PSU	12/16/2011							1,387				52,415
<b>Troy A. Clarke</b>												
Performance	12/19/2011	155,000	620,000	1,240,000								
Stock Option	12/19/2011				6,650	13,300	26,600			33,300	37.20	36.54
Restricted	8/27/2012							41,445				999,964
PSU	8/27/2012							4,218				101,770
<b>Deepak T. Kapur</b> <sup>(8)</sup>												
Performance	12/19/2011	131,250	525,000	1,050,000								
Stock Option	12/19/2011				6,650	13,300	26,600			33,300	37.20	36.54
<b>John J. Allen</b>												
Performance	12/19/2011	112,500	450,000	900,000								
Stock Option	12/19/2011				5,550	11,100	22,200			27,800	37.20	36.54
<b>Daniel C. Ustian</b> <sup>(9)</sup>												
Performance	12/19/2011	354,750	1,419,000	2,838,000								
Stock Option	12/19/2011				27,560	55,120	110,240			137,800	37.20	36.54

(1)

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These amounts are estimated amounts and represent compensation opportunity for fiscal year 2012 under the AI Plan, if the Compensation Committee and the Board approved an AI Award in fiscal year 2012. No AI Award was approved in fiscal year 2012. For additional information regarding such awards, see the *Annual Incentives* section of this proxy statement. Under the AI Plan, Threshold is 25% of Target, Target is 100% and for purposes of this table Maximum equals Super Distinguished which is 200% of Target.

- (2) *TSR Performance Share Units.* The amounts shown represent the threshold, target and maximum number of TSR performance share awards that we awarded in fiscal year 2012 to the NEOs under our 2004 PIP as we describe more fully under the *Long-Term Incentives* section of this proxy statement. The threshold amount is total shareholder return (TSR) at or above the 40<sup>th</sup> percentile as compared to total shareholder return of an industry peer group of 22 companies over a three year performance period. Payments are prorated for performance between the 40<sup>th</sup> and 90<sup>th</sup> percentiles. We pay the awards in cash settled restricted stock units, with each unit equal to the fair market value of one share of our Common Stock at the time the units are earned. If after the three-year performance period, the performance is at or above Target, the cycle ends and payments are settled in cash. If after the three-year performance period, the performance is less than Target, the cycle is extended for two additional years and measured for the entire five year period. Under this extension, participants can earn up to Target less any earnings for the first three year measurement period.
- (3) *Premium Share Units.* The amounts shown represent the number of PSUs awarded to the NEOs in the fiscal year. PSUs represent shares of Common Stock granted pursuant to our Executive Stock Ownership Program and are based on the attainment of certain stock ownership thresholds. PSUs generally vest over a three year period with 1/3 of the award vesting on each of the first three anniversaries of the date on which they are awarded. PSUs do not have an exercise price and are settled only for shares of our Common Stock on a one-for-one basis. Settlement of PSUs will occur within 10 days after an NEOs separation of employment or at such later date as required by Internal Revenue Code Section 409A.
- (4) *Restricted Stock.* Represents the number of shares of restricted stock granted to Mr. Clarke in connection with his promotion to President and Chief Operating Officer. The restricted stock vests as to 100% of the shares on the 3rd anniversary of the date of grant.

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- (5) *Stock Options.* The amounts shown represent the number of stock options granted to each NEO in the fiscal year. Except for the CEO, the stock options generally vest over a three year period with 1/3 vesting on each of the first three anniversaries of the date on which they are awarded. The stock options expire seven years after the date of grant. The CEO's stock option award vests at the end of the first year and is a five year option.
- (6) The exercise price per share is the fair market value (average of high and low price) of Common Stock on the date of grant. The market price is the closing price of our Common Stock on the date of grant. Mr. Campbell's stock option award was granted using the closing price as the exercise price of his shares.
- (7) The amounts shown do not reflect realized compensation by the NEOs. The amounts shown represent the value of the stock option, restricted stock, TSR performance shares and PSU awards granted to the NEOs based on the grant date fair value of the awards as determined in accordance with FASB ASC Topic 718. The TSR performance share awards are reflected at the target payout level. If the TSR performance share awards were reflected at maximum payout levels, the performance share amounts in this column would be \$179,820 for Mr. Cederoth, \$214,460 for Mr. Clarke, \$215,460 for Mr. Kapur, \$179,820 for Mr. Allen, and \$892,944 for Mr. Ustian.
- (8) In connection with Mr. Kapur's retirement from the Company on October 31, 2012, all of his stock awards and stock option awards granted in fiscal year 2012 were forfeited on November 1, 2012.
- (9) In connection with Mr. Ustian's retirement from the Company on August 26, 2012, the total number of performance shares eligible for payout will be pro-rated based on his length of service during the performance period.

**Outstanding Equity Awards at 2012 Fiscal Year-End**

The following table provides information on the holdings of stock options and stock awards by our NEOs as of the fiscal year ending October 31, 2012. The table includes unexercised and unvested stock option awards; unvested PSUs, unvested RSUs and unvested performance shares. The vesting information for each grant is provided in the footnotes to this table, based on the stock option or stock award grant date. The market value of the stock awards is based on the closing price of our Common Stock as of October 31, 2012, the last trading day of the fiscal year, which was \$18.75 per share. For additional information about the stock option awards and stock awards, see the description of long-term incentive compensation in the *CD&A*.

