NAVISTAR INTERNATIONAL CORP
Form DEF 14A
December 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No._)

Filed by the Registrant: X

Filed by a Party other than the Registrant: ____

Check the appropriate box:

_______ Preliminary Proxy Statement

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

X Definitive Proxy Statement

_______ Definitive Additional Materials

_______ Soliciting Material Pursuant to §240.14a-12

Navistar International Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

X
_______ No fee required.

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(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
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(4) Proposed maximum aggregate value of transaction:
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(1) Amount Previously Paid:
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(4) Date Filed:

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NAVISTAR INTERNATIONAL CORPORATION
2701 NAVISTAR DRIVE
LISLE, ILLINOIS 60532
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
WEDNESDAY, FEBRUARY 11, 2015
11:30 A.M. – CENTRAL TIME

December 29, 2014
To our stockholders:

On behalf of the Board of Directors of Navistar International Corporation you are cordially invited to attend our 2015 Annual Meeting of Stockholders, which will be held on February 11, 2015, at 11:30 A.M. Central Time, at our corporate headquarters located at 2701 Navistar 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 as disclosed in the accompanying proxy statement;
- Act on a proposal to amend and restate our certificate of incorporation to eliminate a supermajority voting provision and the no longer outstanding Class B Common Stock;
- Act on a proposal to amend and restate our certificate of incorporation to eliminate a number of provisions that have either lapsed by their terms or which concern classes of securities no longer outstanding; and
- Act upon any other matters properly brought before the annual meeting.

We plan to send a Notice of Internet Availability of Proxy Materials on or about December 29, 2014. The Notice of Internet Availability of Proxy Materials contains instructions on how to access our materials on the Internet, as well as instructions on obtaining a paper copy of the proxy materials. The Notice of Internet Availability of Proxy Material is not a form for voting and presents only an overview of the proxy materials. In order to attend our 2015 Annual Meeting of Stockholders, you must have an admission ticket. 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 December 15, 2014.

By Order of the Board of Directors,

Curt A. Kramer
Secretary

IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS
FOR THE STOCKHOLDERS MEETING TO BE HELD ON FEBRUARY 11, 2015,
THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT
HTTP://WWW.NAVISTAR.COM/NAVISTAR/INVESTORS

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EXECUTIVE SUMMARY

Navistar International Corporation ("we," "our", the "Company" or "Navistar"), incorporated under the laws of the State of Delaware in 1993, is a holding company whose principal operating entities are Navistar, Inc. ("Navistar, Inc.") and Navistar Financial Corporation ("NFC"). Navistar's fiscal year ends October 31 and as such all references to a year refer to the applicable fiscal year unless stated otherwise.

Business Strategy

Our 2014 Accomplishments

Following our Drive-to-Deliver plan, we made substantial progress during 2014 on our top priorities:

Improve quality — We addressed quality issues in our existing product portfolio and implemented new quality controls and testing systems. For example, during 2014, we reduced warranty spend, primarily due to lower repair costs and improvements in our engine quality.

Complete product launches—We successfully completed the majority of our Selective Catalytic Reduction ("SCR") product launches, getting to market products that incorporate existing SCR technology while expanding our engine options, and revamping our heavy-duty truck portfolio. Specific examples include:

- We introduced the Cummins ISX and MaxxForce 13L SCR engine in all Class 8 truck models.

- We began offering the Cummins ISB 6.7 liter engine in our International DuraStar medium-duty trucks and IC Bus CE Series school buses.

- We introduced our SCR 9- and 10-liter engines in our International DuraStar and International Workstar vehicles.

- We completed, as part of our strategy for leading industry uptime, the launch of OnCommand™ Connection, which helps customers achieve more efficient repairs and maintenance, better life-cycle value, and an overall lower total cost of ownership.

Deliver on our 2014 plan — We demonstrated discipline with regards to cash used by our manufacturing operations, made tough decisions to reduce operating costs and achieved significant progress on our Return on Invested Capital ("ROIC") evaluation initiative.

- We continued to implement a number of cost-reduction actions to control spending, including reductions in discretionary spending and employee headcount reductions, and exceeded our goals to reduce structural costs in 2014. As a result, our structural costs which include selling, general and administrative ("SG&A") expenses and engineering and product development costs, decreased by $311 million in 2014, compared to 2013.

- The ROIC evaluation initiative drove our decisions to divest: (i) the E-Z Pack business in the second quarter and (ii) Continental Mixer in the fourth quarter. Additionally, in the second quarter, we announced plans to consolidate our mid-range engine footprint and moved our engine production facility from Huntsville, Alabama to Melrose Park, Illinois, and in the fourth quarter, as part of our ROIC evaluation, the North America truck segment recognized certain charges for our Indianapolis, Indiana foundry facility and our Waukesha, Wisconsin foundry operations. We also continued to rationalize certain engineering and product development programs, due in part to changes in our engine strategy and renewed focus on our core business of the North American truck and bus markets.

Build sales momentum — In our traditional markets, we have seen a strong response to our new truck offerings. As of October 31, 2014, our backlog of unfilled truck orders in our traditional markets increased by 24% compared to October 31, 2013.

Our Expectations Going Forward

We believe we are well-positioned to build upon our 2014 accomplishments and take them to the next level:

Lead in vehicle uptime — Quality remains at the forefront of our customer-focused approach. We believe our quality will continue to improve and our products will demonstrate strong performance as measured by uptime, leading fuel economy, and low cost of ownership. Going forward, we believe we are building the best trucks in our history.

Lean enterprise — We are utilizing a customer-focused redesign of our trucks to find new ways to reduce costs and add value for our customers. We are eliminating waste and driving functional excellence to achieve continuous improvement. We expect these steps will build customer satisfaction, lower our break-even point, and drive profitability at all points in the cycle.

Financial growth — We expect the increases seen in our orders and backlogs in our traditional markets will translate to increased volumes and market share in the future. Due to our focus on reducing costs through manufacturing optimization and eliminating waste, we expect to lower manufacturing costs, increase capacity utilization and productivity, and achieve a lower cost structure. We also expect to continue to enhance our liquidity and profitability. As a result of these actions, we expect to improve our financial performance and achieve our long-term financial goals.

Profitable improvements in market share — We expect the sales momentum that occurred in 2014 will continue with new and improved products, industry volume growth, and effective pricing. We expect to continue our product distinction with enhanced features and options that will benefit our customers and help drive profitable market share improvements.

Changes in Management

In connection with our renewed focus on the North America market, we have continued to realign our leadership and management structure around functional expertise.

The Company made several management changes during 2014 and in the months since:

- In August 2014, Samara A. Strycker replaced Richard Tarapchak as Senior Vice President and Corporate Controller of the Company;
- In November 2014, Bill Kozek, previously Navistar, Inc.'s President of North America Truck and Parts, was promoted to President, Truck and Parts, and added export truck and parts sales, product planning and Navistar Defense to his responsibilities;
- In November 2014, Persio Lisboa, previously Navistar, Inc.'s Senior Vice President and Chief Procurement Officer, was promoted to President, Operations, and added product development, manufacturing, and global businesses to his responsibilities;
- In November 2014, Walter Borst, the Company's Executive Vice President and Chief Financial Officer, added business development, mergers and acquisition, and corporate strategic planning to his responsibilities; and
- In December 2014, John J. Allen, the Company’s Executive Vice President and Chief Operating Officer retired after more than 33 years of service to the Company.

Changes to the Board of Directors

Pursuant to amendments to agreements (the "Settlement Agreement Amendments") we 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”), we granted each of the Icahn Group and the MHR Group the right to nominate two directors to serve on our Board of Directors (the "Board") effective as of March 10, 2014, the date of our 2014 Annual Meeting of Stockholders (the "2014 Annual Meeting"). The Icahn Group's nominees were Mr. Vincent J. Intrieri and Mr. Samuel J. Merksamer. The MHR Group nominees were Dr. Mark H. Rachesky and Mr. Michael Sirignano.

Mr. Intrieri, Mr. Merksamer and Mr. Rachesky were already serving as directors on our Board as of the date of our 2014 Annual Meeting, and Mr. Sirignano was a new nominee to the Board.

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Corporate Governance

During 2014, we strove to maintain effective governance practices and policies, and to solicit and consider input from our stockholders. Beginning with the 2014 Annual Meeting, the Board was declassified and all directors became subject to annual election to one-year terms. In April 2013, with the appointment of Mr. Clarke as our Chief Executive Officer (the "CEO"), the Board determined it would be preferable for one of our independent directors to serve as Chairman and so elected James H. Keyes to this position. Mr. Keyes, who has served on our Board since 2002, was previously Chairman/CEO of a Fortune 500 company and has served on other public company boards.

In July 2013, we amended our Stockholder Rights Plan (the "Rights Plan") to raise the trigger threshold from 15% to 20% and to extend the expiration of the Rights Plan to June 18, 2015. At the 2014 Annual Meeting, a non-binding advisory vote to terminate the Rights Plan was proposed and was overwhelmingly approved. On June 17, 2014, the Rights Plan was amended to expire on July 1, 2014, shortening its term by nearly a year.

On June 23, 2014 the Rights Plan was further amended and changed into a Tax Asset Protection Plan (the "Tax Asset Protection Plan"). This Tax Asset Protection Plan was adopted to protect the value of Navistar's substantial tax assets (Net Operating Losses) by reducing the likelihood of an unintended "ownership change" under Internal Revenue Service ("IRS") guidelines. This plan was similar to tax protection plans adopted by other public companies with significant tax attributes. As of October 31, 2013, Navistar had a federal net operating loss carryforward of approximately $1.8 billion. Under Section 382 of the Internal Revenue Code ("IRC"), the use of the Company's net operating loss and other carryforwards would be limited in the event of an "ownership change," which is defined as a cumulative change of more than 50 percent during any three year period by stockholders owning 5% or more of the Company's stock.

The Tax Asset Protection Plan, as amended and extended, expired by its terms on November 3, 2014. As a result, the Company no longer has a Rights Plan or a Tax Asset Protection Plan.

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 director nominees are independent under our Corporate Governance Guidelines and the New York Stock Exchange ("NYSE") listing standards;
- We have 100% independent Board standing committees;
- We have stockholder representation on all of our Board committees;
- We have a director resignation policy with respect to directors who fail to obtain a majority vote;
- We adopted a clawback policy;
- We do not provide tax gross-ups for perquisites and other similar benefits to officers who are subject to Section 16 (the "Section 16 Officers") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Additionally we do not provide tax gross-ups for any cash or equity awards for all employees;
- We have "double trigger" change in control benefits;
- Our Named Executive Officers ("NEOs") and directors are subject to stock ownership guidelines and stock retention requirements; and
- We impose restrictions on short selling, trading in derivatives, pledges, hedges and margin account use by our executives and directors.

Compensation Policies

The Company has a robust stockholder outreach and engagement program in place. We engage in regular contact with our stockholders throughout the year. Over 60% of our stock is held by four of our stockholders. Two of these stockholders have representation on our Board as discussed in our Executive Summary and Proposal One-Election of Directors. These stockholders, through their representatives on our Board, also are members of our Compensation Committee and are integrally involved in our compensation decisions and policies. We also engage in regular dialogue with our two remaining largest stockholders without representatives on our Board. We maintain open lines of communication with corporate governance advisory institutions and with our top 25 stockholders on an annual basis

in order to solicit their feedback. We continuously work to improve these efforts and place importance on the feedback provided to us during this process.

We also focus on and are aware of investor concerns regarding the link between pay and performance. In 2014 the Company did not reach our performance targets, and consistent with our pay for performance compensation philosophy, overall pay for current executives was down in 2014, as compared to 2013.

For a summary of our commitment to best practices in executive compensation and changes made in 2014, please see the Executive Summary section of the Compensation, Discussion and Analysis section of this proxy statement. Highlights of the changes made in 2014 include the following:

- We approved a revised Annual Incentive ("AI") plan for 2014;
- We approved Long-Term Incentive ("LTI") awards based on an assessment of performance and potential;
- We implemented a new Executive Stock Ownership Program ("ESOP");
- We implemented a clawback policy;
- We implemented revisions to our Executive Severance Agreement ("ESA"); and
- We approved a new peer group.

Disclosure Regarding Forward-Looking Statements

Information provided and statements contained in this proxy statement that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as of the date of this proxy statement and Navistar assumes no obligation to update the information included herein.

These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," or similar expressions. These statements are not guarantees of performance or results and they involve risks, uncertainties, and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause or contribute to differences in our future financial results include those discussed in Item 1A, Risk Factors, set forth in Part 1 of our Annual Report on Form 10-K for 2014. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained herein or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

Available Information

We are subject to the reporting and information requirements of the Exchange Act and as a result, are obligated to file annual, quarterly, and current reports, proxy statements, and other information with the United States ("U.S.") Securities and Exchange Commission ("SEC"). We make these filings available free of charge on our website (http://www.navistar.com) as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. Information on our website does not constitute part of this proxy statement or our Annual Report on Form 10-K. In addition, the SEC maintains a website (http://www.sec.gov) that contains our annual, quarterly, and current reports, proxy and information statements, and other information we electronically file with, or furnish to, the SEC. Any materials we file with, or furnish to, the SEC may also be read and/or copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

FREQUENTLY ASKED QUESTIONS REGARDING ATTENDANCE AND VOTING

Q: Why did I receive a notice of internet availability of proxy materials?

A: Pursuant to the rules of the SEC, we have elected to provide access to our proxy materials over the internet. Accordingly, we have sent you a Notice of Internet Availability of Proxy Materials (the "Notice") because the Board is soliciting your proxy to vote your shares at our 2015 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 SEC and is designed to assist you in voting your shares. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy can be found in the Notice.

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 amendment and restatement of our certificate of incorporation to eliminate a supermajority voting provision and the no longer outstanding Class B Common Stock; (v) Proposal 5 - approval of the amendment and restatement of our certificate of incorporation to eliminate a number of provisions that have either lapsed by their terms or which concern classes of securities no longer outstanding; and (vi) 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 as our independent registered public accounting firm (Proposal 2);
- FOR the approval of the advisory vote on executive compensation (Proposal 3);
- FOR the approval of the amendment and restatement of our certificate of incorporation to eliminate a supermajority voting provision and the no longer outstanding Class B Common Stock (Proposal 4); and
- FOR the approval of the amendment and restatement of our certificate of incorporation to eliminate a number of provisions that have either lapsed by their terms or which concern classes of securities no longer outstanding (Proposal 5).

Q: Who can attend the Annual Meeting?

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

- Stockholders of record on December 15, 2014;
- An authorized proxy holder of a stockholder of record on December 15, 2014; 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 our 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. The Company 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.
Q: When is the record date and who is entitled to vote?
A: The Board has set December 15, 2014, 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 December 15, 2014, there were approximately 81,415,270 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 the place of the Annual Meeting 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:

- üin person – stockholders who obtain an admission ticket (following the specified procedures) and attend the Annual Meeting in person may cast a ballot received at the Annual Meeting.

- :by Internet – stockholders may access the internet at www.proxyvote.com and follow the instructions on the proxy card or in the Notice.

- by scanning your QR code – to vote with your mobile device.

- (by phone – stockholders may call toll-free 1-800-690-6903 and follow the instructions on the proxy card or in the Notice.

- ,by mail – if you requested and received your proxy materials by mail, you may complete, sign, date and mail the enclosed proxy card.

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 10, 2015 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 the Company 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.
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 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) and the approval of the amendment and restatement of our certificate of incorporation to eliminate a number of provisions that have either lapsed by their terms or which concern classes of securities no longer outstanding (Proposal 5) to be routine matters. As a result, your broker is permitted to vote your shares on that matter at its discretion without instruction from you.
When a proposal is not a routine matter, such as the election of directors (Proposal 1), the Say-On-Pay proposal (Proposal 3) and the approval of the amendment and restatement of the certificate of incorporation to eliminate a supermajority voting provision and the no longer outstanding Class B Common Stock (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 the Company'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.

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- Proposal 4 (approval of the amendment and restatement of our certificate of incorporation to eliminate the supermajority voting provision and the no longer outstanding Class B Common Stock) requires the affirmative vote or consent of the greater of (a) the holders of at least 85% of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote; and (b) the holders of a majority of the voting power of all of our outstanding shares of Common Stock.

- Proposal 5 (approval of the amendment and restatement of our certificate of incorporation to eliminate a number of provisions that have either lapsed by their terms or which concern classes of securities no longer outstanding) requires the affirmative vote of the holders of a majority of the voting power of all of our outstanding shares of Common Stock.

With respect to Proposals 2, 3, 4 and 5 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 nine 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 at least majority of the shares present in person or represented by proxy and entitled to vote (Proposals 2 and 3).
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?
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 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 the Notice (or our annual report and proxy statement if you have requested a physical copy) to your address. Each stockholder will continue to be entitled to vote 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 or more than one Notice?
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 Notice or proxy card. Shares with different, even though similar, registered stockholders cannot be combined, and as a result, the stockholder may receive more than one Notice or 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: This solicitation is being made by the Company. Accordingly, the Company 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 $15,000, 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 2016 Annual Meeting of Stockholders?
A: In order to be included in the Company's proxy materials for our 2016 annual meeting of stockholders pursuant to SEC Rule 14a-8 under the Exchange Act, any such stockholder proposal must be received by the Company's Corporate Secretary no later than August 25, 2015. 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, specifically 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 2016 annual meeting of stockholders, the Company's Corporate Secretary must receive such notice no earlier than September 14, 2015, and no later than October 14, 2015. 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.
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 of the meeting. 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.

PROPOSAL 1—ELECTION OF DIRECTORS

Our Board currently consists of ten directors. At the Annual Meeting, our Board has chosen to nominate nine directors, all of who will be up for election at the Annual Meeting. The tenth 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 and is not elected by the stockholders. At our 2012 annual meeting of stockholders, our stockholders approved an amendment to Article Seventh of the Company's Restated Certificate of Incorporation that provides for the declassification of the Board. Accordingly, the directors elected at the Annual Meeting will be elected for a one-year term.

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 2014 and pursuant to the Settlement Agreement Amendments we entered into with two of our largest stockholders, (namely, the Icahn Group and the MHR Group) we granted each of the Icahn Group and the MHR Group the right to nominate two directors to serve on our Board effective as of March 10, 2014, the date of our 2014 Annual Meeting. The Icahn Group's nominees were Mr. Vincent J. Intrieri and Mr. Samuel J. Merksamer. The MHR Group nominees were Dr. Mark H. Rachesky and Mr. Michael Sirignano. Mr. Intrieri, Mr. Merksamer and Mr. Rachesky were already serving as directors on our Board as of the date of our 2014 Annual Meeting, and Mr. Sirignano was a new nominee to the Board.

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.

Troy A. Clarke, 59, Director since April 2013. Mr. Clarke has served as President and Chief Executive Officer of Navistar since April 2013. Prior to this position, Mr. Clarke served as President and Chief Operating Officer of Navistar since August 2012, as President of the Truck and Engine Group of Navistar, Inc. from June 2012 to August 2012, as President of Asia-Pacific Operations of Navistar, Inc. from 2011 to 2012, and as Senior Vice President of Strategic Initiatives of Navistar, Inc. from 2010 to 2011. Prior to joining Navistar, Inc., Mr. Clarke held various positions at General Motors, including President of General Motors North America from 2006 to 2009 and President of General Motors Asia Pacific from 2003 to 2006. Over the course of his career with GM, he held several additional leadership roles, including President and Managing Director of GM de Mexico and Director of Manufacturing for GM de Mexico. On June 1, 2009, General Motors filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Mr. Clarke received a bachelor's degree in engineering from the General Motors Institute in 1978 and a master's degree in business administration from the University of Michigan in 1982. Mr. Clarke has served on the board of directors of Fuel Systems Solutions, Inc., a public alternative fuel components and systems company, since December 2011.

Mr. Clarke's vast experience in the automotive industry over the past 39 years is invaluable to the Board in evaluating and directing the Company's future. As a result of his professional and other experiences, Mr. Clarke possesses particular knowledge and experience in a variety of areas, including corporate governance, engineering, manufacturing (international and domestic), mergers and acquisitions, sales (international and domestic) and union/labor relations, which strengthens the Board's collective knowledge, capabilities and experience and well qualifies him to serve on our Board.

John D. Correnti,* 67, Director since October 1994 (Committees: Compensation (Chair) and Nominating and Governance). Mr. Correnti serves as Chairman and Chief Executive Officer of Big River Steel, LLC, a steel mill operational and development company, since 2010. Prior to this position he was the Chairman and Chief Executive Officer of Steel Development Company, LLC, a steel mill operational and development company, from 2007 to 2010 and 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, since 2010, Chairman of Mississippi Silicon, a silicon metal manufacturer, since 2010, Chairman of BlueOak Resources, a private electronic waste recycling company, since 2010, and a director of Corrections Corporation of America, a public provider of correctional solutions, since 2000. He also serves on the Clarkson University Board of Trustees.

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.

Michael N. Hammes,* 73, Director since February 1996 (Committees: Finance and Nominating and Governance (Chair)). Mr. Hammes also served as Lead Director of the Company from December 2007 to April 2013. He served as Chairman and Chief Executive Officer of Sunrise Medical Inc., which designs, manufacturers 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 a director of James Hardie, a public fibre cement technology company, since February 2007 and its Chairman since January 2008. He is also a director of Dynavox, Inc., a public speech-generating devices company, since April 2010 and a director of DeVilbiss Healthcare, a private manufacturer of respiratory medical products, since 2010.

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. 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.

Vincent J. Intrieri,* 58, Director since October 2012 (Committees: Finance (Co-Chair) and Nominating and Governance). Mr. Intrieri has been employed by Icahn related entities since October 1998 in various investment related capacities. Since January 2008, Mr. Intrieri has served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds. In addition, 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, entities through which Mr. Icahn invests in securities. Mr. Intrieri has been a director of: Hertz Global Holdings, Inc., a company engaged in the car rental business, since September 2014; Transocean Ltd., a provider of offshore contract drilling services for oil and gas wells, since May 2014; and Chesapeake Energy Corporation, an oil and gas exploration and production company, since June 2012. Mr. Intrieri was previously: a director of CVR Refining, LP, an independent downstream energy limited partnership, from September 2012 to September 2014; a director of Forest Laboratories, Inc., a supplier of pharmaceutical products, from June 2013 to June 2014; a director of CVR Energy, Inc., a diversified holding company primarily engaged in the petroleum refining and nitrogen fertilizer manufacturing industries, from May 2012 to May 2014; a director of Federal−Mogul Corporation, a supplier of automotive powertrain and safety components, from December 2007 to June 2013; a director 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 to September 2012, and was Senior Vice President of Icahn Enterprises L.P. from October 2011 to 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 to September 2012; chairman of the board and a director of PSC Metals Inc., a metal recycling company, from December 2007 to April 2012; a director of Motorola Solutions, Inc., a provider of communication products and services, from January 2011 to March 2012; a director of XO Holdings, a competitive provider of telecom services, from February 2006 to 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 to June 2011; a director of American Railcar Industries, Inc., a railcar manufacturing company, from August 2005 until March 2011, and was a Senior Vice President, the Treasurer and the Secretary of American Railcar Industries from March 2005 to December 2005; a director of WestPoint Home LLC, a home textiles manufacturer, from November 2005 to March 2011; chairman of the board and a director of Viskase Companies, Inc., a meat casing company, from April 2003 to March 2011; and a director of WCI Communities, Inc., a homebuilding company, from August 2008 to September 2009. CVR Refining, CVR Energy, Federal−Mogul, Icahn Enterprises, PSC Metals, XO Holdings, National Energy Group, American Railcar Industries, WestPoint Home and Viskase Companies each are or previously were indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non−controlling interest in Hertz, Transocean, Forest Laboratories, Navistar, Chesapeake Energy, Dynegy, Motorola Solutions and WCI Communities through the ownership of securities.

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. He possesses strong skills and experience in accounting, corporate governance, finance, mergers and acquisitions and treasury matters. 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.

James H. Keyes,* 74, Director since December 2002; Chairman since April 2013 (Committees: Audit (Chair) and Compensation). Mr. Keyes retired as Chairman of the Board of Johnson Controls, Inc., a public 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 retired as a director of Pitney Bowes, Inc. in May 2013 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.

General (Retired) Stanley A. McChrystal,* 60, Director since February 2011 (Committees: Compensation 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 public 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 a member of the Board of Advisors of General Atomics, a private high-technology systems company ranging from the nuclear fuel cycle to remotely operated surveillance aircraft, airborne sensors, and advanced electric, electronic, wireless and laser technologies, since August 2011. 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 makes decisions in respect of its global and military businesses.

Samuel J. Merksamer,* 34, Director since December 2012 (Committees: Audit and Compensation). Mr. Merksamer has served as a Managing Director of Icahn Capital LP, a subsidiary 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), where he has been employed since May 2008. Mr. Merksamer is responsible for identifying, analyzing and monitoring investment opportunities and portfolio companies for Icahn Capital. Mr. Merksamer has been a director of: Transocean Partners LLC, a holding company with subsidiaries that own and operate ultra-deepwater drilling rigs, since November 2014; a Hertz Global Holdings, Inc., a company engaged in the car rental business, since September 2014; Hologic, Inc., a supplier of diagnostic, medical imaging and surgical products, since December 2013; Talisman Energy Inc., an independent oil and gas exploration and production company, since December 2013; Transocean Ltd., a provider of offshore contract drilling services for oil and gas wells, since May 2013; and Ferrous Resources Limited, an iron ore mining company with operations in Brazil, since November 2012. Mr. Merksamer was previously a director of: CVR Energy, Inc., a diversified holding company primarily engaged in the petroleum refining and nitrogen fertilizer manufacturing industries, from May 2012 to September 2014; CVR Refining, LP, an independent downstream energy limited partnership, from September 2012 to May 2014; Federal−Mogul Corporation, a supplier of automotive powertrain and safety components, from September 2010 to January 2014; American Railcar Industries, Inc., a railcar manufacturing company, from June 2011 to June 2013; Viskase Companies, Inc., a meat casing company, from January 2010 to April 2013; PSC Metals Inc., a metal recycling company, from March 2009 to October 2012; and Dynegy Inc., a company primarily engaged in the production and sale of electric energy, capacity and ancillary services, from March 2011 to September 2012. CVR Refining, CVR Energy, Federal−Mogul, American Railcar Industries, Viskase Companies and PSC Metals are each indirectly controlled by Carl C. Icahn. Mr. Icahn also has a non-controlling interest in Hertz, Transocean, Navistar, Ferrous Resources and Dynegy Inc. through the ownership of securities.

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. He possesses strong skills and experience in accounting, corporate governance, finance, human resources/compensation/employee benefits, mergers and acquisitions and treasury matters, which contributes greatly to the capabilities and composition of our Board and qualifies him to serve on our Board.

Mark H. Rachesky, M.D.,* 55, Director since October 2012 (Committees: Finance (Co-Chair) and Nominating and Governance). Dr. Rachesky is the founder and President of MHR Fund Management LLC, an investing firm that manages approximately $5 billion of assets 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., a public satellite communications company, since 2005, Lions Gate Entertainment Corp., a public entertainment company, since 2009 and Telesat Canada, a satellite company, since 2007. He is also a member of the board of directors of Titan International, Inc., a public wheel, tire and undercarriage systems and components company, since June 2014, Emisphere Technologies, Inc., a public biopharmaceutical company, since 2005 and Nationshealth, Inc., a medical supply company company (which went from a public company to a private company in 2009), from 2005 to June 2014. He also served as a member and chairman of the board of Leap Wireless International, Inc., a public digital wireless company, from 2004 until its acquisition by AT&T in March 2014. 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 engaged in a wide range of businesses. 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.

Michael Sirignano* 33, Director since March 2014 (Committees: Compensation and Audit) Mr. Sirignano has served as a Principal at MHR Fund Management LLC since 2012 where he is responsible for sourcing and managing investments and portfolio companies. From 2006 to 2011, Mr. Sirignano was at Owl Creek Asset Management, L.P. which is a value-oriented investment firm. Mr. Sirignano held various titles, most recently Senior Analyst. Mr. Sirignano was focused primarily on equities and distressed debt in the industrial, housing, metals and mining, telecommunication and technology sectors. Prior to that, Mr. Sirignano was a member of Rothschild’s restructuring group where he worked on restructurings, refinancing transactions and sale processes for distressed companies. Mr. Sirignano holds a B.A. in Economics, with honors, from Williams College.

Mr. Sirignano brings significant corporate finance and business expertise to our Board due to his experience as an analyst across a number of industries and his focus on equity and debt securities.

Additional Director Who Is Not Elected by the Stockholders

Dennis D. Williams,* ** 61, Director since June 2006. (Committee: Audit and Finance). Mr. Williams has served as President of the UAW since June, 2014. Prior to that, Mr. Williams was the UAW’s Secretary, Treasurer and Director, Agricultural Implement and Transnational Departments from June 2010 to June, 2014, UAW Region 4 Director from 2001 to 2010 and 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.

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.

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 will then make a recommendation to the Board. The Board 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 Board 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 Board or the Audit Committee, a similar process will be undertaken by the Board and 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 2014, the following two related-person transactions occurred:

- The first originally occurred in August 2008 and relates to our Senior Vice President and Treasurer, James M. Moran, whose wife, Kristin Moran, is currently employed as a Senior Counsel of Navistar, Inc. Mrs. Moran has received annual compensation and benefits for calendar 2014 of less than $235,000, which includes base salary, annual incentive, Company 401(k) matching contributions and other standard benefits available to all employees generally, and was granted 415 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. This transaction is subject to our Policy and Procedures with Respect to Related Person Transactions because Mr. Moran is an executive officer of the Company. This transaction did not require approval, however, and is permissible under our Policy and Procedures with Respect to Related Person

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Transactions because Mrs. Moran's employment pre-dated Mr. Moran's appointment as our Senior Vice President and Treasurer. Any material change in the terms of Mrs. Moran's employment would, however, need to be approved.

- The second occurred throughout 2014 and was ratified by the Board, upon the recommendation of the Audit Committee, in December 2014 and relates to Carl Icahn, a 19.9% stockholder of the Company, and Federal-Mogul Corporation ("Federal-Mogul"). Navistar purchased goods and services from Federal-Mogul throughout 2014 that amounted to approximately $14,650,000. Mr. Icahn owns over 80% of Federal-Mogul. Navistar received standard terms and conditions and received no unique payment terms or special concessions. Because Mr. Icahn is an 80% owner of Federal-Mogul, Mr. Icahn has an indirect material interest in this transaction. The Audit Committee and the Board considered the factors described above and the Board, upon the recommendation of the Audit Committee, ratified the transactions on the basis that the Navistar/Icahn/Federal-Mogul relationship is in the best interests of the Company.

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 current directors, namely Messrs. Correnti, Hammes, Intrieri, Keyes, McChrystal, Merksamer, Rachesky, Sirignano and Williams, qualify as "independent directors" in accordance with the NYSE's independence requirements and our own internal guidelines for determining director independence. Each of these directors and nominees 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 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. Previously, our CEO served as Chairman and we had an independent Lead Director. Beginning in April 2013, with the appointment of Mr. Clarke as our CEO, the Board determined it would be preferable for one of our independent directors to serve as Chairman, and as such elected Mr. Keyes to this position. Mr. Keyes, who has over 12 years serving on our Board, was previously Chairman/CEO of a Fortune 500 company and has served on other public company boards. The Board believes this board leadership structure is best for our Company and our stockholders.

We believe it is the CEO's responsibility to run the Company and the Chairman's responsibility to run the Board. As directors continue to have more oversight responsibilities, we believe it is beneficial to have an independent Chairman whose sole job is leading the Board. In making its decision to change the leadership structure and appoint an independent chairman, the Board considered the time that Mr. Clarke is required to devote to the CEO position. By having another director serve as Chairman, Mr. Clarke will be able to focus his entire energy on leading the Company as CEO.

Our Corporate Governance Guidelines require that if, in the future, the CEO is serving as Chairman, then the Board would also name an independent Lead Director.

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 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 maintaining an independent Board with a separate Chairman and CEO permits open discussion and assessment of the Company’s ability to manage risks associated with the Company’s strategic plans and objectives.

NOMINATING DIRECTORS

You may recommend any person as a candidate for director for election at our 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 the Company's By-Laws. Your letter must be received by Navistar’s Corporate Secretary no earlier than September 14, 2015, and no later than October 14, 2015, and must include all of the information required by the Company's By-Laws including, but not limited to, the proposed nominee’s biographical information and principal occupation; the number of shares of capital stock of the Company which are owned by the proposed nominee, appropriate information about the proposed nominee that would be required to be included in a proxy statement under the rules of the SEC, the number of shares held by you, information about the relationship between the proposed nominee and you, 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, 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, gender, race, ethnicity, education, and other attributes which contribute to the Board’s diversity. Our Board diversity policy is contained within our Corporate Governance Guidelines.

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.

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 October 2014, 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 2014, the full Board met 16 times. In addition, the Board's independent directors meet regularly in executive session without management present 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 2014, 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 2014 was 95%. We encourage all Board members to attend all meetings, including the Annual Meeting. All of our directors, with the exception of Dennis D. Williams, who were directors at the time of our 2014 Annual Meeting attended that meeting.

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

Committee Membership
(as of December 23, 2014)

	Audit	Compensation	Finance	Nominating & Governance
Troy A. Clarke				
John D. Correnti		ü *		ü
Michael N. Hammes			ü	ü *
Vincent J. Intrieri			ü *	ü
James H. Keyes	ü *	ü		
Stanley A. McChrystal		ü		ü
Samuel J. Merksamer	ü	ü		
Mark H. Rachesky			ü *	ü
Michael F. Sirignano	ü	ü		
Dennis D. Williams	ü		ü	

* Indicates the chair of the committee. Mr. Intrieri and Mr. Rachesky serve as co-chairs of the Finance 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 and corporate compliance 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 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. The Audit Committee reviews and recommends to the Board for approval to either approve, ratify, reject or take other action with respect to related person transactions and it 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

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of this proxy statement. All members of the Audit Committee are independent and the Board designated each Audit Committee member, namely, Mr. James H. Keyes, Mr. Samuel J. Merksamer, Mr. Micheal F. Sirignano and Dennis D. Williams, as an "audit committee financial expert," as defined by applicable law, rules and regulations. In 2014, the Audit Committee held 11 meetings. The Audit Committee conducted an evaluation of its performance in October 2014.

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 8 meetings in 2014. The Compensation Committee conducted an evaluation of its performance in October 2014.

Finance Committee – The Finance Committee reviews the Company's financing requirements, 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 10 meetings in 2014. The Finance Committee conducted an evaluation of its performance in October 2014.

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 our Restated Certificate of Incorporation and our 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 and monitors compliance with the Corporate Governance Guidelines. The Nominating and Governance Committee held 10 meetings in 2014. The Nominating and Governance Committee conducted an evaluation of its performance in October 2014.

COMMUNICATION WITH THE BOARD

Interested parties may communicate with any of our directors, our Board as a group, our non-employee directors as a group or any committees of the Board by sending an e-mail to presiding.director@navistar.com or by writing to the Presiding Director, c/o the Corporate Secretary, at 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.

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	E-mail the Audit Committee
1 -877-734-2548 or via the Internet at tnwinc.com/webreport/default.asp	Audit Committee c/o Corporate Secretary Navistar International Corporation 2701 Navistar Drive Lisle, Illinois 60532	Audit.committee@navistar.com

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AUDIT COMMITTEE REPORT

Management of the Company has the primary responsibility for the integrity of the accounting, auditing and financial reporting practices of the Company, including the system of internal controls. 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 the quality and acceptability of the accounting principles, 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 Public Company Accounting Oversight Board Auditing Standards No. 16. 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 year ended October 31, 2014 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 2015.

Audit Committee

James H. Keyes, Chairman
Samuel J. Merksamer
Michael F. Sirignano
Dennis D. Williams

PERSONS OWNING MORE THAN FIVE PERCENT OF COMPANY COMMON STOCK

This table indicates, as of December 23, 2014, 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)	
Carl C. Icahn c/o Icahn Associates Corp., 767 Fifth Avenue, Suite 4700 New York, NY 10153	16,272,524	(B)	19.9	%
Mark H. Rachesky, M.D. 40 West 57th Street, 24th floor New York, NY 10019	14,519,577	(C)	17.8	%
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403-1906	14,153,339	(D)	17.4	%
GAMCO Investors, Inc. et. al. One Corporate Center Rye, NY 10580-1435	9,138,603	(E)	11.2	%
Discovery Capital Management LLC 20 Marshall Street South Norwalk, CT 06854	5,051,833	(F)	6.2	%

(A) Applicable percentage ownership is based upon 81,424,335 shares of Common Stock outstanding as of December 23, 2014.

(B) As reported in Schedule 13D/A filed with the SEC on December 17, 2014 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 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 3,254,504 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 5,287,439 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; and Icahn Partners has sole voting power and sole dispositive power with regard to 7,730,581 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 Icahn Master. 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.

(C) As reported in (a) a Schedule 13D/A filed with the SEC on December 17, 2014 by MHR Institutional Partners III LP, MHR Institutional Advisors III LLC, MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky (collectively, the "MHR Reporting Persons"). MHR Institutional Partners III LP and MHR Institutional Advisors III LLC each has sole voting and dispositive power over 13,255,528 shares of Common Stock. MHR Fund Management LLC and MHR Holdings LLC have sole voting and dispositive power over 14,500,000 shares of Common Stock. Dr. Rachesky has sole voting and dispositive power over 14,519,577 shares of Common Stock, which includes (a) 14,500,000 shares of Common Stock beneficially owned by Dr. Rachesky as the managing member of the other Reporting Persons; (b) 2,470 shares of Common Stock held directly by Dr. Rachesky; (c) options to purchase 15,000 shares of Common Stock granted to Dr. Rachesky in his capacity as a director; and (d) 2,107 shares of Common Stock that may be obtained upon settlement of phantom stock units granted to Dr. Rachesky in his capacity as a director. The shares reported herein 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.

(D) As reported in Schedule 13G/A filed with the SEC on February 5, 2014 by Franklin Resources, Inc. ("FRI"), Charles B. Johnson, Rupert H. Johnson, Jr. and Templeton Global Advisors Limited. These securities are beneficially owned by one or more open- or closed-end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of FRI. Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding common stock of FRI and are the principal stockholders of FRI. See the Schedule 13G/A for certain disclaimers of beneficial ownership.

(E) As reported in a Schedule 13D/A filed with the SEC on December 23, 2014, by Gabelli Funds, LLC, GAMCO Asset Management, Inc., Teton Advisers, 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 2,964,779 shares of Common Stock, GAMCO Asset Management Inc. has sole voting power with regard to 5,535,324 shares of Common Stock and sole dispositive power with regard to 6,037,324 shares of Common Stock, Teton Advisers, Inc. has sole voting and dispositive power with regard to 2,300 shares of Common Stock, Gabelli Securities, Inc. has sole voting and dispositive power with regard to 7,000 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 6,500 shares of Common Stock, MJG-IV Limited Partnership has sole voting and dispositive power with regard to 2,000 shares of Common Stock, GGCP, Inc. has sole voting and dispositive power with regard to 10,000 shares of Common Stock, GAMCO Investors, Inc. has sole voting and dispositive power with regard to 200 shares of Common Stock, and Mario J. Gabelli has sole voting and dispositive power with regard to 98,500 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 February 14, 2014, by Discover Capital Management, LLC and Robert K. Citrone (collectively, the “Discovery Reporting Persons”). The Discovery Reporting Persons share voting and dispositive power with regard to 5,051,833 shares of Common Stock.

COMPANY COMMON STOCK OWNED BY EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of November 30, 2014 by: (i) each of our directors or nominees for director; (ii) each of our 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 convertible into Common Stock within 60 days 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 (A)	Number of DSUs, PSUs or RSUs Convertible into Common Stock (B)	Obtainable Through Stock Option Exercise	Total		Percent of Class
John J. Allen	28,032	43,829	88,105	159,966		*
Walter G. Borst	7,285	3,457	19,596	30,338		*
Troy A. Clarke	54,100	3,865	260,212	318,177		*
John D. Correnti	6,655	13,257	29,600	49,512		*
Steven K. Covey	25,810	3,601	143,206	172,617		*
Michael N. Hammes	6,987	—	20,400	27,387		*
Vincent J. Intrieri	592	1,231	5,000	6,823		*
James H. Keyes	4,008	16,424	29,600	50,032		*
Stanley A. McChrystal	1,508	10,796	10,000	22,304		*
Samuel J. Merksamer	592	585	5,000	6,177		*
Mark H. Rachesky(C)	13,987,223	2,108	5,000	13,994,331		17.2
Michael Sirignano	—	1,921	—	1,921		*
Eric Tech	15,470	1,355	53,802	70,627		*
Dennis D. Williams(D)	—	—	—	—		*
All Directors and Executive Officers as a Group (20 persons)(E)	14,173,212	109,763	780,817	15,063,792	(F)	18.5

* 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 November 30, 2014, 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 various Form 4's filed with the SEC during 2014 by MHR Institutional Partners III LP, MHR Institutional Advisors III LLC, MHR Fund Management LLC, MHR Holdings LLC and Dr. Rachesky. See also Footnote D 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 7,911 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 in effect for 2013 and prior years, 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. Effective November 1, 2013, our Executive Stock Ownership Program was amended and restated to, among other things, eliminate an executive's ability to earn PSUs or defer their cash bonus into DSUs.

Under our Non-Employee Directors Deferred Fee Plan, directors may defer all or a portion of their annual retainer into DSUs, and prior to calendar year 2012 when attendance at Board and committee meetings were also paid, all or a portion of their meeting fees into DSUs. If a director elected to defer a portion of their annual retainer and/or meeting fees into DSUs, these DSUs are shown as owned.
Certain of our executives have been awarded share settled restricted stock units that were granted under the 2013 Performance Incentive Plan. The RSUs vest in equal installments on each of the first three anniversaries of the date of grant or cliff vest as to 100% of the shares granted on the third anniversary of the date of grant, and are converted into our Common Stock on a one to one basis at time of vesting.

COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee reviewed and discussed the 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 CEO.

The Compensation Committee	Independent Board members (non-Compensation Committee members)
John D. Correnti, Chairperson	Michael N. Hammes
James H. Keyes	Vincent Intrieri
General (Retired) Stanley A. McChrystal	Mark H. Rachesky
Samuel J. Merksamer	Dennis D. Williams
Michael F. Sirignano	

(Approved by the members of the Compensation Committee and the other independent members of the Board on December 9, 2014.)

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 the senior leadership of the Company, including Section 16 Officers and NEOs) and makes recommendations for the compensation and benefits of our 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.

The following table lists our 2014 NEOs that will be discussed throughout the CD&A.

NEO	Title
Troy A. Clarke	President and Chief Executive Officer
Walter G. Borst	Executive Vice President and Chief Financial Officer
John J. Allen	Executive Vice President and Chief Operating Officer
Steven K. Covey	Senior Vice President and General Counsel
Eric Tech	Senior Vice President, Strategy and Planning & President Global and Specialty Businesses

Executive Summary

During 2014 the Company focused on transforming the organization while continuing to build upon our 2013 turnaround strategy to increase sales, improve quality, and launch new products. For 2014, our strategy evolved to include priorities involving in leading vehicle uptime, driving a lean enterprise, earnings before income tax, depreciation and amortization ("EBITDA") margin expansion, and profitable market share.

The Company has a robust stockholder outreach and engagement program in place. We engage in regular contact with our stockholders throughout the year. Over 60% of our stock is held by 4 of our stockholders. Two of these stockholders have representation on our Board as discussed in our Executive Summary and Proposal One-Election of Directors. These stockholders, through their representatives on our Board, also participate in our Board's Compensation Committee and are integrally involved in our compensation decisions and policies. We also maintain an open line of communication with our two remaining largest stockholders without representatives on our Board. We attempt to engage in a dialogue with corporate governance advisory institutions and with our top 25 stockholders on an annual basis in order to solicit their feedback. We continuously work to improve these efforts and place importance on the feedback provided to us during this process.

An overall objective of our executive compensation program is to maintain a linkage between pay and performance. In 2014 the Company did not reach its performance targets, and consistent with our pay for performance compensation philosophy, overall pay for current executives was down in 2014.

- No base salary increases were made for our NEOs;
- With one exception, no AI awards were paid for 2014; and
- Based on 2014 results, LTI awards for 2014 based on Operating Cash Flow are not projected to payout.

To further enhance our compensation programs in response to our stockholder concerns, for 2014, the Compensation Committee took the following actions with respect to the Company's executive compensation program:

- Approved LTI awards based on an assessment of each executive with respect to both performance and potential;
- Modified LTI awards to reflect actual grant date values;
- Implemented a new Executive Stock Ownership Program which increased ownership multiples, added retention requirements, and eliminated premium shares;
- Implemented a new clawback policy, which enables the Company to recover incentive-based compensation in the event of an accounting restatement due to material non-compliance with financial reporting requirements, as well as intentional misconduct;
- Implemented certain revisions to our Executive Severance Agreement template for 2014 and going forward, including, but not limited to: (i) reducing the duration of the agreement period post-Change in Control ("CIC"); (ii) modifications to the definition of CIC; (iii) reducing the duration of the post-CIC period and (iv) inclusion of the Company's ability to recoup incentive pay under the Company's clawback policy;
- Amended the Executive Severance Agreement to exclude pro-rata bonus from the calculation of any pension/retirement benefit; and
- Used a new peer group with Navistar at the median based on revenue and enterprise value and applied statistical regression based on revenue to benchmark executive compensation.

Looking Forward: Pay for Performance

The Company experienced net losses in 2012 through 2014. These operating results were a result of a number of factors, including but not limited to, expenses related to new engine launches, a continuing decrease in our military business, lower than anticipated market share in our North American truck markets, and warranty expenses. As such, no AI awards were paid under the 2012 and 2014 AI plans; however, a small award was paid under the 2013 AI plan primarily for meeting certain product targets and cost reduction goals.

With respect to LTI, the 2012 LTI plan values decreased with a lower stock price and the 2013 and 2014 LTI plans were overhauled to be 100% performance-based. Based on Company performance and the strategic plan:

- The 2013 LTI performance targets were met for 50% of the grant and are not likely to be met for the other 50%.
- The 2014 LTI performance targets are out of reach for 50% of the grant and very challenging for the other 50%.

We continue to align pay with performance throughout the organization by:

- Aligning base pay with individual performance. While our NEOs did not receive base pay adjustments due to Company performance, merit increases for other employees were based on individual performance.
- Continuing to have 100% performance-based LTI awards, with grant sizes adjusted on the basis of not only past performance of the individual, but their long-term potential in the organization.
- Aligning AI with key company performance targets. We continue to emphasize "One Navistar" in favor of individual performance adjustments. However, distinguished performance may be recognized at the individual level.

Detailed Review of Executive Compensation

Compensation Philosophy and Objectives

We believe the compensation of our executives should be closely tied to the performance and growth of the Company, so that their interests are aligned with the long-term interests of our stockholders. Consistent with this philosophy, the following guiding principles provide a framework for the Company's executive compensation program:

- 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 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.

The Company actively engages stockholders in say-on-pay discussions. Two of the largest stockholders are represented on the Board as well as the Compensation Committee. Other stockholder opinions are solicited in discussions throughout the year and the Company continues to align pay with performance throughout the organization based on best practices.

Compensation Consultant

The Compensation Committee engages the services of an independent compensation advisor to assist with decisions regarding executive compensation plans and programs. The independent compensation advisor reports solely to the Compensation Committee. During 2014, the Compensation Committee used Frederic W. Cook and Company, Inc. ("Cook and Co.") to render the following services:

- Attend committee meetings at the request of the Compensation Committee;
- Advise the Compensation Committee on market trends, regulatory issues and developments and how they may impact our executive compensation programs;
- Review the compensation strategy and executive compensation programs for alignment with our strategic business objectives;
- Advise on the design of executive compensation programs to ensure the linkage between pay and performance;
- Provide market data analyses to the Company;
- Advise the Compensation Committee and the Board on setting the Chairman and CEO pay;
- Review the annual compensation of the other NEOs as recommended by the CEO; and
- Perform such other activities as requested by the Compensation Committee.

The Compensation Committee has the sole authority to approve the terms of Cook & Co.'s engagement. Cook & Co. did not provide any services to the Company other than executive compensation consulting services during 2014.

In compliance with SEC and NYSE requirements regarding the independence of compensation consultants, Cook & Co. provided the Compensation Committee information regarding any personal, financial, or business relationships between Cook & Co. and the Company, its management or the members of the Compensation Committee that could impair its independence or present a conflict of interest. Based on its review of this information, the Compensation Committee determined that there were no relationships that impair the independence or create a material conflict of interest between the Company and Cook & Co. and the partners, consultants, and employees who service the Compensation Committee on executive compensation matters and governance issues.

Chief Executive Officer Compensation

Mr. Troy A. Clarke was named as the President and CEO in April 2013. The Board, with the assistance of the independent compensation advisor, reviewed CEO pay levels of our peer group, as well as those of other manufacturing organizations with similar revenues. Consistent with our compensation philosophy and the market review for other company chief executive officers, the Compensation Committee targeted total compensation at the market median but believed the pay for the President and CEO should be weighted with the greatest emphasis on performance.

The overall compensation package is described below, but based on 2013 and 2014 Company performance:

- The AI was paid at 40% of target for 2013 and no payment was made for 2014; and
- The LTI awards based on performance targets of earnings before interest, taxes, depreciation, amortization, pension and other post-employment obligations ("EBITDAPO") and market share are not projected to vest.

Mr. Clarke's compensation is specifically structured to focus on performance over the longer term as part of the turnaround strategy. Mr. Clarke’s compensation package was negotiated with significant input from our stockholder-nominated directors.

- At the time of Mr. Clarke's appointment from Chief Operating Officer ("COO") to CEO, he was awarded a significant equity grant of stock options in lieu of future grants under the Company's 2014, 2015, and 2016 LTI plan; however, half of the options granted are subject to a 125% premium exercise price and/or EBITDAPO and market share goals. The time vesting stock options are scheduled to vest at the rate of 33-1/3% on each of the first three anniversaries, and performance vesting stock options vest as the performance goals pre-established by the Compensation Committee are satisfied.
- In general, our practice excludes the use of employment contracts. However, in connection with Mr. Clarke's appointment to President and CEO, we entered into a three-year employment and services agreement with him (the "Employment Agreement"). The following summarizes the material terms of the Employment Agreement:

Base salary of $900,000;

AI plan target of $810,000 (90% of base salary);

Stock option grant of $14,262,001 (50% time based, 50% performance based):

with a grant date value of $10,602,643 awarded in 2013 (746,665 shares)

with a grant date value of $3,659,358 awarded in 2014 (270,024 shares)

Life insurance equal to five times base salary;

Vacation equal to four weeks;

Annual flexible perquisite payment of $46,000;

Severance provisions that provide for a severance payment equal to the sum of (i) two times Mr. Clarke's base salary, (ii) the amount of his target AI award and (iii) a pro-rated portion of his AI award at the time such payments are made to the employees generally, in the event that Mr. Clarke is terminated without cause or due to constructive termination; and

Severance provisions that provide for a severance payment equal to the sum of (i) two times Mr. Clarke's base salary, (ii) the amount of his target AI award and (iii) a pro-rated portion of his AI award paid at the time of his termination, in the event that Mr. Clarke is terminated without cause or due to constructive termination within 24 months of a change-in-control of the Company (or during the 90 days preceding the date of a change-in-control).

Below is a table illustrating CEO Total Direct Compensation ("TDC") on a contractual and annualized basis.

	Contractual Terms				Annualized		
	Fiscal 2013		Fiscal 2014	Fiscal 2015	Fiscal 2013	Fiscal 2014	Fiscal 2015
Annual Base Salary[(1)]	$900,000		$900,000	$900,000	$900,000	$900,000	$900,000
Annual Incentive[(2)]	$324,000		$0	$810,000	$324,000	$0	$810,000
Long-Term Incentive / COO	$2,563,033		$0	$0	$2,563,033	$0	$0
Long-Term Incentive / CEO	$10,602,643	[(3)]	$3,659,358	$0	$4,754,000	$4,754,000	$4,754,000
Total Direct Compensation	$14,389,676		$4,559,358	$1,710,000	$8,541,033	$5,654,000	$6,464,000

(1) Assumes base salary remains constant each year.

(2) AI paid at 40% of target (target is 90% of base salary) for 2013; No AI paid for 2014; and assumes Target level for 2015.

(3) Value excludes Premium Share Units in the amount of $46,017 awarded in conjunction with the Executive Stock Ownership Program. Premium shares have been discontinued effective November 1, 2013.

External Market Compensation Review

The Compensation Committee reviews various components of our executive compensation program to ensure (i) pay opportunities are competitive with the external market, (ii) there is an appropriate link between performance and pay and (iii) the program supports our stated compensation philosophy.

In 2014 our Compensation Committee reviewed total compensation levels and mix relative to a 20-company peer group and broader industry surveys published by Aon Hewitt and Towers Watson. Survey data is statistically regressed to recognize the different sizes of the participating organizations (based on annual revenues) as compared to the size of Navistar. Please refer to Appendix A and B of this proxy statement for a list of participants in AON Hewitt’s 2014 U.S. Total Compensation Measurement ("TCM") Executive Regression and Towers Watson's 2014 CDB General Industry Executive Compensation Survey Report - U.S. Surveys.

We maintain our compensation philosophy of targeting the 50th percentile (market median), for base salary, short-term incentives, and long-term incentives. For total compensation, we consider an NEO 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 NEO's salary to a higher level.

Compensation Peer Group

For 2014, management recommended and the Compensation Committee approved a new peer group placing Navistar at the median based on revenue and enterprise value. We selected companies similar in overall size to Navistar with consideration being given to companies that meet one or more of the following criteria:

- Included in Navistar's primary Global Industry Classification Standard (GICS®) sub-industry (Construction & Farm Machinery & Heavy Trucks - 20106010);
- Midwest location;
- Names Navistar as a peer group company;
- Similar gross margins;
- Sizeable International operations; and
- Consideration of prior year's peer group.

Nine companies were removed (Danaher Corporation, Deere and Company, Eaton Corporation, General Dynamics, Genuine Parts Company, Harley Davidson, Ingersoll-Rand, PPG Industries, and Whirlpool Corporation) and seven companies were added (Borg Warner, Delphi Automotive, Joy Global, SPX, Tenneco, Terex and Visteon) for a total of 20 companies in the new peer group. The Company's market cap remains low relative to the new peer group.

Navistar's 2014 peer group consists of the following 20 companies:

Company Name	Trailing 4Q Net Revenue ($mil.)	Latest Quarter Total Assets ($mil.)	7/31/2013 Enterprise Value ($mil.)	Composite Percentile Rank
Illinois Tool Works	$16,631	$19,199	$34,753	95%
PACCAR	$16,042	$19,202	$26,222	91%
Cummins	$16,846	$13,048	$22,118	89%
Goodyear	$20,056	$17,384	$9,016	79%
Delphi	$15,451	$10,273	$18,439	72%
Parker-Hannifin	$12,999	$12,672	$16,761	72%
TRW Automtv Hldgs	$16,449	$11,453	$9,125	68%
Textron	$12,056	$12,440	$10,718	65%
Dover	$8,380	$10,349	$16,866	63%
Lear	$15,318	$8,167	$5,802	51%
Navistar	$11,761	$8,723	$6,513	51%
AGCO	$10,092	$7,992	$6,369	46%
Masco	$7,891	$7,062	$9,728	46%
BorgWarner	$7,159	$6,705	$11,338	42%
Terex	$7,149	$6,555	$4,603	25%
Joy Global	$5,494	$6,189	$6,395	23%
Oshkosh	$8,000	$4,731	$4,268	21%
SPX	$5,069	$6,805	$4,511	19%
Tenneco	$7,501	$3,939	$3,978	14%
Visteon	$6,996	$5,367	$3,060	10%
Dana Holding	$6,800	$5,174	$3,718	9%
75th Percentile	$15,599	$12,498	$16,787	
Mean	$11,119	$9,735	$11,389	
Median	$9,236	$8,079	$9,071	
25th Percentile	$7,157	$6,463	$4,580	
Navistar	57%	54%	42%	

With respect to the above table, please note as follows:

- All financial and market data are taken from Standard & Poor's Compustat Service.
- Revenue excludes non-operating income, gain on sale of securities or fixed assets, discontinued operations, excise taxes and royalty income.
- All data shown as reviewed by the Compensation Committee at the time of Peer Group approval.

Elements of Executive Compensation

Our executive compensation program consists of the following three key components, (collectively, "Total Direct Compensation" or "TDC"):

• 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 on an annual basis and adjusted based on evaluating (i) the responsibilities of their positions, (ii) the competitive market data and (iii) the performance of each executive during the year.

Based on Company performance, no base salary increases were provided to our NEOs in 2014.

- Short-term cash incentive or AI
  - We provide cash incentive to achieve Company strategic financial and non-financial goals.
  - Based on Company performance, no AI was awarded to employees in 2014, with one exception.
- Long-term equity incentives or LTI
  - We provide long-term equity incentives to our executives to align management's interests with the those of our stockholders.
  - 2014 LTI awards were adjusted for each executive based upon an evaluation of both individual performance as well as the individual's potential contribution to the organization.
  - Based on Company performance in 2014 and the strategic plan, the 2014 LTI performance targets are not likely to be met for 50% of the grant and very challenging the other 50%.

Additional components of TDC include retirement benefits, perquisites, and other benefits. We also maintain stock ownership guidelines for our executives, including our NEOs.

Goal Setting For Incentive Plans

On an annual basis, the Board reviews and approves a multi-year strategic plan developed and presented by the management team. Based on that plan, an operating plan is developed for the subsequent year and reviewed by the Board. The Compensation Committee approves the AI plan targets on the basis of the annual operating plan, and the LTI plan targets on the basis of the strategic plan.

The operating plan is based upon returning the Company to profitability and competitiveness with the market, and the strategic plan incorporates growth targets.

Pay Mix

A key goal of the compensation philosophy and objectives, is the alignment of the pay mix for our CEO and top executives compared to the market. By pursuing that alignment, we can be assured that not only are the elements appropriate, but the overall package is properly designed. Although recommendations 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.

Working with the independent compensation advisor, we have developed the charts below which illustrate the alignment of Navistar's executive pay and the external marketplace. The only small deviation is Navistar's emphasis on the long term success of the Company versus the annual performance in the CEO compensation package.

Total Direct Compensation Mix Versus Market Median Mix

The below charts present Navistar's TDC mix (excluding special grants) for the CEO and top officers relative to the market median mix, with Navistar mix on the left and competitive median mix on the right.

Summary of the Executive Salary Planning Approval Process for 2014

- The CEO reviews and approves and/or adjusts all base 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.

Consistent with pay-for-performance principles, in 2014, base salary performance increases were based upon individual employee performance. However, no base salary increases were provided to our NEOs due to Company performance in 2014. The table below summarizes the base salary for our NEO’s in 2014 as well as their previous base salary.

NEO 2014 Base Salary

NEO	Previous Base Salary		Effective Date	Base Salary as of October 31, 2014		Effective Date
Troy A. Clarke	$775,000		August 27, 2012	$900,000	(1)	April 15, 2013
Walter G. Borst	--		--	$700,000	(2)	August 1, 2013
John J. Allen	$660,000	(3)	November 1, 2012	$740,000	(4)	April 16, 2013
Steven K. Covey	$575,000		January 1, 2012	$575,000		January 1, 2012
Eric Tech	$480,000		January 1, 2012	$480,000		January 1, 2012

(1) Appointed as President and Chief Executive Officer effective April 15, 2013.

(2) Appointed as Executive Vice President and Chief Financial Officer in June 2013 but effective start date was August 1, 2013.

(3) Base salary increase effective November 1, 2012.

(4) Promoted to Executive Vice President and Chief Operating Officer effective April 16, 2013.

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 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 without the CEO being present. 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 year and base salary for the new year. The Chairman of the Compensation Committee then informs the CEO of the performance evaluation and any compensation decisions resulting from that evaluation.

In December 2014, the independent members of the Board discussed and evaluated Mr. Clarke's accomplishments as CEO. These accomplishments included:

- A successful product transition to the ISB engine;
- Rationalization of the manufacturing footprint;
- Completing a strategy reassessment, including vision, mission and values;
- Restructuring Navistar Defense;
- Achieving product differentiation through Uptime;
- Launching an industry-leading telematics solution called "OnCommand Connection;"
- Maintaining a strong cash position;
- Reducing warranty expense;
- Reducing SG&A and engineering costs; and
- Meeting all key dates related to product launches.

However, due to the overall financial performance of the Company, at the recommendation of the Compensation Committee, no AI payment was awarded to Mr. Clarke in 2014 and no base salary adjustments were made for Mr. Clarke at this time. Mr. Clarke's primary goal for 2015 is to improve the Company's financial performance. In December 2014, the Compensation Committee approved Mr. Clarke's CEO goals for 2015 which is to deliver on the Company's operating plan by increasing revenue, reducing cost, meeting cash-level targets, and improving quality. The initiatives supporting these goals include improving market share, reviewing strategic opportunities, strengthening our balance

sheet, improving dealer engagement, successful negotiations with the UAW, and focusing on the development of Navistar leadership.

Annual Incentive or AI

Navistar provides its executives with annual incentive compensation opportunity through a short-term incentive plan designed to align a significant portion of their total cash compensation with the overall financial performance of the Company. Each executive's target award is determined based on a percentage of their base pay and organization level. For 2014, Mr. Clarke's target annual incentive opportunity is 90% of base salary. For other NEOs target awards range from 65-75% of base salary.

In line with pay for performance, there was no AI payout for 2014, which follows a limited (40% of Target) payout in 2013.

The AI plan for 2014 was based on attaining financial and non-financial performance goals established and approved by the Compensation Committee.

2014 has been designated as Navistar's transformation year focused on the following objectives:

- Leading Vehicle Uptime
- Driving a Lean Enterprise
- EBITDA Margin Expansion
- Profitable Market Share

The AI plan for 2014 is 100% based on corporate financial performance. Performance is based on three metrics with the following weights:

- Total manufacturing cash (40%)
- EBITDA (40%)
- Market Share (20%)

The AI plan is authorized under our stockholder approved 2013 Performance Incentive Plan (the "2013 PIP"). The AI plan has threshold, target, and distinguished performance payout levels for executive officers, which range from 25% to 150% of target. Consolidated financial results between performance levels are interpolated on a straight-line basis to determine payment amounts.

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.

The following tables show the goals and the actual results for each of the three metrics of the 2014 AI plan.

Manufacturing Cash (40%)

Goal	Annual Incentive ($)
Threshold	752M
Target	898M
Distinguished	973M
Actual Results	509M

EBITDA (40%)

Goal	Annual Incentive ($)
Threshold	605M
Target	775M
Distinguished	850M
Actual Results	(21M)

Market Share (20%)	
Goal	Annual Incentive ($)
Threshold	18.00%
Target	19.60%
Distinguished	20.00%
Actual Results	15.9%

Each AI financial performance metric is independent. Eligibility for payout is based on the attainment of each individual metric.

Typically, the CEO in consultation with the Compensation Committee establishes goals for the Company including its major functions/business units. Performance relative to the goals is assessed quantitatively and qualitatively at the end of the 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.

2014 Annual Incentive Target Award Percentages and Amount Earned

Navistar did not meet the 2014 AI plan targets for any of the performance goals as shown in the table above. With one exception, consistent with pay-for-performance principles, no AI awards were paid to employees for 2014 as shown below.

Named Executive Officer	Target as a $ or % of Base Salary		2014 AI Amount Earned
Troy A. Clarke	90	%	$—
Walter G. Borst [(1)]	75	%	$525,000
John J. Allen	75	%	$—
Steven K. Covey	65	%	$—
Eric Tech	65	%	$—

(1) Per Mr. Borst's employment offer, Mr. Borst's AI plan award for 2014 is guaranteed at 100% of Target.

2015 Annual Incentive

Over the past four quarters Navistar has met external guidance targets for adjusted EBITDA. However, 2015 is a key performance year for the Company to not only meet guidance but achieve an EBITDA level consistent with positive Profit Before Tax ("PBT"). A tremendous business transformation has occurred over the past two years, and we have made great strides in positioning Navistar to be successful in the future.

Employees have enabled this change, and the challenge in building on our success is keeping the employee population engaged. To have a successful 2015, we need our employees to achieve a quick start with an emphasis on attaining higher than normal achievement levels in a traditionally low profitability Q1 and help the organization meet earnings targets in Q4. It is equally important to provide a program that continues to emphasize the "One Navistar" concept, while recognizing employee achievement across multiple parameters all of which need to be met in order for the organization to succeed.

Below is a summary of the 2015 AI performance goals and associated performance metrics:

Performance Goal	% Target Allocation
Cost - 25% Total	Materials Year-Over-Year Cost Reductions-10% Manufacturing Year-Over-Year Cost Reductions - 5% SG&A Cost Reductions - 5% Reductions in Product Development Spending - 5%
Revenue - 30% Total	Market Share Improvements - 10% Pricing Improvements - 10% Parts EBIT Improvement - 5% Global EBIT Improvement - 5%
Cash - 25%	Manufacturing Working Capital Reductions - 10% Used Truck Inventory Reductions - 10% Capital Expenditures Reductions - 5%
Quality - 20%	Reductions in Warranty Expenditures - 10% Uptime Increase - 5% First Time Quality - 5%

An annual scorecard using multiple metrics with independent performance allows flexibility for employees to see how their individual achievements contribute to the overall effort and sets up a model for an AI program that can be used in future years.

In an effort to focus the organization on a quick start and a strong finish, the AI plan also provides for an opportunity to earn an additional 25% of the target AI (12.5% in Q1 and 12.5% in Q4) for each employee. Eligibility for the Q1 and Q4 "kickers" is based upon the attainment of predetermined quarterly financial earnings goals as approved by the Compensation Committee and is not contingent upon the Company achieving a minimum EBITDA for 2015. Payment amounts for each quarter are prorated between the threshold and target levels of goal achievement. Payment for any Q1 or Q4 incentives would occur at the customary time next fiscal year assuming the prerequisite conditions for such payments have been met.

Long-Term Incentives or LTI

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

- Aligning executive and stockholder interests by tying compensation to share price appreciation;
- Building long-term stockholder value; and
- Cultivating stock ownership.

LTI awards are governed by the 2013 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.

The Compensation Committee approved LTI awards under the 2013 PIP for 2014 for eligible plan participants in March 2014. LTI awards granted to executives in 2014 were 100% performance based and included a mix of only performance-based stock options and performance share units as indicated below:

Performance Stock Options

The performance-vesting stock options with Cumulative Operating Cash Flow goals vest after three years subject to the following award payout schedule and have a seven year exercise term as shown in the table below:

2014 - 2016 Cumulative Operating Cash Flow	Percent of Stock Options Vested
Maximum ($1,147M)	100% (attained)
Target ($956)	90% (attained)
Threshold ($765)	80% (attained)
Below Threshold	—

Performance Share Units

The performance share units with Average EBITDA Margin goals cliff vest after three years subject to the following award payout schedule:

	Threshold	Target	Maximum
2014 - 2016 Average EBITDA Margin (%)	5.5%	6.9%	8.2%
Award Payout as % of Target	50%	100%	200%

As previously noted, the President and CEO will not participate in the LTI plan for 2014, 2015, and 2016. Per the terms of his Employment Agreement, he is not eligible for additional LTI plan awards for the duration of that agreement.

2014 Long-Term Incentive Awards

As noted in prior sections, a key concern identified by our stockholders during the stakeholder outreach program is the alignment between pay and performance. Based on Company performance,

- The performance stock option portion of the 2014 LTI award based on Operating Cash Flow (50% of the totals shown below for NEOs other than the CEO) is not likely to be met.
- The performance conditions for the 2013 LTI awards granted to executives, including NEOs other than the CEO are not likely to be met.
- The 2013 and 2014 LTI awards based on EBITDAPO and market share goals granted to the CEO are not likely to be met.

NEO	Performance Stock Options	Share-Settled Performance Shares (Average EBITDA Margin Goals at Target)	Targeted Economic Value
Troy A. Clarke [(1)]	270,024	—	$3,659,358
Walter G. Borst	79,201	32,773	$2,300,000
John J. Allen	60,262	24,936	$1,750,000
Steven K. Covey	27,548	11,399	$800,000
Erich Tech	27,548	11,399	$800,000

(1) In connection with Mr. Clarke's promotion to President and CEO, effective April 15, 2013, he was awarded an equity grant of stock options in lieu of future grants under the Company's 2014, 2015, and 2016 LTI plan. Half of the options granted are subject to a 125% premium exercise price and/or EBITDAPO and market share goals. The time vesting stock options are scheduled to vest at the rate of 33-1/3% on each of the first three anniversaries and performance vesting stock options vest as the performance goals pre-established by the Compensation Committee are satisfied. Mr.Clarke received a significant portion of the award in 2013 and on March 10, 2014, Mr.Clarke received the balance of his award in the amount of $3,659,358 or 270,024 shares.

Executive Benefits and Perquisites

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

NEO	Life Insurance(1)	Executive Flexible Perquisite Program(2)	Pension /Retirement/401(k) Plans(3)					Retiree Medical Benefits and Retiree Life Benefits(4)
			RPSE	MRO	RAP	SRAP	SERP	
Troy A. Clarke								
Walter G. Borst								
John J. Allen (5)								
Steven K. Covey(5)								
Eric Tech								

(1) Life Insurance. We provide our executives Company-paid life insurance equal to five times base salary.

(2) 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 November and May.

Executive Flexible Perquisite – 2014

Named Executive Officer	Annual Flexible Perquisite Payment ($)
Troy A. Clarke	46,000
Walter G. Borst	37,000
John J. Allen	37,000
Steven K. Covey	28,000
Eric Tech	28,000

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. 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.

(3) 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 IRC 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 IRC 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.

(4) Retiree Medical Benefits and Retiree Life Insurance Coverage. Certain represented and non-represented employees, including certain NEOs, are eligible for retiree medical benefits and retiree life insurance coverage as part of a 1993 court approved settlement restructuring of our postretirement health care and life insurance benefits. Non-represented employees hired on or after January 1, 1996, including

our NEOs, other than Mr. Allen and Mr. Covey, are not eligible for retiree medical benefits or retiree life insurance coverage under the 1993 settlement agreement or any other program.

(5) Effective January 1, 2014, Messrs. Allen and Covey are eligible for the SRAP. Accruals under the MRO were frozen as of December 31, 2013. Future benefits will accrue under the SRAP for these executives.

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, and effective November 1, 2013 Navistar implemented a policy prohibiting tax gross-ups for any cash or equity awards for all employees.

Executive Stock Ownership Program

Our stock ownership guidelines are designed to increase an executive's equity stake in Navistar and more closely align his or her financial interests with those of the Navistar's stockholders. At year end 2014, our stock ownership guidelines applied to 37 executives, all of whom hold the title of vice president and above.

The Compensation Committee approved a new Executive Stock Ownership Program effective November 1, 2013. Based upon a market analysis and best practice recommendations from the independent compensation advisor, the new guidelines increased stock ownership guideline multiples to six times salary for the President and CEO and three times salary for other senior executives and have the following features:

- A requirement that executives retain a certain amount of shares received pursuant to Company executive compensation programs (75% for the CEO and 50% for other executives) until the executive satisfies the stock ownership guideline multiples described above;
- A one-year holding period (75% for the CEO and 50% for other executives for one year) of shares received pursuant to Company executive compensations programs after the executive satisfies the stock ownership guideline multiples described above;
- Eliminated required time frame to fulfill stock ownership guidelines; and
- Eliminated premium shares granted as an inducement to executives to fulfilling stock ownership guidelines on an accelerated basis.

Hedging and Pledging

The Company considers it improper and inappropriate for executives to engage in short-term or speculative transactions in Company's securities. Navistar's policy on transactions in securities prohibits executives from short selling and trading in derivatives. All pledges, hedges, and margin account use must be pre-cleared through the Corporate Secretary or the General Counsel.

Recoupment (Clawback) Policy

The Company has adopted a clawback policy. Under this policy, the Company may recover incentive-based compensation from an executive officer in the event of an accounting restatement due to material non-compliance with financial reporting requirements, as well as intentional misconduct.

Employment Contracts and Executive Severance Agreements

Except for our President and CEO, Troy A. Clarke, 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 (an "ESA"), which provides for severance benefits in the event of a specified termination event such as an involuntary termination or a termination in connection with a change in control. Please refer to the Potential Payments Upon Termination or Change-in-Control section of this proxy statement for more information. A summary of Mr. Clarke'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 IRC 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 IRC limitation and has structured AI plan awards and LTI plan 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.

EXECUTIVE COMPENSATION TABLES

The table below summarizes the total compensation paid to or earned by each of our NEOs for the years ended October 31, 2014, 2013 and 2012:

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Comp ($)	Change in Pension Value & Non-Qualified Deferred Comp Earnings ($)(3)	All Other Comp ($)(4)	Total ($)
Troy A. Clarke President and Chief Executive Officer	2014	900,000		—	3,607,507	—	721,284	134,428	5,363,219
	2013 (5)	843,182	—	1,333,352 (6)	11,878,341	324,000	1,554	147,429	14,527,858
	2012	659,692	—	1,209,464 (7)	576,090	—	1,451,329	439,973	4,336,548
Walter G. Borst Executive Vice President and Chief Financial Officer	2014	700,000	425,000 (8)	1,150,005	1,134,158	525,000	991,008	117,320	5,042,491
	2013 (9)	175,000	500,000 (10)	2,949,722 (11)	1,000,001	525,000	1,439,225	1,332,006	7,920,954
John J. Allen President North America Truck and Parts	2014	740,000		875,004	862,952	—	631,159	68,271	3,177,386
	2013 (12)	703,333	—	1,906,663 (13)	892,986	222,000	—	53,271	3,778,253
	2012	588,725	—	89,910	480,940	—	1,764,838	62,368	2,986,781
Steven K. Covey Senior Vice President and General Counsel	2014	575,000		399,991	394,487	—	122,704	61,741	1,553,923
	2013	575,000	—	411,951	408,227	149,500	—	43,238	1,587,916
	2012	570,600	—	64,800	346,000	—	1,821,004	41,108	2,843,512
Eric Tech Senior Vice President, Strategy & Planning and President Global and Specialty Businesses	2014	480,000		399,991	394,487	—	180,622	70,084	1,525,184
	2013	480,000	—	411,951	408,227	124,800	4,334	85,418	1,514,730

(1) The amounts reported in this column reflect the aggregate grant date 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 may not be paid to or realized by the officer. The fair values of stock-based awards are estimated using the closing price of our stock on the grant date.

Stock-based awards settle in common stock on a one-for-one basis, or the cash equivalent of the common stock. The grant date fair values of each individual stock based award in 2014 are set forth in the 2014 Grant of Plan Based Awards table on page 48 of this proxy statement Additional information about these values is included in Note 19 to our audited financial statements included in our Form 10-K for 2014. In March 2014, we granted performance shares to our NEO's, except for Mr. Clarke, who's awards were all made in stock options and were tied to his promotion to CEO in 2013, (see footnote 2 below for more information). The performance share conditions are measured at the end of the third year following the grant date and vest as long as performance conditions and service requirements have been met. Our NEO's only earn performance shares if average earnings before interest, taxes, depreciation, and amortization over a three year performance period ("EBITDA Margin") meet certain target levels. Potential payouts range from 0% to 200% of the target values of these awards. The amounts in this table assume achievement at target level (100% payout). Assuming performance at the highest level, the aggregate grant date values of the stock awards for each of our NEO's who received a performance share award in 2014 were as follows: $2,300,009 for Mr. Borst; $1,750,008 for Mr. Allen; $799,982 for Mr. Covey; and $799,982 for Mr. Tech.

(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, 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 may not be paid to or realized by the officer. Assumptions used in the calculation of these values are included in Note 19 to our audited financial statements included in our Form 10-K for 2014. A description of stock options appears in the narrative text on page 48 of this proxy statement following the 2014 Grants of Plan-Based Awards table. All of our NEO's, except for Mr. Clarke, who received time based and performance stock option awards tied to his promotion to CEO in 2013, and which are further described below, received performance stock options in March 2014 that vest three years from the date of grant if certain cumulative operating cash flow ("OCF") performance targets, as measured on a three-year total basis, are met. The grant date fair value amounts for these awards assumed the highest level of performance condition would be met. In March 2014, Mr. Clarke received two performance stock option grants, one with an exercise price based on the market value (closing price) on the date of grant, and one based on a 25% premium to the market price on the date of grant. Mr. Clarke's March 2014 performance stock option awards were based on achieving certain EBITADPO target levels for 2014 and 2015, and targeted market share numbers for sales of certain of our trucks for 2014 and 2015. The amounts in this table assume achievement of Mr. Clarke's March 2014 performance stock option awards at target level (100% payout). Assuming performance at the highest level, the aggregate grant date value of Mr. Clarke's March 2014 performance stock option awards would be $1,417,065.

(3) This amount represents the change in the actuarial present value of the RPSE and MRO for Messrs. Allen and Covey. This amount also represents the change in actuarial present value of the SERP and interest crediting rate of 7.5% per annum compounded on a daily basis on the SRAP for Messrs. Clarke, Borst and Tech. The 7.5% is the rate used to design the SRAP as a comparable replacement for the MRO. The interest crediting rate constitutes an "above-market interest rate" under the IRC.

(4) This table reflects the following items: flexible perquisites cash allowances; Company-paid life and AD&D insurance premiums; Company contributions to the RAP and the SRAP; relocation; club membership reimbursement; taxable spouse travel; and smart phone stipends payments to the NEOs in 2014.

NEO	Flexible Perquisites	Company Paid Life and AD&D Insurance	RAP	SRAP	Relocation	Club Membership Reimbursement	Taxable Spouse Travel	Smart Phone Stipend	All Other Comp Total
Clarke	$46,000	$17,226	$25,650	$39,586	$—	$ —	$5,366	$600	$134,428
Borst	$46,250 (a)	$7,593	$30,850	$2,383	$29,644 (b)	$ —	$—	$600	$117,320
Allen	$37,000	$11,555	$16,900	$—	$—	$ —	$2,216	$600	$68,271
Covey	$28,000	$16,241	$16,900	$—	$—	$ —	$—	$600	$61,741
Tech	$28,000	$4,428	$25,311	$14,625	$—	$ (2,880)		$600	$70,084

a. Mr. Borst's 2014 flexible perquisite payment includes three months retroactive payment from his date of hire of August 1, 2013.

b. Mr. Borst's relocation expenses include travel and temporary living expenses and movement of household goods.

(5) Mr. Clarke was appointed to President and CEO effective April 15, 2013.

(6) Includes the grant date fair value of 1,263 PSUs that were issue on May 23, 2013, the fair market value of our stock on the date of grant was $36.435.

(7) 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.

(8) This amount represents Mr. Borst's cash sign-on bonus paid or earned in 2014.

(9) Mr. Borst's start date was August 1, 2013.

(10) This amount represents Mr. Borst's cash sign-on bonus paid or earned in 2013.

(11) Includes the grant date fair value of 45,074 RSUs granted on August 1, 2013, the fair market value of our stock on the date of grant was $35.22 and 10,366 PSUs that were granted on August 1, 2013, the fair market value on the

date of grant was $34.9425 per share.

(12) Mr. Allen was appointed to Executive Vice President and Chief Operating Officer effective April 16, 2013.

(13) Includes the grant date fair value of 36,914 RSUs granted on February 19, 2013. The fair market value of our stock on the date of grant was $27.24.

Grants of Plan-Based Awards Table – 2014

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 year ended October 31, 2014. Specifically the table presents the 2014 grants of AI plan awards, performance shares, stock options, and performance stock options. All stock awards and option awards were granted under the 2013 PIP.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units #	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price Of Option Awards ($/Sh)(4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
Troy A. Clarke											
AI Plan Award		202,500	810,000	1,620,000							
Stock Option	3/10/2014								135,012	35.09	1,933,372
Stock Option	3/10/2014								81,007	43.86	965,603
Stock Option	3/10/2014				13,501	27,002	54,004			35.09	386,669
Stock Option	3/10/2014				13,501	27,002	54,004			43.86	321,864
Walter G. Borst											
AI Plan Award		131,250	525,000	1,050,000							
Performance Unit	3/10/2014				16,387	32,773	65,546				1,150,005
Stock Option	3/10/2014				19,800	39,601	79,201			35.09	1,134,158
John J. Allen											
AI Plan Award		138,750	555,000	1,110,000							
Performance Unit	3/10/2014				12,468	24,936	49,872				875,004
Stock Option	3/10/2014				15,066	30,131	60,262			35.09	862,952
Steven K. Covey											
AI Plan Award		93,438	373,750	747,500							
Performance Unit	3/10/2014				5,700	11,399	22,798				399,991
Stock Option	3/10/2014				6,887	13,774	27,548			35.09	394,487
Eric Tech											

AI Plan Award		78,000	312,000	624,000							
Performance Unit	3/10/2014				5,700	11,399	22,798				399,991
Stock Option	3/10/2014				6,887	13,774	27,548			35.09	394,487

(1) These amounts are estimated amounts and represent compensation opportunity for 2014 under the AI plan, if the Compensation Committee and the Board approved an AI award in 2014. No AI award was approved in 2014. 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) Performance Stock Options and EBITDA Margin Performance Share Units. The amounts shown represent the threshold, target and maximum number of performance stock options or EBITDA Margin performance shares that we awarded in 2014 to the NEO's under our 2013 PIP as we describe more fully under the Long-Term Incentives section of this proxy statement. The EBITDA Margin performance shares will vest and be earned based upon the achievement of certain three year average EBITDA Margin performance goals for the period beginning on November 1, 2013 and ending on October 31, 2016, provided that the NEO is continuously employed at the Company through the performance period. If EBITDA Margin performance goals are met we intend to pay the awards in cash, with one performance unit representing the right to the value of one share of our Common Stock.

Performance stock options were granted on March 10, 2014 and will vest and become exercisable, if at all, based on the Company reaching OCF targets over a three-year performance period beginning on November 1, 2013 and ending on October 31, 2016, provided that the NEO is continuously employed at the Company through the performance period. If the performance conditions and service vesting requirements are met the stock options will vest on March 10, 2017 and be exercisable until March 10, 2021.

Two performance stock options were granted to Mr. Clarke on March 10, 2014 (54,004 shares with an exercise price of $35.09 per share, the closing price of our stock on the date of grant and 54,004 shares with an exercise price of $43.86 per share, a 25% premium above the closing price of our stock on the date of grant), in connection with his promotion to President and CEO. The March 10, 2014 performance stock options will vest and be earned as to 50% of the shares granted based on the achievement of certain EBITDAPO target levels for 2015, as to 25% of the shares granted based on the achievement of certain EBITDAPO target levels for 2014, and as to 25% of the shares granted based on the achievement of market share performance targets for our Class 6-8 trucks for 2014 and 2015. If Mr. Clarke's performance stock options vest they will be exercisable until March 10, 2021.

(3) Stock Options. The amounts shown represent the number of stock options granted in the year. 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.

(4) The exercise price per share is the fair market value (closing price) of Common Stock on the date of grant, except for two stock option awards granted to Mr. Clarke that were granted at a 25% premium above the closing price.

(5) The amounts shown do not reflect realized compensation by the NEOs. The amounts shown represent the value of the stock option, performance stock options and EBITDA Margin performance shares granted to the NEO's based on the grant date fair value of the awards as determined in

accordance with FASB ASC Topic 718. The EBITDA Margin performance share awards are reflected at the target payout level. If the EBITDA Margin performance share awards were reflected at maximum payout levels, the amounts in this column would be $2,300,009 for Mr. Borst, $1,750,008 for Mr. Allen, $799,982 for Mr. Covey, and $799,982 for Mr. Tech. The two performance stock options granted to Mr. Clarke on March 10, 2014 (one with an exercise price at fair market value (the closing price on the date of grant) and one with an exercise price at a 25% premium above the fair market value) are reflected at the target payout level, if these performance stock options were reflected at maximum payout levels the amounts in this column would be $773,337 for the performance options granted with an exercise price at fair market value and $643,728 for the performance options granted with an excise price set at 25% above the fair market value.

Outstanding Equity Awards at Year End 2014

The following table provides information on the holdings of stock options and stock awards by our NEOs as of the year ended October 31, 2014. The table includes unexercised and unvested stock option awards performance stock options; 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, 2014, the last trading day of the year, which was $35.37 per share. For additional information about the stock option awards and stock awards, see the description of Long-Term Incentive Compensation section of this proxy statement.

Name	Option Awards (1) (4) Number of Securities Underlying Unexercised Options (#) Exercisable	Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Stock Awards Number of Shares or Units of Stock Held that Have Not Vested (#)(2)(4)	Market Value of Shares or Units of Stock Held that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Troy A. Clarke	27,800	—	—	58.915	12/14/2017	2,248	79,512	11,100	392,607
	22,200	11,100	—	37.200	12/19/2018	41,445	1,465,910	13,300	470,421
	—	—	102,796	27.240	2/19/2020	5,493	194,287	47,259	1,671,551
	74,667	149,333	—	38.300	4/22/2020	—	—	—	—
	124,445	248,888	—	30.640	4/22/2020	—	—	—	—
	—	—	74,666	30.640	4/22/2020	—	—	—	—
	—	—	74,666	38.300	4/22/2020	—	—	—	—
	—	135,012	—	35.090	3/10/2021	—	—	—	—
	—	81,007	—	43.860	3/10/2021	—	—	—	—
	—	—	27,002	35.090	3/10/2021	—	—	—	—
	—	—	27,002	43.860	3/10/2021	—	—	—	—
Total:	249,112	625,340	306,132			49,186	1,739,709	71,659	2,534,579
Walter G. Borst	19,596	39,193		35.220	8/1/2020	6,909	244,371	28,393	1,004,260
	—	—	79,201	35.090	3/10/2021	30,049	1,062,833	32,773	1,159,181
Total:	19,596	39,193	79,201			36,958	1,307,204	61,166	2,163,441
John J. Allen	11,199	—	—	22.655	12/16/2018	3,763	133,097	11,100	392,607
	21,306	—	—	35.805	12/15/2016	36,914	1,305,648	11,100	392,607
	27,800	—	—	58.915	12/14/2017	—	—	33,081	1,170,075
	18,533	9,267	—	37.200	12/19/2018	—	—	24,936	881,986
	—	—	71,957	27.240	2/19/2020	—	—	—	—
	—	—	60,262	35.090	3/10/2021	—	—	—	—
Total:	78,838	9,267	132,219			40,677	1,438,745	80,217	2,837,275
Steven K. Covey	30,900	—	—	40.915	12/14/2014	2,534	89,628	8,000	282,960
	30,900	—	—	26.150	10/18/2015	—	—	8,000	282,960
	20,703	—	—	22.655	12/16/2018	—	—	15,123	534,901
	20,703	—	—	35.805	12/15/2016	—	—	11,399	403,183
	20,000	—	—	58.915	12/14/2017	—	—	—	—
	13,333	6,667	—	37.200	12/19/2018	—	—	—	—
	—	—	32,895	27.240	2/19/2020	—	—	—	—
	—	—	27,548	35.090	3/10/2021	—	—	—	—
Total:	136,539	6,667	60,443			2,534	89,628	42,522	1,504,004
Eric Tech	13,802	—	—	35.805	12/15/2016	2,115	74,808	8,000	282,960
	20,000	—	—	58.915	12/14/2017	—	—	8,000	282,960
	13,333	6,667	—	37.200	12/19/2018	—	—	15,123	534,901

	—	—	32,895	27.240	2/19/2020	—	—	11,399	403,183
	—	—	27,548	35.090	3/10/2021	—	—	—	—
Total:	47,135	6,667	60,443			2,115	74,808	42,522	1,504,004

(1) All stock options, other than performance stock options, became or will become exercisable under the following schedule: 1/3rd on each of the first three anniversaries of the date of grant. Performance stock options that expire on February 19, 2020 or March 10, 2021, vest on the three year anniversary of the date of grant if performance conditions have been met. The Compensation Committee has certified the performance conditions have been met in full on the performance options that expire on February 19, 2020. Mr. Clark's performance options that expire on April 22, 2020 and March 10, 2021, will vest as to 25% of the shares granted on the date we file our 2014 Annual Report on Form 10-K, if performance conditions have been met and upon certification by the Compensation Committee, and as to 75% of the shares on the date we file our 2015 Annual Report on Form 10-K, if performance conditions have been met and upon certification by the Compensation Committee. The value of Mr. Clark's performance shares that expire on April 22, 2020 and March 10, 2012 were based on achieving performance goals at target level.

(2) Amounts in this column represent RSUs, PSUs or restricted stock. In general RSUs and PSUs become vested as to 1/3rd of the shares granted on each of the first three anniversaries of the date of grant. The restricted stock grant referenced in this column was made to Mr. Clarke and

vests as to 100% of shares three years from the date of grant. Mr. Allen received a grant of RSUs that vest as to 100% of the shares on the three year anniversary of the grant.

(3) Amounts in this column represent Total Shareholder Return ("TSR") performance shares, EBITDAPO performance shares, or EBITDA Margin performance shares, which are fully vested and eligible for payout three years from the date of grant provided applicable performance goals have been achieved. The value reported for each of the performance share awards was based on achieving performance goals at target level.

(4) The vesting dates of outstanding unexercisable stock options, performance stock options and unvested restricted stock, RSUs, PSUs, TSR performance shares, EBITDAPO performance shares, and EBITDA Margin performance shares at October 31, 2014 are listed below.

Name	Type of Award	Grant Date	Number of Unexercised or Unvested Shares Remaining from Original Grant	Number of Shares Vesting and Vesting Date in 2014	Number of Shares Vesting and Vesting Date in 2015	Number of Shares Vesting and Vesting Date in 2016	Number of Shares Vesting and Vesting Date in 2017
Troy A. Clarke	Options	12/19/2011	11,100	11,100 on 12/19/2014			
	Options	2/19/2013	102,796			102,796 on 2/19/2016	
	Options	4/22/2013	248,888		124,444 on 4/22/2015	124,444 on 4/22/2016	
	Options	4/22/2013	149,333		74,666 on 4/22/2015	74,667 on 4/22/2016	
	Options	4/22/2013	55,999		55,999 on 10/31/2015		
	Options	4/22/2013	55,999		55,999 on 10/31/2015		
	Options	3/10/2014	135,012		45,004 on 3/10/2015	45,004 on 3/10/2016	45,004 on 3/10/2017
	Options	3/10/2014	81,007		27,003 on 3/10/2015	27,002 on 3/10/2016	27,002 on 3/10/2017
	Options	3/10/2014	20,251		20,251 on 10/31/2015		
	Options	3/10/2014	20,251		20,251 on 10/31/2015		
	Performance	12/19/2011	13,300	13,300 on 12/19/2014			
	Performance	2/19/2013	47,259			47,259 on 2/19/2016	
	PSUs	8/27/2012	1,406		1,406 on 8/27/2015		
	PSUs	5/23/2013	842		421 on 5/23/2015	421 on 5/23/2016	
	Restricted	8/27/2012	41,445		41,445 on 8/27/2015		
	RSUs	2/3/2014	5,493				

				1,831 on 2/3/2015	1.831 on 2/3/2016	1,831 on 2/3/2017
Walter G. Borst	Options	8/1/2013	39,193	19,597 on 8/1/2015	19,596 on 8/1/2016	
	Options	3/10/2014	79,201			79,201 on 3/10/2017
	Performance	8/1/2013	28,393		28,393 on 8/1/2016	
	Performance	3/10/2014	32,773			32,773 on 3/10/2017
	PSUs	8/1/2013	6,909	3,454 on 8/1/2015	3,455 on 8/1/2016	
	RSUs	8/1/2013	30,049	15,024 on 8/1/2015	15,025 on 8/1/2016	

Name	Type of Award	Grant Date	Number of Unexercised or Unvested Shares Remaining from Original Grant	Number of Shares Vesting and Vesting Date in 2014	Number of Shares Vesting and Vesting Date in 2015	Number of Shares Vesting and Vesting Date in 2016	Number of Shares Vesting and Vesting Date in 2017
John J. Allen	Options	12/19/2011	9,267	9,267 on 12/19/2014			
	Options	2/19/2013	71,957			71,957 on 2/19/2016	
	Options	3/10/2014	60,262				60,262 on 3/10/2017
	Performance	12/19/2011	11,100	11,100 on 12/19/2014			
	Performance	2/19/2013	33,081			33,081 on 2/19/2016	
	Performance	3/10/2014	24,936				24,936 on 3/10/2017
	RSUs	2/19/2013	36,914			36,914 on 2/19/2016	
	RSUs	2/3/2014	3,763		1,255 on 2/3/2015	1,254 on 2/3/2016	1,254 on 2/3/2017
Steven K. Covey	Options	12/19/2011	6,667	6,667 on 12/19/2014			
	Options	2/19/2013	32,895			32,895 on 2/19/2016	
	Options	3/10/2014	27,548				27,548 on 3/10/2017
	Performance	12/19/2011	8,000	8,000 on 12/19/2014			
	Performance	2/19/2013	15,123			15,123 on 2/19/2016	
	Performance	3/10/2014	11,399				11,399 on 3/10/2017
	RSUs	2/3/2014	2,534		845 on 2/3/2015	844 on 2/3/2016	845 on 2/3/2017
Eric Tech	Options	12/19/2011	6,667	6,667 on 12/19/2014			
	Options	2/19/2013	32,895			32,895 on 2/19/2016	
	Options	3/10/2014	27,548				27,548 on 3/10/2017
	Performance	12/19/2011	8,000	8,000 on 12/19/2014			

Performance	2/19/2013	15,123		15,123 on 2/19/2016	
Performance	3/10/2014	11,399			11,399 on 3/10/2017
RSUs	2/3/2014	2,115	705 on 2/3/2015	705 on 2/3/2016	705 on 2/3/2017

Option Exercises and Stock Vested Table

The following table provides information regarding stock option exercises by our NEOs during the year ended October 31, 2014, including the number of shares of Common Stock acquired upon exercise and the value realized and the number of shares acquired upon the vesting of RSUs and PSUs and the value realized by the NEO before payment of any applicable withholding tax and broker commissions based on the fair market value (or market price) of our Common Stock on the date of exercise or vesting, as applicable. The PSUs were awarded under the Company's Executive Stock Ownership Program. Upon separation of employment by our NEOs, the PSUs will be settled for a number of shares of our Common Stock on a one-for-one basis.

Name	Option Awards		Stock Awards		
	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise ($)	Number of Shares Acquired on Vesting (#)		Value Realized Upon Vesting ($)(1)
Troy A. Clarke	—	—	2,038		74,181
Walter G. Borst	—	—	18,482		635,783
John J. Allen	—	—	305		10,062
Steven K. Covey	—	—	400	29,838	15,286
Eric Tech	2,323	35,995	453		17,261

(1) The value realized upon vesting for Mr. Clarke, Mr. Allen, Mr. Covey and Mr. Tech is attributable to the portion of their respective PSUs that vested during the year ended October 31, 2014. The value realized upon vesting for Mr. Borst is attributable to a combination of share settled RSUs and PSUs that vested during the year ended October 31, 2014.

Pension Benefits – 2014

The amounts reported in the table below equal the present value of the accumulated benefit at October 31, 2014, for the NEOs under each plan based on the assumptions described below the table:

Pension Benefits Table

Named Executive Officers	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year
Troy A. Clarke				