

NAVISTAR INTERNATIONAL CORP  
Form DEF 14A  
January 24, 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.

\_\_\_\_\_ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

\_\_\_\_\_ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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

NAVISTAR INTERNATIONAL CORPORATION  
2701 NAVISTAR DRIVE  
LISLE, ILLINOIS 60532  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
MONDAY, MARCH 10, 2014  
11:00 A.M. – CENTRAL TIME

January 24, 2014  
To our stockholders:

On behalf of the Board of Directors of Navistar International Corporation you are cordially invited to attend our 2014 Annual Meeting of Stockholders, which will be held on March 10, 2014, at 11:00 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:

- 1 Elect as directors the nominees named in the accompanying proxy statement;
- 1 Ratify the appointment of our independent registered public accounting firm;
- 1 Act on an advisory vote on executive compensation as disclosed in this proxy statement;
- 1 Consider a stockholder proposal; and
- 1 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 January 24, 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 2014 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 January 10, 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 MARCH 10, 2014,  
THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT  
[HTTP://WWW.NAVISTAR.COM/NAVISTAR/INVESTORS](http://www.navistar.com/navistar/investors)

---

TABLE OF CONTENTS

<u>EXECUTIVE SUMMARY</u>	<u>2</u>
<u>FREQUENTLY ASKED QUESTIONS REGARDING ATTENDANCE AND VOTING</u>	<u>5</u>
<u>PROPOSAL 1 – ELECTION OF DIRECTORS</u>	<u>10</u>
<u>CORPORATE GOVERNANCE</u>	<u>16</u>
<u>CORPORATE GOVERNANCE GUIDELINES</u>	<u>16</u>
<u>RELATED PARTY TRANSACTIONS AND APPROVAL POLICY</u>	<u>16</u>
<u>DIRECTOR INDEPENDENCE DETERMINATIONS</u>	<u>17</u>
<u>BOARD LEADERSHIP STRUCTURE</u>	<u>18</u>
<u>RISK OVERSIGHT</u>	<u>18</u>
<u>NOMINATING DIRECTORS</u>	<u>18</u>
<u>BOARD COMMITTEES AND MEETINGS</u>	<u>20</u>
<u>COMMUNICATION WITH THE BOARD</u>	<u>21</u>
<u>CODE OF CONDUCT</u>	<u>22</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>23</u>
<u>PERSONS OWNING MORE THAN FIVE PERCENT OF NAVISTAR COMMON STOCK</u>	<u>24</u>
<u>NAVISTAR COMMON STOCK OWNED BY EXECUTIVE OFFICERS AND DIRECTORS</u>	<u>26</u>
<u>COMPENSATION</u>	<u>28</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>28</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>28</u>
<u>Executive Summary</u>	<u>29</u>
<u>Detailed Review of Executive Compensation</u>	<u>30</u>
<u>EXECUTIVE COMPENSATION TABLES</u>	<u>43</u>
<u>COMPENSATION RISK</u>	<u>62</u>
<u>COMPENSATION OF DIRECTORS</u>	<u>63</u>
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	<u>66</u>
<u>PROPOSAL 2 – RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING</u>	<u>68</u>
<u>FIRM</u>	<u>68</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEE INFORMATION</u>	<u>69</u>
<u>PROPOSAL 3 – ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>70</u>
<u>PROPOSAL 4 - STOCKHOLDER PROPOSAL</u>	<u>71</u>
<u>OTHER MATTERS</u>	<u>72</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>72</u>
<u>Availability of Form 10-K and Annual Report to Stockholders</u>	<u>72</u>
<u>Matters Raised at the Meeting not Included in this Proxy Statement</u>	<u>72</u>
<u>ADMISSION AND TICKET REQUEST PROCEDURE</u>	<u>73</u>
<u>APPENDIX A - AON HEWITT'S 2013 TCM SURVEY</u>	<u>C-1</u>

## EXECUTIVE SUMMARY

### Business Strategy

#### Our 2013 Accomplishments

During fiscal 2013, Navistar International Corporation ("we", the "Company" or "Navistar") have taken several actions that we believe will improve our performance while continuing to evaluate additional opportunities to enhance value. The entire organization remains aligned around our Drive-to-Deliver turnaround plan to address our top priorities, which are:

**Improved quality** - We moved with urgency to address quality issues in our existing product portfolio, as well as implemented new quality controls and testing systems. For example, during fiscal 2013, we logged nearly four million test miles on the International<sup>®</sup> ProStar<sup>®</sup> trucks powered by our Certified MaxxForce 13L engine (defined below).

**Hit our launches** - We achieved several milestones, which include achieving U.S. Environmental Protection Agency ("EPA") certification using an existing Selective Catalytic Reduction ("SCR") technology, 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 met our first major engine strategy milestone with the launch of certain Class 8 truck models featuring the Cummins ISX15 engine with the Cummins SCR after-treatment system in December 2012.

In April, we met another major engine strategy milestone with the receipt of EPA certification of our MaxxForce 13L Big-Bore engines incorporating the Cummins SCR after-treatment system (the "Certified MaxxForce 13L engine"). Later in that same month, we began shipping our International<sup>®</sup> ProStar<sup>®</sup> trucks powered by our Certified MaxxForce 13L engine. Also in April, we received on-board diagnostic ("OBD") certification for all current applications.

**Deliver on our 2013 plan** - We demonstrated discipline with regard to the cash of our manufacturing operations, where we met our guidance each quarter of fiscal 2013. We made tough decisions to reduce operating costs and made good progress on our benchmarking study and a Return on Invested Capital ("ROIC") evaluation initiative. We changed our leadership, which resulted in blending a combination our internal expertise with an outside perspective. Throughout fiscal 2013, we initiated various cost-reduction actions that were identified by our benchmarking study. Specifically in September 2013, we leveraged efficiencies identified through redesigning our organizational structure and began implementing new cost-reduction initiatives, including an enterprise-wide reduction-in-force, which we expect will contribute an estimated \$50 million to \$60 million of annual savings beginning in fiscal 2014.

The ROIC evaluation initiative drove the discussions to divest: (i) our interests in Mahindra Navistar Automotives Ltd. and Mahindra-Navistar Engines Private Ltd. (collectively, the "Mahindra Joint Ventures") in February, (ii) the Workhorse Custom Chassis ("WCC") business in March, (iii) substantially all of our interest in certain operations of the Monaco RV business in May, and (iv) the Bison Coach trailer manufacturing business ("Bison Coach") in October. We also entered into an agreement to sublease a portion of our manufacturing facility in Cherokee, Alabama. Additionally, we began rationalizing 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.

**Built sales momentum** - We have seen a strong response in our traditional markets as evidenced by our backlog of unfilled truck orders increase of 26% for October 31, 2013, as compared to October 31, 2012. We have seen an increase in our order share in the second half of fiscal 2013 compared to the first half of the year. We believe this momentum will continue to be fueled by offering the Cummins ISB 6.7 liter engine (the "Cummins ISB") in our International<sup>®</sup> DuraStar<sup>®</sup> medium-duty trucks and IC Bus<sup>™</sup> CE Series school buses. Initial production of DuraStar<sup>®</sup> and CE Series school buses, incorporating the Cummins ISB, is expected to begin during our first quarter of fiscal 2014.

### Our Expectations Going Forward

We believe we are well-positioned to build upon our fiscal 2013 accomplishments and take them to the next level through the following efforts:

**Lead in vehicle uptime** - Quality remains at the forefront of our customer-focused approach. We believe our quality will continue to improve and our trucks will be market leaders in uptime and fuel economy with the lowest cost of ownership. Going forward, we believe we are building the best trucks in our Company's 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, eliminating waste, and addressing the opportunities identified by our benchmarking study, we expect to lower manufacturing costs, increase capacity utilization and productivity, and a lower cost structure. We also expect to continue to enhance our liquidity profit and meet the needs of our financial obligations. 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 began in fiscal 2013 to continue with new and improved products, volume growth, and effective pricing. We intend to move steadily closer to having a full-product portfolio with SCR technology. We expect to continue to enhance our product differentiation 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 realigned our leadership and management structure around functional expertise. We believe this realignment will result in better execution of our strategies by facilitating faster decision making, driving greater accountability and transparency, creating better alignment towards common objectives, and reducing our operating costs.

In March 2013, our Board of Directors (the "Board") appointed Troy A. Clarke as President and Chief Executive Officer ("CEO") of the Company and as a member of the Board, effective April 15, 2013. Mr. Clarke, previously served as the Company's President and Chief Operating Officer. At the same effective date, Lewis B. Campbell, who had served as Executive Chairman and Interim CEO since August 2012, stepped down from those positions and from the Board.

The Company made several other management changes during fiscal 2013:

In June, Walter G. Borst was appointed as the Company's as Executive Vice President and Chief Financial Officer ("CFO"), succeeding Andrew J. (A. J.) Cederoth.

In April, Jack Allen was named President and Chief Operating Officer. He had previously been President of North America Truck and Parts.

In May, Bill Kozak was hired as the new President of North America Truck and Parts and Bill Osborne was named the new Vice President, Global Manufacturing and Quality.

In August, Terry Kline was hired as the new Chief Information Officer.

### Board of Director Changes

During fiscal 2013, our Board underwent several changes due, in part, to the retirement of Diane H. Gulyas and John C. Pope, and amendments to agreements (the "Settlement Agreement Amendments") relating to the composition of our Board entered into with two of our largest stockholders, Carl C. Icahn and several entities controlled by him (collectively, the "Icahn Group") and Mark H. Rachesky, MD and several entities controlled by him (collectively, the "MHR Group"). On December 10, 2012, Mr. Samuel J. Merksamer was appointed as the mutually agreed upon representative of both the Icahn Group and the MHR Group to replace Ms. Gulyas. Pursuant to the Settlement Agreement Amendments, 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 our 2014 Annual Meeting of Stockholders (the "Annual Meeting"). The Icahn Group's nominees are Mr. Vincent J. Intrieri and Mr. Samuel J. Merksamer. The MHR Group nominees are Dr. Mark H. Rachesky and Mr. Michael Sirignano.

#### Corporate Governance

During fiscal 2013, we strove to maintain effective governance practices and policies, and to solicit and consider input from our stockholders. Beginning with the Annual Meeting, the Board will be completely declassified and all directors will be subject to annual election to one-year terms. In April, with the appointment of Mr. Clarke as our new 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, 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.

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 ours and the NYSE rules.
- ♣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 to any employees.
- ♣We have "double trigger" change in control benefits.
- ♣Our NEOs and directors are subject to stock ownership guidelines and stock retention requirements.
- ♣We impose restrictions on short selling, trading in derivatives, pledges, hedges and margin account use by our executives and directors.

#### Compensation Policies

During fiscal 2013, members of our Board and management spoke with several of our large stockholders and with proxy advisors Institutional Shareholder Services ("ISS") and Glass Lewis to discuss our compensation policies, among other matters. In response to stockholder feedback, we made significant changes to our executive compensation policies in fiscal 2013. For a summary of our commitment to best practices in executive compensation and changes made in fiscal 2013, please see the Executive Summary section of the Compensation, Discussion and Analysis section of this proxy statement. Highlights of these changes include the following:

- ♣We engaged the services of a new executive compensation consultant.
- ♣We approved changes to our Annual Incentive Plan to support our turnaround strategy.
- ♣We limited future long-term incentive awards to executives to performance-based equity instruments.
- ♣We structured our CEO's pay to provide an upfront equity grant in lieu of long-term incentive payments.
- ♣We approved a new peer group.
- ♣We approved new stock ownership and retention requirements for our senior management team.
- ♣We adopted a clawback policy.

For a more detailed summary of our commitment to best practices in executive compensation and changes made in fiscal 2013, please see Executive Summary section of the Compensation, Discussion and Analysis section of this proxy statement.

## 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 U.S. Securities and Exchange Commission ("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 2014 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 - acting on a stockholder proposal, and (v) any other matters properly brought before the Annual Meeting. In addition, management may report on the performance of the Company and respond to appropriate questions from stockholders.

Q: How does the Board recommend that I vote?

A. The Board recommends that you vote:

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

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

FOR the approval of the advisory vote on executive compensation (Proposal 3); and

- NO RECOMMENDATION with respect to the stockholder proposal (Proposal 4).

Q: Who can attend the Annual Meeting?

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

Stockholders of record on January 10, 2014;

An authorized proxy holder of a stockholder of record on January 10, 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 Navistar common stock ("Common Stock") is reflected directly on the books and records of our transfer agent, Computershare Investor



Services (the “Transfer Agent”). If you hold Common Stock through a bank, broker or other intermediary, you hold your shares in “street name” and are not a stockholder of record. For shares held in street name, the stockholder of record of the shares is your bank, broker or other intermediary. Navistar only has access to ownership records for stockholders of record. So, if you are not a stockholder of record, for the purpose of requesting an admission ticket to attend the Annual Meeting, you must present us with additional documentation to evidence your stock ownership as of the record date,

such as, a copy of your brokerage account statement, a letter from your broker, bank or other nominee or a copy of your voting instruction card.

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

A: The Board has set January 10, 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 January 10, 2014, there were approximately 81,242,023 shares of Common Stock outstanding. If you hold shares of our Common Stock as a participant in any of the Company's 401(k) or retirement savings plans, your proxy card will represent the number of shares of Common Stock allocated to your account under the plan and will serve as a direction to the plan's trustee as to how the shares in your account are to be voted.

A list of all registered stockholders will be available for examination by stockholders during normal business hours at 2701 Navistar Drive, Lisle, Illinois 60532 at least ten (10) days prior to the Annual Meeting and will also be available for examination at the Annual Meeting.

Q: How do I vote?

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

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

by Internet – stockholders may access the Internet at [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions on the proxy card or in the Notice.

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 March 9, 2014 or (iv) attending the Annual Meeting and voting in person. For all methods of voting, the last vote properly cast will supersede all previous votes.

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

Q: Is my vote confidential?

A: Yes. Proxy cards, ballots and voting tabulations that identify stockholders are kept confidential. There are exceptions for contested proxy solicitations or when necessary to meet legal requirements. Broadridge Financial Solutions, Inc., the independent proxy tabulator appointed by Navistar for the Annual Meeting, will count the votes and act as the inspector of elections for the Annual Meeting.

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

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

For holders in street name: If your shares are held in street name, under certain circumstances, your shares may be voted even if you do not provide the bank or brokerage firm with voting instructions. Under New York Stock Exchange ("NYSE") rules, your broker may vote shares held in street name on certain "routine" matters without your instruction. NYSE rules considers the ratification of the appointment of KPMG as our independent registered public

accounting

6

---

firm (Proposal 2) to be a routine matter. As a result, your broker is permitted to vote your shares on that matter at its discretion without instruction from you.

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 a stockholder proposal (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?