

	Price to Public ⁽¹⁾	Underwriting Discount ⁽²⁾	Proceeds to Company ⁽¹⁾⁽³⁾
Per % Senior Notes due 2011	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest, if any, from _____, 2004.

(2) The company has agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(3) Before deducting expenses payable by the company estimated at \$500,000.

The notes will not be listed on any securities exchange. Currently there is no public market for the notes.

We expect that delivery of the notes will be made to investors through the facilities of The Depository Trust Company on or about _____, 2004.

Joint Book-Running Managers

JPMorgan

Credit Suisse First Boston

Banc of America Securities LLC
BNY Capital Markets, Inc.

 , 2004

Citigroup
RBC Capital Markets
Scotia Capital

In making your investment decision, you should rely only on the information contained in this prospectus supplement and the accompanying prospectus dated April 6, 2004. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in the prospectus supplement and incorporated by reference herein is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this prospectus supplement nor any sale made hereunder shall under any circumstance imply that the information herein or the information incorporated by reference herein is correct as of any date subsequent to the date on the cover of this prospectus supplement.

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About this prospectus supplement

This prospectus supplement contains the terms of this offering and should be read in conjunction with the accompanying prospectus dated April 6, 2004, that forms part of the

Registration Statement on Form S-3 originally filed with the SEC on February 19, 2004. This prospectus supplement and any information incorporated by reference herein or in the accompanying prospectus may add, update or change information in the accompanying prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein or therein, in making your investment decision. You should also read and consider the information in the documents we have referred you to in the section entitled "Where you can find additional information."

Summary

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus supplement. The fiscal year of Navistar ends on October 31. Fiscal years are identified in this prospectus supplement according to the calendar year in which they end. For example, the fiscal year ended October 31, 2003 is referred to as "fiscal 2003."

Unless the context indicates otherwise, as used in this prospectus supplement: (i) "company," "us," "we," "our" and "Navistar" refer to Navistar International Corporation and its consolidated subsidiaries and their respective predecessors; (ii) "International" refers to International Truck and Engine Corporation, our principal operating subsidiary; (iii) "NIC" refers to Navistar International Corporation, exclusive of our subsidiaries; (iv) "NFC" refers to Navistar Financial Corporation, a wholly owned subsidiary of International, which together with NIC's three Mexican subsidiaries that provide financial services to its dealers and customers in Mexico, comprise our financial services operations; (v) "mid-range diesel engines" refers to 160-325 horsepower diesel fuel-powered engines; (vi) "North America" refers to the United States and Canada and (vii) "OEMs" refers to original equipment manufacturers.

Our company

We are a leading manufacturer and distributor of a full line of diesel-powered medium and heavy trucks, school buses and parts and services sold under the International® truck brand and IC bus lines. We sell truck products to the common carrier, private carrier, government/service, leasing, construction, energy/petroleum and student transportation markets. We are also the leading supplier of mid-range diesel engines in the 160-325 horsepower range. Diesel engines are sold under the International® brand as well as produced for other OEMs in the United States, Mexico and Brazil, principally Ford. We are the exclusive supplier of 6.0L electronically controlled diesel engines to Ford through the year 2012 for use in all of Ford's diesel-powered super-duty pick-up trucks and vans over 8,500 gross vehicle weight, or GVW, in North America.

We market our truck products, parts and services through the industry's largest dealer network in North America, specializing in medium and heavy trucks and school buses. As of October 31, 2003, our dealer network was comprised of 843 locations in North America. In addition, as of October 31, 2003, we had 70 dealer locations in Mexico and 80 dealer locations in 70 other countries. Our dealer network offers a comprehensive range of service, financing and other support functions to our customers. We also operate seven North American regional parts distribution centers that provide 24-hour availability and shipment with a 98% order fill rate of our truck and engine parts. We provide certain financial services to our customers and dealers through our financial services operations.

Our financial services operations are conducted through NFC and NIC's three Mexican finance subsidiaries. NFC is a commercial financing organization that provides wholesale, retail and lease financing for sales of new and used trucks sold to dealers and retail customers in the United States. NFC also finances our wholesale accounts and selected retail accounts receivable. NIC's three Mexican finance subsidiaries provide wholesale, retail and lease financing for sales of new and used trucks sold to dealers and retail customers in Mexico. The financial services operations also finance sales of new and used products of other

manufacturers, regardless of whether those products are designed or customarily sold for use with International's truck products.

Demand for our truck and mid-range diesel engine products is cyclical and depends in part on the business environment, particularly the industrial sector. Levels of freight tonnage hauled, which track the primary end use for our truck products, are driven in large part by demand in the industrial sector. Our first quarter of fiscal 2004 was our best first fiscal quarter since fiscal 2000 in terms of net revenues and profitability. In our first quarter, truck industry volume was higher than we anticipated and, at this point, overall truck demand appears stronger than it did in 2003. We currently project the North American Class 8 heavy truck (including severe service vehicles) demand in fiscal 2004 to be 208,000 units, up 31% from 2003. We currently project Class 6 and 7 medium truck demand, excluding school buses, to be at 93,000 units, which is 24% higher than 2003.

Set forth below is certain information regarding our principal product lines based upon our results for fiscal 2003:

Product Line Description	Fiscal 2003 Revenues (in millions)	% of Fiscal 2003 Mfg. Revenues	Fiscal 2003 Unit Deliveries⁽¹⁾	Estimated Market Share⁽²⁾	Typical End-Use/User
Medium Trucks (Class 6-7)	\$ 1,357	19.3%	31,401	42.0%	Local and regional delivery/beverage, refrigeration, utilities, towing, municipalities and emergency rescue
Heavy Trucks (Class 8)	1,162	16.5%	16,135	13.9%	Long-haul, local and regional delivery/fleets and owner operators
School Buses	967	13.8%	18,217	62.4%	School districts
Severe Service Vehicles	696	9.9%	9,976	23.2%	Construction, waste management and other on-off highway applications
Total Trucks	\$ 4,182	59.5%	75,729	27.9%	
Mid-Range Diesel Engines	\$ 1,774	25.2%	332,428	NA	Ford and other OEMs
Service Parts	\$ 1,077	15.3%	NA	NA	All end-users listed in this table

(1) Reflects North American retail unit deliveries of trucks, school buses and severe service vehicles and OEM deliveries of engines.

(2) Combined North American markets for fiscal 2003.

Completion of Five Point Plan and current strategic focus

We have completed a comprehensive, strategic investment and product development program, which we refer to as our Five Point Plan. From 1997 to 2002, we made significant investments,

including \$1,390 million of research and development and \$2,013 million of capital investments, much of which related to our Five Point Plan. These investments have substantially transformed our company by allowing us to upgrade our product line and improve our cost structure. We believe that these actions have enhanced our business and financial profile and improved our position in the marketplace. The goals and results to date of our Five Point Plan are:

Developed a new line of high performance truck and engine products to replace our maturing product offerings. We have developed and substantially completed the launch of a full line of new, high performance trucks, which we refer to as our HPV line. These technologically advanced trucks offer enhanced value to our customers over the entire life of the product, which we refer to as lifecycle value, allowing us to command premium pricing versus competitive products. In 2002, we launched new V-8 engines under the International® and Ford's PowerStroke® brands. We recently introduced our new 2004 emissions standards compliant I-6 engine, which will be used in International trucks and buses. We believe our investment has resulted in the most cost-efficient, productive, reliable and environmentally sound mid-range diesel engines available today.

Reduced product complexity. We have reduced the complexity of our products, which has improved our manufacturing efficiency, purchasing leverage and product reliability. This has also resulted in an improved cost structure by utilizing simpler, more uniform platforms across a greater number of models. We believe this has enhanced the lifecycle value to our customers by providing them with more reliable components and vehicles that are easier to maintain.

Improved cost structure. We have improved our labor and overhead costs, providing more flexibility in our manufacturing processes and improving our competitive position. We have improved our variable cost structure through increased overtime flexibility and a number of other initiatives that have reduced administrative and selling expenses. In 2002, we signed a new five-year UAW collective bargaining agreement resulting in enhanced productivity, a more cost-effective benefits package and new hire wage rates in line with industry competitors.

Focused manufacturing facilities. We have reorganized our manufacturing operations to utilize more focused manufacturing facilities. This strategy shifted the manufacture of high-volume truck models to larger facilities to better leverage our overhead, while more complex, customized trucks are manufactured in lower-cost, more flexible manufacturing facilities. This initiative has improved truck manufacturing efficiency, quality and cost and has reduced the average hours per unit of manufacturing between 20% to 30% and reduced the average cost per hour between 30% to 40%.

Expanded presence in Mexico. We have taken a number of initiatives to expand our presence in the Mexican truck market, where our market share increased to approximately 27% in 2003 as compared to approximately 5% in 1996. Our truck strategy is further enhanced through our Mexico-based Blue Diamond Truck joint venture with Ford, which began production in December 2002. This joint venture

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enables us to combine International's and Ford's medium truck volumes in North America and Mexico to leverage development, purchasing and manufacturing costs.

Our current strategic focus builds upon the foundation created with the completion of the Five Point Plan. We believe that we have significant new opportunities to increase revenue. In addition, we believe we can continue to improve our cost structure and product quality relative to our competition to further enhance the recent improvements achieved through the completion of the Five Point Plan. Specifically, our strategic focus in the next few years is as follows:

Increase revenue: We are committed to growth incremental to the recovery in the North American truck market. We believe there are opportunities for expansion and extension of our traditional truck and engine product offerings in both new and existing markets, and there are also opportunities for increased growth within our parts and financial services operations. Our current growth initiatives include:

Military opportunities: We are currently exploring several opportunities to provide vehicles, engines and service parts to the U.S. and Allied Military. These opportunities include providing both combat and non-combat vehicles as well as V-6 engines.

Service parts growth: We believe that we can increase the growth rate of service parts revenue through increased dealer participation, increased national account services and increased all-makes product offerings. These strategies contributed to a 11.3% growth rate of service parts revenue for fiscal 2003 as compared to fiscal 2002. Going forward, we believe our growth rate of service parts revenue will continue to exceed the historical 5% compound annual growth rate and approach our 2003 growth rate.

Light duty diesel expansion: The under 8,500 lbs. GVW North American pick-up truck market has never had a diesel engine offering. We believe significant opportunities exist for engine growth in this segment, especially with a growing consumer acceptance of diesel fuel due to its improved sociability characteristics (noise, vibration, harshness, exhaust smoke and emissions) and its inherent performance superiority over gasoline engines. Our 4.5L V-6 diesel engine will be introduced in early 2005 with our new Class 4-5 low cab forward (LCF) vehicle. This engine was designed for light-duty applications and we believe the performance and acceptance of these new engines will drive increased demand for our diesel engine into the under 8,500 lbs. GVW market.

Set the standard for product quality in the industry: We believe there is significant opportunity to differentiate ourselves in the marketplace through an improvement in quality relative to our competition. Over the next several years, we will focus on the development and execution of manufacturing, engineering, and quality system enhancements that we believe will result in long-term benefits to the company, including increased resale value, improved customer satisfaction, reduced costs and improved market share.

Reduce costs faster than the competition: We have outlined very aggressive cost improvement targets over the next several years which we believe, based on current

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estimates, will result in a net reduction of approximately \$500 million, or \$4,200 per vehicle produced, by 2006 as compared to 2002. We believe additional reductions are possible beyond 2006. These targets include improvements in purchasing and logistics, manufacturing, engineering design and warranty. By the end of 2004, we expect to achieve or surpass a cost reduction target of approximately \$2,700 per vehicle. This cost reduction target includes the realization of the benefits provided through the Five Point Plan as well as additional cost reduction opportunities.

Competitive strengths

Strong market positions in truck products. We are a leading manufacturer of Class 5-8 trucks and school buses. In fiscal 2003, our combined market share in the North American Class 5-8 truck market was approximately 26.2%. We are the leading manufacturer of Class 6-7 medium trucks and school bus chassis in North America, with an estimated fiscal 2003 market share of 42.0% for Class 6-7 medium trucks and 62.4% in school bus chassis. Beginning in 1999, we invested significantly in repositioning our truck product brand, resulting in what we believe is one of the strongest brands in the industry. The introduction of our HPV medium trucks, with enhanced product quality, lifecycle value and brand strength, has driven market share for Class 6-7 trucks from 40.5% in 2000 to 42.0% in 2003. Our new integrated bus strategy has allowed us to maintain our market share of approximately 62.4% in bus chassis while improving our market share in bus bodies from approximately 14.8% in 1995 to approximately 41.4% in 2003.

Leading global supplier of mid-range diesel engines. We are the leading global supplier of mid-range diesel engines, shipping approximately 396,000 engines in fiscal 2003. As a result of our significant engine volumes, we have achieved economies of scale which we believe give us a competitive advantage. We have maintained technological leadership and have rapidly developed and deployed new technology to reduce emissions and meet changing regulatory requirements. We believe our diesel engine technology represents the most cost effective solution to our customers in terms of fuel economy, horsepower, torque and emissions. We also have an exclusive supply agreement with Ford to produce mid-range V-8 diesel engines for use in its 8,500 to 12,500 lbs. GVW pick-up trucks, vans and sport-utility vehicles, or SUVs, for sale in North America through 2012. Our strong engine products, including Ford's PowerStroke brand, are recognized throughout the industry and by Ford's customers as premium, high-performance products. Of the approximately two million PowerStroke engines we manufactured since 1994, 99% are still in operation today. This proven reliability has helped us to achieve a market share of 50% of these diesel engines in fiscal 2003. Our strong brand recognition, our long-standing Tier I Supplier relationship with Ford and our diesel engine technology leadership allow us to maintain our leading position in mid-range diesel engines.

Improved, more flexible cost structure. We have improved and continue to improve our cost structure by reducing both fixed and variable costs. As a part of our Five Point Plan, we have re-aligned our manufacturing facilities and processes to increase flexibility and efficiency. We are currently finalizing agreements with the Government of Canada and the Province of Ontario to provide us with investment and financial support sufficient to meet our financial requirements and conditions to keep our Chatham facility open. In addition, we have closed both a manufacturing line and the body plant at our Springfield facility, and we have streamlined our manufacturing process through increased modularization and automation. In 2002, we signed a new five-year collective bargaining agreement with the UAW that provides

for lower wages and benefits for new hires, more flexible overtime, healthcare cost sharing with employees, a reduction in future pension expenses and reduced costs associated with layoffs. As a result of these actions, we believe we will be better positioned to maintain profitability through future downturns in the cyclical truck business and to increase profitability at the peak of this cycle.

Large installed customer base and leading parts program. As a result of both our strong market positions and the industry's largest dealer network, we have a substantial installed base of truck and engine products that provides us and our dealers with profitable, stable revenues from the sale of truck and engine parts. We believe that there are over 1.6 million International® trucks and over 3.8 million of our mid-range diesel engines in operation throughout the world. Our dealer network has access to our parts database, through which they can order parts for our products and for those of our competitors with a 98% order fill rate. Beginning in 2001, our Blue Diamond Parts joint venture with Ford has provided us with another channel for part sales growth. This joint venture will have the opportunity to sell parts for our diesel engines sold to Ford in North America and parts associated with trucks produced by the Blue Diamond Truck joint venture. Revenues from truck and engine parts have grown at a 6.09% compound annual growth rate, from \$530 million in fiscal 1991 to \$1,077 million for fiscal 2003. We are committed to growing our parts distribution business to increase these profitable and stable revenues, which helps to mitigate the impacts of the cyclicity of our truck sales.

Business strategy

Truck strategy

Organic growth through High Performance Vehicle (HPV) platform. In February 2001, we successfully initiated the introduction of our HPV line. Since that time, we have substantially completed the launch of an entire line of new school buses, high performance medium trucks, severe service vehicles and regional-haul heavy trucks. We position our truck products versus our competitors' on a lifecycle value basis. We are continuously improving the lifecycle value of our products through new innovations. These innovations are expected to result in lower vehicle operating costs, as well as lower repair, maintenance and unplanned downtime costs. Since the introduction of the medium high performance truck, our lifecycle value proposition has improved our market share in the Class 6-7 truck market from 40.5% in 2000 to 42.0% in 2003 and has enabled us to maintain premium pricing despite low industry volumes. Furthermore, fleet leasing customers, which have historically represented an important portion of our customer base, have historically not been large purchasers of trucks during economic downturns. We expect that as these customers begin to purchase fleet vehicles in a growing economy, our market share will further improve. The commonality of design throughout the product line from Class 6 to Class 8 provides us with significant purchasing, engineering and manufacturing scale. It is our intention to continue to leverage this scale through the introduction of new products, including a new Line Haul, Class 8 vehicle, which is scheduled for introduction in late 2007.

Improve manufacturing efficiency and cost structure. As a part of our Five Point Plan, we have focused our manufacturing facilities and simplified product designs resulting in improved efficiency and lower costs. We believe significant investments in truck manufacturing, including a new intelligent body assembly system for medium truck cabs, will greatly reduce labor cost

and improve product quality. We have already reduced labor hours per unit through manufacturing efficiencies in our HPV line by approximately 20% to 30% as compared to our previous models. Our focus on streamlining our supply chain to attain greater purchasing leverage is expected to result in significant savings, which we expect to increase as volumes recover. Supplier partnerships have been a key factor in reducing product complexity, improving quality and enhancing customer value.

Leverage Blue Diamond truck production. In September 2001, we formed the Blue Diamond Truck joint venture with Ford to produce Class 3-7 commercial vehicles. The first Blue Diamond truck, a Class 6-7 medium truck, began production in December 2002. Through this joint venture, we are capitalizing on Ford's and Navistar's combined medium truck volumes to generate manufacturing efficiencies and economies of scale. Additionally, we expect to launch production of the Class 4-5 LCF vehicle in early 2005 and the Class 3 in mid-2007, which represents a new opportunity in a 30,000 to 40,000 unit per year market. We are also currently exploring other initiatives through the Blue Diamond Truck joint venture.

Capitalize on dealer network. We have the industry's largest dealer network in North America, consisting of 843 dealer locations as of October 31, 2003, which is a key competitive advantage over other truck and school bus manufacturers. We believe that our dealer network as a whole more effectively penetrates the customer base, provides a greater number of value-added services and has better parts availability when compared to our competitors. We continue to strengthen our dealer network by implementing programs designed to train and incentivize dealers to upgrade their facilities and increase their service capabilities. Since 1998, we have worked closely with our dealers to help them achieve our Diamond Standard to deliver a "best in class" image, facility quality, operating and financial performance. We believe that our dealer network is an important part of our truck strategy, driving both new and used unit sales and recurring service and parts revenue.

Engine strategy

Enhance diesel engine technology leadership. We are an industry leader in diesel engine technology and believe we have an established reputation of meeting and exceeding quality and emissions requirements of our customers and government regulatory agencies, respectively. In March 2002, we launched the new VT 365 V-8 diesel engine for use in our medium trucks. This engine features key technological advances, including four valves per cylinder, an advanced fuel system, cooled exhaust gas recirculation system and advanced turbochargers. In November 2002, we launched our new 6.0L PowerStroke V-8 turbo engine for use in Ford's F-Series Super Duty pick-up trucks. In 2004, we launched our new I-6 diesel engine, which is only sold in International trucks and helps the company achieve its current industry-leading 42% market share for Class 6-7 medium trucks. We believe our diesel engine technology leadership has allowed us to maintain strong market share and grow our profitable engine business.

Capitalize on dieselization trends. Diesel engines are currently used in a significant portion of North American commercial vehicles. The percentage of Class 5-7 medium trucks and heavy pick-up trucks using diesel engines have increased over time to approximately 88% and 55%, respectively, in 2003 from approximately 50% and 10%, respectively, in 1983. We believe this trend is a result of advances in diesel engine technology, which has dramatically improved fuel economy and power as compared to gasoline engines. In 2003, we maintained a 48% share of

total North American on-highway diesel engine production and a 50% share of mid-range diesel engines in over 8,500 lbs. GVW pick-up trucks, vans and SUVs. In the future, we expect the global dieselization trends to positively impact our longer-term engine growth opportunities due to our diesel engine technology leadership, market position and product capabilities.

Expand strategic relationships. We have a long history of strong strategic relationships with major customers and suppliers. We have been supplying diesel engines to Ford since 1982 and have a long-term exclusive supply agreement to provide diesel engines to Ford through 2012 for use in its over 8,500 lbs. GVW pick-up trucks, vans and SUVs in North America. Under this supply agreement, we developed the 6.0L PowerStroke V-8 turbo engine, demand for which we expect will continue to grow with the increased dieselization of the heavy duty pick-up truck market. We have significantly expanded our relationship with Ford over the last decade, including the formation of the Blue Diamond joint ventures. We have also leveraged the scale and technology of our suppliers to reduce our manufacturing costs.

Business environment

Sales of Class 5-8 trucks have historically been cyclical, with demand affected by such economic factors as industrial production, construction, demand for consumer durable goods, interest rates and the earnings and cash flow of dealers and customers. Truck sales in 2003 were hindered by a number of factors including the overall state of the economy, rising insurance costs, tightened credit availability and a large decline in sales to leasing companies. The demand for medium trucks and school buses in 2003 reflected these adverse conditions. Beginning in 2004, heavy truck customers and leasing companies began to resume purchases in response to signs of an overall economic recovery, which has resulted in increased order receipts in the heavy and medium truck industries. Our North American order backlog at January 31, 2004, increased to 21,700 units, compared to 19,300 units at January 31, 2003.

We currently project North American heavy truck demand to be 208,000 units in fiscal 2004, up 31% from fiscal 2003 and Class 6-7 medium truck demand, excluding school buses, to be at 93,000 units, up 24% from fiscal 2003. We project demand for school buses to be 27,500 units in fiscal 2004, down 6% from fiscal 2003. Mid-range diesel engine shipments by us to OEMs in fiscal 2004 are expected to be 349,000 units, 5% higher than fiscal 2003. We currently expect total Class 6-8 North American truck demand to increase to approximately 400,000 units in fiscal 2005 and 429,000 units in fiscal 2006.

Corporate structure

NIC is a holding company that conducts its manufacturing operations principally through International and, to a lesser extent, certain other wholly owned foreign and domestic subsidiaries. Our manufacturing operations are supported by our financial services subsidiaries, including NFC. Our financial services subsidiaries provide wholesale, retail and lease financing for sales of new and used trucks, truck chassis, buses and trailers, service parts and engines by International and retail and lease financing for sales of such products by International dealers to their customers.

For the most part, our financial services subsidiaries fund their operations on an independent basis. Our financial services subsidiaries obtain funds to provide financing to our dealers and retail customers from sales of receivables, medium- and long-term debt securities and short-

and long-term bank borrowings. As of January 31, 2004, NFC had \$821 million of combined funding availability from its bank credit facility and other on- and off-balance sheet funding conduits.

We provide credit support to NFC under NFC's bank credit facility through an agreement whereby International has agreed not to permit NFC's consolidated income before income taxes, interest expense and dividends on preferred stock, if any, to be less than 125% of NFC's consolidated interest expense and dividends on preferred stock, if any, for any period of four fiscal quarters immediately preceding the date of measurement. For fiscal 2003, NFC's ratio of income before income taxes and consolidated interest expense to its consolidated interest expense was 300%. International has not made a payment to NFC under this arrangement since 1984. In addition, NIC had guaranteed an aggregate of \$138 million of outstanding borrowings by its financial services subsidiaries as of January 31, 2004.

In general, we sell to NFC on a regular basis for cash all wholesale and retail notes which we acquire in the regular course of our business from the sale of trucks and related equipment to our dealers and retail customers. As a result, such sales to NFC provide us with significant working capital during periods of increasing unit sales volume.

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The following chart summarizes our principal organizational structure as discussed above:

The following table sets forth NIC's principal outstanding indebtedness as of January 31, 2004 after giving effect to the sale of the notes in the offering and the application of the estimated net proceeds therefrom as set forth in "Use of proceeds" and to the Concurrent Transactions described beginning on page PS-13:

Title of Security	Amount
	(in millions)
Notes offered hereby	\$ 250.0
9 ³ / ₈ % senior notes due 2006	400.0
2.5% senior convertible notes due 2007	190.0
4.75% subordinated exchangeable notes due 2009	220.0
Total	\$ 1,060.0

All of NIC's existing senior notes have been unconditionally guaranteed on a senior unsecured basis by International. In addition, NIC has guaranteed approximately \$16 million of outstanding borrowings by International and \$138 million of outstanding borrowings by its financial services subsidiaries as of January 31, 2004.

International will unconditionally guarantee on a senior unsecured basis all of NIC's obligations under the notes offered hereby and the related indenture. For the most part, substantially all of NIC's foreign and domestic manufacturing subsidiaries will be considered "Restricted Subsidiaries" under the indenture governing the notes and NFC, its subsidiaries, and NIC's foreign finance subsidiaries and the Blue Diamond joint venture entities will be "Unrestricted Subsidiaries" under the indenture governing the notes. For more information relating to NFC's financing arrangements and the relationship between International and NFC, see "Capitalization," "Description of the notes Guarantee," "Description of other financing arrangements" and "Certain arrangements with NFC."

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Recent developments**Second quarter operating results**

We recently announced our operating results for our second quarter of fiscal 2004, but have not yet filed our Quarterly Report on Form 10-Q for the quarterly period then ended. The following financial data was derived from our unaudited consolidated financial statements, which financial statements, in management's opinion, reflect all adjustments consisting of only normal and recurring adjustments necessary for a fair presentation of such information. Results for the interim periods are not necessarily indicative of the results that might be expected for any other interim period or for an entire fiscal year. The following data summarizes our results of operations for this period and for the first half of fiscal 2004:

(in millions)	Three Months Ended April 30,		Six Months Ended April 30,	
	2004	2003	2004	2003
Income Statement Data:				
Total sales and revenues	\$ 2,331	\$ 1,864	\$ 4,190	\$ 3,442
Costs and expenses:				
Cost of products and services sold	1,976	1,588	3,579	3,008
Other expenses	290	294	583	607
Total costs and expenses	2,266	1,882	4,162	3,615
Income (loss) from continuing operations before income taxes	65	(18)	28	(173)
Income tax expense (benefit)	24	(6)	10	(63)
Income (loss) from continuing operations	\$ 41	\$ (12)	\$ 18	\$ (110)
Loss from discontinued operations		(2)		(3)
Net income (loss)	41	(14)	18	(113)
Balance Sheet Data (at end of period):				
Total assets	\$ 6,884	\$ 6,777		
Debt:				
Manufacturing operations	\$ 888	\$ 911		
Financial services operations	1,595	1,647		
Total debt	\$ 2,483	\$ 2,558		
Total shareowners' equity	\$ 368	\$ 272		
Other Financial Data:				
Income (loss) from continuing operations	\$ 41	\$ (12)		
Interest expense	30	33		
Income tax expense (benefit)	24	(6)		
Depreciation and amortization	52	51		

EBITDA ⁽¹⁾	\$	147	\$	66
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(1) EBITDA is defined as income (loss) from continuing operations plus interest expense, income taxes and depreciation and amortization. For more information regarding the use of EBITDA as a financial measure, see note 6 to " Summary consolidated financial data."

Worldwide shipments of International® brand medium and heavy trucks and school buses during the second quarter of fiscal 2004 totaled 26,500 units, compared with 21,400 units in the second quarter of fiscal 2003.

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Shipments of mid-range diesel engines to OEMs during the second quarter of fiscal 2004 totaled 91,100 units, down from 95,800 units in the second quarter of fiscal 2003.

For more information relating to our operating results for our second quarter of fiscal 2004, see the press release attached as an exhibit to our Current Report on Form 8-K filed May 20, 2004, which is hereby incorporated by reference.

Concurrent transactions

Tender offer and consent solicitation relating to 8% senior subordinated notes due 2008

On May 11, 2004, we commenced (1) a tender offer to purchase any and all of the \$250 million aggregate principal amount of our 8% senior subordinated notes due 2008, and (2) a solicitation of consents to certain proposed amendments to the indenture governing the senior subordinated notes, which amendments would eliminate substantially all of the covenants in the indenture restricting our actions, other than covenants to pay principal of and interest on the 8% senior subordinated notes when due, and will eliminate or modify the related events of default. The total amount of funds required to repurchase the 8% senior subordinated notes, assuming all of the 8% senior subordinated notes are tendered prior to the consent solicitation deadline, is expected to be approximately \$257 million. As of May 25, 2004, an aggregate of \$179.5 million of the 8% senior subordinated notes have been tendered in the offer. Any 8% senior subordinated notes not tendered in the offer are expected to be redeemed at a redemption price equal to 102.67% in accordance with the indenture. We intend to use the net proceeds from the notes offered hereby to repurchase the 8% senior subordinated notes. See "Use of proceeds."

Consent solicitation relating to 9³/₈% senior notes due 2006

On May 11, 2004, we commenced a solicitation of consents with respect to our 9³/₈% senior notes due 2006, pursuant to which we have offered to pay each holder of 9³/₈% senior notes who validly consents to the proposed transactions described in the consent solicitation statement a consent fee equal to \$10.00 for \$1,000 principal amount of 9³/₈% senior notes held by such holder. The consents will:

permit the repurchase of our 8% senior subordinated notes due 2008 with the net proceeds from the notes offered hereby,

permit the assumption by NIC of NFC's 4.75% subordinated exchangeable notes due 2009, as discussed below,

amend the 9³/₈% senior notes indenture to change the starting date for determining the amount of restricted payments we are permitted to make under the indenture for the 9³/₈% senior notes to May 1, 2004 and increase the build-up amount for restricted payments from \$25 million to \$100 million,

amend the 9³/₈% senior notes indenture to permit us to repurchase or redeem the 4.75% subordinated exchangeable notes at some time in the future in order to provide NIC future flexibility, although we do not have any current plan or intentions to repurchase or redeem the 4.75% subordinated exchangeable notes at this time, and

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amend the 9³/₈% senior notes indenture to modify the definition of "permitted investments" in the 9³/₈% senior notes indenture to expand the amounts and types of short-term investments NIC is permitted to make under the terms of the indenture for the 9³/₈% senior notes with cash generated from operations as part of NIC's cash management system.

In order for the proposed transactions to be approved, duly executed consents representing not less than a majority of the aggregate principal amount of the outstanding 9³/₈% senior notes must be received. We have received the requisite number of consents from holders of the outstanding 9³/₈% senior notes.

Assumption of 4.75% subordinated exchangeable notes due 2009

On March 25, 2002, NFC issued an aggregate principal amount of \$220.0 million of its 4.75% subordinated exchangeable notes due 2009 pursuant to an indenture, dated March 25, 2002, among NFC, NIC and BNY Midwest Trust Company, as trustee. NIC has not guaranteed the payment of principal or interest on the 4.75% subordinated exchangeable notes and the 4.75% subordinated exchangeable notes are currently not obligations of NIC or any of its affiliates, other than NFC. The 4.75% notes may be exchanged for shares of NIC's common stock at an exchange price of \$55.73 per share at any time by the holder thereof. NIC received approximately \$50 million in net proceeds at the time of the original sale of the 4.75% notes in consideration of the exchange feature contained in the 4.75% subordinated exchangeable notes indenture. Article 13 of the 4.75% subordinated exchangeable notes indenture provides that NIC can assume all of the obligations of NFC under the 4.75% subordinated exchangeable notes and the 4.75% subordinated exchangeable notes indenture if certain conditions as outlined therein are satisfied. If assumed by NIC, the 4.75% subordinated exchangeable notes will be subordinated in right of payment to the notes being offered hereby and the 9³/₈% notes and NIC will receive a cash payment from NFC of approximately \$170 million. Although it is NIC's intention to assume the 4.75% subordinated exchangeable notes, NIC reserves the right not to do so if circumstances change. See "Description of other financing arrangements 4.75% subordinated exchangeable notes" for a brief description of the terms of the 4.75% subordinated exchangeable notes.

For ease of reference, we collectively refer in this prospectus supplement to the tender offer and consent solicitation relating to the 8% senior subordinated notes, the consent solicitation relating to the 9³/₈% senior notes and the assumption of the 4.75% subordinated exchangeable notes by NIC as the "Concurrent Transactions."

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The offering

Issuer	Navistar International Corporation.
Notes offered	\$250 million in aggregate principal amount of % Senior Notes due 2011.
Maturity date	, 2011.
Interest payment dates	and of each year, commencing , 2004.
Optional redemption	<p>The notes will be redeemable at the option of NIC in whole at any time or in part at any time on and after , 2008 at the redemption prices set forth in this prospectus supplement plus accrued and unpaid interest to the date of redemption.</p> <p>In addition, at any time on or before , 2007, we may also redeem up to 35% of the original principal amount of the notes using the proceeds of public offerings of equity of NIC at a redemption price equal to %, together with accrued and unpaid interest, if any, so long as at least 65% of the original principal amount of the notes remains outstanding after each permitted redemption made with equity proceeds.</p>
Sinking fund	None.
Ranking	<p>The notes will be senior, unsecured obligations of NIC. Accordingly, they will rank:</p> <p style="padding-left: 40px;">behind all of NIC's future secured debt, if any, to the extent of the value of the assets securing such debt;</p> <p style="padding-left: 40px;">equally with all of NIC's existing and future senior unsecured debt, which includes the 9³/₈% senior notes due 2006 and the 2.5% senior convertible notes due 2007; and</p> <p style="padding-left: 40px;">ahead of any of NIC's existing and future subordinated debt.</p> <p>As of January 31, 2004, after giving pro forma effect to the offering and the application of the net proceeds therefrom and the Concurrent Transactions:</p> <p style="padding-left: 40px;">NIC would have had \$1,060 million of total indebtedness outstanding (including the notes), of which \$840 million would have ranked equally with the notes and \$220 million would have been subordinated to the notes;</p> <p style="padding-left: 40px;">NIC's financial services subsidiaries would have had \$138 million of indebtedness and International would have had \$16 million of indebtedness that was guaranteed by NIC, which guarantees rank equally with the notes; and</p> <p style="padding-left: 40px;">NIC's non-guarantor subsidiaries would have had \$2,505 million of liabilities (including trade payables), of which \$1,699 million would be liabilities of the financial services operations. See "Description of the notes Ranking."</p>

Subsidiary guarantee The payment of the principal, premium and interest on the notes will be guaranteed by International (the "International Guarantee"). International will be released from its obligations under the International Guarantee upon the occurrence of certain events that are described more fully at "Description of the notes Guarantee."

The International Guarantee will be a senior, unsecured obligation of International and, as a result, it will rank:

behind all of International's future secured debt, if any, to the extent of the value of the assets securing such debt;

equally with all of International's existing and future senior unsecured debt, which includes the 9.95% senior notes due 2011 and International's guarantee of the 9³/₈% senior notes due 2006 and the 2.5% senior convertible notes due 2007; and

ahead of any of International's existing and future subordinated debt.

As of January 31, 2004, after giving pro forma effect to the offering and the application of the net proceeds therefrom and the Concurrent Transactions, International would have had approximately \$856 million of total indebtedness outstanding (including all guaranteed obligations), all of which would have ranked equally with the International Guarantee.

Change of control If a change of control occurs, subject to certain conditions, we must give holders of the notes an opportunity to sell to us the notes at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest to the date of the purchase. See "Description of the notes Change of control."

Restrictive covenants The indenture governing the notes will contain covenants that limit our ability and all of our restricted subsidiaries' ability to:

incur additional indebtedness;

create liens or enter into sale-leaseback transactions;

pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;

make investments;

create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries;

engage in transactions with our affiliates;

sell assets, including capital stock of our subsidiaries;

guarantee our indebtedness; and

consolidate, merge or transfer assets.

These covenants are subject to important exceptions and qualifications, which are described under "Description of the notes Certain covenants."

After the notes have been assigned an investment grade rating by both Standard & Poor's and Moody's, NIC and its restricted subsidiaries will no longer be subject to the provisions of certain of the covenants listed above. See "Description of the notes Certain covenants Application of fall away covenants."

Absence of public market; listing of the notes

The notes are new securities and there is currently no established trading market for the notes. Accordingly, there can be no assurance as to the development or liquidity of any market for any of the notes. The underwriters have advised us that they intend to make a market in the notes. However, they are not obligated to do so, and may discontinue any market making with respect to the notes at any time in their sole discretion. We do not intend to apply for listing of the notes on any securities exchange or to arrange for any quotation system to quote them. See "Underwriting."

Use of proceeds

We intend to use the net proceeds from this offering together with cash on hand to repurchase up to \$250 million aggregate principal amount of our existing 8% senior subordinated notes and pay related tender fees and premiums (including consent payments). The 8% senior subordinated notes mature on February 1, 2008. See "Use of proceeds."

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Risk factors

Investment in the notes involves risk. You should carefully consider the information under "Risk factors" beginning on page PS-25 and all other information included in this prospectus supplement before investing in the notes.

Industry data

In this prospectus supplement and the accompanying prospectus, including the information incorporated therein by reference, we rely on and refer to information regarding the heavy and medium truck, bus and mid-range diesel engine markets from several sources, including internal estimates and industry publications, including those generated by Ward's Communications in the United States, the Canadian Vehicle Manufacturers Association, R.L. Polk & Company and Power Systems Research of Minneapolis, Minnesota as well as other sources. Although we believe this information is reliable, neither we nor the underwriters can guarantee the accuracy and completeness of the information and neither we nor the underwriters have independently verified it or make any representations as to the accuracy of such information. Unless otherwise indicated, all market data relates only to those markets in the United States and Canada.

Additional information

NIC was incorporated under the laws of the State of Delaware in 1993 and is the successor to the truck and engine business of International Harvester Company, which business began in 1907. Our principal executive offices are located at 4201 Winfield Road, Warrenville, Illinois 60555, and our telephone number is (630) 753-5000. Our Web site is www.internationaldelivers.com. Our Web site, and the information contained therein, are expressly not included in or as part of this prospectus supplement.

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Summary consolidated financial data

Navistar International Corporation and consolidated subsidiaries

The following consolidated financial information for the five-year period ended October 31, 2003 has been derived from our audited consolidated financial statements and notes thereto. The selected historical consolidated financial information for the three months ended January 31, 2004 and 2003 was derived from Navistar's unaudited consolidated financial statements, which financial statements, in management's opinion, reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of such information. Results for the interim periods are not necessarily indicative of the results that might be expected for any other interim period or for an entire year. This information should be read in conjunction with "Selected Consolidated Historical Financial and Operating Data," "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Navistar's consolidated financial statements and notes thereto, either included elsewhere or incorporated by reference in this prospectus supplement.

(in millions)	Three Months Ended January 31,		Fiscal Year Ended October 31,				
	2004	2003	2003	2002	2001	2000	1999
Selected Income Statement Data:							
Sales and revenues:							
Sales of manufactured products	\$ 1,806	\$ 1,481	\$ 7,033	\$ 6,493	\$ 6,400	\$ 8,095	\$ 8,308
Finance and insurance revenue ⁽¹⁾	50	92	287	271	296	311	256
Other income	3	5	20	20	43	44	60
Total sales and revenues	1,859	1,578	7,340	6,784	6,739	8,450	8,624
Costs and expenses:							
Costs of products and services sold	1,603	1,420	6,229	5,817	5,608	6,766	6,842
Cost of products sold related to restructuring ⁽²⁾			9	23	11	20	
Total cost of products and services sold	1,603	1,420	6,238	5,840	5,619	6,786	6,842
All other restructuring and non-recurring charges ⁽²⁾	4		(41)	519	2	269	
Loss on sale of business ⁽²⁾				2	(13)	17	
Postretirement benefits expense	66	83	297	228	171	146	216
Engineering and research expense	64	57	242	260	253	280	281
Selling, general and administrative expense	121	124	487	521	543	481	479
Interest expense	31	38	136	154	161	146	135
Other expense	7	11	26	29	36	86	71
Total costs and expenses	1,896	1,733	7,385	7,553	6,772	8,211	8,024
Income (loss) from continuing operations before income taxes	(37)	(155)	(45)	(769)	(33)	239	600
Income tax expense (benefit) ⁽³⁾	(14)	(57)	(31)	(293)	(24)	65	51
Income (loss) from continuing operations	(23)	(98)	(14)	(476)	(9)	174	549
Discontinued operations, net of tax: ⁽⁴⁾							
Loss from discontinued operations				(14)	(14)	(15)	(5)
Loss on disposal		(1)	(4)	(46)			

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Loss from discontinued operations		(1)	(4)	(60)	(14)	(15)	(5)	
Net income (loss)	\$	(23)	\$ (99)	(18)	\$ (536)	(23)	\$ 159	544

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(in millions)	At January 31,				At October 31,		
	2004	2003	2003	2002	2001	2000	1999
Selected Balance Sheet Data:							
Total assets ⁽⁵⁾	\$ 6,720	\$ 6,802	\$ 6,900	\$ 6,957	\$ 7,164	\$ 6,959	\$ 6,971
Current maturities of long-term debt	\$ 277	\$ 371	\$ 214	\$ 358	\$ 412	\$ 482	\$ 192
Long-term debt:							
Manufacturing operations	854	890	863	747	908	437	445
Financial services operations	1,388	1,447	1,533	1,651	1,560	1,711	1,630
Total long-term debt	2,242	2,337	2,396	2,398	2,468	2,148	2,075
Total debt	\$ 2,519	\$ 2,708	\$ 2,610	\$ 2,756	\$ 2,880	\$ 2,630	\$ 2,267
Total shareowners' equity	\$ 320	\$ 289	\$ 310	\$ 251	\$ 1,127	\$ 1,314	\$ 1,291

(in millions, except ratio, employee, market share and unit data)	Three Months Ended January 31,		Fiscal Year Ended October 31,				
	2004	2003	2003	2002	2001	2000	1999
Selected Other Financial Data:							
EBITDA ⁽⁶⁾	\$ 44	\$ (60)	\$ 282	\$ (395)	\$ 345	\$ 584	\$ 909
Capital expenditures	22	48	206	242	326	553	427
Depreciation and amortization	50	57	191	220	217	199	174
Interest expense	31	38	136	154	161	146	135
Cash provided by (used in):							
Operations	(326)	(344)	(50)	(99)	189	672	302
Investing programs	216	130	(136)	(15)	140	(871)	(451)
Financing activities	(63)	98	13	(88)	196	253	2
Ratio of earnings to fixed charges ⁽⁷⁾						2.1x	4.6x
Operating Data:							
Number of employees:							
Worldwide	14,000	15,000	14,200	16,500	16,500	17,000	18,600
United States	11,100	11,300	11,000	13,300	13,600	14,600	15,000
North American retail deliveries of trucks and school buses	20,700	17,100	75,700	74,300	82,400	118,200	119,300
North American market share ⁽⁸⁾	25.4%	26.7%	26.2%	25.8%	26.3%	26.9%	25.6%
Unit shipments worldwide:							
Trucks and school buses	22,500	18,700	84,700	84,100	89,600	124,900	129,000
OEM engines	74,500	63,400	332,400	315,100	324,900	304,400	286,500

(1) Includes revenues of NFC as well as our other financial services subsidiaries.

(2)

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Through January 31, 2004, we recorded cumulative charges of \$823 million relating to our 2000 and 2002 Plans of Restructuring and other non-recurring charges. The remaining liability of \$142 million is expected to be funded from existing cash balances and internally generated cash flows from operations. The total cash outlay for the remainder of fiscal 2004 is expected to be \$39 million with the remaining obligations of \$103 million, primarily related to non-recurring charges and long-term non-cancelable lease agreements, to be settled in 2005 and beyond.

(3)

In fiscal 1999, we benefited from reductions to our deferred tax asset valuation allowance of \$178 million.

(4)

The exit of the Brazil domestic truck market has been recorded as a discontinued operation. As a result, prior periods have been reclassified to conform with this presentation. See note 12 to our 2003 annual consolidated financial statements, incorporated by reference in this prospectus supplement.

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- (5) Due to the sale of Harco National Insurance Company, or Harco, on November 30, 2001, total assets for all periods presented reflects the reclassification of Harco's net assets and liabilities to other current assets. For more information regarding the sale of Harco, see note 11 to our 2003 annual consolidated financial statements, incorporated by reference in this prospectus supplement.
- (6) EBITDA is defined as income (loss) from continuing operations plus interest expense, income taxes and depreciation and amortization. EBITDA is a measure commonly used in the transportation industry and is presented to aid in developing an understanding of the ability of our operations to generate cash for debt service and taxes, as well as cash for investments in working capital, capital expenditures and other liquidity needs. This information is presented as a supplement to the other data provided because it provides information which we believe is useful for additional analysis. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other consolidated operations or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of our profitability or liquidity as determined in accordance with generally accepted accounting principles. Further, EBITDA, as we calculate it, may not be comparable to calculations of similarly-titled measures by other companies. The following table provides a reconciliation of income (loss) from continuing operations to EBITDA:

(in millions)	Three Months Ended January 31,		Fiscal Year Ended October 31,				
	2004	2003	2003	2002	2001	2000	1999
Income (loss) from continuing operations	\$ (23)	\$ (98)	\$ (14)	\$ (476)	\$ (9)	\$ 174	\$ 549
Interest expense	31	38	136	154	161	146	135
Income tax expense (benefit)	(14)	(57)	(31)	(293)	(24)	65	51
Depreciation and amortization	50	57	191	220	217	199	174
EBITDA	\$ 44	\$ (60)	\$ 282	\$ (395)	\$ 345	\$ 584	\$ 909

EBITDA for certain of the periods presented includes restructuring and other non-recurring charges we incurred in those periods. For a detailed discussion of these restructuring and other non-recurring charges, see "Management's Discussion and Analysis of Results of Operations and Financial Condition" and note 11 to our 2003 annual consolidated financial statements, each of which is incorporated by reference in this prospectus supplement. Set forth below is a summary of these restructuring and other non-recurring charges:

(in millions)	Three Months Ended January 31,		Fiscal Year Ended October 31,				
	2004	2003	2003	2002	2001	2000	1999
Restructuring and other non-recurring charges	\$ 4	\$	\$ (32)	\$ 544	\$	\$ 306	\$

- (7) The ratio of earnings to fixed charges is determined by dividing pre-tax income from continuing operations, adjusted for the cumulative changes in accounting policy, interest expense, debt expense amortization and the portion of rental expense deemed representative of an interest factor by the sum of interest expense, debt expense amortization and the portion of rental expense deemed representative of the interest factor. For fiscal 2001, 2002 and 2003, our earnings were insufficient to cover fixed charges by \$75 million, \$783 million and \$52 million, respectively. For the first quarters of fiscal 2004 and 2003, our earnings were insufficient to cover fixed charges by \$39 million and \$157 million, respectively.
- (8) Based on retail deliveries of medium trucks (Classes 5-7), including school buses, and heavy trucks (Class 8) in the United States and Canada by us and our dealers, compared to the industry total in the United States and Canada of retail deliveries.

Supplemental financial and operating data

Navistar International Corporation (with financial services operations on an equity basis)

The following tables set forth certain supplemental financial and operating data of Navistar with our financial services operations set forth on an equity basis of accounting. We have included this supplemental financial and operating data to assist prospective investors in evaluating an investment in the notes. This information should not be considered in isolation or as a substitute for our financial data that has been prepared in accordance with generally accepted accounting principles. The information set forth herein should be read in conjunction with "Selected Consolidated Historical Financial and Operating Data," "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Navistar's consolidated financial statements and the notes thereto, either included elsewhere or incorporated by reference in this prospectus supplement.

(in millions)	Three Months Ended January 31,					Fiscal Year Ended October 31,	
	2004	2003	2003	2002	2001	2000	1999
Selected Condensed Statement of Income:							
Sales of manufactured products	\$ 1,807	\$ 1,481	\$ 7,034	\$ 6,493	\$ 6,400	\$ 8,095	\$ 8,308
Other income	2	3	15	11	19	33	44
Total sales and revenues	1,809	1,484	7,049	6,504	6,419	8,128	8,352
Costs of products sold	1,591	1,403	6,172	5,754	5,537	6,706	6,806
Cost of products sold related to restructuring ⁽¹⁾			9	23	11	20	
Total cost of products and services sold	1,591	1,484	6,181	5,777	5,548	6,726	6,806
Restructuring and other non-recurring charges ⁽¹⁾	4		(45)	519	3	267	
Postretirement benefits expense	65	83	293	226	170	146	216
Engineering and research expense	64	57	242	260	253	280	281
Selling, general and administrative expense	108	108	423	448	462	421	426
Other expense	31	36	121	124	116	134	140
Total costs and expenses	1,863	1,687	7,215	7,354	6,552	7,974	7,869
Income (loss) from continuing operations before income taxes:							
Manufacturing operations	(54)	(203)	(166)	(850)	(133)	154	483
Financial services operations	17	48	121	81	100	85	117
Income (loss) from continuing operations before income taxes	(37)	(155)	(45)	(769)	(33)	239	600
Income tax expense (benefit) ⁽²⁾	(14)	(57)	(31)	(293)	(24)	65	51
Income (loss) from continuing operations	(23)	(98)	(14)	(476)	(9)	174	549
Discontinued operations, net of tax: ⁽³⁾							
Loss from discontinued operations				(14)	(14)	(15)	(5)
Loss on disposal		(1)	(4)	(46)			

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Loss from discontinued operations	(1)	(4)	(60)	(14)	(15)	(5)	
Net income (loss)	\$ (23)	\$ (99)	\$ (18)	\$ (536)	\$ (23)	\$ 159	\$ 544

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(in millions)	At January 31,		At October 31,				
	2004	2003	2003	2002	2001	2000	1999
Selected Condensed Balance Sheet Data:							
Cash, cash equivalents and marketable securities	\$ 279	\$ 473	\$ 502	\$ 549	\$ 806	\$ 294	\$ 386
Property and equipment, net	1,122	1,089	1,144	1,208	1,359	1,464	1,188
Total assets	4,981	5,014	5,070	4,980	5,103	4,698	4,978
Postretirement benefits liabilities	1,719	1,602	1,995	1,618	1,069	773	776
Total debt ⁽⁴⁾	887	1,022	896	897	966	572	476
Total shareowners' equity	320	289	310	251	1,127	1,314	1,291

(in millions)	Three Months Ended January 31,		Fiscal Year Ended October 31,				
	2004	2003	2003	2002	2001	2000	1999
Other Financial Data:							
EBITDA ⁽⁵⁾	\$ 15	\$ (96)	\$ 157	\$ (552)	\$ 144	\$ 397	\$ 760
Capital expenditures	22	47	205	237	325	552	425
Depreciation and amortization	37	41	137	155	150	140	126
Interest expense (net of capitalized interest) ⁽⁶⁾	15	18	65	62	27	18	34
Cash provided by (used in):							
Operations	(238)	(377)	(53)	(145)	(65)	99	663
Investing programs	42	12	(230)	(77)	278	9	(738)
Financing activities	18	271	158	5	340	(62)	(109)

- (1) Through January 31, 2004, we recorded cumulative charges of \$811 million relating to our 2000 and 2002 Plans of Restructuring and other non-recurring charges. The remaining liability of \$137 million is expected to be funded from existing cash balances and internally generated cash flows from operations. The total cash outlay for the remainder of fiscal 2004 is expected to be \$39 million with the remaining obligations of \$98 million, primarily related to non-recurring charges and long-term non-cancelable lease agreements, to be settled in 2005 and beyond.
- (2) In fiscal 1999, we benefited from a reduction to our deferred tax asset valuation allowance of \$178 million.
- (3) The exit of the Brazil domestic truck market has been recorded as a discontinued operation. As a result, prior periods have been reclassified to conform with this presentation. See note 12 to our 2003 annual consolidated financial statements, incorporated by reference in this prospectus supplement.
- (4) Total debt at October 31, 2002 includes a \$19 million intercompany loan from NFC.
- (5) EBITDA is defined as income (loss) from continuing operations plus income taxes, interest expense and depreciation and amortization. EBITDA is a measure commonly used in the transportation industry and is presented to aid in developing an understanding of the ability of our operations to generate cash for debt service and taxes, as well as cash for investments in working capital, capital expenditures and other liquidity needs. This information is presented as a supplement to the other data provided because it provides information which we believe is useful for additional analysis. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other consolidated operations or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of our profitability or liquidity as determined in accordance with generally accepted accounting principles. Further, EBITDA, as we calculate it, may not be comparable to calculations of similarly-

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titled measures by other companies. The following table provides a reconciliation of income (loss) from continuing operations to EBITDA:

(in millions)	Three Months Ended January 31,			Fiscal Year Ended October 31,			
	2004	2003	2003	2002	2001	2000	1999
Income (loss) from continuing operations	\$ (23)	\$ (98)	\$ (14)	\$ (476)	\$ (9)	\$ 174	\$ 549
Interest expense (net of capitalized interest)	15	18	65	62	27	18	34
Income tax expense (benefit)	(14)	(57)	(31)	(293)	(24)	65	51
Depreciation and amortization	37	41	137	155	150	140	126
EBITDA	\$ 15	\$ (96)	\$ 157	\$ (552)	\$ 144	\$ 397	\$ 760

EBITDA for certain of the periods presented includes restructuring and other non-recurring charges we incurred in those periods and does not reflect certain cash payments we received from NFC. For a detailed discussion of these restructuring and other non-recurring charges, see "Management's Discussion and Analysis of Results of Operations and Financial Condition" and note 11 to our 2003 annual consolidated financial statements, each of which is incorporated by reference in this prospectus supplement. Set forth below is a summary of these restructuring and other non-recurring charges and cash payments:

(in millions)	Three Months Ended January 31,			Fiscal Year Ended October 31,			
	2004	2003	2003	2002	2001	2000	1999
Supplemental Adjustments:							
Restructuring and other non-recurring charges	\$ 4	\$	\$ (36)	\$ 542	\$ 14	\$ 287	\$
Cash dividends from NFC		5	50		26	23	60
Cash tax payments from NFC ^(a)		4	20	22	16	38	37
Total adjustments	\$ 4	\$ 9	\$ 34	\$ 564	\$ 56	\$ 348	\$ 97

(a) Pursuant to a tax allocation agreement, NFC is required to pay to International an amount equal to the amount NFC and its subsidiaries would pay with respect to federal corporate income taxes if NFC and its subsidiaries filed federal tax returns on a consolidated basis as an affiliated group of corporations, notwithstanding the fact that the affiliated group of corporations including NIC and its subsidiaries may not have any federal tax liability. See "Certain arrangements with NFC Tax allocation agreement."

(6) Capitalized interest for fiscal 2003, 2002, 2001, 2000 and 1999 was \$7 million, \$14 million, \$42 million, \$31 million, and \$15 million, respectively. Capitalized interest for the first fiscal quarters of 2004 and 2003 was \$2 million and \$2 million, respectively.

Risk factors

You should read and consider carefully each of the following factors, as well as the other information contained in or incorporated by reference into this prospectus supplement and accompanying prospectus, before making a decision to invest in the notes.

Risks relating to Navistar and its markets

The markets in which we compete are subject to considerable cyclical.

Our ability to be profitable depends in part on the varying conditions in the truck, school bus, mid-range diesel engine and service parts markets. The markets in which we compete are subject to considerable cyclical. Such markets move in response to cycles in the overall business environment and are particularly sensitive to the industrial sector, which generates a significant portion of the freight tonnage hauled. Truck and engine demand also depend on general economic conditions, interest rate levels and fuel costs.

Sales of Class 5 - 8 trucks have historically been cyclical, with demand affected by such economic factors as industrial production, construction, demand for consumer durable goods, interest rates and the earnings and cash flow of dealers and customers. The Class 5 - 8 truck market experienced a downturn in demand beginning in late 2000 and continuing through the end of 2003. Although new truck demand has increased in 2004, we cannot provide any assurances as to the length or the ultimate level of the current recovery. The recent weakness in the demand for new trucks has adversely affected our operating results in fiscal 2003, 2002 and 2001.

We operate in the highly competitive North American truck market.

The North American truck market, in which we compete, is highly competitive. Our major U.S. domestic competitors include PACCAR, Ford and General Motors, as well as foreign-controlled domestic manufacturers, such as Freightliner, Sterling and Western Star (DaimlerChrysler), Mack (Volvo Global Trucks) and Volvo. In addition, manufacturers from Japan such as Hino (Toyota), Isuzu, Nissan and Mitsubishi, are attempting to increase their North American sales levels. The intensity of this competition, which is expected to continue, results in price discounting and margin pressures throughout the industry and adversely affects our ability to increase or maintain vehicle prices. Many of our competitors have greater financial resources, which may place us at a competitive disadvantage in responding to substantial industry changes, such as changes in governmental regulations that require major additional capital expenditures. In addition, certain of our competitors may have lower overall labor costs.

Our business may be adversely impacted by work stoppages and other labor relations matters.

We are subject to risk of work stoppages and other labor relations matters because our workforce is highly unionized. As of October 31, 2003, we employed approximately 6,100 hourly workers and 5,700 salaried workers in the U.S. and Canada. Approximately 82% of the hourly workers and 17% of the salaried workers are represented by unions. Of these represented employees, 90% of the hourly workers and 100% of the salaried workers are represented by the United Automobile, Aerospace and Agriculture Implement Workers of America, or UAW, or the National Automobile, Aerospace and Agriculture Implement Workers of Canada, or CAW. In fiscal 2002, our Chatham, Ontario heavy truck plant was subject to a

strike before the parties reached a new collective bargaining agreement after expiration of the prior agreement. Our collective bargaining agreements with the UAW and CAW expire in October 2007 and January 2007, respectively. Any prolonged work stoppage or strike at any one of our principal manufacturing facilities could have a negative impact on our business, financial condition and results of operations.

The loss of business from Ford, our largest customer, would have a negative impact on our business, financial condition and results of operations.

Ford accounted for approximately 21% of our revenues for fiscal 2003, 20% for fiscal 2002 and 21% for fiscal 2001. In addition, Ford accounted for approximately 77%, 78% and 76% of our diesel engine unit volume in fiscal 2003, fiscal 2002 and fiscal 2001, respectively, primarily relating to the sale of our V-8 diesel engines. Although we have an agreement with Ford that continues through 2012 to supply V-8 diesel engines for inclusion in selected models produced by Ford, this agreement provides that we will supply Ford's requirements rather than manufacture a specific quantity of products. The loss of Ford as a customer, reduced or lower than anticipated purchases from Ford, or a significant decrease in demand for the models or a group of related models that utilize our products would have a negative impact on our business, financial condition and results of operations.

We may not achieve all the expected benefits from our Five Point Plan or current business strategies.

In this prospectus supplement, we state that we believe that cost improvements resulting from our Five Point Plan, restructuring and discontinued operations, along with our ongoing program of continuous cost improvements, will result in substantial pre-tax cost savings and margin improvements and that our Five Point Plan will provide us the opportunity to operate profitably through future downturns in our cyclical business. In addition, we assert in this prospectus supplement our belief that our current strategic focus to increase revenue, differentiate on product quality and aggressively pursue cost reductions will enhance the performance results achieved through completion of the Five Point Plan. These estimates and beliefs constitute forward-looking information and involve known and unknown risks, uncertainties and other factors that may cause the actual cost savings, margin improvements, operating results or liquidity requirements to be materially different from our estimates or result in these operating improvements not being realized in the time frame expected. You should not place undue reliance on these statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, and such forward-looking statements only speak as of the date of this prospectus supplement. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. You should understand that these statements are not guarantees of future performance or results. In addition to the general factors discussed above, such estimates and beliefs are based on a variety of other factors and were derived utilizing numerous important assumptions, including but not limited to:

achieving estimated reductions in personnel at currently projected severance cost levels, while maintaining historical sales levels;

achieving a sufficient level of sales necessary to yield planned production efficiencies and absorption of fixed costs;

obtaining anticipated purchasing cost concessions from our suppliers;

eliminating certain components of fixed overhead without affecting our ability to manage our restructured operations;

no significant changes in the competitive conditions in the truck and engine markets;

no significant unforeseen cash requirements, including capital expenditures beyond budgeted levels;

increasing the number of service locations, gaining market acceptance of our new 4.5L light-duty diesel engine and obtaining military contracts for engines and combat and non-combat vehicles to facilitate revenue growth;

developing and executing manufacturing, engineering and quality system enhancements; and

reducing costs in our logistics, manufacturing, engineering design and warranty operations.

The costs associated with complying with environmental and safety regulations could lower our margins.

We, like other truck and engine manufacturers, continue to face heavy governmental regulation of our products, especially in the areas of environment and safety. As a diesel engine manufacturer, we have incurred research, development and tooling costs to design our engine product lines to meet new United States Environmental Protection Agency, or EPA, and California Air Resources Board, or CARB, emission standards. The company is currently providing engines that satisfy CARB's 2004 emission standards for engines used in vehicles from 8,501 to 14,000 lbs. GVW. With a Federal Court's affirmation in 2001 of the U.S. EPA's 2007 rule for heavy-duty diesel engines and its accompanying requirement of low sulfur diesel fuel beginning in 2006 and the recent settlement in 2003 of issues relating to other technical provisions of the U.S. EPA's 2004 and 2007 and CARB's 2005 rule, all of which the company actively participated in, the company intends to provide heavy duty engines that will comply with the more stringent CARB and U.S. EPA emission standards for 2004 and later model years. At the same time, we expect to meet all of the obligations we agreed to in the Consent Decree entered into July 1999 with the U.S. EPA and in a Settlement Agreement with CARB concerning alleged excess emissions of nitrogen oxides.

We also are subject to various noise standards imposed by federal, state and local regulations, and to the National Traffic and Motor Vehicle Safety Act, or Safety Act, and Federal Motor Vehicle Safety Standards, or Safety Standards, promulgated by the National Highway Traffic Safety Administration, or NHTSA. On October 1, 2002, International notified the NHTSA of a program to effect a voluntary safety recall of hydraulic anti-lock brake system electronic control units manufactured by a third party and installed on certain of our vehicles. We recorded a fourth quarter pre-tax charge for fiscal 2002 of approximately \$51 million for estimated costs associated with the recall.

Complying with environmental and safety requirements has added and will continue to add to the cost of our products, and increases the capital-intensive nature of our business. While we believe that we are in compliance in all material respects with these laws and regulations, we cannot assure you that we will not be adversely impacted by costs, liabilities or claims with respect to our operations under existing laws or those that may be adopted. If the present level of price competition continues, it may become increasingly difficult for us and other manufacturers of engines and trucks to recover these costs and, accordingly, lower margins may result.

Our business could be negatively impacted in the event NFC is unable to access sufficient capital to engage in its financing activities.

NFC supports our manufacturing operations by providing financing to a significant portion of International dealers and retail customers. For example, NFC provided wholesale financing for approximately 96% and 96% of the new truck units sold by International to International dealers in the United States during fiscal 2003 and 2002, respectively, and retail and lease financing for approximately 16% and 19% of new trucks sold or leased by International and International dealers during the same periods. NFC traditionally obtains the funds to provide such financing from sales of receivables, commercial paper, medium- and long-term debt and from short- and long-term bank borrowings. NFC will need to incur additional short- and long-term debt in the future. The nature and amounts of such indebtedness can be expected to vary from time to time as a result of the volume of its business, market conditions and other factors. In addition, NFC expects to continue to sell and securitize receivables. One of NFC's securitization arrangements begins to amortize in the event that NFC's credit ratings fall below certain levels, which would have a negative impact on NFC's liquidity position in the short-term. If cash provided by operations, bank borrowings, continued sales and securitizations of receivables and the placement of term debt does not provide the necessary liquidity, NFC would restrict its financing of International products and to International dealers. A significant reduction in financing support could have a negative impact on our business, financial condition and results of operations.

Navistar has significant underfunded postretirement obligations.

We have significant underfunded postretirement obligations. The underfunded portion of our accumulated benefit obligation was \$994 million and \$988 million for pension benefits at October 31, 2003 and 2002, respectively, and \$1,810 and \$1,703 million for postretirement healthcare benefits at October 31, 2003 and 2002, respectively. Our underfunded postretirement obligations increased October 31, 2003 as a result of the decline in the market value of equity securities held by such benefit plans and a lowering of the rate used to calculate the present value of future benefit obligations.

In the event that our pension plans are terminated for any reason and plan assets are insufficient to meet guaranteed liabilities, the Pension Benefit Guaranty Corporation, or PBGC, may have a right to take over these plans as their administrator and trustee. In this event, the actual present value of guaranteed pension liabilities may be determined in a manner different from that used by us to determine our unfunded vested pension liability, which could result in a higher level of underfunding. Subject to certain limitations, the PBGC would have a claim against us to the extent that plan assets were not sufficient to meet the actuarial present value of guaranteed liabilities.

Our ability to use net operating loss carryovers to reduce future tax payments may be limited if there is a change in ownership of Navistar.

As of October 31, 2003, we had \$1,572 million of domestic and \$92 million of foreign net operating loss carryovers, or NOLs. Currently there is no annual limitation on our ability to use NOLs to reduce future income taxes. However, if an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended, occurs with respect to our capital stock, our ability to use NOLs would be limited to specific annual amounts. Generally, an ownership change occurs if certain persons or groups increase their aggregate ownership by more than 50 percentage points of our total capital stock in any three-year period.

If an ownership change occurs, our ability to use domestic NOLs to reduce income taxes is limited to an annual amount based on our fair market value immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate. The long-term tax-exempt interest rate is published monthly by the Internal Revenue Service. As of the date of this prospectus supplement, the rate is approximately 4.19%. NOLs that exceed the Section 382 limitation in any year continue to be allowed as carryforwards for the remainder of the 15- or 20-year carryforward period and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Our use of new NOLs arising after the date of an ownership change would not be affected.

It is impossible for us to ensure that an ownership change will not occur in the future. In addition, we may decide in the future that it is necessary or in our interest to take certain actions which result in an ownership change. If a more than 50% ownership change were to occur, use of our NOLs to reduce payments of federal income tax may be deferred to later years within the 15- or 20-year carryover period, or, if the carryover period for any loss year expires, the use of the remaining NOLs for the loss year will be prohibited.

Our manufacturing operations are dependent upon third-party suppliers, making us vulnerable to a supply shortage.

We obtain materials and manufactured components from third-party suppliers. Some of our suppliers are the sole source for a particular supply item. Any delay in our suppliers' abilities to provide us with necessary material and components may affect our capabilities at a number of our manufacturing locations or may require us to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting our suppliers, such as capacity constraints, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to political, economic and other risks that arise from operating a multinational business.

As of October 31, 2003, we maintained approximately \$134 million of property and equipment in foreign countries, primarily in Canada, Mexico, Brazil and Argentina. Accordingly, our

business is subject to the political, economic and other risks that are inherent in operating in those countries and internationally. These risks include:

the difficulty of enforcing agreements and collecting receivables through foreign legal systems;

trade protection measures and import or export licensing requirements;

tax rates in certain foreign countries that exceed those in the United States and the imposition of withholding requirements of foreign earnings;

the imposition of tariffs, exchange controls or other restrictions;

difficulty in staffing and managing international operations and the application of foreign labor regulations;

currency exchange rate risk to the extent that our assets/liabilities are denominated in a currency other than the functional currency of the country where we operate;

the imposition of exchange controls and currency devaluations;

required compliance with a variety of foreign laws and regulations; and

changes in general economic and political conditions in countries where we operate, particularly in emerging markets.

As we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse affect on our international operations or on our business as a whole.

Risks related to the notes

Our substantial debt could require us to use a significant portion of our cash flow to satisfy our debt obligations and may limit our operating flexibility.

We will have a substantial amount of outstanding indebtedness after completion of this offering and a significant portion of our cash flow from operations will be used to satisfy our debt obligations. Therefore, a prolonged downturn in our business could limit our ability to satisfy our debt service obligations under such indebtedness, including the notes. The following table sets forth certain important information regarding our capitalization and is presented as of January 31, 2004, adjusted to give effect to this offering and the Concurrent Transactions:

(in millions)	As Adjusted
Debt:	
Manufacturing operations	\$ 1,106
Financial services operations	1,583
Total debt	\$ 2,689

Shareowners' equity	\$	314
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Our level of indebtedness could:

increase our vulnerability to general adverse economic and industry conditions;

limit our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to make payments on our indebtedness;

limit our ability to obtain additional financing to fund future working capital, acquisitions, capital expenditures, research and development costs and other general corporate requirements;

limit our ability to take advantage of business opportunities as a result of various restrictive covenants in our indebtedness; and

place us at a competitive disadvantage compared to our competitors that have less debt.

Despite our substantial debt levels, we and our subsidiaries may be able to incur substantially more debt.

We may incur substantial additional indebtedness in the future. Although the indentures governing the notes and the 9³/₈% notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and, under certain circumstances, the indebtedness incurred in compliance with these restrictions could be substantial. Also, the restrictions do not prevent us from incurring obligations that do not constitute indebtedness. Further, the restrictions do not apply to or restrict the incurrence of indebtedness by our financial services subsidiaries, including NFC. To the extent new debt is added to our currently anticipated debt levels, the substantial leverage risks described above would increase. See "Description of the notes."

Servicing NIC's debt obligations requires a significant amount of cash, and its ability to generate cash depends on many factors beyond its control.

NIC's ability to satisfy its debt service obligations will depend on, among other things, its future operating performance. NIC's future financial performance will be affected by a range of economic, competitive, regulatory and business factors, many of which are beyond our control, and we cannot assure you that NIC's business will generate sufficient cash flow from operations to enable it to service indebtedness, including the notes, or fund other liquidity needs. Our earnings for the three months ended January 31, 2004 and the fiscal year ended October 31, 2003 were insufficient to cover our fixed charges by approximately \$39 million and \$52 million, respectively. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, including payments on the notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional equity capital. We cannot assure you that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales or the amount of proceeds realized from those sales, or that additional financing could be obtained on acceptable terms, if at all.

NIC is a holding company and must rely on dividends and other payments made to it by International and its other subsidiaries.

NIC, the issuer of the notes, is a holding company that derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. The effect of this structure is that NIC will depend on the earnings of its subsidiaries, and the payment or other distribution to NIC of these earnings, in order to meet its obligations under the notes and other outstanding indebtedness, including its 9³/₈% senior notes, 2.5% senior convertible notes and, if assumed as part of the Concurrent Transactions, the 4.75% subordinated exchangeable notes. Although the notes will be guaranteed by International, the primary operating subsidiary of NIC, there is a risk that the guarantee could be avoided or subordinated as a result of applicable fraudulent transfer laws. See "Risk factors A court may void the guarantee or subordinate the guarantee to other obligations of International." The ability of NIC's subsidiaries to make payments to NIC also is subject to, among other things, applicable state corporate laws and contractual restrictions. In addition, the payment of dividends by NFC to International is limited by the terms of NFC's senior credit facility. See "Description of other financing arrangements Financial services operations."

Secured creditors of NIC or International will have a prior claim to the collateral securing such indebtedness.

The notes will be unsecured obligations of NIC and the guarantee of the notes by International will be an unsecured obligation of International. The payment of principal and interest on the notes and payments pursuant to the guarantee will be effectively subordinated in right of payment to any secured indebtedness of NIC and International, respectively, to the extent of the value of the collateral securing such indebtedness. If either NIC or International becomes insolvent or is liquidated, or if payment under any secured indebtedness of NIC or International is accelerated, the holders of such secured debt will be entitled to exercise the remedies available to a secured lender under applicable law. Assets securing such indebtedness will not be available to satisfy claims with respect to the notes or the guarantee of the notes in the event of a bankruptcy, liquidation or similar circumstance until all amounts due under the secured debt are repaid.

As of January 31, 2004, neither NIC nor International had any secured indebtedness. Although the indenture governing the notes contains restrictions on the ability of NIC and International to incur secured indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the secured indebtedness incurred in the future in compliance with these restrictions could be substantial.

The notes will be effectively subordinated to the obligations of our non-guarantor subsidiaries.

The notes will be guaranteed by International but not by any other direct or indirect subsidiary of NIC. Claims of creditors of non-guarantor subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by such subsidiaries, and claims of preferred stockholders of such subsidiaries generally will have priority with respect to the assets and earnings of such subsidiaries over the claims of our creditors, including holders of the notes. Accordingly, the notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of our non-guarantor subsidiaries.

As of January 31, 2004, after giving pro forma effect to this offering and the application of the net proceeds therefrom and the Concurrent Transactions, NIC's non-guarantor subsidiaries had an aggregate of approximately \$2,286 million of outstanding liabilities, of which \$1,709 million would be liabilities of the financial services operations.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the notes, which would violate the terms of the notes.

Upon the occurrence of certain kinds of change of control events, we will be required to offer to repurchase all outstanding notes, including the notes and the 9³/₈% senior notes, at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. In addition, upon the occurrence of a fundamental change, the holders of the 2.5% senior convertible notes and the 4.75% subordinated exchangeable notes will have the right to require us to repurchase all or any portion of such notes, at a purchase price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to the date of purchase. If a change of control or a fundamental change were to occur, we cannot assure you that we would have sufficient funds to pay the purchase price of such notes or the notes offered hereby, and we may require third party financing to do so. We cannot assure you that we would be able to obtain this financing on reasonable terms, if at all. Our failure to purchase tendered notes would constitute a default under the indentures governing our outstanding notes. See "Description of the notes Change of control" and "Description of other financing arrangements Manufacturing operations."

If the notes are rated investment grade at any time by both Standard & Poor's and Moody's, the International guarantee of the notes will be released and certain covenants contained in the indenture will be suspended, and the holders of the notes will lose the protection of these covenants and the benefit of the guarantee.

The indenture contains certain covenants that will cease to have any effect from and after the first date when the notes are rated investment grade by both Standard & Poor's and Moody's. See "Description of the notes Certain covenants Application of fall away covenants." These covenants restrict, among other things, our ability to pay dividends, incur certain liens, incur additional debt and to enter into certain types of transactions. Because we will not be subject to these restrictions when the notes are rated investment grade, we will be able to incur additional debt and grant additional liens on our property. In addition, International will be released from its obligations under the International Guarantee if, among other things, after giving effect to such release of the International Guarantee, the notes will continue to be assigned an investment grade rating by both Standard & Poor's and Moody's. See "Description of the notes Guarantee." Neither these covenants nor the International Guarantee would be reinstated even if Standard & Poor's or Moody's were to later downgrade their rating of the notes to a non-investment grade level.

A court may void the guarantee or subordinate the guarantee to other obligations of International.

Our principal operating subsidiary, International, will guarantee the notes. If, however, International becomes a debtor in a case under the United States Bankruptcy Code or

encounters other financial difficulty, under Federal or state fraudulent transfer law a court might:

avoid all or a portion of International's guarantee of the notes;

subordinate International's guarantee of the notes to other existing and future indebtedness, entitling other creditors to be paid in full before any payment is made on the guarantee; and

take other action detrimental to holders of the notes, including, in certain circumstances, invalidating the guarantee.

The court might do so if it found that, when International entered into its guarantee (or, in some states, when payments became due thereunder), International:

received less than reasonably equivalent value or fair consideration for the guarantee; and

either (1) was, or was rendered, insolvent, (2) was left with inadequate capital to conduct its business or (3) believed, or should have believed, that it would incur debts beyond its ability to pay.

The court might also avoid International's guarantee, without regard to those factors, if it found that International entered into its guarantee with actual intent to hinder, delay or defraud its creditors.

A court would likely find that International did not receive reasonably equivalent value or fair consideration for its guarantee unless it benefited directly or indirectly from the notes' issuance. If a court avoided the International Guarantee, you would no longer have a claim against International. In addition, the court might direct you to repay any amounts already received from International. If the court were to avoid the guarantee, we cannot assure you that funds would be available to pay the notes from any other source.

The test for determining solvency for these purposes will depend on the law of the jurisdiction being applied. In general, a court would consider an entity insolvent either if the sum of its existing debts exceeds the fair value of all of its property or if the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts as they become due. For this analysis, "debts" includes contingent and unliquidated debts.

The indenture will state that the liability of International on its guarantee is limited to the maximum amount that it can incur without risk that the guarantee will be subject to avoidance as a fraudulent transfer. We cannot assure you that this limitation will protect the guarantee from fraudulent transfer attack or, if it does, that the guarantee will be in amounts sufficient, if necessary, to pay the notes when due.

We cannot assure you that an active trading market will develop for the notes.

There is currently no existing public market for the notes. An active public market may never develop for the notes, and we will not apply to list the notes on any exchange or Nasdaq. As a result, you may be required to bear the financial risk of your investment in the notes indefinitely. Any notes traded after they are initially issued may trade at a discount from the initial offering price. The trading price of the notes depends on prevailing interest rates, the

market for similar securities and other factors, including economic conditions and our financial condition, performance and prospects. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial fluctuations in the prices of these securities. We have been informed by the underwriters that they intend to make a market in the notes after this offering, although the underwriters are not obligated to do so and may cease such market making without notice. See "Underwriting."

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Forward-looking statements

This prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein contain forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, and such forward-looking statements only speak as of the date of this prospectus supplement. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "committed," "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors 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. Some of these factors include:

The markets in which we compete are subject to considerable cyclicity.

We operate in the highly competitive North American truck market.

Our business may be adversely impacted by work stoppages and other labor relations matters.

The loss of business from Ford, our largest customer, could have a negative impact on our business, financial condition and results of operations.

The costs associated with complying with environmental and safety regulations could lower our margins.

Our liquidity position may be adversely affected by a downturn in our industry.

Our business could be negatively impacted in the event our subsidiary, NFC, is unable to access sufficient capital to engage in its financing activities.

We have significant underfunded postretirement obligations.

Our manufacturing operations are dependent upon third-party suppliers, making us vulnerable to a supply shortage.

Our ability to use net operating loss carryovers to reduce future tax payments may be limited if there is a change in ownership of the company.

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We are exposed to political, economic and other risks that arise from operating a multinational business.

Our substantial debt could require us to use a significant portion of our cash flow to satisfy debt obligations and may limit operating flexibility.

Other factors described in the "Risk factors" section of this prospectus supplement.

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 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.

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Use of proceeds

The net proceeds from the offering of the notes, after deducting the underwriter's discounts and commissions and estimated offering expenses payable by us, are estimated to be approximately \$ million. We expect to use the net proceeds from this offering together with cash on hand to repurchase up to \$250 million aggregate principal amount of our existing 8% senior subordinated notes and pay related tender fees and premiums (including consent payments). Any 8% senior subordinated notes not tendered in the repurchase offer are expected to be redeemed at a redemption price equal to 102.67% in accordance with the indenture governing the 8% senior subordinated notes. The 8% senior subordinated notes mature on February 1, 2008.

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Capitalization

The following table sets forth our cash, cash equivalents and marketable securities and capitalization as of January 31, 2004 on an actual basis and as adjusted to give effect to the sale of the notes in the offering and the application of the estimated net proceeds therefrom as set forth in "Use of proceeds" and to the Concurrent Transactions.

This table should be read in conjunction with the information contained in "Use of proceeds," "Management's Discussion and Analysis of Results of Operations and Financial Condition" and our consolidated financial statements and notes thereto, either included elsewhere or incorporated by reference in this prospectus supplement.

(in millions, except share numbers)	At January 31, 2004	
	Actual	As Adjusted
Cash, cash equivalents and marketable securities:		
Manufacturing operations	\$ 279	\$ 433
Financial services operations	292	292
 Total cash, cash equivalents and marketable securities	 \$ 571	 \$ 725
Total debt (including current portion):		
Manufacturing operations:		
% senior notes due 2011 offered hereby	\$	\$ 250
9 ³ / ₈ % senior notes due 2006	400	400
2.5% senior convertible notes due 2007(1)	190	190
8.0% senior subordinated notes due 2008(2)	250	
9.95% senior notes due 2011	16	16
4.75% subordinated exchangeable notes due 2009(3)		220
Other debt	30	30
 Total manufacturing operations debt	 886	 1,106
Financial services operations:		
Revolving retail warehouse facility	500	500
Bank credit facilities(4)	704	874
Secured borrowings	209	209
4.75% subordinated exchangeable notes due 2009(3)	220	
 Total financial services debt	 1,633	 1,583
 Total debt	 \$ 2,519	 \$ 2,689
Shareowners' equity:		
Series D convertible junior preference stock (liquidation preference \$4 million)	4	4
Common stock, \$0.10 par value per share, 110,000,000 shares authorized, 75,296,294 shares issued and outstanding and 5,676,364 held in treasury	2,123	2,123
Retained earnings (deficit)	(860)	(866)

Accumulated other comprehensive loss	(782)	(782)
Common stock held in treasury, at cost	(165)	(165)
	<hr/>	
Total shareowners' equity	320	314
	<hr/>	
Total capitalization	\$ 2,839	\$ 3,003

- (1) NIC's 2.5% senior convertible notes may be converted into shares of NIC common stock at an exchange price of \$34.71 per share, as adjusted upon specified occurrences, at any time by the holder thereof. See "Description of other financing arrangements Manufacturing operations 2.5% senior convertible notes."
- (2) Assumes any 8% senior subordinated notes not tendered in the offer, if any, will be redeemed by NIC at a redemption price equal to 102.67% in accordance with the indenture governing the 8% senior subordinated notes.
- (3) NIC intends to assume NFC's obligations under the 4.75% subordinated exchangeable notes. The assumption of these notes will increase the total debt of NIC's manufacturing operations by \$220 million. NFC's 4.75% subordinated exchangeable notes may be exchanged for shares of NIC common stock at an exchange price of \$55.73 per share at any

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time by the holder thereof. See "Description of other financing arrangements Financial services operations 4.75% subordinated exchangeable notes."

(4)

NFC's \$820 million bank credit facility permits NIC's three Mexican finance subsidiaries to borrow up to \$100 million. As of January 31, 2004, NFC had \$499 million outstanding under this arrangement, and the Mexican finance subsidiaries had \$36 million of borrowings outstanding under this arrangement. NIC and NFC guarantee the borrowings of the Mexican finance subsidiaries under this arrangement. In addition, as of January 31, 2004 the Mexican finance subsidiaries had \$169 million of additional bank borrowings outstanding under other credit facilities, of which \$102 million are guaranteed by NIC, and \$67 million of which are guaranteed by NFC.

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Management

The following sets forth selected information for each of the principal officers listed below.

Name	Age	Position
Daniel C. Ustian	53	Chairman, President and Chief Executive Officer
Robert C. Lannert	64	Vice Chairman and Chief Financial Officer
Robert A. Boardman	56	Senior Vice President and General Counsel
Terry M. Endsley	48	Vice President and Treasurer
Mark T. Schwetschenau	48	Vice President and Controller
Thomas M. Hough	58	Vice President, Strategic Initiatives
Robert J. Perna	40	Corporate Secretary
D.T. (Dee) Kapur	49	President, Truck Group, International
John J. Allen	46	President, Engine Group, International
Phyllis E. Cochran	52	Vice President and General Manager, Parts Group, International
Pamela J. Turbeville	53	Vice President and General Manager, International Finance Group

Daniel C. Ustian has served as Chairman since February 2004, as President and Chief Executive Officer since February 2003 and as a Director since 2002. Mr. Ustian also has served as Chairman of International since February 2004 and as President and Chief Executive Officer of International since February 2003. Mr. Ustian was President and Chief Operating Officer from April 2002 to February 2003. In addition, he was President and Chief Operating Officer of International from April 2002 to February 2003. Mr. Ustian was also President of the Engine Group of International from 1999 to 2002. Prior to this, Mr. Ustian served as Group Vice President and General Manager of Engine and Foundry from 1993 to 1999.

Robert C. Lannert has served as our Chief Financial Officer and a Director since 1990. Mr. Lannert has served as our Vice Chairman since April 2002. Mr. Lannert was also Executive Vice President from 1990 to 2002. Mr. Lannert has also served as Vice Chairman and Chief Financial Officer of International since 2002 and a Director of International since 1987. Prior to this, Mr. Lannert served as Executive Vice President and Chief Financial Officer of International from 1990 to 2002.

Robert A. Boardman has served as our Senior Vice President and General Counsel since 1990. Mr. Boardman has also served as Senior Vice President and General Counsel of International since 1990. Prior to this, Mr. Boardman served as Vice President of Manville Corporation from 1988 to 1990, and its Corporate Secretary from 1983 to 1990.

Terry M. Endsley has served as our Vice President and Treasurer since March 2003. Mr. Endsley has also served as Vice President and Treasurer of International since March 2003. Prior to this, Mr. Endsley served as our Assistant Treasurer from 1997 to March 2003 and as Assistant Treasurer of International from 1997 to March 2003.

Mark T. Schwetschenau has served as our Vice President and Controller since 1998. Since 1998, Mr. Schwetschenau has also been Vice President and Controller of International. Prior to 1998, Mr. Schwetschenau served as Vice President of Finance for the Quaker Foods Division of The

Quaker Oats Company from 1995 to 1997, and Director, Finance, Convenience Foods Division of The Quaker Oats Company from 1993 to 1995.

Thomas M. Hough has served as our Vice President, Strategic Initiatives since March 2003. Prior to this, Mr. Hough served as Vice President and Treasurer from 1992 to March 2003. Mr. Hough also served as Vice President and Treasurer of International from 1992 to March 2003. Prior to this, Mr. Hough served as Assistant Treasurer of Navistar from 1987 to 1992, and Assistant Treasurer of International from 1987 to 1992. Mr. Hough also served as Assistant Controller, Accounting and Financial Systems, 1987, and the Controller of NFC from 1982 to 1987.

Robert J. Perna has served as our Corporate Secretary since June 2001. Mr. Perna also is General Attorney, Finance and Securities, of International since April 2001. Prior to this, Mr. Perna served as Associate General Counsel, General Electric Railcar Services Corporation, a subsidiary of GE Capital Corp. from 2000 to 2001; Senior Counsel, Finance and Securities, of International from 1997 to 2000, and Senior Attorney, Finance and Securities from 1996 to 1997.

D.T. (Dee) Kapur has served as President of the Truck Group of International since September 2003. Prior to this, Mr. Kapur served as Executive Director, North American Business Revitalization, Value Engineering, Ford Motor Company; Executive Director, Ford Outfitters, North American Truck from 2001 to 2002; and Vehicle Line Director, Full Size Pick-ups and Utilities from 1997 to 2001.

John J. Allen has served as President of the Engine Group of International since January 2004. Prior to this, Mr. Allen served as Vice President and General Manager of the Parts Group of International from 2002 to 2004; as Vice President and General Manager of the Blue Diamond Truck Company, an International and Ford Motor Company Joint Venture from 2001 to 2002 and as Assistant General Manager of International's Heavy Vehicle Center from 1997 to 2001.

Phyllis E. Cochran has served as Vice President and General Manager of International's Parts Group since January 2004. Prior to this, Mrs. Cochran served as Vice President and General Manager of the International Finance Group of International from March 2003 to January 2004; as Chief Executive Officer and General Manager of Navistar Financial Corporation from February 2003 to January 2004 and as Executive Vice President and General Manager of Navistar Financial Corporation from December 2002 to February 2003. Ms. Cochran also served as Vice President of Operations for Navistar Financial Corporation from 2000 to 2002; and Vice President & Controller for Navistar Financial Corporation from 1994 to 2000.

Pamela J. Turbeville has served as Vice President and General Manager of the International Finance Group since February 2004. Ms. Turbeville also serves as Chief Executive Officer and as a Director of Navistar Financial Corporation since February 2004. Prior to this, Ms. Turbeville served as Senior Vice President, Human Resources and Administration of International from 1998 to 2004. Prior to this, Ms. Hamilton served as Senior Vice President, Human Resources, Environment Health and Safety and Government Relations of W.R. Grace and Company from 1993 to 1998.

We incorporate by reference in this prospectus supplement certain information relating to, among other things, officer and director compensation, transactions with related parties and ownership of Navistar common stock. See "Incorporation by reference and delivery of certain documents."

Description of the notes

General

The Notes will be issued pursuant to a supplemental indenture, to be dated as of _____, 2004 (the "Supplemental Indenture"), among the NIC, International and BNY Midwest Trust Company, as trustee (the "Trustee"), to the indenture, to be dated as of _____, 2004, among NIC, International and the Trustee (as supplemented and amended by the Supplemental Indenture, the "Indenture"). The Notes are subject to the terms of the Indenture, and Holders of the Notes are referred to the Indenture and the Trust Indenture Act ("TIA") for a statement thereof. The following summary of certain provisions of the Indenture does not purport to be complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of certain terms used below. The definitions of certain terms used in the following summary are set forth below under "Certain Definitions" or are otherwise defined in the Indenture. Unless otherwise specifically indicated, all references in this section to "NIC" are to Navistar International Corporation and not to any of its Subsidiaries.

The Notes will be general unsecured obligations of NIC, and rank *pari passu* in right of payment with all existing and future unsubordinated Indebtedness of NIC and senior in right of payment to all existing and future subordinated Indebtedness of NIC. The Notes are effectively subordinated to all secured Indebtedness of NIC, if any. The Notes will mature on _____, 2011 and bear interest at the rate per annum set forth on the cover page of this prospectus supplement. Interest will be payable semiannually (to holders of record of Notes at the close of business on _____ or _____ immediately preceding the interest payment date) on _____ and _____ of each year, respectively, commencing _____, _____. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes will be issued in denominations of \$1,000 and integral multiples of \$1,000. The Notes are being offered in an aggregate principal amount of \$250 million. The Indenture governing the Notes will allow NIC to issue additional notes with the same terms as the Notes offered hereby so that the additional notes will form a single series with the Notes offered hereby.

The Notes will not have the benefit of any sinking fund.

Guarantee

International will unconditionally guarantee (the "International Guarantee") on a senior unsecured basis, NIC's obligations under the Notes and all obligations under the Indenture. The International Guarantee will rank equally in right of payment with all existing and future liabilities of International that are not subordinated. The International Guarantee will effectively rank junior to any secured indebtedness of International to the extent of the value of the assets securing such indebtedness.

The obligations of International under the International Guarantee will be limited as necessary to prevent the International Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law.

In the event International is sold or disposed of (whether by merger, consolidation, the sale of its Capital Stock such that International is no longer a Subsidiary of NIC or the sale of all or

substantially all of its assets (other than by lease)) and whether or not International is the surviving corporation in such transaction to a Person which is not NIC or a Restricted Subsidiary of NIC, then International will be released from its obligations under the International Guarantee if the sale or other disposition is in compliance with the Indenture, including the covenant " Limitation on Certain Asset Disposition."

In addition, International will be released from its obligations under the International Guarantee if, after giving effect to such release of the International Guarantee:

- (a) the Notes will continue to be assigned an Investment Grade rating by both Rating Agencies;
- (b) no Default under the Indenture has occurred and is continuing; and
- (c) NIC has outstanding no other Indebtedness, which at such time has an aggregate outstanding principal amount in excess of \$35 million that is guaranteed by International (other than the Notes and any other Indebtedness whose guarantee by International will be automatically released if the International Guarantee is released).

As of January 31, 2004, after giving pro forma effect to the offering and the application of the net proceeds therefrom, International would have had \$16 million of total indebtedness outstanding (not including any guaranteed obligations), all of which would have ranked equally with the International Guarantee.

Ranking

The Notes will be unsecured obligations of NIC, ranking equal in right of payment with all of NIC's other unsecured and unsubordinated indebtedness, and ranking senior in right of payment to NIC's outstanding subordinated indebtedness and any of its future subordinated indebtedness. In addition, the Notes will be structurally subordinated to all of the liabilities of NIC's non-guarantor subsidiaries. As of January 31, 2004, assuming that NIC had completed the offering, had assumed the \$220 million outstanding of the 4.75% Subordinated Exchangeable Notes originally issued by NFC and had repurchased all of the \$250 million outstanding of the 2008 Senior Subordinated Notes:

NIC would have had \$1,060 million of total indebtedness outstanding (including the Notes), of which \$840 million would have ranked equally with the Notes and \$220 million would have been subordinated to the Notes,

NIC's financial services subsidiaries would have had \$138 million of indebtedness and International would have \$16 million of indebtedness that was guaranteed by NIC, which guarantee ranks equally with the Notes; and

NIC's non-guarantor subsidiaries would have had \$2,286 million of outstanding liabilities, of which, \$1,709 million would be liabilities of the financial services operations.

Optional Redemption

Except as described below, the Notes are not redeemable until _____, 2008. On and after _____, 2008, NIC may redeem all or, from time to time, a part of the Notes upon

not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on _____ of the years indicated below:

Year	Percentage
2008	
2009	
2010 and thereafter	100.00%

Prior to _____, 2007, NIC may on any one or more occasions redeem up to 35% of the original principal amount of the Notes with the Net Cash Proceeds of one or more Public Equity Offerings at a redemption price of _____ % of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that

- (1) at least 65% of the original principal amount of the Notes remains outstanding after each such redemption; and
- (2) the redemption occurs within 60 days after the closing of such Public Equity Offering.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business, on such record date, and no additional interest will be payable to holders whose Notes will be subject to redemption by NIC.

Certain Covenants

Application of Fall Away Covenants. After such time as:

- (a) the Notes have been assigned an Investment Grade rating by both Rating Agencies; and
- (b) no Default under the Indenture has occurred and is continuing, and notwithstanding that the Notes may later cease to have an Investment Grade Rating by either or both of the Rating Agencies, NIC and its Restricted Subsidiaries will not be subject to the following agreements and covenants contained in the Indenture:

"Limitation on Incurrence of Indebtedness",

"Limitation on Certain Asset Dispositions",

"Limitation on Restricted Payments",

"Limitation on Preferred Stock of Restricted Subsidiaries",

"Limitation on Transactions with Affiliates",

"Limitation on Payment Restrictions Affecting Restricted Subsidiaries",

clauses (1) and (3) of the first paragraph of "Limitation on Sale/Leaseback Transactions", and

clause (2) of the first paragraph of "Merger, Consolidation, Etc."

A change in the rating on the Notes by either Rating Agency shall be deemed to have occurred on the date that such Rating Agency shall have publicly announced the change.

Limitation on Liens. The Indenture will provide that NIC will not, and will not cause or permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Liens upon any of their respective properties or assets (including, without limitation, any asset in the form of the right to receive payments, fees or other consideration or benefits) whether owned on the Issue Date or acquired after the Issue Date, other than:

(1) Liens granted by NIC or a Subsidiary Guarantor on property or assets of NIC or a Subsidiary Guarantor securing Indebtedness of NIC or a Subsidiary Guarantor that is permitted by the Indenture and that is *pari passu* with the Notes or the Subsidiary Guarantee; *provided*, that the Notes or the Subsidiary Guarantee, as the case may be, are secured on an equal and ratable basis with the Indebtedness secured by such Liens for so long as such Indebtedness is so secured;

(2) Liens granted by NIC or a Subsidiary Guarantor on property or assets of NIC or a Subsidiary Guarantor securing Indebtedness of NIC or a Subsidiary Guarantor that is permitted by the Indenture and that is subordinated to the Notes or the Subsidiary Guarantee, *provided*, that the Notes, as the case may be, are secured by Liens ranking prior to such Liens;

(3) Permitted Liens;

(4) Liens in respect of Acquired Indebtedness permitted by the Indenture; *provided*, that the Liens in respect of such Acquired Indebtedness secured such Acquired Indebtedness at the time of the incurrence of such Acquired Indebtedness and such Liens and the Acquired Indebtedness were not incurred by NIC or by the Person being acquired or from whom the assets were acquired in connection with, or in anticipation of, the incurrence of such Acquired Indebtedness by NIC, and *provided, further* that such Liens in respect of such Acquired Indebtedness do not extend to or cover any property or assets of NIC or of any Restricted Subsidiary of NIC other than the property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of NIC;

(5) Liens granted in connection with any Qualified Securitization Transaction;

(6) Liens arising from claims of holders of Indebtedness against funds held in a defeasance trust for the benefit of such holders; and

(7) Liens on property or assets of NIC or any Restricted Subsidiary securing Indebtedness permitted by the Indenture not to exceed the greater of (A) \$200.0 million and (B) the sum of (1) 85.0% of the total book value of accounts receivable and (2) 50.0% of the total book value of inventory, in each case as reflected on NIC's most recent consolidated financial statements prepared in accordance with GAAP.

Limitation on Incurrence of Indebtedness. The Indenture will provide that NIC will not, and will not cause or permit any of its Restricted Subsidiaries to incur, directly or indirectly, any Indebtedness, except:

(1) Indebtedness of NIC or any Subsidiary Guarantor, if immediately after giving effect to the incurrence of such Indebtedness and the receipt and application of the net proceeds thereof, the Consolidated Cash Flow Ratio of NIC for the four full fiscal quarters for which quarterly or annual financial statements are available next preceding the incurrence of such Indebtedness would be greater than 2.0 to 1.0;

(2) Indebtedness outstanding on the Issue Date;

(3) [Reserved]

(4) Indebtedness owed by NIC to any Restricted Subsidiary of NIC or Indebtedness owed by a Subsidiary of NIC to NIC or a Restricted Subsidiary of NIC; *provided*, that, upon either

(a) the transfer or other disposition by such Restricted Subsidiary or NIC of any Indebtedness so permitted under this clause (4) to a Person other than NIC or another Restricted Subsidiary of NIC or

(b) the issuance (other than directors' qualifying shares), sale, transfer or other disposition of shares of Capital Stock or other ownership interests (including by consolidation or merger) of such Restricted Subsidiary to a Person other than NIC or another such Restricted Subsidiary of NIC,

the provisions of this clause (4) shall no longer be applicable to such Indebtedness and such Indebtedness shall be deemed to have been incurred at the time of any such issuance, sale, transfer or other disposition, as the case may be;

(5) Indebtedness of NIC or its Restricted Subsidiaries under any Interest Rate Protection Agreement or Currency Agreement;

(6) Acquired Indebtedness to the extent NIC could have incurred such Indebtedness in accordance with clause (1) above on the date such Indebtedness became Acquired Indebtedness;

(7) Indebtedness incurred by NIC or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including, without limitation, letters of credit in response to worker's compensation claims or self-insurance;

(8) Indebtedness arising from agreements of NIC or a Restricted Subsidiary of NIC providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary of NIC;

(9) Obligations in respect of performance and surety bonds and completion guarantees provided by NIC or any Restricted Subsidiary of NIC in the ordinary course of business;

(10) Indebtedness consisting of notes issued to employees, officers or directors in connection with the redemption or repurchase of Capital Stock held by such Persons in an aggregate amount not in excess of \$10.0 million at any time outstanding;

(11) Indebtedness consisting of take-or-pay obligations contained in supply agreements entered into by NIC or its Restricted Subsidiaries in the ordinary course;

(12) the guarantee by NIC or any Restricted Subsidiary of Indebtedness of NIC or any Restricted Subsidiary permitted to be incurred under another provision of this covenant;

(13) Indebtedness incurred to renew, extend, refinance or refund (collectively for purposes of this clause (13) to "refund") any Indebtedness incurred pursuant to clauses (1) or (2) above, this clause (13) or clauses (14) and (15) below; *provided*, that:

(a) such Indebtedness does not exceed the principal amount (or accreted amount, if less) of Indebtedness so refunded plus the amount of any premium required to be paid in connection with such refunding pursuant to the terms of the Indebtedness refunded or the amount of any premium reasonably determined by NIC as necessary to accomplish such refunding by means of a tender offer, exchange offer, or privately negotiated repurchase, plus the expenses of NIC or such Restricted Subsidiary incurred in connection therewith and

(b) (I) in the case of any refunding of Indebtedness that is *pari passu* with the Notes, such refunding Indebtedness is made *pari passu* with or subordinate in right of payment to such Notes, and, in the case of any refunding of Indebtedness that is subordinate in right of payment to the Notes, such refunding Indebtedness is subordinate in right of payment to such Notes on terms no less favorable to the Holders than those contained in the Indebtedness being refunded,

(II) in either case, the refunding Indebtedness by its terms, or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued does not have an Average Life that is less than the remaining Average Life of the Indebtedness being refunded (in the event that any portion of such refunding Indebtedness has a scheduled maturity prior to the Notes) and does not permit redemption or other retirement (including pursuant to any required offer to purchase to be made by NIC or any of its Restricted Subsidiaries) of such Indebtedness at the option of the holder thereof prior to the final stated maturity of the Indebtedness being refunded, other than a redemption or other retirement at the option of the holder of such Indebtedness (including pursuant to a required offer to purchase made by NIC or any of its Restricted Subsidiaries) which is conditioned upon a change of control of NIC pursuant to provisions substantially similar to those contained in the Indenture described under "Change of Control" below, and

(III) Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor may not be incurred to refund any Indebtedness of NIC;

(14) Indebtedness of NIC under the Notes and Indebtedness of International under the International Guarantee;

(15) Indebtedness of NIC relating to the assumption of the 4.75% Subordinated Exchangeable Notes originally issued by NFC;

(16) the consummation of any Qualified Securitization Transaction;

(17) Attributable Indebtedness relating to any Sale/Leaseback Transaction with respect to the purchase of tooling and related manufacturing equipment in the ordinary course of business consistent with past practices;

(18) the incurrence by NIC or any Restricted Subsidiary of Indebtedness (including Capital Lease Obligations) to finance the purchase, lease or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) in an aggregate principal amount outstanding not to exceed the greater of (a) \$75.0 million or (b) 2.0% of Consolidated Net Tangible Assets at the time of any incurrence thereof;

(19) the accrual of interest, accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock; *provided* in each such case that the amount thereof is included in Consolidated Fixed Charges of NIC as accrued; and

(20) Indebtedness of NIC or its Restricted Subsidiaries, not otherwise permitted to be incurred pursuant to clauses (1) through (20) above, which, together with any other outstanding Indebtedness incurred pursuant to this clause (20), has an aggregate principal amount not in excess of \$250.0 million at any time outstanding.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (20) above, NIC shall, in its sole discretion, classify such item of Indebtedness and may divide and classify such Indebtedness in more than one of the types of Indebtedness described, and may later reclassify any item of Indebtedness described in clauses (1) through (20) above (*provided* that at the time of reclassification it meets the criteria in such category or categories). In addition, for purposes of determining any particular amount of Indebtedness under this covenant, guarantees, Liens or letter of credit obligations supporting Indebtedness otherwise included in the determination of such particular amount shall not be included so long as incurred by a Person that could have incurred such Indebtedness.

Limitation on Preferred Stock of Restricted Subsidiaries. The Indenture will provide that NIC will not cause or permit any of its Restricted Subsidiaries to issue any Preferred Stock other than to NIC or to another Restricted Subsidiary; provided that a Subsidiary Guarantor may issue Preferred Stock to any other Person if at the time of issuance of such Preferred Stock, NIC, after giving pro forma effect to such issuance treating the aggregate liquidation preference of such Preferred Stock as Indebtedness, would have been able to incur at least \$1.00 of additional Indebtedness pursuant to the terms of the Indenture described in clause (1) of " Limitation on Incurrence of Indebtedness" above.

Limitation on Restricted Payments. The Indenture will provide that NIC will not, and will not cause or permit any of its Restricted Subsidiaries to directly or indirectly:

(1) declare or pay any dividend, or make any distribution of any kind or character (whether in cash, property or securities), in respect of any class of its Capital Stock or to the holders thereof in their capacity as stockholders, excluding any (a) dividend or

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distributions payable solely in shares of its Qualified Capital Stock or in options, warrants or other rights to acquire its Qualified Capital Stock or (b) in the case of any Restricted Subsidiary of NIC, dividends or distributions payable to NIC or a Restricted Subsidiary of NIC;

(2) purchase, redeem, or otherwise acquire or retire for value shares of Capital Stock of NIC or any options, warrants or rights to purchase or acquire shares of Capital Stock of NIC (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock of NIC), excluding any such shares of Capital Stock, options, warrants, rights or securities which are owned by NIC or a Restricted Subsidiary of NIC;

(3) make any Investment (other than a Permitted Investment); or

(4) redeem, defease, repurchase, retire or otherwise acquire or retire for value, prior to any scheduled maturity, repayment or sinking fund payment, Indebtedness which is subordinate in right of payment to the Notes (each of the transactions described in clauses (1) through (4) (other than any exception to any such clause) being a "*Restricted Payment*"),

if at the time thereof:

(1) an Event of Default, or an event that with the passing of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, or

(2) upon giving effect to such Restricted Payment, NIC could not incur at least \$1.00 of additional Indebtedness pursuant to the terms of the Indenture described in clause (1) of " Limitation on Incurrence of Indebtedness" above, or

(3) upon giving effect to such Restricted Payment, the aggregate of all Restricted Payments made on or after the Issue Date exceeds the sum (without duplication) of:

(a) 50% of cumulative Consolidated Net Income of NIC (or, in the case cumulative Consolidated Net Income of NIC shall be negative, less 100% of such deficit) for the period (treated as a single accounting period) from May 1, 2004 through the last day of NIC's most recently ended fiscal quarter for which financial statements are available; *plus*

(b) 100% of the aggregate net cash proceeds and the fair market value of property or marketable securities received after the Issue Date, from the issuance of Qualified Capital Stock of NIC and warrants, rights or options on Qualified Capital Stock of NIC (other than in respect of any such issuance to a Subsidiary of NIC) and the principal amount of Indebtedness of NIC or a Subsidiary of NIC that has been converted into or exchanged for Qualified Capital Stock of NIC after the Issue Date; *plus*

(c) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date, an amount equal to the return of capital with respect to such Investment, less the cost of the disposition of such Investment; *plus*

(d) 100% of the aggregate net cash proceeds and the fair market value of property or marketable securities received after the Issue Date from Unrestricted Subsidiaries resulting from the receipt of dividends or other distributions or payments,

repayments of loans or advances or other transfers of assets or proceeds from the disposition of Capital Stock, in each case to NIC or any Restricted Subsidiary from, or with respect to, interests in Unrestricted Subsidiaries; provided that any such amounts included in this paragraph (d) shall not be included in Consolidated Net Income of NIC for purposes of paragraph (a) above; *plus*

(e) the portion (proportionate to NIC's equity interest in such Subsidiary) of the fair market value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary not to exceed the amount of Investments made by NIC or any Restricted Subsidiary (and treated as a Restricted Payment) in such Unrestricted Subsidiary;

For purposes of determining the amount expended for Restricted Payments under this clause (3), property other than cash shall be valued at its fair market value.

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph will not prohibit:

(1) any dividend on any class of Capital Stock of NIC paid within 60 days after the declaration thereof if, on the date when the dividend was declared, NIC could have paid such dividend in accordance with the provisions of the Indenture;

(2) the renewal, extension, refunding or refinancing of any Indebtedness otherwise permitted pursuant to the terms of the Indenture described in clause (13) of " Limitation on Incurrence of Indebtedness" above;

(3) the exchange or conversion of any Indebtedness of NIC or any of its Restricted Subsidiaries for or into Qualified Capital Stock of NIC;

(4) any Restricted Payments, including loans or other advances made pursuant to any employee benefit plans (including plans for the benefit of directors) or employment agreements or other compensation arrangements, in each case as approved by the Board of Directors of NIC in its good faith judgment;

(5) so long as no Default or Event of Default has occurred and is continuing, any Investment made with the proceeds of a substantially concurrent sale of Qualified Capital Stock of NIC; provided, that the proceeds of such sale of Qualified Capital Stock shall not be (and have not been) included in clause (3) of the preceding paragraph;

(6) the redemption, repurchase, retirement or other acquisition of any Capital Stock of NIC in exchange for or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of NIC) of Qualified Capital Stock of NIC; *provided*, that the proceeds of such sale of Capital Stock shall not be (and have not been) included in clause (3) of the preceding paragraph;

(7) so long as no Event of Default has occurred and is continuing, the redemption, repurchase, retirement or other acquisition of any Subordinated Indebtedness of NIC in exchange for or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of NIC) of Qualified Capital Stock of NIC; provided, that the proceeds of such sale of Qualified Capital Stock shall not be (and have not been) included in clause (3) of the preceding paragraph;

(8) Investments in Navistar Financial Corporation made pursuant to the Support Agreement to the extent required by the Support Agreement;

(9) the declaration and payment of dividends to holders of any class of Preferred Stock issued after the Issue Date; *provided*, that at the time of the issuance of such Preferred Stock, NIC, after giving pro forma effect to such issuance treating the aggregate liquidation preference of such Preferred Stock as Indebtedness, would have been able to incur at least \$1.00 of additional Indebtedness pursuant to the terms of the Indenture described in clause (1) of " Limitation on Incurrence of Indebtedness" above;

(10) so long as no Event of Default has occurred and is continuing, any purchase or redemption or other retirement for value of Capital Stock of NIC required pursuant to any shareholders agreement, management agreement or employee stock option agreement in accordance with the provisions of any such arrangement in an amount not to exceed \$20.0 million in the aggregate;

(11) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof or tax withholdings related to the exercise of such stock option;

(12) payments not to exceed \$10.0 million per annum in the aggregate to enable NIC to make payments to holders of its Capital Stock in lieu of issuance of fractional shares of its Capital Stock;

(13) so long as no Event of Default has occurred and is continuing, (a) the redemption or repurchase of the 2008 Senior Subordinated Notes, (b) redemption or repurchase of the 4.75% Subordinated Exchangeable Notes, or (c) the redemption of any other stock purchase rights under a rights plan in an aggregate amount not to exceed \$2.5 million;

(14) so long as no Event of Default has occurred and is continuing, Investments in Permitted Joint Ventures and designations of Restricted Subsidiaries as Unrestricted Subsidiaries; *provided*, that after giving pro forma effect to such Investment or such designation, NIC could incur at least \$1.00 of additional Indebtedness pursuant to the terms of the Indenture described in clause (1) of " Limitation on Incurrence of Indebtedness" above;

(15) so long as no Event of Default has occurred and is continuing, the repurchase, redemption, acquisition or retirement of subordinated Indebtedness with Unutilized Net Available Proceeds remaining after an Asset Sale Offer pursuant to the covenant described under the caption "Limitation on Certain Asset Dispositions";

(16) so long as no Event of Default has occurred and is continuing, the repurchase, redemption, acquisition or retirement of any subordinated Indebtedness at a price not greater than 101% of the principal amount thereof (together with accrued and unpaid interest) following a "change of control" (defined in a manner comparable to the definition of Change of Control) after NIC shall have complied with the provisions under " Change of Control" and has purchased all Notes validly tendered and not withdrawn; and

(17) if no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof, any other Restricted Payment which, together with all

other Restricted Payments made pursuant to this clause (17), does not to exceed \$200.0 million in the aggregate since the Issue Date.

Each Restricted Payment described in clauses (1), (4), (8), (10), (15) and (16) of the previous sentence shall be taken into account (and the Restricted Payments described in the remaining clauses shall not be taken into account) for purposes of computing the aggregate amount of all Restricted Payments made pursuant to clause (3) of the preceding paragraph.

Limitation on Certain Asset Dispositions. The Indenture will provide that NIC will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, make one or more Asset Dispositions unless:

(1) NIC or the Restricted Subsidiary, as the case may be, receives consideration for such Asset Disposition at least equal to the fair market value of the assets sold or disposed of (as determined in good faith by NIC);

(2) not less than 75% of the consideration for the disposition consists of cash or readily marketable cash equivalents or the assumption of Indebtedness (other than non-recourse Indebtedness or any Indebtedness subordinated to the Notes) of NIC or such Restricted Subsidiary or other obligations relating to such assets (and release of NIC or such Restricted Subsidiary from all liability on the Indebtedness or other obligations assumed); and

(3) all Net Available Proceeds, less any amounts invested or committed to be invested within 360 days of such Asset Disposition in assets related to the business of NIC (including capital expenditures or the Capital Stock of another Person (other than NIC or any Person that is a Restricted Subsidiary of NIC immediately prior to such investment); *provided*, that immediately after giving effect to any such investment (and not prior thereto) such Person shall be a Restricted Subsidiary of NIC), are applied, on or prior to the 360th day after such Asset Disposition (unless and to the extent that NIC shall determine to make an Offer to Purchase), either to

(a) the permanent reduction and prepayment of any Indebtedness of NIC (other than Indebtedness which is expressly subordinate to the applicable issue of Notes) then outstanding (including a permanent reduction of commitments in respect thereof) or

(b) the permanent reduction and repayment of any Indebtedness of any Restricted Subsidiary of NIC then outstanding (including a permanent reduction of commitments in respect thereof).

The 361st day after such Asset Disposition shall be deemed to be the "Asset Sale Offer Trigger Date," and the amount of Net Available Proceeds from Asset Dispositions otherwise subject to the preceding provisions not so applied or as to which NIC has determined not to so apply shall be referred to as the "Unutilized Net Available Proceeds." Within fifteen days after the Asset Sale Offer Trigger Date, NIC shall make an Offer to Purchase the outstanding applicable issue of Notes at a purchase price in cash equal to 100% of their principal amount plus any accrued and unpaid interest thereon to the Purchase Date. Notwithstanding the foregoing, NIC may defer making any Offer to Purchase outstanding Notes until there are aggregate Unutilized Net Available Proceeds equal to or in excess of \$25.0 million (at which time, the entire Unutilized Net Available Proceeds, and not just the amount in excess of \$25.0 million, shall be applied as required pursuant to this paragraph).

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Pending application of the Unutilized Net Available Proceeds pursuant to this covenant, such Unutilized Net Available Proceeds shall be invested in Permitted Investments of the types described in clauses (1), (2) and (3) of the definition of "Permitted Investments."

If any Indebtedness of NIC or any of its Restricted Subsidiaries ranking *pari passu* with the Notes requires that prepayment of, or an offer to prepay, such Indebtedness be made with any Net Available Proceeds, NIC may apply such Net Available Proceeds pro rata (based on the aggregate principal amount of the Notes then outstanding and the aggregate principal amount (or accreted value, if less) of all such other Indebtedness then outstanding) to the making of an Offer to Purchase the Notes in accordance with the foregoing provisions and the prepayment or the offer to prepay such *pari passu* Indebtedness. Any remaining Net Available Proceeds following the completion of the required Offer to Purchase may be used by NIC for any other purpose (subject to the other provisions of the Indenture) and the amount of Net Available Proceeds then required to be otherwise applied in accordance with this covenant shall be reset to zero, subject to any subsequent Asset Disposition. These provisions will not apply to a transaction consummated in compliance with the provisions of the Indenture described under " Merger, Consolidation, Etc." below.

Notwithstanding the foregoing, the provisions of this covenant shall not apply to any Sale/Leaseback Transaction with respect to the purchase of tooling and related manufacturing equipment in the ordinary course of business consistent with past practices.

In the event that NIC makes an Offer to Purchase the Notes, NIC shall comply with any applicable securities laws and regulations, including any applicable requirements of Section 14(e) of, and Rule 14e-1 under, the Exchange Act and any violation of the provisions of the Indenture relating to such Offer to Purchase occurring as a result of such compliance shall not be deemed an Event of Default or an event that with the passing of time or giving of notice, or both, would constitute an Event of Default.

NIC's ability to repurchase the Notes may be limited by other then-existing borrowing agreements of NIC and its Restricted Subsidiaries. There can be no assurance that NIC will be able to obtain such a consent or a waiver of such limitations. See " Certain Covenants Limitation on Restricted Payments."

Limitation on Sale/Leaseback Transactions. The Indenture will provide that NIC shall not, and shall not cause or permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

(1) NIC or such Restricted Subsidiary would be entitled to incur Indebtedness in an amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction pursuant to any provision of the covenant described under the caption "-Limitation on Incurrence of Indebtedness";

(2) the net proceeds received by NIC or any Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the fair value (as determined by the Board of Directors) of such property; and

(3) NIC or such Restricted Subsidiary applies the proceeds of such transaction in compliance with " Limitation on Certain Asset Dispositions."

Notwithstanding the foregoing, the provisions of this covenant shall not prohibit NIC or any Restricted Subsidiary from entering into any Sale/Leaseback Transaction with respect to the purchase of tooling and related manufacturing equipment in the ordinary course of business consistent with past practices.

Limitation on Payment Restrictions Affecting Restricted Subsidiaries. The Indenture will provide that NIC will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or suffer to exist or allow to become effective any consensual encumbrance or restriction of any kind on the ability of any such Restricted Subsidiary to:

- (1) pay dividends, in cash or otherwise, or make other payments or distributions on its Capital Stock or any other equity interest or participation in, or measured by, its profits, owned by NIC or by any Restricted Subsidiary of NIC, or make payments on any Indebtedness owed to NIC or to any Restricted Subsidiary of NIC;
- (2) make loans or advances to NIC or to any Restricted Subsidiary of NIC; or
- (3) transfer any of their respective property or assets to NIC or to any Restricted Subsidiary of NIC.

The preceding restrictions, however, will not apply to encumbrances or restrictions existing under or by reason of:

- (1) applicable law, regulations or order;
- (2) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of any Restricted Subsidiary of NIC;
- (3) Indebtedness or any other contractual requirements (including pursuant to any corporate governance documents in the nature of a charter or by-laws) of a Securitization Subsidiary arising in connection with a Qualified Securitization Transaction, *provided*, that any such encumbrances and restrictions apply only to such Securitization Subsidiary;
- (4) any agreement in effect on the Issue Date as any such agreement is in effect on such date;
- (5) any agreement relating to any Indebtedness incurred by such Restricted Subsidiary prior to the date on which such Restricted Subsidiary became a Subsidiary of NIC and outstanding on such date and not incurred in anticipation or contemplation of becoming a Subsidiary of NIC, *provided*, such encumbrance or restriction shall not apply to any assets of NIC or its Restricted Subsidiaries other than such Restricted Subsidiary;
- (6) the Indenture, the Notes and the Subsidiary Guarantees;
- (7) restrictions relating to any Lien permitted under the Indenture imposed by the holder of such Lien;
- (8) restrictions imposed under any agreement to sell assets permitted under the Indenture to any Person pending the closing of such sale;
- (9) any other agreement governing Indebtedness entered into after the Issue Date that contains encumbrances and restrictions that are not materially more restrictive with respect to any Restricted Subsidiary than those in effect on the Issue Date with respect to that Restricted Subsidiary pursuant to agreements in effect on the Issue Date;

(10) customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements and other similar agreements entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person;

(11) Indebtedness incurred in compliance with clause (18) of the covenant described under " Limitations on Incurrence of Indebtedness" that impose restrictions of the nature described in clause (5) above on the assets acquired;

(12) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business;

(13) encumbrances or restrictions contained in Indebtedness of Restricted Subsidiaries permitted to be incurred under clause (21) of the covenant described under " Limitation on Incurrence of Indebtedness;*provided* that any such encumbrances or restrictions are ordinary and customary with respect to the type of Indebtedness being incurred under the relevant circumstances and do not materially impair the Issuer's ability to make payment on the Notes when due; and

(14) any encumbrances or restrictions imposed by any amendments or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (13) above; *provided* that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

Limitation on Transactions with Affiliates. The Indenture will provide that NIC will not, and will not cause or permit any of its Restricted Subsidiaries to:

- (1) sell, lease, transfer or otherwise dispose of any of its property or assets to,
- (2) purchase any property or assets from,
- (3) make any Investment in, or
- (4) enter into or amend or extend any contract, agreement or understanding with or for the benefit of, any Affiliate of NIC or of any Subsidiary (an "*Affiliate Transaction*"),

other than Affiliate Transactions that are on terms that are fair and reasonable to NIC or such Restricted Subsidiary of NIC and that are no less favorable to NIC or such Restricted Subsidiary of NIC than those that could be obtained in a comparable arm's length transaction by NIC or such Restricted Subsidiary of NIC from an unaffiliated party; *provided*, that if NIC or any Restricted Subsidiary of NIC enters into an Affiliate Transaction or series of Affiliate Transactions involving or having an aggregate value of more than \$30.0 million, a majority of the disinterested members of the Board of Directors of NIC or a committee thereof shall, prior to the consummation of such Affiliate Transaction, have determined (as evidenced by a resolution thereof) that such Affiliate Transaction meets the foregoing standard.

The foregoing restrictions shall not apply to:

- (1) any transaction between Restricted Subsidiaries of NIC, or between NIC and any Restricted Subsidiary of NIC if such transaction is not otherwise prohibited by the terms of the Indenture;

(2) transactions entered into pursuant to the terms of the Master Intercompany Agreements, the Tax Allocation Agreement or the Support Agreement;

(3) transactions entered into in the ordinary course of business;

(4) Qualified Securitization Transactions;

(5) reasonable fees and compensation paid to and advances of expenses to and indemnity provided on behalf of officers, directors, employees or consultants of NIC or any Subsidiary as determined in good faith by NIC's Board of Directors or senior management;

(6) any agreement as in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) or in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date;

(7) Restricted Payments and Permitted Investments permitted by the Indenture;

(8) loans or advances to employees or consultants in the ordinary course of business and consistent with past practices in an aggregate amount outstanding at any time not to exceed \$10.0 million;

(9) joint venture partners or purchasers or sellers of goods or services, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture agreements) and otherwise in compliance with the terms of the Indenture which are fair to NIC or its Restricted Subsidiaries, in the reasonable determination of the senior management of NIC, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party; and

(10) any employment or compensation arrangement entered into by NIC or any of its Restricted Subsidiaries in the ordinary course of business that is not otherwise prohibited by the Indenture.

Limitation on Guarantees by Restricted Subsidiaries. The Indenture will provide that NIC shall not cause or permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee the payment of any Indebtedness of NIC which, in the aggregate, together with all other Indebtedness of NIC that is guaranteed by Restricted Subsidiaries, does not exceed \$35.0 million, unless such Restricted Subsidiary of NIC simultaneously executes and delivers a supplemental indenture to the Indenture providing for the guarantee of payment of the Notes by such Restricted Subsidiary of NIC; *provided*, any guarantee by a Subsidiary Guarantor of such other Indebtedness:

(1) (a) (I) is unsecured or (II) is secured and (A) in the case of any such guarantee of Indebtedness of NIC ranking *pari passu* with the Notes, the Subsidiary Guarantees are secured equally and ratably with any Liens securing such guarantee and (B) in the case of any such guarantee of Indebtedness of NIC subordinated to the Notes, the relevant Subsidiary Guarantees are secured on a basis ranking prior to the Liens securing such guarantee and

(b) (I) in the case of any such guarantee of Indebtedness of NIC subordinated or junior to the Notes (whether pursuant to its terms or by operation of law), such guarantee is subordinated pursuant to a written agreement to the relevant Subsidiary Guarantees at

least to the same extent and in the same manner as such other Indebtedness is subordinated to the Notes, or (II) the Subsidiary Guarantees are not subordinated or junior to any Indebtedness of such Subsidiary Guarantor; and

(2) such Subsidiary Guarantor waives, and agrees it will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against NIC or any other Subsidiary of NIC as a result of any payment by it under such Subsidiary Guarantees.

Notwithstanding the foregoing, any Subsidiary Guarantee shall provide by its terms that it shall be automatically and unconditionally released and discharged upon either (a) the unconditional release or discharge of such Subsidiary Guarantor's guarantees of all other Indebtedness of NIC (other than a release resulting from payment under such Subsidiary Guarantor's guarantees) or (b) any sale, exchange or transfer, to any Person not an Affiliate of NIC, of the Capital Stock of such Subsidiary Guarantor such that such Subsidiary Guarantor ceases to be a Subsidiary of NIC, or all or substantially all of the assets of such Subsidiary Guarantor, pursuant to a transaction which is in compliance with all of the terms of the Indenture.

Change of Control. Upon the occurrence of a Change of Control (the date of each such occurrence being the "*Change of Control Date*"), NIC will notify the Holders in writing of such occurrence and will commence an Offer to Purchase (the "*Change of Control Offer*") all Notes then outstanding, in each case, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the Purchase Date. Notice of a Change of Control will be mailed by NIC to the Holders not more than 30 days after any Change of Control Date.

None of the provisions relating to a purchase upon a Change of Control are waivable by the Board of Directors of NIC. NIC could, in the future, enter into certain transactions, including certain recapitalizations of NIC, that would not constitute a Change of Control with respect to the Change of Control purchase feature of the Notes, but would increase the amount of Indebtedness outstanding at such time. If a Change of Control were to occur, there can be no assurance that NIC would have sufficient funds to pay the redemption price for all Notes that NIC is required to redeem. In the event that NIC were required to purchase outstanding Notes pursuant to a Change of Control Offer, NIC expects that it would need to seek third-party financing to the extent it does not have available funds to meet its purchase obligations. However, there can be no assurance that NIC would be able to obtain such financing.

With respect to the disposition of property or assets, the phrase "all or substantially all" as used in the Indenture (including as set forth under " Merger, Consolidation, Etc." below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders are subject to a Change of Control Offer.

NIC's ability to repurchase the Notes may be limited by other then-existing borrowing agreements of NIC and its Subsidiaries. There can be no assurance that NIC will be able to

obtain such a consent or a waiver of such limitations. See " Certain Covenants Limitation on Restricted Payments."

If an offer is made to redeem the Notes as a result of a Change of Control, NIC will comply with all tender offer rules under state and Federal securities laws, including, but not limited to, Section 14(e) under the Exchange Act and Rule 14e-1 thereunder, to the extent applicable to such offer.

The Change of Control redemption feature of the Notes may in certain circumstances make more difficult or discourage a takeover of NIC and, thus, the removal of incumbent management.

Reports. So long as any Note is outstanding, NIC will file with the Commission and, within 15 days after it files them with the Commission, file with the Trustee and mail or cause the Trustee to mail to the Holders at their addresses as set forth in the registers of the Notes, copies of the annual reports and of the information, documents and other reports which NIC is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act or which NIC would be required to file with the Commission if NIC then had a class of securities registered under the Exchange Act.

Merger, Consolidation, Etc. NIC will not, in a single transaction or series of related transactions, consolidate or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of NIC's assets (determined on a consolidated basis) to any Person unless:

(1) either (a) NIC shall be the surviving or continuing corporation or (b) the Person (if other than NIC) formed by such consolidation or into which NIC is merged or the Person which acquires by conveyance, transfer or lease the properties and assets of NIC and its Restricted Subsidiaries substantially as an entirety (I) shall be a corporation, limited liability company or partnership organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (II) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance of every covenant of the Notes and the Indenture on the part of NIC to be performed or observed;

(2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b)(II) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), NIC (in the case of clause (a) of the foregoing clause (1)) or such Person (in the case of clause (II) thereof) could incur at least \$1.00 of additional Indebtedness pursuant to clause (1) of " Limitation on Incurrence of Indebtedness";

(3) immediately before and after giving effect to such transaction and the assumption contemplated by clause (1)(b)(II) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred in connection with or in respect of the transaction) no Default and no Event of Default shall have occurred or be continuing (subject, in the case of the Notes, to the applicability of the covenant described under "Certain Covenants Covenant Suspension for the Notes"); and

(4) NIC or such Person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this provision of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

Notwithstanding the foregoing:

(1) a Restricted Subsidiary of NIC may consolidate with, or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, NIC or another Restricted Subsidiary of NIC;

(2) a series of transactions involving the sale of Receivables or interests therein by a Securitization Subsidiary in connection with a Qualified Securitization Transaction shall not be deemed to be the sale of all or substantially all of NIC's assets to the extent such transactions are consummated in the ordinary course of business; and

(3) the provisions of clause (1) of the preceding paragraph shall not prohibit NIC or any Restricted Subsidiary from selling, assigning, transferring, leasing, conveying or otherwise disposing of all or substantially all of its assets to a Permitted Joint Venture in a transaction entered into in compliance with "Certain Covenants Limitation on Restricted Payments."

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of NIC, the Capital Stock of which constitutes all or substantially all of the properties and assets of NIC, shall be deemed to be the transfer of all or substantially all of the properties and assets of NIC.

Upon any such consolidation, merger, conveyance, lease or transfer in accordance with the foregoing, the successor Person formed by such consolidation or into which NIC is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, NIC under the Indenture with the same effect as if such successor had been named as NIC therein, and thereafter (except in the case of a sale, assignment, transfer, lease, conveyance or other disposition) the predecessor corporation will be relieved of all further obligations and covenants under the Indenture and the Notes.

Events of Default

The following are Events of Default under the Indenture:

(1) default in the payment of principal of, or premium, if any, on any Note when due at maturity, upon repurchase, upon acceleration or otherwise, including, without limitation, failure of NIC to repurchase any Note on the date required following a Change of Control; or

(2) default in the payment of any installment of interest on any Note when due and continuance of such Default for 30 days or more; or

(3) failure to observe, perform or comply with any of the provisions described under "Certain Covenants Merger, Consolidation, Etc." above; or

(4) default (other than a default set forth in clauses (1), (2) and (3) above) in the performance of, or breach of, any other covenant or warranty of NIC or of any Restricted Subsidiary in the Indenture, or in the Notes and failure to remedy such default or breach within a period of 30 days after written notice from the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes; or

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by NIC or any Subsidiary of NIC (or the payment of which is guaranteed by NIC or any Restricted Subsidiary of NIC), which default is caused by a failure to pay principal of or premium, if any, on such Indebtedness upon its stated maturity or which default results in the acceleration of such Indebtedness prior to its express maturity and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates \$50.0 million or more and such acceleration has not been rescinded or annulled or such Indebtedness discharged in full within 30 days; or

(6) the entry by a court of competent jurisdiction of one or more judgments, orders or decrees against NIC or any Subsidiary of NIC or any of their respective property or assets in an aggregate amount in excess of \$50.0 million, which judgments, orders or decrees have not been vacated, discharged, satisfied or stayed pending appeal within 30 days from the entry thereof and with respect to which legal enforcement proceedings have been commenced; or

(7) certain events of bankruptcy, insolvency or reorganization involving NIC or any Material Subsidiary of NIC.

If an Event of Default (other than an Event of Default specified in clause (7) above involving NIC) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the then outstanding Notes may, and the Trustee shall upon the request of Holders of not less than 25% in aggregate principal amount of the Notes then outstanding, declare the unpaid principal of, premium, if any, and accrued and unpaid interest on all the Notes then outstanding to be due and payable, by a notice in writing to NIC (and to the Trustee, if given by Holders) and upon such declaration such principal amount, premium, if any, and accrued and unpaid interest will become immediately due and payable, notwithstanding anything contained in the Indenture or the Notes to the contrary. If an Event of Default specified in clause (7) above involving NIC occurs, all unpaid principal of, and premium, if any, and accrued and unpaid interest on the Notes then outstanding will ipso facto become due and payable.

No Holder of any Note may enforce the Indenture or the Notes except as provided in the Indenture. Subject to the provisions of the Indenture relating to the duties of the Trustee, with respect to the Indenture the Trustee is under no obligation to exercise any of its rights or powers under such Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable indemnity. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. The Trustee may withhold from the Holders notice of any continuing Default or

Event of Default (except a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes, or that resulted from the failure of NIC to comply with the provisions of " Certain Covenants Change of Control" or " Merger, Consolidation, Etc." above) if it determines that withholding notice is in their interest.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may rescind an acceleration of the Notes and its consequences if all existing Events of Default (other than the nonpayment of principal of and premium, if any, and interest on the Notes which has become due solely by virtue of such acceleration) have been cured or waived and if the rescission would not conflict with any judgment or decree. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

The Holders of a majority in aggregate principal amount of the Notes then outstanding may, on behalf of the Holders of all the Notes, waive any past Default or Event of Default under the Indenture and its consequences, except a Default in the payment of principal of or premium, if any, or interest on the Notes or in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of all Holders.

Under the Indenture, an executive officer of NIC is required to provide a certificate to the Trustee promptly upon any such officer obtaining knowledge of any Default or Event of Default (provided that such officers shall provide such certification at least annually whether or not he knows of any Default or Event of Default) that has occurred and, if applicable, describe such Default or Event of Default and the status thereof.

Amendment, Supplement and Waiver

From time to time, NIC, when authorized by a resolution of its Board of Directors, and the Trustee, may, without the consent of the Holders, amend, waive or supplement the Indenture and the Notes issued thereunder for certain specified purposes, including, among other things, curing ambiguities, defects or inconsistencies, qualifying, or maintaining the qualification of, the Indenture under the TIA, or making any change that does not adversely affect the rights of any Holder; provided that NIC has delivered to the Trustee an opinion of counsel stating that such change does not adversely affect the rights of any Holder. Other amendments and modifications of the Indenture and the Notes issued thereunder may be made by NIC, and the Trustee with the consent of the Holders of at least a majority of the aggregate principal amount of the Notes issued under the Indenture then outstanding.

Notwithstanding the foregoing, no amendment or modification may, without the consent of the Holder of each outstanding Note affected thereby:

- (1) change the maturity of the principal of or any installment of interest on the Notes or repurchase provisions of the Notes or the Indenture in a manner adverse to the Holders of the Notes;
- (2) reduce the principal amount of (or the premium) of the Notes;
- (3) reduce the rate of or extend the time for payment of interest on the Notes;
- (4) change the place or currency of payment of principal of (or premium) or interest on the Notes;

(5) modify any provisions of the Indenture relating to the waiver of past defaults (other than to add sections of the Indenture or the Notes subject thereto or the right of the Holders of the Notes outstanding thereunder to institute suit for the enforcement of any payment on or with respect to the Notes or the modification and amendment of the Indenture and the Notes (other than to add sections of such Indenture or such Notes which may not be amended, supplemented or waived without the consent of each Holder herein affected));

(6) reduce the percentage of the principal amount of outstanding Notes necessary for amendment to or waiver of compliance with any provision of the Indenture or the Notes outstanding thereunder or for waiver of any Default in respect thereof;

(7) waive a default in the payment of principal of, interest on, or redemption payment with respect to, the Notes (except a rescission of acceleration of the Notes by the Holders thereof as provided in the Indenture and a waiver of the payment default that resulted from such acceleration);

(8) modify the ranking or priority of the Notes; or

(9) modify the provisions relating to any Offer to Purchase required under the covenants described under " Certain Covenants-Limitation on Certain Asset Dispositions" if an Asset Sale Offer Trigger Date has occurred or " Certain Covenants Change of Control" if a Change of Control has occurred in a manner materially adverse to the Holders of the Notes affected thereby.

Defeasance or Covenant Defeasance of the Indenture

NIC may, at its option and at any time, terminate the obligations of NIC with respect to the Notes ("defeasance"). Such defeasance means that NIC shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes so defeased, except for:

(1) the rights of holders of outstanding Notes to receive payment in respect of the principal of, premium, if any, and interest on such Notes when such payments are due;

(2) NIC's obligations to issue temporary Notes, register the transfer or exchange of any Notes, replace mutilated, destroyed, lost or stolen Notes and maintain an office or agency for payments in respect of the Notes;

(3) the rights, powers, trusts, duties and immunities of the Trustee; and

(4) the defeasance provisions of the Indenture. In addition, NIC may, at its option and at any time, elect to terminate its obligations with respect to certain covenants that are set forth in the Indenture, some of which are described under " Certain Covenants" above, and any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to the Notes so defeased ("covenant defeasance").

In order to exercise either defeasance or covenant defeasance:

(1) NIC must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes to be defeased, cash in United States dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of,

premium, if any, and interest on the outstanding Notes to be defeased to redemption or maturity;

(2) NIC shall have delivered to the Trustee an opinion of counsel to the effect that the holders of the outstanding Notes to be defeased will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the act of such defeasance or covenant defeasance had not occurred (in the case of defeasance, such opinion must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable Federal income tax laws);

(3) no Default or Event of Default under the Indenture shall have occurred and be continuing immediately after giving effect to such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit);

(4) such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest with respect to any securities of NIC;

(5) such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which NIC is a party or by which it is bound (other than a Default or default resulting solely from the borrowing of funds to be applied to such deposit); and

(6) NIC shall have delivered to the Trustee an officers' certificate stating that the deposit was not made by it with the intent of preferring the Holders over any of its creditors or with the intent of defeating, hindering, delaying or defrauding any of its other creditors.

Notwithstanding the foregoing, the opinion of counsel required by clause (2) above need not be delivered if at such time all outstanding Notes have been irrevocably called for redemption.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes issued thereunder, as expressly provided for in the Indenture) as to all outstanding Notes issued thereunder when:

(1) either

(a) all the Notes issued thereunder theretofore authenticated and delivered (except lost, stolen or destroyed Notes issued thereunder which have been replaced or paid and Notes issued thereunder for whose payment money has theretofore been deposited in trust or segregated and held in trust by NIC and thereafter repaid to NIC or discharged from such trust) have been delivered to the Trustee for cancellation or

(b) all Notes issued thereunder not theretofore delivered to the Trustee for cancellation have become due and payable and NIC has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes issued thereunder not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes issued thereunder to the date of deposit together with irrevocable instructions from NIC directing the Trustee to apply such funds to the payment thereof at maturity;

(2) NIC has paid all other sums payable under the Indenture by NIC; and

(3) NIC has delivered to the Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Trustee

The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Indenture and the provisions of the TIA contain certain limitations on the rights of the Trustee, should it become a creditor of NIC, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. Subject to the TIA, the Trustee will be permitted to engage in other transactions, provided that if the Trustee acquires any conflicting interest as described in the TIA, it must eliminate such conflict or resign.

Certain Definitions

"*Acquired Indebtedness*" of any specified Person means Indebtedness of any other Person and its Restricted Subsidiaries existing at the time such other Person merged with or into or became a Restricted Subsidiary of such specified Person or assumed by the specified Person in connection with the acquisition of assets from such other Person and not incurred by the specified Person in connection with or in anticipation of (a) such other Person and its Restricted Subsidiaries being merged with or into or becoming a Restricted Subsidiary of such specified Person or (b) such acquisition by the specified Person.

"*Affiliate*" means, when used with reference to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, the referent Person, as the case may be. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct or cause the direction of management or policies of the referent Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"*Asset Disposition*" means any sale, transfer or other disposition (including, without limitation, by merger, consolidation or sale-and-leaseback transaction) of:

- (1) shares of Capital Stock of a Restricted Subsidiary of NIC (other than directors' qualifying shares) or
- (2) property or assets of NIC or any of its Restricted Subsidiaries.

Notwithstanding the foregoing, an Asset Disposition shall not include:

- (1) any sale, transfer or other disposition of shares of Capital Stock, property or assets by a Restricted Subsidiary of NIC to NIC or to any Restricted Subsidiary of NIC;

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- (2) any sale, transfer or other disposition of defaulted receivables for collection or any sale, transfer or other disposition of property or assets in the ordinary course of business;
- (3) dispositions of assets in a single market transaction or series of related transactions with an aggregate fair market value in any calendar year of less than \$10.0 million (with unused amounts in any calendar year being carried over to the succeeding calendar years subject to a maximum of \$20.0 million in such next succeeding fiscal year);
- (4) the grant in the ordinary course of business of any license of patents, trademarks, registrations therefor and other similar intellectual property;
- (5) the granting of any Lien (or foreclosure thereon) securing Indebtedness to the extent that such Lien is granted in compliance with " Certain Covenants Limitation on Liens" above;
- (6) any sale, transfer or other disposition constituting a Permitted Investment or Restricted Payment permitted by " Certain Covenants Limitation on Restricted Payments" above or pursuant to the Master Intercompany Agreements;
- (7) any disposition of assets or property in the ordinary course of business to the extent such property or assets are obsolete, worn-out or no longer useful in NIC's or any of its Subsidiaries' business;
- (8) the sale, lease, conveyance or disposition or other transfer of all or substantially all of the assets of NIC as permitted under " Certain Covenants Merger, Consolidation, etc.";
- (9) sales of accounts receivable, equipment and related assets (including contract rights) of the type specified in the definition of "Qualified Securitization Transaction" to a Securitization Subsidiary for the fair market value thereof;
- (10) transfers of accounts receivable, equipment and related assets (including contract rights) of the type specified in the definition of "Qualified Securitization Transaction" (or a fractional undivided interest therein) by a Securitization Subsidiary in a Qualified Securitization Transaction; and
- (11) any sale or other distribution of Capital Stock of, or Indebtedness or other securities of, an Unrestricted Subsidiary.

"*Asset Sale Offer Trigger Date*" has the meaning set forth in " Certain Covenants Limitation on Certain Asset Dispositions."

An "*Associate*" of, or a Person "associated" with, any Person, means:

- (1) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and
- (2) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

"*Attributable Indebtedness*" in respect of a Sale/Leaseback Transaction involving an operating lease means, as at the time of determination, the present value (discounted at the implied

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interest rate in such transaction compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Indebtedness for borrowed money or Preferred Stock, the quotient obtained by dividing

- (1) the sum of the products of the number of years from the date of determination to the dates of each successive scheduled principal or liquidation value payments of such Indebtedness or Preferred Stock, respectively, and the amount of such principal or liquidation value payments, by
- (2) the sum of all such principal or liquidation value payments.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of, such Person's capital stock, including each class of Common or Preferred Stock of such Person, whether outstanding on the Issue Date or issued after the Issue Date, and any and all rights, warrants or options exchangeable for or convertible into such capital stock.

"Capitalized Lease Obligation" means obligations under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of the Indenture, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP. The Stated Maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without penalty.

"Cash Equivalents" means:

- (1) United States dollars or in the case of any Foreign Subsidiary, such local currencies held by it from time to time in the ordinary course of business;
- (2) securities issued or directly and fully guaranteed or insured by the United States or Canadian government (federal or provincial) or any agency or instrumentality of the United States or Canadian government (*provided* that the full faith and credit of the United States or Canada (federal or provincial, as the case may be), as the case may be, is pledged in support of those securities) having maturities of not more than twenty-four months from the date of acquisition;
- (3) certificates of deposit and eurodollar time deposits with maturities of twenty four months or less from the date of acquisition, bankers' acceptances with maturities not exceeding twenty-four months and overnight bank deposits, in each case, with any commercial bank incorporated under the laws of the United States, any state thereof, the District of Columbia, Canada or any province or territory thereof having capital and surplus in excess of \$500.0 million and a Thomson Bank Watch Rating of "B" or better;
- (4) repurchase obligations or securities lending arrangements for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having a rating of at least "A-2" from S&P or "P-2" from Moody's and in each case maturing within 270 days after the date of acquisition or asset backed securities having a rating of at least "A" from S&P or "A2" from Moody's and in each case maturing within thirty-six months after the date of acquisition;

(6) with respect to any Foreign Subsidiary having its principal operations in Mexico only, (i) Certificados de la Tesoreria de la Federacion (Cetes), Bonos de Desarrollo del Gobierno Federal (Bondes) or Bonos Adjustables del Gobierno Federal (Adjustabonos), in each case, issued by the Mexican government; and (ii) any other instruments issued or guaranteed by Mexico and denominated and payable in pesos; provided, that, in each case, such investments under this clause (6) are made in the ordinary course of business for cash management purposes;

(7) demand or time deposit accounts used in the ordinary course of business with overseas branches of commercial banks incorporated under the laws of the United States of America, any state thereof, the District of Columbia, Canada or any province or territory thereof, *provided* that such commercial bank has, at the time of NIC's or such Restricted Subsidiary's Investment therein, (1) capital, surplus and undivided profits (as of the date of such institution's most recently published financial statements) in excess of \$100 million and (2) the long-term unsecured debt obligations (other than such obligations rated on the basis of the credit of a Person other than such institution) of such institution, at the time of NIC's or any Restricted Subsidiary's Investment therein, are rated at least "A" from S&P or "A2" from Moody's;

(8) obligations (including, but not limited to demand or time deposits, bankers' acceptances and certificates of deposit) issued or guaranteed by a depository institution or trust company incorporated under the laws of the United States of America, any state thereof, the District of Columbia, Canada or any province or territory thereof, *provided* that (A) such instrument has a final maturity not more than one year from the date of purchase thereof by the Company or any Restricted Subsidiary of the Company and (B) such depository institution or trust company has at the time of NIC's or such Restricted Subsidiary's Investment therein or contractual commitment providing for such Investment, (x) capital, surplus and undivided profits (as of the date of such institution's most recently published financial statements) in excess of \$100 million and (y) the long-term unsecured debt obligations (other than such obligations rated on the basis of the credit of a Person other than such institution) of such institution, at the time of NIC's or such Restricted Subsidiary's Investment therein or contractual commitment providing for such Investment, are rated at least "A" from S&P or "A2" from Moody's;

(9) in the case of any Foreign Subsidiary, demand or time deposit accounts used in the ordinary course of business with reputable commercial banks located in the jurisdiction of organization of such Foreign Subsidiary; and

(10) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

Notwithstanding the foregoing, Investments which would otherwise constitute Cash Equivalents of the kinds described in clauses (2), (3), (4) and (5) that are permitted to have maturities in excess of twelve months shall only be deemed to be Cash Equivalents under this definition if

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and only if the total weighted average maturity of all Cash Equivalents of the kinds described in clauses (2), (3), (4) and (5) does not exceed twelve months on an aggregate basis.

"*Change of Control*" means the occurrence of one or more of the following events:

- (1) any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Exchange Act), other than employee or retiree benefit plans or trusts sponsored or established by NIC or International, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of NIC representing 35% or more of the combined voting power of NIC's then outstanding Voting Stock;
- (2) the following individuals cease for any reason to constitute more than a majority of the number of directors then serving on the Board of Directors of NIC: individuals who, on the Issue Date, constitute the Board of Directors and any new director (other than a director whose initial assumption of the office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of NIC) whose appointment or election by the Board of Directors or nomination for election by NIC's stockholders was approved (a) by the vote of at least a majority of the directors then still in office or whose appointment, election or nomination was previously so approved or recommended or (b) with respect to directors whose appointment or election to the Board of Directors was made by the holders of NIC's non-convertible junior preference stock, series B, by the holders of such preference stock;
- (3) the shareholders of NIC shall approve any Plan of Liquidation (whether or not otherwise in compliance with the provisions of the Indenture);
- (4) NIC consolidates with or merges with or into another Person, other than a merger or consolidation of NIC in which the holders of the Common Stock of NIC outstanding immediately prior to the consolidation or merger hold, directly or indirectly, at least a majority of the Common Stock of the surviving corporation immediately after such consolidation or merger; or
- (5) NIC or any Restricted Subsidiary of NIC, directly or indirectly, sells, assigns, conveys, transfers, leases or otherwise disposes of, in one transaction or a series of related transactions, all or substantially all of the property or assets of NIC and the Restricted Subsidiaries of NIC (determined on a consolidated basis) to any Person (other than a Permitted Joint Venture in a transaction entered into in compliance with "Certain Covenants Limitation on Restricted Payments")*provided*, that neither (a) the merger of a Restricted Subsidiary of NIC into NIC or into any Restricted Subsidiary of NIC nor (b) a series of transactions involving the sale of Receivables or interests therein in the ordinary course of business by a Securitization Subsidiary in connection with a Qualified Securitization Transaction, shall be deemed to be a Change of Control.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of NIC, the Capital Stock of which constitutes all or substantially all of the properties and assets of NIC, shall be deemed to be the transfer of all or substantially all of the properties and assets of NIC.

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"*Commodity Agreement*" means any future contract or similar agreement or arrangement designed to protect, hedge or manage against fluctuations in prices of commodities used by NIC or any of its Restricted Subsidiaries in the ordinary course of business.

"*Common Stock*" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock.

"*Comparable Treasury Issue*" means the fixed rate United States Treasury security selected by an Independent Investment Banker as having a maturity most comparable to the remaining term of the Securities (and which is not callable prior to maturity) to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practices, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the securities to be redeemed.

"*Comparable Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third business day preceding such redemption date.

"*Comparable Treasury Price*" means with respect to any redemption date for the Notes:

- (1) the average of four Comparable Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Comparable Treasury Dealer Quotations, or

if the Trustee obtains fewer than four such Comparable Treasury Dealer Quotations, the average of all such quotations.

"*Consolidated Cash Flow Available For Fixed Charges*" of any Person means for any period the Consolidated Net Income of such Person for such period plus (to the extent Consolidated Net Income for such period has been reduced thereby):

- (1) Consolidated Interest Expense of such Person for such period; *plus*
- (2) Consolidated Tax Expense of such Person for such period; *plus*
- (3) the consolidated depreciation and amortization expense included in the income statement of such Person prepared in accordance with GAAP for such period; *plus*
- (4) any non-recurring fees, expenses or charges related to any offering of Qualified Capital Stock, Permitted Investment, acquisition, recapitalization or incurrence of Indebtedness permitted under the Indenture (in each case, whether or not successful); *plus*
- (5) any other non-cash charges to the extent deducted from or reflected in Consolidated Net Income except for any non-cash charges that represent accruals of, or reserves for, cash disbursements to be made in any future accounting period; *minus*
- (6) any non-cash items increasing Consolidated Net Income for such period (other than the reversal of a prior accrual or reserve for cash items previously excluded from Consolidated Cash Flow Available For Fixed Charges); *minus*

(7) all cash payments during such period relating to non-cash charges that were added back in determining Consolidated Cash Flow Available For Fixed Charges in any prior period.

"Consolidated Cash Flow Ratio" of any Person means for any period the ratio of

- (1) Consolidated Cash Flow Available for Fixed Charges of such Person for such period to
- (2) Consolidated Fixed Charges for such period; *provided, however*, that all incurrences and repayments of Indebtedness (including the incurrence giving rise to such calculation and any repayments in connection therewith) and all dispositions (including discontinued operations) or acquisition of assets (other than in the ordinary course of business) made during or after such period and on or prior to the date of determination shall be given pro forma effect as if they occurred on the first day of such four-quarter period.

Calculations of pro forma amounts in accordance with this definition shall be done in accordance with Article 11 of Regulation S-X under the Securities Act or any successor provision.

"Consolidated Fixed Charges" means, with respect to any Person for any period, the sum of, without duplication, the amounts for such period, taken as a single accounting period, of:

- (1) Consolidated Interest Expense; and
- (2) the product of (a) the amount of all dividend requirements (whether or not declared) on Preferred Stock of such Person, whether in cash or otherwise (except dividends payable in shares of Qualified Capital Stock) paid, accrued or scheduled to be paid or accrued during such period times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current effective consolidated Federal, state, local and foreign tax rate (expressed as a decimal number between 1 and 0) of such Person (as reflected in the audited consolidated financial statements of such Person for the most recently completed fiscal year).

In calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

- (1) interest on Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the date of determination;
- (2) if interest on any Indebtedness actually incurred on the date of determination may be optionally determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate or other rates, then the interest rate in effect on the date of determination will be deemed to have been in effect during the relevant four-quarter period reference; and
- (3) notwithstanding the foregoing, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to interest

swap agreements, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the aggregate of the net interest expense of such Person and its Consolidated Subsidiaries for such period (after giving effect to any interest income), on a consolidated basis, as determined in accordance with GAAP, including:

- (1) all amortization of original issue discount;
- (2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person during such period;
- (3) net cash costs paid under all Interest Rate Protection Agreements (including amortization of fees);
- (4) all capitalized interest; and
- (5) the interest portion of any deferred payment obligations for such period.

"*Consolidated Net Income*" means, with respect to any Person for any period, the consolidated net income (or deficit) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, as determined in accordance with GAAP and before any reduction in respect of dividends accrued or paid on any Preferred Stock, if any); *provided*, that any amounts received from any other Person (other than a Restricted Subsidiary) shall be included in Consolidated Net Income for that period to the extent of the amount that has been actually received by the referent Person or a Restricted Subsidiary of the referent Person in the form of cash dividends or other cash distributions (other than payments in respect of debt obligations), and *provided, further*, that there shall be excluded:

- (1) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;
- (2) any gain or loss, together with any related provisions for taxes, realized upon the sale or other disposition (including, without limitation, dispositions pursuant to sale-leaseback transactions) of any property or assets which are not sold or otherwise disposed of in the ordinary course of business (provided that sales of Receivables or interests therein pursuant to Qualified Securitization Transactions shall be deemed to be in the ordinary course of business) and upon the sale or other disposition of any Capital Stock of any Subsidiary of the referent Person;
- (3) any extraordinary gain or extraordinary loss together with any related provision for taxes and any one time gains or losses (including, without limitation, those related to the adoption of new accounting standards) realized by the referent Person or any of its Restricted Subsidiaries during the period for which such determination is made;
- (4) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(5) in the case of a successor to the referent Person by consolidation or merger or as a transferee of the referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets;

(6) the net income of any Restricted Subsidiary of such Person which is subject to restrictions which prevent or limit the payment of dividends or the making of distributions to such Person to the extent of such restrictions (except to the extent of the amount of dividends or distributions that have been paid to such Person or one or more Restricted Subsidiary not subject to any such restriction during the relevant period);

(7) any non-cash goodwill or other asset impairment charges incurred subsequent to the Issue Date; and

(8) non-cash compensation charges, including any such charges resulting from stock options, restricted stock grants or other equity-incentive programs.

"*Consolidated Net Tangible Assets*" as of any date of determination means the total amount of assets of NIC and its consolidated subsidiaries after deducting therefrom all current liabilities (excluding any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than twelve months after the time as of which the amount thereof is being computed); total prepaid expenses and deferred charges; and all goodwill, trade names, trademarks, patents, licenses, copyrights and other intangible assets, all as set forth, or on a pro forma basis would be set forth, on the consolidated balance sheet of NIC and its consolidated subsidiaries for NIC's most recently completed fiscal quarter, prepared in accordance with GAAP.

"*Consolidated Stockholders' Equity*" as of any date means with respect to any Person the amount, determined in accordance with GAAP, by which the assets of such Person and of its Restricted Subsidiaries on a consolidated basis exceed the sum of (1) the total liabilities of such Person and of its Restricted Subsidiaries on a consolidated basis, plus (2) any redeemable Preferred Stock of such Person.

"*Consolidated Subsidiary*" of any Person means a Restricted Subsidiary which for financial reporting purposes is or, in accordance with GAAP, should be, accounted for by such Person as a consolidated Subsidiary.

"*Consolidated Tax Expense*" means, with respect to any Person for any period, the aggregate of the U.S. Federal, state and local tax expense attributable to taxes based on income and foreign income tax expenses of such Person and its Consolidated Subsidiaries for such period (net of any income tax benefit), determined in accordance with GAAP other than taxes (either positive or negative) attributable to extraordinary or unusual gains or losses or taxes attributable to sales or dispositions of assets.

"*Currency Agreement*" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect, hedge or manage NIC or any of its Restricted Subsidiaries against fluctuations in currency values to or under which NIC or any of its Restricted Subsidiaries is a party or a beneficiary on the date of the Indenture or becomes a party or a beneficiary thereafter.

"*DealCor Subsidiaries*" means Cedar River International Trucks, Inc.; City International Trucks, Inc.; Rocky Mountain International Trucks, Inc.; J. Price International Truck, Inc.; KCR

International Trucks, Inc.; Freedom International Trucks, Inc. of New Jersey; Garden State International Trucks, Inc.; Prairie International Trucks, Inc.; and Co-Van International Trucks, Ltd; and their respective Subsidiaries, and any Subsidiaries acquired by NIC or one of its Restricted Subsidiaries after the Issue Date whose principal business is a dealership of International.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default (as defined in the Indenture).

"*Disqualified Capital Stock*" means any Capital Stock that, other than solely at the option of the issuer thereof, by its terms (or by the terms of any security into which it is convertible or exchangeable) is, or upon the happening of an event or the passage of time would be, required to be redeemed or repurchased, in whole or in part, prior to the first anniversary of the Maturity Date or has, or upon the happening of an event or the passage of time would have, a redemption or similar payment due on or prior to the first anniversary of the Maturity Date, or is convertible into or exchangeable for debt securities at the option of the holder thereof at any time prior to the first anniversary of the Maturity Date.

"*Event of Default*" has the meaning set forth under " Events of Default" herein.

"*Foreign Subsidiary*" means any Restricted Subsidiary of NIC that is not organized under the laws of the United States, any state thereof or the District of Columbia.

"*4.75% Subordinated Exchangeable Notes*" means the \$220 million aggregate principal amount of 4.75% Subordinated Exchangeable Notes due 2009 of NFC originally issued under the indenture dated as of March 25, 2002 between NFC, as issuer, NIC and BNY Midwest Trust Company, as trustee.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect as of the Issue Date.

"*guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keepwell, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"*incur*" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, guarantee or otherwise become

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liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to GAAP or otherwise, of any such Indebtedness or other obligation on the balance sheet of such Person (and "incurrence," "incurred," "incurable" and "incurring" shall have meanings correlative to the foregoing), *provided* that the accrual of interest (whether such interest is payable in cash or in kind) and the accretion of original issue discount shall not be deemed an incurrence of Indebtedness, *provided, further*, that:

(1) any Indebtedness or Capital Stock of a Person existing at the time such Person becomes (after the Issue Date) a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) of NIC shall be deemed to be incurred or issued, as the case may be, by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of NIC; and

(2) an