

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION**

ART SHY, et al.

Plaintiffs,

v.

NAVISTAR INTERNATIONAL
CORPORATION, et al.

Defendants.

Case No. C-3-92-333
Judge Walter Herbert Rice

SUPPLEMENTAL BENEFIT
COMMITTEE OF THE NAVISTAR
INTERNATIONAL TRANSPORTATION
CORP. RETIREE SUPPLEMENTAL
BENEFIT PROGRAM,

Intervenor-Plaintiff,

v.

NAVISTAR INTERNATIONAL
CORPORATION,

Defendant.

**COMPLAINT FOR BREACH OF SETTLEMENT AGREEMENT
AND FOR INJUNCTIVE RELIEF**

COMES NOW Intervenor-Plaintiff, the Supplemental Benefit Committee of the Navistar International Transportation Corp. Retiree Supplemental Benefit Program (the "Committee"), by and through its undersigned counsel, and in response to this Court's February 6, 2013 Decision and Entry of an Order Sustaining the Supplemental Benefit Committee of the Navistar International Transportation Corporation's Retiree Supplemental Benefit Program's Motion to

Intervene under Rule 24 of the Federal Rules of Civil Procedure (the "Intervention Decision"), hereby files this Complaint for Breach of Settlement Agreement and for Injunctive Relief against Defendant Navistar International Corporation ("Navistar" or "Company"), and alleges as follows:

NATURE OF ACTION

1. This is a civil action seeking injunctive relief based upon Defendant's breach of a settlement agreement into which it entered with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") and other parties in 1993, arising out of the Defendant's obligation to provide medical benefits to its retirees.
2. In general, the settlement agreement creates a health and life insurance plan for Navistar retirees, as well as a Supplemental Benefit Program and Trust ("Supplemental Program"), which is intended to defray the cost of premiums, co-pays, and deductibles that retirees are required to pay to obtain benefits from the main plan.
3. The settlement agreement created the Committee to serve as named fiduciary and administrator of the Supplemental Program. The Committee is comprised of two members designated by the UAW, and three members representing various sub-classes of other Plaintiffs.
4. The initial funding of the Supplemental Program consisted of stock contributed by Navistar. Navistar also agreed to make additional contributions based on profitability, and the settlement agreement created the Supplemental Benefit Trust Profit Sharing Plan ("PSP") to receive, invest, and make decisions with respect to those additional contributions. The Committee is the named fiduciary and administrator of the PSP.
5. This Complaint seeks to aid this Court in enforcing the terms of the settlement agreement so that the Committee may fulfill its fiduciary duty to protect the interests of the PSP participants and beneficiaries. All parties entered into the settlement agreement willingly and with

knowledge of its terms and obligations. Navistar has subsequently failed to comply with certain terms and obligations of the settlement agreement, even after repeated requests by the Committee for compliance. Thus, the Committee requests that this Court enforce the terms of the settlement agreement, and order that Navistar fully comply with the terms of the settlement agreement, including fully responding to the Committee's requests for information regarding Navistar's contribution obligations.

JURISDICTION

6. This Court has subject matter jurisdiction and personal jurisdiction over this matter pursuant to the Section 15.4 of the Shy Agreement. *See supra*, ¶ 7. Such jurisdiction was confirmed by this Court in its Intervention Decision. *See* Intervention Decision, Civ. No. 3:92:cv:333-WHR, Dkt. No. 414 (S.D. Ohio Feb. 6, 2013).

FACTUAL BACKGROUND

Litigation and Settlement

7. In 1992, the UAW, along with other named parties, commenced a class action lawsuit in the United States District Court for the Southern District of Ohio seeking declaratory and injunctive relief against Defendant related to the provision of retiree medical benefits. This action was captioned *Art Shy, et. al. v. Navistar International Corporation, et. al.*, Case No. C-3-92-333 (hereinafter, referred to as the "Shy Litigation").

8. On March 30, 1993, and after extensive negotiations, the parties to the Shy Litigation entered into a settlement agreement to resolve issues related to the provision of medical care to retirees, which was approved by this Court on May 26, 1993.¹

¹ On June 8, 1993, this Court issued a supplemental opinion and entered Judgment approving the settlement agreement.

9. On June 30, 1993, the parties restated the March 30, 1993 settlement agreement, an action which was approved by this Court. The restated settlement agreement (hereinafter, referred to as the "Shy Agreement") consisted of two principal mechanisms: the Health Benefit Trust and the Supplemental Benefit Trust (the "Supplement Trust"), the latter which is at issue here. (Doc. 398, Ex. A).

The Profit Sharing Plan

10. The funding of the Supplement Trust consisted of two elements: (1) Navistar was required to issue new common stock to the Supplemental Trust in an amount to make the Supplemental Trust the owner of 50% of Navistar's then-outstanding common shares, and (2) Navistar was required to make ongoing contributions pursuant to a profit-sharing formula included in the Shy Agreement, and as prescribed under the PSP.

11. Per Section 6.2 of the Supplemental Program's governing plan document, the Committee was established to act as the named fiduciary and administrator of the Supplemental Program, including the PSP. In essence, the Committee was created to protect the interests of the Navistar retirees that are eligible for benefits under the Supplemental Program. As part of their role, the Committee has the duty to review and enforce Navistar's compliance with their obligations under the Supplemental Program, including the PSP.

12. The PSP sets out the formulae for calculating the Company's contribution obligations using such metrics as "Qualifying Profits" from "Covered Operations" attributable to "Qualifying Hours." *See* PSP Plan Document, (Doc. 398, Ex. A).

13. The PSP also imposes on Navistar several annual reporting and disclosure requirements intended to allow the Committee to ascertain whether the Company's contributions have been calculated correctly.

14. Section 7.1 of the PSP requires the Company to make annual profit sharing contributions to the Supplemental Trust calculated on Qualifying Profits, an amount which is defined in Section 5 of the PSP and which is based on the plan years of the Company.²

15. Section 8.1 of the PSP requires the Company to provide both the UAW and the Committee with a worksheet detailing the calculations of the contributions obligations, the qualifying hours, and the qualifying profits utilized to determine whether Defendant is required to make an annual contribution to the Supplement Trust. These worksheets should include a listing by category of employees included and excluded in the calculation of Qualifying Hours and all information reasonably necessary to review the calculation of Qualifying Profits.

16. Per Section 8.2 of the PSP, "data on profits, hours worked, Qualifying Profits, and Qualifying Hours shall be reviewed by a certified public accounting firm [. . .] and the report [. . .] shall be delivered to the UAW and the Supplemental Benefit Committee. A letter report setting forth the procedures performed and conclusions reached shall be prepared by such firm and delivered to the Company, the UAW and the Supplemental Benefit Committee."

17. Section 8.3 of the PSP requires the reports, as noted in Paragraph 12 above, to "be delivered to the UAW and the Supplemental Benefit Committee on or before the date that the contribution obligation, if any, is required to be paid [. . .] [or if] no contribution obligation is required to be paid, the Company will deliver [the] information [. . .] to the UAW and the Supplemental Benefit Committee within 90 calendar days following the end of the plan year for which no contribution is required."

18. Per Section 8.6 of the PSP, Navistar is required to respond as soon as practicable to any reasonable requests from the Committee for information supporting any computation made to compute the Contribution obligation, and provide such information as requested.

² The Profit Sharing Plan plan year is the same as the fiscal year of the Company.

Navistar's Contribution to the Plan

19. Between the years 1995-2001, Navistar made contributions to the Profit Sharing Plan per the terms of the Plan. The contribution ranged from \$126,070 in plan year 1997 to \$71,568,920 in 2001, for an average of over \$30 million per year. *See* Chart of Profit Sharing Payments, attached as Exhibit A.

20. Between the years 2002 and 2010, however, Navistar has only made one contribution to the Profit Sharing Plan. This contribution was made subsequent to the Company's fiscal year ending in 2004, and the correlating Profit Sharing Plan plan year, in the amount of \$1.4 million. *See id.* The contribution was made in February 2005.

21. Beginning in January 2006, Navistar undertook a comprehensive review of its previous financial statements.

22. In April 2006, the audit committee of Navistar's board of directors concluded that the Company's previously prepared and audited financial statements could not be relied upon and should be restated. The effects of this review and related restatements included a \$2.4 billion reduction to the Company's previously reported stockholders' equity, the de-listing of the Company's common stock by the New York Stock Exchange, and a formal investigation by the U.S. Securities and Exchange Commission that resulted in actions against the former senior Company officers who had direct responsibility for Navistar's financial and management reporting.

Compliance with Terms of the PSP

23. During this time, Navistar informed the Committee that it was unable to provide accurate information pursuant to its PSP obligations. The Committee agreed to wait for the information. On December 7, 2007, subsequent to making the 2004 profit sharing contribution, Navistar

released their consolidated financial statements for the fiscal years 2004 and 2005. Notably, the 2004 consolidated financial statement (released in 2007) was a restatement of the Company's originally released statement. *See* Schedules of Qualifying Profits, attached as Exhibit B.

24. On June 9, 2009, in conjunction with releasing these financial statements, Navistar sent to the Committee schedules of calculations of Qualifying Profits for the plan years ending 2004 and 2005. Navistar's delivery of those schedules was far beyond the time stipulated for delivery of such worksheets under Sections 8.1 and 8.3 of the PSP. Moreover, the schedules indicated that no profit-sharing contribution was required for either the 2004 or 2005 PSP plan years. *See id.*

25. On June 9, 2009, Navistar also provided a partially-complete schedule of Qualifying Profits for 2006. The Company supplemented this 2006 schedule of Qualifying Profits on August 3, 2009. The complete 2006 schedule indicated that no profit sharing contribution was required. *See id.*

26. Navistar released its audited financial statements for 2007 and 2008 to the public on May 29, 2008 and December 30, 2008, respectively. Navistar released an amended financial statement for the 2009 fiscal year on March 31, 2009. Though Section 8.3 requires that Navistar provide to the Committee a calculation of the Qualifying Profits within 90 calendar days following the end of the plan year, Navistar did not provide these plan-required schedules until the summer of 2011. *See id.*

27. On May 4, 2010, to address Navistar's non-compliance with the express terms of the PSP, the Committee sent the Company a letter expressing both general and specific concerns relating to the schedules of Qualifying Profits that Navistar had provided, or neglected to provide, to the Committee per the terms of the PSP. Specifically, the Committee: 1) noted that Navistar had not been timely meeting all of its reporting obligations under the Plan; 2) disputed the

Company's calculation of Qualifying Profits for each of the years 2007, 2008, and 2009; 3) noted that the schedules did not provide sufficient information to verify the accuracy and reasonableness of the Company's calculations; and 4) pointed out the schedules lacked information relating to "Qualifying Hours," as required under Sections 8.1, 8.2, and 8.3 of the Plan.³ See May 4, 2010 Letter to Navistar, attached as Exhibit C.

28. On April 6, 2011, in response to the Committee's May 4, 2010 letter, the Company provided the Committee with a schedule detailing the Qualifying Profits for plan year 2010. See April 6, 2011 Letter to the Committee, attached as Exhibit D. The Company declined to respond to any of the other questions or concerns set forth in the Committee's May 4, 2010 letter.

29. Concerned about the lack of disclosure and the glaring discrepancy between the substantial contributions made in the early years versus the lack of contributions post-2002, the Committee retained an expert to evaluate the public information released by the Company to see whether the lack of contributions was based on actual financial performance, or whether the Company has made internal accounting and management decisions in order to shield profits in a manner that is inconsistent with the intent of the parties, as expressed in the Shy Agreement. Based on that review, and pursuant to Section 8.6 of the Shy Agreement, the Committee sent a detailed request for information to Navistar on November 15, 2011. See Nov. 14, 2011 Letter to Navistar, attached as Exhibit E. The letter gave the Company sixty (60) days to respond, but the Committee later agreed to extend the time to respond to ninety (90) days.

30. On February 15, 2012, Navistar finally responded to the Committee's 2011 requests and promised to respond to the Committee's 2010 request "in the near future." However, the response consisted of a series of "General Objections" and summaries claiming to establish that

³ To date, Navistar has only reported the Qualifying Hours for fiscal year 2006.

the Company, despite its overall profitability, owed no profit-sharing contributions. The Company flatly refused to respond to any of the Committee's questions about the components of the profit-sharing calculation that are set forth in the Shy Agreement, claiming generally that it did not have to explain itself to the Committee. *See* Feb. 15, 2012 Letter to the Committee, attached as Exhibit F.

31. Navistar has since failed to provide a calculation of the contribution obligation, Qualifying Profits and Qualifying Hours for the 2011 plan year.

32. Navistar has also failed to file and/or send to participants various reports required under the law, such as annual reports and summary annual reports.

33. Navistar's failure to comply with the Shy Agreement, and certain disclosure requirements under the law, has obstructed the Committee from carrying out the fiduciary duties imposed upon it by the express terms of the Shy Agreement.

COUNT I – BREACH OF CONTRACT

34. The Committee repeats and re-alleges the allegations set forth in all preceding paragraphs of this Complaint, as if fully set forth herein.

35. Navistar executed the court-approved Shy Agreement, understanding and appreciating the terms of the agreement.

36. Navistar failed to timely provide the worksheets to the Committee, including listing by category of the employees included and excluded in the calculation of Qualifying Hours and all information reasonably necessary to review the calculation of Qualifying Profits, as required under Sections 8.1 and 8.3 of the Shy Agreement. Specifically, Defendant failed to timely provide the contribution worksheets for Plan Years 2004 – 2010.

37. Navistar has failed to provide any contribution worksheets for plan year 2011, as required under Section 8.1 of the Shy Agreement.

38. Navistar has failed to appropriately respond to, or provide documentation regarding, the reasonable requests from the Committee for information supporting any computation made by Navistar to compute the annual contribution obligations, pursuant to Section 8.6 of the Shy Agreement.

39. Navistar has knowingly and intentionally withheld, and refused to timely provide, such information to the detriment of the Committee. Navistar's intransigence has impaired not only the Committee's ability to protect its fiduciary duty and interest in administering the Supplemental Program, but also the interests of the Navistar retirees in receiving benefits under the Supplemental Program.

40. Accordingly, Navistar has breached the terms of the Shy Agreement, and the Committee is entitled to injunctive relief requiring the Company to comply with its obligations under that Agreement.

PRAYER FOR RELIEF

Wherefore, the Supplemental Benefit Committee of the Navistar International Transportation Corp. Retiree Supplemental Benefit Program prays for the following:

A. That this Court find that Navistar is not in compliance with the terms of the Shy Agreement;

B. That this Court enter an order requiring Navistar to timely provide the worksheets as prescribed in Section 8.1 of the Shy Agreement;

C. That this Court enter an order requiring Navistar to fully respond to the information requests submitted by the Committee, pursuant to Section 8.6 of the Shy Agreement;

D. That this Court enter any other such orders as necessary to compel compliance with the letter and spirit of the Shy Agreement;

E. That this Court award the Committee attorneys' fees and costs related to the enforcement of the Shy Agreement and the initiation of this action; and

F. That this Court grants such other and further relief in favor of the Committee as is deemed just and necessary.

Dated: February 15, 2013

Respectfully submitted,

/s/ Kevin L. Murphy
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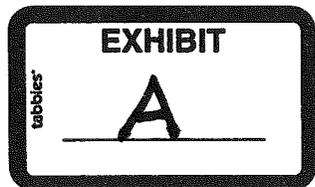
Profit Sharing Payments

Listed below in Chart I is a history of the profit sharing contribution payments, which is an unpredictable part of the return on investments.

CHART I

Year	Amount
1995	\$3,684,004
1996	25,470,770
1997	126,070
1998	20,900,340
1999	61,090,810
2000	71,568,920
2001	3,562,600
2002	0
2003	0
2004	0
2005	1,409,000
2006	0
2007	0
2008	0
2009	0
2010	0
Total	187,812,514

Charts II and III illustrate (numerically and graphically, respectively) the number of years that assets would remain positive assuming three different net investment returns and the projected annual costs from the valuation. As shown in Chart II, the net investment assumption can dramatically change the Supplemental Plan's ability to sustain the benefit improvements currently in effect.



OCT-24-2005 12:57

Navistar International Corporation
 UAW Profit Sharing Calculation
 For the Year Ended October 31, 2004
 (\$000)

COPY REFERENCED
 IN RESPONSE NO. 3

	2004	Pre-Tax Pre-P/S Income	After-Tax Net Income	Memorandum of Understanding References
Profit Sharing Entities:				
International Truck and Engine Corporation (ITEC)	\$ (37,443)	Yes		B.1.(a)
Export Company	12,956	Yes		B.1.(a)
Overseas Company	(1,331)	Yes		B.1.(a)
IC Corporation (Conway, Arkansas)	26,509	Yes		B.1.(a) (4)
Indianapolis Casting Corporation	(28,873)	Yes		B.1.(a)
Income from Newstream	(797)	No		B.1.(a) (5)
Pre-tax loss of ITEC continuing U.S. operations before provision for profit sharing and bonuses	\$ (28,979) A			
Net Income: Navistar Financial Corporation (NFC)	61,179 B		Yes	B.1.(b)
Navistar International Corporation (NIC, Holding Company)	26,175 C	Yes		B.1.(c)
Net Income	\$ 32,375 D			
Medicare Act	(32,071) E	No		
(Gain) / Loss on disposal of assets	49 F	No		B.1.(a) (3)
Profits eligible for profit sharing	\$ 26,353 G			
Non-Profit Sharing Entities:				
1 NLP, Inc.	\$ 7,435	No		B.1.(a) (4)
2 Canada	17,335	No		B.1.(a)
3 Mexico	54,003	No		B.1.(a)
4 Brazil	88	No		B.1.(a)
5 Brazil (ICB/IESA)	6,422	No		B.1.(a)
6 Mexico Brazil (IESA)	5,108	No		B.1.(a)
7 Navistar Advanced Technology (NAT)	1,512	No		B.1.(a) (4)
8 SST Truck Company	57,774	No		B.1.(a) (4)
9 Navistar Aftermarket Products (NAP)	(546)	No		B.1.(a) (4)
10 International Diesel of Alabama (Huntsville)	51,668	No		B.1.(a) (4)
11 IC Corporation (Tulsa, Oklahoma)	43,940	No		B.1.(a) (4)
12 Harbour Assurance	2,360	No		B.1.(a)
13 Navistar Acceptance Corporation	(6)	No		B.1.(a)
14 Arrendadores Financiera Navistar (AFN)	4,518	No		B.1.(a)
15 Servicios Financieros Navistar (SFN)	10,579	No		B.1.(a)
16 Navistar Comercial, S.A. de C.V.	117	No		B.1.(a)
Total non-profit sharing entities	\$ 262,307			
Adjustments to get back to pre-tax income:				
Income from Newstream	797			
NFC add-back to get to pre-tax income	41,169			
Medicare Act	32,071			
(Gain) / Loss on disposal of assets	(49)			
Non-consolidated income	4,104			
Profit sharing and bonus payments	(36,000)			
Total adjustments	\$ 22,092			
Pre-tax income before income tax	\$ 310,752			
Income Tax Expense	(64,334)			
Net Income	\$ 246,398			

Reconciliation to audited financial statements:	
Income (loss) from continuing operations before income taxes	\$ 311
Income tax expense (benefit)	64
Income (loss) from continuing operations before income taxes	\$ 247

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NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Schedule of Calculation of Qualifying Profits under the terms of the Supplemental
Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit
Program

Year Ended October 31, 2004 (Restated)

(With Independent Auditors' Report Thereon)



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KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2004, and have issued our report thereon dated December 7, 2007. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2004. The Schedule is the responsibility of the management of Navistar, Inc. (formerly known as International Truck and Engine Corporation), a wholly-owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

As described in Note 2 to the accompanying Schedule, the Company has restated the Schedule for the year ended October 31, 2004.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2004, in accordance with the provisions of the Plan referred to above.



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This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
May 28, 2009

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NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2004 (Restated)

(Dollars in thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (196,959)
Net income of Navistar Financial Corporation and its subsidiaries	74,501
Exclude Medicare Part D subsidy	(42,919)
Exclude loss on sale of property and investments	<u>1,753</u>
Qualifying profits for the year ended October 31, 2004	<u>\$ (163,624)</u>

See accompanying independent auditors' report.

See notes to the Schedule.

CONFIDENTIAL**NAVISTAR, INC.**

(Formerly known as International Truck and Engine Corporation)

Notes to the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year Ended October 31, 2004 (Restated)

- (1) The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.
- (2) On April 6, 2006, the management of Navistar International Corporation (NIC), with the concurrence of the audit committee of the Board of Directors, concluded that NIC's previously issued consolidated financial statements for the years ended October 31, 2002 through 2004, and all previously issued quarterly consolidated financial statements for periods after October 31, 2004, should be restated. Consistent with Note 2 to NIC's consolidated financial statements as of and for the year ended October 31, 2004, as restated, one effect of that restatement was to reduce consolidated income before income tax by \$346 million. As a result, the Schedule must also be restated.

The following table sets forth the effects of the restatement adjustments on the Schedule for the year ended October 31, 2004. Each of the restatement categories listed in the table is comprised of a number of related adjustments that have been aggregated for disclosure purposes:

	<u>As previously reported</u>	<u>Consolidated restatement adjustments</u>	<u>Other adjustments</u>	<u>As restated</u>
	(Dollars in thousands)			
Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan*	\$ 84,573	\$ (306,727)	\$ 25,195	\$ (196,959)
Net income of Navistar Financial Corporation and its subsidiaries	61,179	13,322	—	74,501
Exclude Medicare Part D subsidy	(32,071)	(10,848)	—	(42,919)
Exclude loss on sale of property and investments	49	1,704	—	1,753
Qualifying profits for the year ended October 31, 2004	\$ 113,730	\$ (302,549)	\$ 25,195	\$ (163,624)

* Includes Holding Company pre-tax income, per Plan definition of "Covered Operations"

A description of the significant components of our restatement adjustments and their impact on line items in the Schedule follows. The errors described within each restatement category represent the most significant items impacting the restatement of the Schedule.

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NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Notes to the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year Ended October 31, 2004 (Restated)

Consolidated restatement adjustments

These errors were identified as a result of the restatement of NIC's consolidated financial statements, as of and for the year ended October 31, 2004. Additional details related to these errors can be found in Note 2 to those consolidated financial statements.

Other Adjustments

Our previously reported Pre-tax income (loss) of Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan contained the following errors:

- We utilized an inappropriate tax rate in calculating the net income to be included for IC Corporation and International Diesel of Alabama, LLC. The primary impact on the Schedule to correct these errors is an increase to income of Covered Operations of \$13,768,000 for the year ended October 31, 2004.
- We excluded the net income for certain U.S. DealCor entities. The primary impact on the Schedule to correct this error is an increase to income of Covered Operations of \$11,626,000.
- Excluding the Medicare Part D subsidy, all other adjustments decreased income of Covered Operations by \$199,000.



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NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Year ended October 31, 2005

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

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Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2005, and have issued our report thereon dated December 7, 2007. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2005. The Schedule is the responsibility of the management of Navistar, Inc. (formally known as International Truck and Engine Corporation), a wholly owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2005, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
May 28, 2009

CONFIDENTIAL**NAVISTAR, INC.**

(Formerly known as International Truck and Engine Corporation)

Schedule of Calculation of Qualifying Profits under the terms of the Supplemental
Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2005

(Dollars in thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (207,380)
Net income of Navistar Financial Corporation and its subsidiaries	79,176
Exclude Medicare Part D subsidy	(45,709)
Exclude loss on sale of property and investments	<u>1,720</u>
Qualifying profits for the year ended October 31, 2005	<u>\$ (172,193)</u>

See accompanying independent auditors' report.

See note to the Schedule.

CONFIDENTIAL

NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Note to the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2005

- (1) The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.



CONFIDENTIAL

NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Year ended October 31, 2006

(With Independent Auditors' Report Thereon)



CONFIDENTIAL

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2006, and have issued our report thereon dated March 5, 2008. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2006. The Schedule is the responsibility of the management of Navistar, Inc. (formerly known as International Truck and Engine Corporation), a wholly-owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2006, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
May 28, 2009

CONFIDENTIAL**NAVISTAR, INC.**

(Formerly known as International Truck and Engine Corporation)

Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2006

(Dollars in thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (75,084)
Net income of Navistar Financial Corporation and its subsidiaries	80,266
Exclude Medicare Part D subsidy	(45,159)
Exclude loss on sale of property and investments	5,809
Qualifying profits for the year ended October 31, 2006	<u>\$ (34,168)</u>

See accompanying independent auditors' report.

See note to the schedule.

CONFIDENTIAL

NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Note to the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2006

1. The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.



Navistar, Inc.
4201 Winfield Road
Warrenville, IL 60555 USA

John V. Mulvaney, Sr.
VP, Finance Special Projects

P : 630-753-5000
W : navistar.com

Ms. Janis Bair
Executive Director
26301 Curtiss-Wright Parkway
Suite 105
Richmond Hts., OH 44143

April 7, 2010

Dear Ms. Bair:

I have enclosed the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program for fiscal years 2007, 2008, and 2009, with independent auditors' report thereon. Please note that during fiscal 2008 the company's name was changed from International Truck and Engine Corporation to Navistar, Inc. as indicated on the reports for 2007 and 2008.

As indicated by the reports the level of Qualifying Profits in each of 2007, 2008 and 2009 was insufficient to generate a payment to the Trust. Additionally, I would remind the committee that prior to the restatement of the company's results for fiscal 2004 a payment of \$1,409,000 was made to the Trust in February 2005 for the 2004 plan year that would not have been made if the restated 2004 results had been known. The Company intends to fully recoup such overpayment in the future at such time Qualifying Profits warrant a payment by offsetting the 2004 overpayment against any future payments until the 2004 overpayment is fully recovered.

If you have any questions relating to the any of the reports for 2007, 2008, and 2009, please contact me at Navistar, Inc., 4201 Winfield Road, P.O. Box 1488, Warrenville, IL 60555 (630) 753- 3496; please provide a copy of any correspondence to Mr. Hennigan.

Very truly yours,

John V. Mulvaney, Sr.
Vice President, Finance Special Projects

Cc: Navistar, Inc.:

Jeffrey Dash, Thomas Hennigan, R. Barry Morris, Shayne Gibbons, and Sima Patel
David Radelet, Franczek Radelet P.C.
Mr. Bob Mikulan, UAW (w/encls.)



NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

**Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2007

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2007, and have issued our report thereon dated May 29, 2008. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2007. The Schedule is the responsibility of the management of Navistar, Inc. (formerly known as International Truck and Engine Corporation), a wholly-owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2007, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
March 25, 2010

NAVISTAR, INC.
 (Formerly known as International Truck and Engine Corporation)
 Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit
 Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2007

(Dollars in thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (543,539)
Net income (losses) of Navistar Financial Corporation and its subsidiaries	67,300
Exclude Medicare Part D subsidy	(40,938)
Exclude loss on sale of property and investments	<u>3,623</u>
Qualifying profits for the year ended October 31, 2007	<u><u>\$ (513,554)</u></u>

See accompanying independent auditors' report.
 See note to the schedule.

NAVISTAR, INC.

(Formerly known as International Truck and Engine Corporation)

Note to the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2007

1. The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.



NAVISTAR, INC.

(Formerly Known as International Truck and Engine Corporation)

**Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2008, and have issued our report thereon dated December 30, 2008. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2008. The Schedule is the responsibility of the management of Navistar, Inc. (formerly known as International Truck and Engine Corporation), a wholly owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2008, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
March 25, 2010

NAVISTAR, INC.
 (Formerly Known as International Truck and Engine Corporation)
 Schedule of Calculation of Qualifying Profits under the terms of the
 Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
 Retiree Supplemental Benefit Program
 Year ended October 31, 2008
 (Dollars in thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (151,495)
Net income (losses) of Navistar Financial Corporation and its subsidiaries	(30,700)
Exclude Medicare Part D subsidy	(37,930)
Exclude loss on sale of property and investments	4,371
Qualifying profits for the year ended October 31, 2008	\$ (215,754)

See accompanying independent auditors' report.
 See note to the schedule.

NAVISTAR, INC.

(Formerly Known as International Truck and Engine Corporation)

Note to Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Year ended October 31, 2008

1. The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.



NAVISTAR, INC.

**Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2009

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2009, and have issued our report thereon dated December 21, 2009. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2009. The Schedule is the responsibility of the management of Navistar, Inc., a wholly owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2009, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
March 25, 2010

NAVISTAR, INC.**Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program**

Year ended October 31, 2009

(Dollars in thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (22,496)
Net income of Navistar Financial Corporation and its subsidiaries	28,754
Exclude Medicare Part D subsidy	(31,154)
Exclude gain on sale of property and investments	<u>(2,265)</u>
Qualifying profits for the year ended October 31, 2009	<u>\$ (27,161)</u>

See accompanying independent auditors' report.

See note to the schedule.

NAVISTAR, INC.

Note to the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program

Year ended October 31, 2009

1. **The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.**



NAVISTAR, INC.

Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Year ended October 31, 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2010, and have issued our report thereon dated December 21, 2010. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2010. The Schedule is the responsibility of the management of Navistar, Inc., a wholly owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2010, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
March 22, 2011

NAVISTAR, INC.Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Year ended October 31, 2010

(Dollars in Thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (214,070)
Net income of Navistar Financial Corporation and its subsidiaries	68,570
Exclude Medicare Part D subsidy	(17,236)
Exclude net gains on sales of property and investments	<u>(5,292)</u>
Qualifying profits for the year ended October 31, 2010	<u>\$ (168,028)</u>

See accompanying independent auditors' report.

See accompanying Note to Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree
Supplemental Benefit Program.

NAVISTAR, INC.

**Note to Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2010

1. The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.



Navistar, Inc.
4201 Winfield Road
Warrenville, IL 60555 USA

John V. Mulvaney, Sr.
VP, Finance Special Projects

P : 630-753-5000
W : navistar.com

Ms. Janis Bair
Executive Director
26301 Curtiss-Wright Parkway
Suite 105
Richmond Hts., OH 44143

April 6, 2011

Dear Ms. Bair:

I have enclosed the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program for fiscal year 2010, with independent auditors' report thereon. I have also included a schedule that reconciles the components of the audit report to our published Form 10-K filed with the SEC for fiscal year 2010.

As indicated by the report the level of Qualifying Profits in 2010 was insufficient to generate a payment to the Trust. Additionally, I would remind the committee that prior to the restatement of the company's results for fiscal 2004 a payment of \$1,409,000 was made to the Trust in February 2005 for the 2004 plan year that would not have been made if the restated 2004 results had been known. The Company intends to fully recoup such overpayment in the future at such time Qualifying Profits warrant a payment by offsetting the 2004 overpayment against any future payments until the 2004 overpayment is fully recovered.

If you have any questions relating to the report for 2010, please contact me at Navistar, Inc., 4201 Winfield Road, P.O. Box 1488, Warrenville, IL 60555 (630) 753- 3496; please provide a copy of any correspondence to Mr. Morris.

Very truly yours,

John V. Mulvaney, Sr.
Vice President, Finance Special Projects

Cc:

Navistar, Inc.:
Messrs. Troy Clarke, Gary Holdren, Jeffrey Dash, R. Barry Morris, Shayne Gibbons, and Ms. Sima Patel
Mr. David Radelet, Franczek Radelet P.C.
Mr. Cary Perlman, Latham & Watkins, LLP
Mr. Bob Mikulan, UAW

**Navistar, Inc.
Supplemental Trust Profit Sharing Calculation
For the Year Ended October 31, 2010
(\$000)**

	2010	Pre-Tax Pre-P/S Income	After-Tax Net Income	Memorandum of Understanding Reference
Profit Sharing Entities:				
Navistar, Inc. (Previously ITEC)	\$ (736,082,030)	Yes		5.2, 1.5, 2.4
Export Company	-	Yes		5.2, 1
Overseas Company	(1,122,102)	Yes		5.2, 1
Indianapolis Casting Corporation	5,683,369	Yes		5.2, 1
GVW Workhorse Custom Chassis LLC (UAW)	(23,054,420)	Yes		5.5, 1
IC Corporation (Conway, Arkansas)	(11,033,185)	Yes		5.5, 1
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (765,608,370)			
Navistar International Corporation (NIC, Holding Company)	(60,548,543)	Yes		5.2, 1, 5.2, 4
Minority Interest	(44,054,058)			
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (870,210,971) e			
Entities not part of UAW calculation (a)				
Entities not part of UAW including Foreign locations	\$ 1,106,889,879			5.5, 1, 5.2, 4, 5.5, 3, 5.1
Foreign locations not part of ST calculation	\$ (127,088,879)			5.5, 2, 5, 5.3, 3, 1
Provision for Taxes in ST entities	(323,659,908)			
Net Income of Entities not part of UAW Calculations	\$ 656,141,092 d		Yes	
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ (214,069,879) e+d=e			
Adjustments				
Net Income Navistar Financial Corporation (NFC)	68,570,249 f		Yes	5.3
Medicare Act	(17,236,000) g	No		Various
(Gain) / Loss on Disposal of Assets	(5,292,313) h	No		
Profits (Losses) Eligible for Profit Sharing	\$ (168,027,943) e+f+g+h=i			
Adjustments to reconcile to Annual Report				
Taxes on NFC	\$ 36,067,114			
Foreign locations not part of ST calculation	\$ 127,088,879			
Taxes on UAW Non-Profit Sharing entities	323,659,908			
Medicare Act	17,236,000			
(Gain) / Loss on Disposal of Assets	5,292,313			
Non-consolidated Income	(32,569,554)			
Minority Interest	44,054,058			
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	(63,065,048)			
Total	\$ 457,763,671 z			
Pre-Tax Income including Minority Interest	\$ 289,735,728 y+z=j			
Income Tax (Expense)/Credit	(23,047,703)			
Minority Interest	(43,638,530)			
Net Income (Loss) from Continuing Operations	\$ 223,029,495			

Reconciliation to audited financial statements (in millions):	
Income (loss) from before income taxes	\$ 290 i
Income tax (expense)	(23)
Net income (loss)	\$ 267
Less: Net income attributable to non-controlling interest	\$ (44)
Net income (loss) attributable to Navistar International Corporation	\$ 223

(ii) **Associated Industries:**
 Armada/Alma Financiera Navistar, S.A. de C.V., SOFOM (APN) merged into Navistar Financiera, S.A. de C.V., SOFOM EN R, in fiscal 2008;
 MWM International Industria de Motores da America do Sul Ltda. (Brazil and includes IC/IBESA/Mexico);
 Navistar Canada, Inc. (name changed from International Truck and Engine Company of Canada in fiscal 2008);
 Navistar International Transportation de Colombia, Ltda. (dissolved fiscal 2010);
 International Dealer Ops Operations, Ltd. (including Masuda International Parts and Services of Daytona Beach, LLC);
 Harbor Assurance Company of Bermuda, Ltd.;
 Heart International;
 IC Corp - Tulsa (aka IC Bus of Oklahoma, LLC);
 Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);
 International Engines Germany GmbH;
 International Truck and Engine Investments Corporation;
 International of Mexico Holding Company;
 Navistar Diesel Components, Inc. (Dissolved fiscal 2009);
 Navistar Acceptance Corporation, Ltd. (NAL);
 Navistar Aftermarket Products, Inc. (NAVAL/HP);
 Navistar Advanced Technologies Incorporated (NAL);
 Navistar Commercial, S.A. de C.V.;
 New Britain Enterprises, LLC;
 N.P. Inc.;
 Servicios Financieros Navistar, S.A. de C.V. (FIN) name changed to Navistar Financiera, S.A. de C.V., SOFOM EN R, in fiscal 2008;
 SST Truck Company, LLC;
 Workhorse International Holding Company;
 Engine Parts, LLC;
 Navistar International Employee Leasing Company (name changed from IIE Employee Leasing in fiscal 2008);
 Navistar Defense, LLC;
 Minaco RV, LLC;
 Blue Diamond Parts
 * Continental Manufacturing Co
 * Navistar Motor Electric Vehicle Alliance (NMEVA)
 * Pure Power Technologies, LLC - Engine
 * Navistar Kenya Limited
 * Navistar Hong Kong Ltd Co
 * Navistar (Shanghai) Trading Co Ltd - China - Truck



NAVISTAR, INC.

**Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2010, and have issued our report thereon dated December 21, 2010. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2010. The Schedule is the responsibility of the management of Navistar, Inc., a wholly owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2010, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
March 22, 2011

NAVISTAR, INC.

Schedule of Calculation of Qualifying Profits under the terms of the
 Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
 Retiree Supplemental Benefit Program

Year ended October 31, 2010

(Dollars in Thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (214,070)
Net income of Navistar Financial Corporation and its subsidiaries	68,570
Exclude Medicare Part D subsidy	(17,236)
Exclude net gains on sales of property and investments	(5,292)
Qualifying profits for the year ended October 31, 2010	<u>\$ (168,028)</u>

See accompanying independent auditors' report.

See accompanying Note to Schedule of Calculation of Qualifying Profits under the terms of the
 Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree
 Supplemental Benefit Program.

NAVISTAR, INC.

**Note to Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2010

1. The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.



FRANCZEK RADELET

Attorneys and Counselors

300 South Wacker Drive | Suite 3400 | Chicago, IL 60606
Phone 312.986.0300 | Fax 312.986.9192 | franczek.com

DAVID P. RADELET
312.786.6190
dpr@franczek.com

RECEIVED BY

JUN 10 2009

GROOM LAW GROUP

June 9, 2009

VIA OVERNIGHT DELIVERY

Thomas S. Gigot, Esq.
Groom Law Group
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-5811

**Re: Navistar, Inc. Supplemental Benefit Trust Profit Sharing Plan:
2004 Profit Sharing Dispute**

Dear Mr. Gigot:

The independent auditors for Navistar, Inc. (formerly International Truck and Engine Corporation) recently completed their audit of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program (the "Plan") for the fiscal years ending October 31, 2004, October 31, 2005, and October 31, 2006.

With regard to the above-captioned dispute, I have enclosed herein a copy of the Schedule of Calculation of Qualifying Profits under the terms of the Plan, including the Independent Auditor's Report relating to that Schedule (herein collectively the "Schedule"), for fiscal year 2004 (Restated). For your convenience, I have also enclosed herein a copy of the Schedule for fiscal years 2005 and 2006, although those reports do not relate to the above-captioned dispute. Please designate these documents and the information contained therein as "Confidential" for purposes of the Confidentiality Agreement entered between the parties for this matter dated January 30, 2006. Schedules for subsequent fiscal years have not been completed by the auditors as of this writing.

As you will see, Qualifying Profits for all three of these fiscal years were negative. Accordingly, no profit sharing contribution is due for these three fiscal years. This renders moot the dispute between the parties regarding the impact of the Medicare Part D subsidy on the calculation of the profit sharing contribution for fiscal year 2004.

Please note that the Schedule for the fiscal year ending October 31, 2004 ("FY04") is based upon a restatement of the audited financials previously issued for that fiscal year. As you know, the original FY04 auditor's report resulted in a profit sharing contribution for that fiscal year by Navistar to the Supplemental Benefit Trust in the amount of \$1,409,000. This payment



FRANCZEK RADELET

Attorneys and Counselors

Thomas S. Gigot

June 9, 2009

Page 2

was made in February of 2005. The attached restatement for FY04 now establishes that no profit sharing contribution was due for that fiscal year. Accordingly, Navistar will offset future profit sharing contribution obligations imposed under the terms of the Plan, if any, against the amount contributed for FY04 until fully satisfied.

Very truly yours,

David P. Radelet

DPR:mfc
Enclosures



FRANCZEK RADELET

Attorneys and Counselors

300 South Wacker Drive | Suite 3400 | Chicago, IL 60606
Phone 312.986.0300 | Fax 312.986.9192 | franczek.com

DAVID P. RADELET
312.786.6190
dpr@franczek.com

August 3, 2009

VIA ELECTRONIC MAIL AND REGULAR MAIL

Thomas S. Gigot, Esq.
Groom Law Group
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-5811

Re: Navistar, Inc. Supplemental Benefit Trust Profit Sharing Plan – Profit Sharing Contributions

Dear Mr. Gigot:

We have received your letter dated July 2, 2009 raising issues relating to the Navistar, Inc. Supplemental Benefit Trust Profit Sharing Plan (“the Plan”), and the audited financial reports for the Plan’s Schedule of Calculation of Qualifying Profits for FY2004, FY2005 and FY2006 that we forwarded to you on June 9.

In response to your letter, and on behalf of Navistar, Inc. (“Navistar”), please be advised that Navistar maintains its position that the Medicare Part D subsidy should be excluded from the calculation of Qualifying Profits under the Plan, for all of the reasons that have been previously communicated. That said, it is also apparent that this issue does not have “an immediate and tangible impact” on the required profit sharing contribution for FY2006, as you state in your letter. In fact, it has no impact whatsoever.

This conclusion is confirmed by the additional information requested in your letter regarding “Qualifying Hours” for FY2006. In response to your request, please be advised that the number of Qualifying Hours for FY2006 was 16,998,412. Under the terms of the Plan, this means that Qualifying Profits must have exceeded \$51M in FY2006 to trigger a profit sharing payment for that fiscal year (16,998,412 Qualifying Hours x \$3.00 = \$51M; See Sections 7.2 and 7.3 of the Plan). Thus, even if the amount of the Medicare Part D subsidy was included in Qualifying Profits for FY2006, the resulting amount of Qualifying Profits (using your figure of \$11M) is still far short of the level required to trigger a profit sharing payment for that fiscal year.

Given the circumstances, we must at this time respectfully decline your request that the parties initiate the dispute resolution procedures in the Plan, as the dispute you identify has no



FRANCZEK RADELET

Attorneys and Counselors

Thomas S. Gigot, Esq.

August 3, 2009

Page 2

impact whatsoever on the profit sharing payments due under the Plan. Navistar will agree, however, that this issue has been timely raised by the Supplemental Trust Committee in the event the dispute becomes material in any future year.

Very truly yours,

David P. Radelet

DPR:mfc

Navistar Inc. Retiree Supplemental Benefit Plan

May 4, 2010

John V. Mulvaney, Sr.
Vice President, Finance Special Projects
Navistar, Inc.
4201 Winfield Road
Warrenville, IL 60555

Re: Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Dear Mr. Mulvaney:

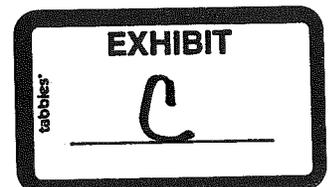
This letter is sent on behalf of the Supplemental Benefit Committee (the "Committee") established under the Navistar International Transportation Corporation Retiree Supplemental Benefit Program.

I.

OVERVIEW AND SUMMARY

Earlier this month, the Committee received from Navistar, Inc. a letter dated April 7, 2010 and an enclosed set of Schedules. Those Schedules identify Navistar's calculation of "Qualifying Profits," as that term is defined in the Supplemental Benefit Trust Profit Sharing Plan (the "Supplemental Profit Sharing Plan"), for fiscal years ended in 2009, 2008, and 2007. The Committee has a number of general and specific concerns relating to those Schedules. In summary:

- Navistar, Inc. and other successors to Navistar International Transportation Corp. (each and together the "Company") are not timely meeting all of their reporting obligations under the Supplemental Profit Sharing Plan. The Supplemental Profit Sharing Plan requires the Company to provide specified reports and information about both "Qualifying Profits" and "Qualifying Hours" to the Committee no later than ninety (90) days after the end of the fiscal year in question. The 2008 and 2007 Schedules noted above were delivered well after that deadline, and include only portions of the information required under the Supplemental Profit Sharing Plan. Coupled with the Company's tardy reporting for 2005 and 2006, this suggests a concerning pattern of tardy reporting by the Company. The Committee



expects the Company to provide the required calculations and information in accordance with the timing requirements in the Supplemental Profit Sharing Plan.

- The Committee disputes the Company's calculation of Qualifying Profits for each of the years 2009, 2008 and 2007. The Committee hereby provides notice of that dispute pursuant to section 8.4 of the Supplemental Benefit Plan, as explained more fully in Part II.A., below.
- The Schedules of Qualifying Profits provided by the Company on April 7, 2010 and on earlier dates do not provide sufficient information to verify the accuracy and reasonableness of the Company's calculations. Pursuant to section 8.6 of the Supplemental Profit Sharing Plan, the Committee hereby requests that the Company provide the additional information that is described more fully in Part II.B., below.
- The Schedules that the Company sent to us on April 7, 2010 do not contain any reports or information relating to "Qualifying Hours." The Committee requests that the Company immediately provide such reports and information, as required under sections 8.1, 8.2 and 8.3 of the Supplemental Profit Sharing Plan.

II.

SPECIFIC NOTICES AND REQUESTS

A. NOTICE OF DISPUTE

Each of the Schedules that the Company sent to us on April 7, 2010 proposes to exclude from the total amount of Qualifying Profits the Company's income from the Medicare Part D subsidy. That exclusion has no basis in law or in the Supplemental Profit Sharing Plan document, and should be corrected immediately. The Committee reserves the right to dispute other entries on the Schedules following its receipt of the additional information described below. The Company should treat this letter as the notice of dispute described in Section 8.4 of the Supplemental Profit Sharing Plan.

B. REQUEST FOR ADDITIONAL INFORMATION REGARDING THE COMPANY'S CALCULATIONS OF QUALIFYING PROFITS

1. Reconciliation Schedules: The Committee has a fundamental responsibility to review and to verify the Schedules of Qualifying Profits provided to it by the Company. For this purpose, the Committee believes that it generally may rely upon the audited financial statements reported by Navistar International Corporation in its annual reports on SEC Form 10-K. Those statements, however, are presented on a consolidated basis. Standing alone, they do not provide the level of detail needed to isolate all of the specific components used to calculate "Qualifying Profits" as defined in the Supplemental Profit Sharing Plan. It is the Committee's understanding that for at least one prior year, the Company provided to the UAW an entity-by-entity schedule of

information designed to tie the Company's calculation of qualifying profits for a similar profit sharing plan (the "UAW Plan") back to the Company's audited financial statements. A copy of that entity-by-entity reconciliation schedule for the UAW Plan is attached to this letter at Tab A. We kindly request that the Company provide to this Committee a similar set of entity-by-entity reconciliation schedules for the Supplemental Profit Sharing Plan's Qualifying Profits for the fiscal years ended in 2009, 2008, 2007, 2006, 2005, 2004 and 1998, taking into account the different formula used to define Qualifying Profits under this Plan. For this purpose, we further request that the Company follow the general format shown in the blank reconciliation form attached to this letter at Tab B. Please note that the form attached at Tab B updates the format reflected in the 2004 UAW Plan schedule to include important information that was not included in the 2004 UAW Plan schedule.

2. Other Adjustments: The restated Schedule of Qualifying Profits that the Company provided for the year ended October 31, 2004 contains a section entitled "Other Adjustments," which describes \$25.2 million in calculation errors contained in the original October 31, 2004 Schedule of Qualifying Profits. Please provide the following additional information regarding those calculation errors:

- (a) How, when and by whom (e.g., auditors or SEC) were the errors discovered?
- (b) Were any of the same errors also made in previous years' profit sharing calculations, and if so, what was the impact on such prior year(s)' calculation of Qualifying Profits?
- (c) List and describe the items that were included in the "all other adjustments" entry, which decreased income of Covered Operations by \$199,000.

3. Restatement Adjustments for 2004: Within the Notes to the Schedule of Qualifying Profits restated for the year ended October 31, 2004, the Company states that their consolidated income before income tax was reduced by \$346 million. A table following this note displayed a \$303 million reduction in Qualifying Profits due to the restatement. Please explain why Qualifying Profits received such a high proportion ($\$303\text{M}/\$346\text{M} = 88\%$) of the restatement adjustments, given that Qualifying profits, as reported before the restatement, represented only 37% ($\$114\text{M}/\311M) of consolidated income before tax income.

C. WORKSHEETS, REPORTS AND LISTS FOR QUALIFYING HOURS

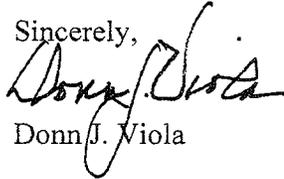
The Schedules sent to us on April 7, 2010 address "Qualifying Profits" only. They do not include any information relating to "Qualifying Hours." Sections 8.1, 8.2 and 8.3 of the Supplemental Profit Sharing Plan require the Company to provide worksheets, reports and lists that identify and explain the Company's calculation of *both* Qualifying Profits and Qualifying Hours. We kindly request that the Company provide, without further delay, the required worksheets, reports and lists relating to the Qualifying Hours calculations for the fiscal years ended in 2009, 2008 and 2007.

D. REPORTING FOR FUTURE YEARS

We appreciate the effort that went into the preparation of the Schedules of Qualifying Profits that you sent to us on April 7, 2010. Nonetheless, as the foregoing text of this letter illustrates, the level of detail provided in those Schedules is both incomplete and insufficient to enable the Committee to review and verify the Company's calculation of the amounts required by the Supplemental Profit Sharing Plan. In this respect, the Schedules do not comply with the letter or spirit of Article 8 of the Supplemental Profit Sharing Plan. We respectfully request that the Company's reports for future years include, at a minimum, a reconciliation schedule of the kind described in Part II.B., above, and the required information regarding Qualifying Hours, as noted in Part II.C., above. Additionally, and in the interest of saving time and expense for both the Company and the Committee, we also suggest that, following the Company's delivery to the Committee of the information requested in this letter, the parties schedule a face-to-face meeting among our representatives for the purposes of resolving any outstanding questions on the part of the Committee or its accountants.

Thank you for your prompt attention to the matters described above.

Sincerely,



Donn J. Viola

cc: Thomas Hennigan
Tim Bressler
Bob Mikulan
David Radelet
Janis Bair
Douglas Hunter
Mike LaCour
Jeffrey Dokho
Jack McCaskey

TAB A

OCT-24-2005 12:57

Navistar International Corporation
 UAW Profit Sharing Calculation
 For the Year Ended October 31, 2004
 (\$000)

COPY REFERENCED
 IN RESPONSE NO. 3

	2004	Pre-Tax Pre-P/S Income	After-Tax Net Income	Memorandum of Understanding Reference
Profit Sharing Entities:				
International Truck and Engine Corporation (ITEC)	\$ (37,443)	Yes		B.1.(a)
Export Company	12,956	Yes		B.1.(a)
Overseas Company	(1,331)	Yes		B.1.(a)
IC Corporation (Conway, Arkansas)	26,509	Yes		B.1.(a) (4)
Indianapolis Casting Corporation	(28,873)	Yes		B.1.(a)
Income from Newstreams	(797)	No		B.1.(a) (5)
Pre-tax loss of ITEC continuing U.S. operations before provision for profit sharing and bonuses	\$ (28,979) A			
Net Income Navistar Financial Corporation (NFC)	61,179 B		Yes	B.1.(b)
Navistar International Corporation (NIC, Holding Company)	26,175 C	Yes		B.1.(c)
Net Income	\$ 58,375 D			
Medicare Act	(32,071) E	No		
(Gain) / Loss on disposal of assets	49 F	No		B.1.(a) (3)
Profits eligible for profit sharing	\$ 26,353 G			
Non-Profit Sharing Entities:				
1 NLP, Inc.	\$ 7,435	No		B.1.(a) (4)
2 Canada	17,335	No		B.1.(a)
3 Mexico	54,003	No		B.1.(a)
4 Brazil	88	No		B.1.(a)
5 Brazil (ICB/IBSA)	6,422	No		B.1.(a)
6 Mexico Brazil (IESA)	5,108	No		B.1.(a)
7 Navistar Advanced Technology (NAT)	1,512	No		B.1.(a) (4)
8 SST Truck Company	57,774	No		B.1.(a) (4)
9 Navistar Aftermarket Products (NAP)	(546)	No		B.1.(a) (4)
10 International Diesel of Alabama (Huntsville)	51,668	No		B.1.(a) (4)
11 IC Corporation (Tulsa, Oklahoma)	43,940	No		B.1.(a) (4)
12 Harbour Assurance	2,360	No		B.1.(a)
13 Navistar Acceptance Corporation	(6)	No		B.1.(a)
14 Arrendadora Financiera Navistar (AFN)	4,518	No		B.1.(a)
15 Servicios Financieros Navistar (SFN)	10,579	No		B.1.(a)
16 Navistar Comercial, S.A. de C.V.	117	No		B.1.(a)
Total non-profit sharing entities	\$ 262,307			
Adjustments to get back to pre-tax income:				
Income from Newstream	797			
NFC add-back to get to pre-tax income	41,169			
Medicare Act	32,071			
(Gain) / Loss on disposal of assets	(49)			
Non-consolidated income	4,104			
Profit sharing and bonus payments	(56,000)			
Total adjustments	\$ 22,092			
Pre-tax income before income tax	\$ 310,752			
Income Tax Expense	(64,354)			
Net Income	\$ 246,398			

Reconciliation to audited financial statements:	
Income (loss) from continuing operations before income taxes	\$ 311
Income tax expense (benefit)	54
Income (loss) from continuing operations before income taxes	\$ 247

12/46

TAB B

Supplemental Benefit Trust Profit Sharing Plan Entity Breakout / 10k Reconciliation Schedule		<u>ATTACHMENT 1</u>			
Amount	Pre-Tax Pre-P/S Income	After-Tax Net Income	Supplemental Benefit Trust Profit Sharing Plan Reference	Brief Description of Entity or reconciling item listed	List of plants / facilities / locations included in each entity
Profit Sharing Entities:					
<u>Navistar Inc. (previously NITC) and all affiliates and subsidiaries</u>					
Entity #1	\$ -			} List out all profit sharing entities included in Navistar Inc.	
Entity #2	\$ -				
Entity #3	\$ -				
etc.	\$ -				
Total Navistar Inc.	\$ -		A		
<u>Navistar International Corporation ("NIC") and all affiliates and subsidiaries</u>					
Entity #1	\$ -			} List out all profit sharing entities included in NIC	
Entity #2	\$ -				
Entity #3	\$ -				
etc.	\$ -				
Total Navistar International Corporation ("NIC")	\$ -		B		
Total Navistar Inc. and NIC ¹			A+B	C	
<u>Navistar Financial Corporation ("NFC") and all affiliates and subsidiaries</u>					
Entity #1	\$ -			} List out all profit sharing entities included in NFC	
Entity #2	\$ -				
Entity #3	\$ -				
etc.	\$ -				
Total Navistar Financial Corporation ("NFC") ¹	\$ -		D		
(Gain) / Loss on disposal of assets ¹	\$ -			E	
Other - (Please describe)	\$ -			F	
Total Profits Eligible for Profit Sharing ¹			C+D+E +F	G	
Non-Profit Sharing Entities:					
Entity #1	\$ -				
Entity #2	\$ -				
Entity #3	\$ -				
etc.	\$ -				
Other - (Please describe)	\$ -				
Total Non-Profit Sharing Entities	\$ -			H	
Adjustments to get back to pre-tax income:					
(Gain) / Loss on disposal of assets	\$ -				
Profit Sharing and bonus payments	\$ -				
Other - (Please describe)	\$ -				
Total Adjustments	\$ -			I	
Pre-tax income ²			G+H+I		
Income tax expense ²	\$ -				
Net Income ²	\$ -				
¹ - Amount should tie to applicable Schedule of Qualifying Profits ² - Amount should tie to applicable annual 10K filing					



Navistar, Inc.
4201 Winfield Road
Warrenville, IL 60555 USA

John V. Mulvaney, Sr.
VP, Finance Special Projects

P : 630-753-5000
W : navistar.com

Ms. Janis Bair
Executive Director
26301 Curtiss-Wright Parkway
Suite 105
Richmond Hts., OH 44143

April 6, 2011

Dear Ms. Bair:

I have enclosed the Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program for fiscal year 2010, with independent auditors' report thereon. I have also included a schedule that reconciles the components of the audit report to our published Form 10-K filed with the SEC for fiscal year 2010.

As indicated by the report the level of Qualifying Profits in 2010 was insufficient to generate a payment to the Trust. Additionally, I would remind the committee that prior to the restatement of the company's results for fiscal 2004 a payment of \$1,409,000 was made to the Trust in February 2005 for the 2004 plan year that would not have been made if the restated 2004 results had been known. The Company intends to fully recoup such overpayment in the future at such time Qualifying Profits warrant a payment by offsetting the 2004 overpayment against any future payments until the 2004 overpayment is fully recovered.

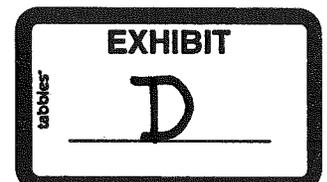
If you have any questions relating to the report for 2010, please contact me at Navistar, Inc., 4201 Winfield Road, P.O. Box 1488, Warrenville, IL 60555 (630) 753- 3496; please provide a copy of any correspondence to Mr. Morris.

Very truly yours,

John V. Mulvaney, Sr.
Vice President, Finance Special Projects

Cc:

Navistar, Inc.:
Messrs. Troy Clarke, Gary Holdren, Jeffrey Dash, R. Barry Morris, Shayne Gibbons, and Ms. Sima Patel
Mr. David Radelet, Franczek Radelet P.C.
Mr. Cary Perlman, Latham & Watkins, LLP
Mr. Bob Mikulan, UAW



Navistar, Inc.
Supplemental Trust Profit Sharing Calculation
For the Year Ended October 31, 2010
(S000)

	2010	Pre-Tax Pre-PS Income	After-Tax Net Income	Memorandum of Understanding Reference
Profit Sharing Entities:				
Navistar, Inc. (Previously ITEC)	\$ (736,082,030)	Yes		5.2.1, 5.2.4
Export Company	-	Yes		5.2.1
Overseas Company	(1,122,102)	Yes		5.2.1
Indianapolis Casting Corporation	5,683,369	Yes		5.2.1
GVW Workhorse Custom Chassis LLC (UAW)	(23,054,420)	Yes		5.5.1
IC Corporation (Conway, Arkansas)	(11,033,185)	Yes		5.5.1
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (765,608,370)			
Navistar International Corporation (NIC, Holding Company)	(60,548,543)	Yes		5.2.1, 5.2.4
Minority Interest	(44,054,058)			
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (870,210,971) ^c			
Entities not part of UAW calculation (a)				
Entities not part of UAW including Foreign locations	\$ 1,106,889,879			5.5.1, 5.2.4, 5.5.3, 5.2
Foreign locations not part of ST calculation	\$ (127,088,879)			5.5.2, 5.5.3, 3.1
Provision for Taxes in ST entities	(323,659,908)			
Net Income of Entities not part of UAW Calculations	\$ 656,141,092 ^d		Yes	
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ (214,069,879) ^{c+d+e}			
Adjustments				
Net Income Navistar Financial Corporation (NFC)	68,570,249 ^f		Yes	
Medicare Act	(17,236,000) ^g	No		5.3 Various
(Gain) / Loss on Disposal of Assets	(5,292,313) ^h	No		
Profits (Losses) Eligible for Profit Sharing	\$ (168,027,943) ^{c+f+g+h+y}			
Addbacks to reconcile to Annual Report				
Taxes on NFC	\$ 36,067,114			
Foreign locations not part of ST calculation	\$ 127,088,879			
Taxes on UAW Non-Profit Sharing entities	323,659,908			
Medicare Act	17,236,000			
(Gain) / Loss on Disposal of Assets	5,292,313			
Non-consolidated Income	(32,569,554)			
Minority Interest	44,054,058			
Profit Sharing and Bonus Payment Accruals (PS/ST/Al)	(63,065,048)			
Total	\$ 457,763,671 ^z			
Pre-Tax Income including Minority Interest	\$ 289,735,728 ^{y+z+j}			
Income Tax (Expense)/Credit	(23,047,703)			
Minority Interest	(43,658,530)			
Net Income (Loss) from Continuing Operations	\$ 223,029,495			

Reconciliation to audited financial statements (in millions):	
Income (loss) from before income taxes	\$ 290 ⁱ
Income tax (expense)	(23)
Net Income (loss)	\$ 267
Less: Net Income attributable to non-controlling interest	\$ (44)
Net Income (loss) attributable to Navistar International Corporation	\$ 223

(ii) Audited Industries:

- Arredos de la Financiera Navistar, S.A. de C.V. SOPOM (AFN) merged into Navistar Financial, S.A. de C.V. SOPOM (N.R.) in fiscal 2008;
- MWM International Industria de Motores da America do Sul Ltda. (Brazil) and includes (CH/USA/Mexico);
- Navistar Canada, Inc. (name changed from International Truck and Engine Company of Canada in fiscal 2008);
- Navistar International Transportation de Colombia, Ltda. (dissolved fiscal 2010);
- International Dealers Operations, Ltd. (including Masdin International Parts and Services of Daytona Beach, LLC);
- Harbor Assurance Company of Bermuda, Ltd;
- Hearst International;
- IC Corp - Tulsa (aka IC Dura of Oklahoma, LLC);
- Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);
- International Engines Germany GmbH;
- International Truck and Engine Investments Corporation;
- International of Mexico Holding Company;
- Navistar Diesel Components, Inc. (Dissolved fiscal 2009);
- Navistar Acceptance Corporation, Ltd. (NAAC);
- Navistar Aftermarket Products, Inc. (NAVAFRP);
- Navistar Advanced Technologies Incorporated (NAT);
- Navistar Comercial, S.A. de C.V.;
- Newstream Enterprises, LLC;
- NI P, Inc.;
- Servicos Financieiros Navistar, S.A. de C.V. (SFIN) name changed to Navistar Financial, S.A. de C.V. SOPOM (N.R.) in fiscal 2008;
- SSI Truck Company, LLC;
- Workhorse International Holding Company;
- Equipar Parts, LLC;
- Navistar International Employee Leasing Company (name changed from IIE Employee Leasing in fiscal 2008);
- Navistar (Tennessee), LLC;
- Minaco RV, LLC;
- Riac Diamond Parts

¹ Continental Manufacturing Co
² Navistar Motor Electric Vehicle Alliance (NMEVA)
³ Pure Power Technologies, LLC - Finghe
⁴ Navistar Korea Limited
⁵ Navistar Hong Kong Ltd Co
⁶ Navistar (Shanghai) Trading Co Ltd - China - Truck



NAVISTAR, INC.

**Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program ***

Year ended October 31, 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Navistar, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Navistar International Corporation (the Corporation) as of and for the year ended October 31, 2010, and have issued our report thereon dated December 21, 2010. We have also audited the accompanying Schedule of Calculation of Qualifying Profits (the Schedule) under the terms of the Supplemental Benefit Trust Profit Sharing Plan (the Plan) under the Navistar, Inc. Retiree Supplemental Benefit Program for the year ended October 31, 2010. The Schedule is the responsibility of the management of Navistar, Inc., a wholly owned subsidiary of the Corporation (the Company). Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit of the Schedule in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that the document that governs the determination of Qualifying Profits is the Plan under the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993 (the Agreement). Management of the Company has interpreted the Agreement in a manner that excludes the Medicare Part D subsidy from the determination of Qualifying Profits.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the calculation of Qualifying Profits for the year ended October 31, 2010, in accordance with the provisions of the Plan referred to above.

This report is intended solely for the information and use of the board of directors and management of Navistar, Inc. and persons subject to the Agreement and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
March 22, 2011

NAVISTAR, INC.

**Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2010

(Dollars in Thousands)

Pre-tax income (loss) of continuing Covered Operations, and net income (loss) of businesses acquired after the Effective Date by a Covered Operation, before provision for profit sharing and bonuses of Navistar, Inc., as defined by the Supplemental Benefit Trust Profit Sharing Plan (note 1)	\$ (214,070)
Net income of Navistar Financial Corporation and its subsidiaries	68,570
Exclude Medicare Part D subsidy	(17,236)
Exclude net gains on sales of property and investments	<u>(5,292)</u>
Qualifying profits for the year ended October 31, 2010	<u>\$ (168,028)</u>

See accompanying independent auditors' report.

See accompanying Note to Schedule of Calculation of Qualifying Profits under the terms of the Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc. Retiree Supplemental Benefit Program.

NAVISTAR, INC.

**Note to Schedule of Calculation of Qualifying Profits under the terms of the
Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

Year ended October 31, 2010

1. The Supplemental Benefit Trust Profit Sharing Plan forms part of the Navistar, Inc. Retiree Supplemental Benefit Program, which forms part of the Amended and Restated Shy Settlement Agreement dated June 30, 1993.

Navistar Inc. Retiree Supplemental Benefit Plan

November 14, 2011

John V. Mulvaney, Sr.
Vice President, Finance Special Projects
Navistar, Inc.
4201 Winfield Road
Warrenville, IL 60555

RECEIVED BY
NOV 16 2011
GROOM LAW GROUP

Re: Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program

Dear Mr. Mulvaney:

This letter is sent on behalf of the Supplemental Benefit Committee (the "Committee") established under the Navistar International Transportation Corporation Retiree Supplemental Benefit Program.

OVERVIEW AND SUMMARY

On May 4, 2010, the Committee sent a letter to Navistar addressing some general and specific concerns relating to the Schedules of Qualifying Profits that Navistar had provided, or neglected to provide, to the Committee per the terms of the Supplemental Profit Sharing Plan (the "Plan"). Specifically, the Committee: 1) noted that Navistar had not been timely meeting all of its reporting obligations under the Plan; 2) disputed the Company's calculation of Qualifying Profits for each of the years 2009, 2008, and 2007; 3) noted that the Schedules did not provide sufficient information to verify the accuracy and reasonableness of the Company's calculations; and 4) pointed out that the Schedules lacked information relating to "Qualifying Hours," as required under Sections 8.1, 8.2 and 8.3 of the Plan. Other than providing a 2010 Schedule of Qualifying Profits, the Company has failed to respond to the Committee's letter.

In addition, the Committee is concerned about the cessation of Contributions starting in or around 2000 when the Company apparently changed its business accounting model from the system that was in place at the time the Settlement Agreement was negotiated and approved by the Court. Among other things, this had the effect of allocating the Company's profits away from certain entities within the controlled group to other entities within the same controlled group. Not coincidentally, this change also had a dramatic effect on the Company's Contribution Obligation. For example, Contributions averaged over \$30 million per year from 1995-2001, with payments of over \$60 and \$70 million in 1999 and 2000, respectively, just before the change was made. In the ten years since the change was made, the Company has made exactly one payment – of approximately \$1.4 million.



November 14, 2011

Page 2 of 5

The Committee has a fiduciary obligation to investigate whether the Company's change in methodology, as it affected Navistar's obligations under the Settlement Agreement, was consistent with the language and intent of that Agreement and in compliance with the Court's Order that approved that Agreement. Indeed, Section 8.1 of the Plan provides that the Committee has the right to "all information reasonably necessary to review the calculation of Qualifying Profits," and Section 8.6 requires the Company to provide the Committee with "information supporting any computation made by the Company" with respect to the Contribution Obligation. Pursuant to these provisions, the Committee has prepared the following request for the information it needs in order to understand and evaluate how the Company is now interpreting and implementing the Settlement Agreement.

II.

SPECIFIC REQUESTS

- A. The Committee requests that Navistar provide a worksheet detailing each of the elements that it used to calculate the Contribution obligation from 2001-2010, including an identification of each category of data it used to calculate Qualifying Hours¹ and Qualifying Profits. With respect to the requested worksheets, the internally prepared spreadsheet format used by the Company for the Supplemental Trust Profit Sharing Calculation for the year ended October 31, 2010 that was provided and sent to the Committee with the outside audit report would be an acceptable format. Regarding the identification of each category of data the Company used to calculate Qualifying Profits, please provide an annual Statement of Operations (Income Statement) in the same or similar format as included in Navistar's Annual Report filed with the U.S. Securities and Exchange Commission for each individual entity or entity grouping included on the requested worksheet.
- B. In order to adequately and appropriately understand and evaluate how Navistar is interpreting and implementing the Settlement Agreement as well as to properly review the Schedules of Qualifying Profits, the Committee requests an explanation as to how the Company defines certain terms used in the calculation of Qualifying Profits, and how such terms, and other phrases, have been defined in the past:
 1. Section 5.2.3 provides that "pre-tax income or losses of continuing Covered Operations," excluding "gain or loss on the sale of assets, other than sale of inventory in the ordinary course of business and trade," shall be included in the sum of Qualifying Profits.

¹ Though Navistar has provided the Qualifying Hours for FY2006, the Company has not reported the Qualifying Hours for FYs 2004, 2005, 2007, 2008, 2009, or 2010.

November 14, 2011
Page 3 of 5

- a. Please provide an explanation of what the Company includes in its definition of "assets," and whether this definition has been consistently used from 1994-2010 when calculating Qualifying Profits?
 - b. Please provide a list of all "sale(s) of assets" in any of the years from 1994-2010 that have been excluded from the pre-tax income or loss of the Covered Operations, including the amount of any income or loss associated with each such sale?
2. Section 5.2.4 provides that "pre-tax (loss) of NFC; pre-tax losses of NIC on an entity basis; pre-tax income (loss) of any business acquired after the Effective Date; dividends received from Navistar International Corporation Canada; [and] equity in income (loss) from affiliates included in Covered Operations on the Effective Date" shall be excluded in the sum of Qualifying Profits.
- a. Please provide a list or explanation of the business units (including, but not limited to, subsidiaries, affiliates, joint ventures, etc.), profit and/or cost centers, departments, or business functions that are included in the NIC entity as well as the categories of transactions that are included in the Company's calculation of pre-tax income or losses "of NIC on an entity basis."
 - b. Please provide a detailed explanation of how the Company now defines "business acquired." This should include, but not be limited to, an explanation of whether the Company includes any entities that it organized and/or started as an "acquired business" for purposes of the Profit Sharing calculation.
 - c. Please provide a list of all "business(es) acquired after the Effective Date" within the Company's current interpretation of this phrase along with the following information for each "acquired" business:
 - 1) The date and amount of consideration paid for the acquisition;
 - 2) The entity from which such business was acquired;
 - 3) A copy of the pre-acquisition financial statements filed with the U.S. Securities and Exchange Commission or a copy of the Company's evaluation regarding why the filing of such financial statements was not required;
 - 4) An explanation of the nature of each acquired business' operations and revenue streams when it was acquired and currently;
 - 5) A list of all assets transferred by the Company from a non-acquired entity to an allegedly "acquired" business (excluding financial assets, but including any fixed or

November 14, 2011
Page 4 of 5

- intangible assets as well as any intellectual property, trade secrets, proprietary information, etc.);
- 6) A list of any financial guarantees of the acquired business' obligations (including leases) by a non-acquired business.
3. In order to understand how the Settlement Agreement has been implemented, the Committee needs additional information regarding the Company's management reporting methodology, processes, procedures, policies and senior management's directives. Accordingly, please provide us with the following explanations or information:
 - a. Please describe and explain the Company's approach to management reporting, including whether the Company uses a profit and cost center model or something similar, and whether a typical business unit includes multiple profit or cost centers.
 - b. Please describe and explain the Company's management and financial reporting hierarchy.
 - c. Please explain whether individual business units are included in multiple legal entities or just one legal entity.
 - d. Please describe the Company's methodology for allocating costs incurred for corporate functions, centralized or shared services, and similar costs to its various operating business units.
 - e. Please describe the Company's method for allocating interest and other financing costs to its operating business units.
 - f. Please describe the Company's method for allocating costs incurred and expensed for research and development activities to its operating business units, both foreign and domestic.
 - g. Please identify the individual who was responsible for maintaining and implementing changes to the Company's management and financial reporting hierarchy in and around 2000, and who is currently responsible for that function. Please describe the internal controls in place (including required management reviews and approvals) in 2000 and currently regarding requested changes to the reporting hierarchy.
 - h. Please explain the business purpose of the following entities: Navistar Cayman Islands Intellectual Property Company, Navistar Luxembourg Intellectual Property Company, International Truck Intellectual Property Company, LLC and International Engine Intellectual

November 14, 2011
Page 5 of 5

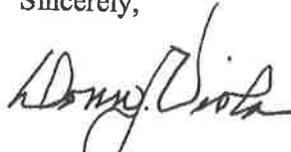
Property Company, LLC? Please confirm whether these are "acquired businesses" as Navistar defines this term.

- C. During the fiscal year ended October 31, 2000, the Company's Annual Report filed with the U.S. Securities and Exchange Commission reported an accrued liability to the Supplemental Profit Sharing Trust of \$24 million. However, the Company only paid approximately \$3.6 million. What caused the difference between the obligation reported in the Annual Report (which was never reversed) and the amount paid?

The Committee requests that all information requested in this letter be provided no later than sixty (60) days after the date of this letter. If such information is not provided in a timely manner, the Committee will consider the Company's action a failure to adhere to the terms of the Settlement Agreement and the Plan, and will seek the assistance of the Court.

Thank you for your prompt attention to the matters described above.

Sincerely,



Donn J. Viola

cc: Thomas Hennigan
Tim Bresler
Bob Mikulan
David Radelet
Janis Bair
Douglas Hunter
Michael Lacour
Jeffrey Dokho
Wayne Krzysiak



Navistar, Inc.
2701 Navistar Drive
Lisle, IL 60532 USA

John V. Mulvaney, Sr.
VP Finance Special Projects

P : 331-332-5000
W : navistar.com

Sent by Regular Mail and Facsimile (216-261-8424)

Mr. Donn J. Viola
Chair, Supplemental Benefit Committee
c/o Benefits Administrative Services Co., Inc.
26301 Curtiss-Wright Parkway, Suite 105
Richmond Heights, OH 44143

February 15, 2012

**Re: Supplemental Benefit Trust Profit Sharing Plan under the Navistar, Inc.
Retiree Supplemental Benefit Program**

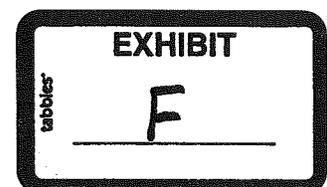
Dear Mr. Viola:

This letter is sent on behalf of Navistar, Inc. ("Navistar"), in response to your letter to me dated November 14, 2011 requesting various information regarding the Supplemental Benefit Trust Profit Sharing Plan (the "Plan") on behalf of the Supplemental Benefit Committee (the "Committee").

At the outset, we want to briefly comment on some of the statements made in the "Overview And Summary" portion of your November 14 letter. Generally, we simply do not agree with many of the statements made there. Although we have no desire to engage in extended debate at this juncture on every issue, we believe it is important that you have some understanding of Navistar's perspective on certain topics. For example, it is not accurate to state that Navistar "failed to respond" to the Committee's earlier letter dated May 4, 2010. To the contrary, Navistar did respond to that letter in the context of certain litigation that was then pending between the parties to the Shy settlement agreement. Navistar indicated its intent to respond to that letter, but first sought to clarify certain conditions that, in its view, were necessary in light of the pending litigation. The opposing parties declined to agree to those conditions. In any event, now that the litigation has been concluded at the trial court level, Navistar has determined as a measure of good faith that it will proceed to respond to the May 4, 2010 letter. We expect to be able to do so by separate letter to the Committee in the near future.

In addition, Navistar takes exception to the statement in your November 14 letter that "the Company apparently changed its business accounting model" at some point "in or around 2000." To the contrary, Navistar has not changed its accounting practices relating to the Plan at any time, except to the extent required by changes in Generally Accepted Accounting Principles ("GAAP").

With these preliminary comments in mind, we provide below Navistar's responses to the requests for information contained in your November 14 letter. For convenience, we first state some general objections that apply to virtually all of the Committee's requests, and then proceed to address the Committee's requests one at a time in the order set forth in your letter, by restating the request and then responding. Please note that any capitalized terms used herein have the meaning ascribed by the Plan. Also, please understand that any reference herein to GAAP is intended to refer to GAAP as it existed at the time the specific report being referenced was prepared.



GENERAL OBJECTIONS

1. In reviewing the Committee's requests, we note that virtually all of them request that Navistar provide an "explanation" or similar narrative of its position on various issues relating to the Plan, or how Navistar "defines" certain terms under the Plan. Although Navistar is obligated to provide certain information under the terms of the Plan, Navistar is not obligated to provide written responses to questions of this nature and respectfully declines to do so. Navistar objects to all of the Committee's requests for information on this basis to the extent applicable.
2. We further note that virtually all of the Committee's requests seek information extending back in time many years, and/or information that is not relevant to currently pending issues. Obviously, with the passage of time, Navistar's ability to fully and accurately respond to these requests for information is substantially prejudiced. More importantly, Navistar has no obligation to provide such broad information at this late date, nor does Navistar have an obligation to provide any other information that does not relate to the matters that have been timely and properly placed in dispute by the Committee. Navistar objects to all of the Committee's requests for information on this basis to the extent applicable.
3. In addition, virtually all of the Committee's requests seek information which is not relevant or reasonably necessary to review and evaluate Navistar's computation of its Contribution Obligation. As you know, the Plan requires that Qualifying Profits be calculated in accordance with GAAP except where otherwise specifically provided (see Plan Sec. 5.8), and this calculation must be reviewed by a certified public accounting firm (see Plan Sec. 8.2). Navistar's calculation of Qualifying Profits has been reviewed and confirmed by a certified public accounting firm for each Plan year at issue, and the report of the accounting firm along with the worksheet referenced in Plan Sec. 8.1 has been delivered to the Committee for each Plan year (see Plan Sec. 8.2). In light of these facts, much of the information you request is not relevant or necessary to review and evaluate Navistar's computation of its Contribution Obligation. Navistar objects to all of the Committee's requests for information on this basis to the extent applicable.
4. Finally, many of the Committee's requests seek information which is highly proprietary to the Company. Navistar objects to all of the Committee's requests for information on this basis to the extent applicable.

RESPONSES TO SPECIFIC REQUESTS

- A. *The Committee requests that Navistar provide a worksheet detailing each of the elements that it used to calculate the Contribution obligation from 2001-2010, including an identification of each category of data it used to calculate Qualifying Hours and Qualifying Profits. [Footnote 1: Though Navistar has provided the Qualifying Hours for FY2006, the Company has not reported the Qualifying Hours for FYs 2004, 2005, 2007, 2008, 2009, or 2010.] With respect to the requested worksheets, the internally prepared spreadsheet format used by the Company for the Supplemental Trust Profit Sharing Calculation for the year ended October 31, 2010 that was provided and sent to the Committee with the outside audit report would be an acceptable format. Regarding the identification of each category of data the Company used to calculate Qualifying Profits, please provide an annual Statement of Operations (Income Statement) in the same or similar format as included in Navistar's Annual Report filed with the U.S. Securities and Exchange Commission for each individual entity or entity grouping included on the requested worksheet.*

Response: Please see the General Objections stated above. Without waiving those objections, attached please find a reconciliation of the calculation of Qualifying Profits (Losses) to Navistar's audited consolidated financial statements for FY 2004 through 2009, as well as a calculation of Qualifying Hours for the same fiscal years. With regard to the Committee's request for an annual income statement for each individual entity reflected on the reconciliation statements, please be advised that Navistar does not prepare such reports for individual entities for filing with the SEC except for NIC and Navistar, Inc.

- B. *In order to adequately and appropriately understand and evaluate how Navistar is interpreting and implementing the Settlement Agreement as well as to properly review the Schedules of Qualifying Profits, the Committee requests an explanation as to how the Company defines certain terms used in the calculation of Qualifying Profits, and how such terms, and other phrases, have been defined in the past:*

1. *Section 5.2.3 provides that "pre-tax income or losses of continuing Covered Operations," excluding "gain or loss on the sale of assets, other than sale of inventory in the ordinary course of business and trade," shall be included in the sum of Qualifying Profits.*
 - a. *Please provide an explanation of what the Company includes in its definition of "assets," and whether this definition has been consistently used from 1994-2010 when calculating Qualifying Profits?*
 - b. *Please provide a list of all "sale(s) of assets" in any of the years from 1994-2010 that have been excluded from the pre-tax income or loss of the Covered Operations, including the amount of any income or loss associated with each such sale?*

Response: With regard to part (a) of this request, please see the General Objections stated above. Without waiving those objections, please be advised that the Company identifies "assets" pursuant to GAAP. With regard to part (b) of this request, please see the General Objections stated above.

2. *Section 5.2.4 provides that "pre-tax (loss) of NFC; pre-tax losses of NIC on an entity basis; pre-tax income (loss) of any business acquired after the Effective Date; dividends received from Navistar International Corporation Canada; [and] equity in income (loss) from affiliates included in Covered Operations on the Effective Date" shall be excluded in the sum of Qualifying Profits.*
- a. *Please provide a list or explanation of the business units (including, but not limited to, subsidiaries, affiliates, joint ventures, etc.), profit and/or cost centers, departments, or business functions that are included in the NIC entity as well as the categories of transactions that are included in the Company's calculation of pre-tax income or losses "of NIC on an entity basis."*
 - b. *Please provide a detailed explanation of how the Company now defines "business acquired." This should include, but not be limited to, an explanation of whether the Company includes any entities that it organized and/or started as an "acquired business" for purposes of the Profit Sharing calculation.*
 - c. *Please provide a list of all "business(es) acquired after the Effective Date" within the Company's current interpretation of this phrase along with the following information for each "acquired" business:*
 - 1) *The date and amount of consideration paid for the acquisition;*
 - 2) *The entity from which such business was acquired;*
 - 3) *A copy of the pre-acquisition financial statements filed with the U.S. Securities and Exchange Commission or a copy of the Company's evaluation regarding why the filing of such financial statements was not required;*
 - 4) *An explanation of the nature of each acquired business' operations and revenue streams when it was acquired and currently;*
 - 5) *A list of all assets transferred by the Company from a non-acquired entity to an allegedly "acquired" business (excluding financial assets, but including any fixed or intangible assets as well as any intellectual property, trade secrets, proprietary information, etc.);*
 - 6) *A list of any financial guarantees of the acquired business' obligations (including leases) by a non-acquired business.*

Response: With regard to part (a) of this request, please see the General Objections stated above. Without waiving those objections, please be advised that the Company calculates pre-tax income or losses of NIC pursuant to GAAP. This calculation is included in the footnotes to the Company's annual reports and is publicly available. With regard to part (b) of this request, please see the General Objections stated above. With regard to part (c) of this request, please see the General Objections stated above.

3. *In order to understand how the Settlement Agreement has been implemented, the Committee needs additional information regarding the Company's management reporting methodology, processes, procedures, policies and senior management's directives. Accordingly, please provide us with the following explanations or information:*
- a. *Please describe and explain the Company's approach to management reporting, including whether the Company uses a profit and cost center model or something similar, and whether a typical business unit includes multiple profit or cost centers.*
 - b. *Please describe and explain the Company's management and financial reporting hierarchy.*
 - c. *Please explain whether individual business units are included in multiple legal entities or just one legal entity.*
 - d. *Please describe the Company's methodology for allocating costs incurred for corporate functions, centralized or shared services, and similar costs to its various operating business units.*
 - e. *Please describe the Company's method for allocating interest and other financing costs to its operating business units.*
 - f. *Please describe the Company's method for allocating costs incurred and expensed for research and development activities to its operating business units, both foreign and domestic.*
 - g. *Please identify the individual who was responsible for maintaining and implementing changes to the Company's management and financial reporting hierarchy in and around 2000, and who is currently responsible for that function. Please describe the internal controls in place (including required management reviews and approvals) in 2000 and currently regarding requested changes to the reporting hierarchy.*
 - h. *Please explain the business purpose of the following entities: Navistar Cayman Islands Intellectual Property Company, Navistar Luxembourg Intellectual Property Company, International Truck Intellectual Property Company, LLC and International Engine Intellectual Property Company, LLC? Please confirm whether these are "acquired businesses" as Navistar defines this term.*

Response: With regard to parts (a) through (h) of this request, please see the General Objections stated above. Without waiving those objections, please be advised that the Company conducts all external financial reporting pursuant to GAAP.

C. During the fiscal year ended October 31, 2000, the Company's Annual Report filed with the U.S. Securities and Exchange Commission reported an accrued liability to the Supplemental Profit Sharing Trust of \$24 million. However, the Company only paid approximately \$3.6 million. What caused the difference between the obligation reported in the Annual Report (which was never reversed) and the amount paid?

Response: Please see the General Objections stated above.

CONCLUSION

In closing, I would again remind the Committee that prior to the restatement of the Company's results for FY 2004, a payment of \$1,409,000 was made to the Trust in February of 2005 for that 2004 Plan year that would not have been made if the restated 2004 results had been known. The Company intends to fully recoup such overpayment in the future at such time that Qualifying Profits warrant a payment by offsetting the 2004 overpayment against any future payments until the 2004 overpayment is fully recovered. Thank you for attending to these matters.

Very truly yours,

A handwritten signature in blue ink that reads "John V. Mulvaney, Sr." with a stylized flourish at the end.

John V. Mulvaney, Sr.
Vice President, Finance Special Projects

Cc:

R. Barry Morris
Mr. Bob Mikulan, UAW

Navistar, Inc.
Supplemental Benefit Trust Profit Sharing Plan Calculation Reconciliation
For the Year Ended October 31, 2004

	<u>2004</u>	
Profit Sharing Entities:		
Navistar, Inc. (Previously ITEC)	\$ (331,051,669)	
Export Company	12,955,794	
Overseas Company	(1,585,105)	
Indianapolis Casting Corporation	(29,259,210)	
GVW Workhorse Custom Chassis LLC (UAW)	-	
IC Corporation (Conway, Arkansas)	<u>13,930,000</u>	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (335,010,190)	
Net Income Navistar Financial Corporation (NFC)	74,500,565	
Navistar International Corporation (NIC, Holding Company)	<u>39,053,554</u>	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (221,456,071) a	
Entities not part of UAW calculation (a)		
Pre-Tax Earnings - Net	\$ 160,248,041	
Provision for Taxes - Net	<u>(61,249,965)</u>	
Net Income of Entities not part of UAW Calculations	\$ 98,998,076 b	
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ (122,457,995) a+b=c	
Adjustments		
Medicare Act	(42,919,000) d	
(Gain) / Loss on Disposal of Assets	1,753,000 e	
Profits (Losses) Eligible for Profit Sharing	<u>\$ (163,623,995) c+d+e=y</u>	
Addbacks to reconcile to Annual Report		
Taxes on NFC	\$ 39,200,000	
Taxes on UAW Non-Profit Sharing entities	61,249,965	
Medicare Act	42,919,000	
(Gain) / Loss on Disposal of Assets	(1,753,000)	
Non-Consolidated Income	36,143,834	
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	<u>(49,922,000)</u>	
Total	\$ 127,837,799 z	
Pre-Tax Income	\$ (35,786,196) y+z=j	
Income Tax (Expense)/Credit	<u>(9,338,242) k</u>	
Net Income (Loss) from Continuing Operations	<u>\$ (45,124,438)</u>	

Reconciliation to audited financial statements (in millions):		
Income (Loss) from Continuing Operations before income taxes	\$ (36)	j
Income tax (expense) benefit	(9)	k
Net Income (Loss) from Continuing Operations	<u>\$ (45)</u>	
Discontinued operations	0	
Net income	<u>\$ (44)</u>	

(a) Andriod Industries;

Arrendadora Financiera Navistar, S.A. de C.V. SOFOM (AFN) merged into Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;

MWM International Industria de Motores da America do Sul Ltda. (Brazil and Includes ICB/IESA/Maxion);

Navistar Canada, Inc. (name changed from International Truck and Engine Corporation Canada in fiscal 2008);

Navistar International Transportation de Columbia, Ltda.;

International DealCors Operations, Ltd. [including Maudin International Parts and Services of Daytona Beach, LLC];

Harbor Assurance Company of Bermuda, Ltd.;

Heart International;

IC Bus of Oklahoma, LLC [changed from IC of Oklahoma, LLC in fiscal 2008];

Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);

International Engines Germany GmbH;

International Truck and Engine Investments Corporation;

International of Mexico Holding Company;

Navistar Diesel Components, Inc. (Dissolved fiscal 2009);

Navistar Acceptance Corporation, Ltd. (NAC);

Navistar Aftermarket Products, Inc. (NAVAFTRP);

Navistar Advanced Technologies Incorporated (NAT);

Navistar Comercial, S.A. de C.V.;

Newstream Enterprises, LLC;

NLP, Inc;

Servicios Financieros Navistar, S.A. de C.V.(SFN) name changed to Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;

SST Truck Company, LLC

Navistar, Inc.
Supplemental Benefit Trust Profit Sharing Plan Calculation Reconciliation
For the Year Ended October 31, 2005

	2005	
Profit Sharing Entities:		
Navistar, Inc. (Previously TTEC)	\$ (265,059,509)	
Export Company	23,829,063	
Overseas Company	(1,729,247)	
Indianapolis Casting Corporation	(15,866,364)	
GVW Workhorse Custom Chassis LLC (UAW)	(20,877,988)	
IC Corporation (Conway, Arkansas)	(4,513,000)	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (284,217,045)	
Net Income Navistar Financial Corporation (NFC)	79,176,333	
Navistar International Corporation (NIC, Holding Company)	20,830,847	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (184,209,865)	a
Entities not part of UAW calculation (a)		
Pre-Tax Earnings - Net	\$ 223,879,622	
Provision for Taxes - Net	(167,874,000)	
Net Income of Entities not part of UAW Calculations	\$ 56,005,622	b
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ (128,204,243)	a+b=c
Adjustments		
Medicare Act	(45,709,000)	d
(Gain) / Loss on Disposal of Assets	1,719,994	e
Profits (Losses) Eligible for Profit Sharing	\$ (172,193,249)	c+d+e=y
Addbacks to reconcile to Annual Report		
Taxes on NFC	\$ 44,200,000	
Taxes on UAW Non-Profit Sharing entities	167,874,000	
Medicare Act	45,709,000	
(Gain) / Loss on Disposal of Assets	(1,719,994)	
Non-Consolidated Income	90,167,738	
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	(28,103,991)	
Total	\$ 318,126,753	z
Pre-Tax Income	\$ 145,933,504	y+z=j
Income Tax (Expense)/Credit	(6,309,218)	k
Net Income (Loss) from Continuing Operations	\$ 139,624,286	

Reconciliation to audited financial statements (in millions):	
Income (Loss) from Continuing Operations before income taxes	\$ 146
Income tax (expense) benefit	(6)
Net Income (Loss) from Continuing Operations	\$ 140
Discontinued operations	(0)
Net income	\$ 139

(a) Andriod Industries;

Arrendadora Financiera Navistar, S.A. de C.V. SOFOM (AFN) merged into Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;

MWM International Industria de Motores da America do Sul Ltda. (Brazil and includes ICB/ESA/Maxion);

Navistar Canada, Inc. (name changed from International Truck and Engine Corporation Canada in fiscal 2008)

Navistar International Transportation de Columbia, Ltda.;

International DealCors Operations, Ltd. (including Maudin International Parts and Services of Daytona Beach, LLC);

Harbor Assurance Company of Bermuda, Ltd.;

Heart International;

IC Bus of Oklahoma, LLC (changed from IC of Oklahoma, LLC in fiscal 2008);

Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);

International Engines Germany GmbH;

International Truck and Engine Investments Corporation;

International of Mexico Holding Company;

Navistar Diesel Components, Inc. (Dissolved fiscal 2009);

Navistar Acceptance Corporation, Ltd. (NAC);

Navistar Aftermarket Products, Inc. (NAVAFTRP);

Navistar Advanced Technologies Incorporated (NAT);

Navistar Comercial, S.A. de C.V.;

Newstream Enterprises, LLC;

NLP, Inc.;

Servicios Financieros Navistar, S.A. de C.V.(SFN) name changed to Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;

SST Truck Company, LLC;

Workhorse International Holding Company;

Uptime Parts, LLC;

International Engineering Solutions, LLC (dissolved in fiscal 2008);

Navistar International Employee Leasing Company (name changed from ITE Employee Leasing in fiscal 2008);

Navistar Defense, LLC

Navistar, Inc.
Supplemental Benefit Trust Profit Sharing Plan Calculation Reconciliation
 For the Year Ended October 31, 2006

	2006	
Profit Sharing Entities:		
Navistar, Inc. (Previously (TEC)	\$ (254,713,658)	
Export Company	44,634,108	
Overseas Company	(1,498,933)	
Indianapolis Casting Corporation	(20,977,830)	
GVW Workhorse Custom Chassis LLC (UAW)	(39,662,168)	
IC Corporation (Conway, Arkansas)	31,497,981	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (240,720,500)	
Net Income Navistar Financial Corporation (NFC)	80,266,444	
Navistar International Corporation (NIC, Holding Company)	4,815,853	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (155,638,203)	a
Entities not part of UAW calculation (a)		
Pre-Tax Earnings - Net	\$ 464,112,962	
Provision for Taxes - Net	(303,292,295)	
Net Income of Entities not part of UAW Calculations	\$ 160,820,667	b
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ 5,182,464	a+b=c
Adjustments		
Medicare Act	(45,159,000)	d
(Gain) / Loss on Disposal of Assets	5,809,019	e
Profits (Losses) Eligible for Profit Sharing	\$ (34,167,517)	c+d+e=y
Addbacks to reconcile to Annual Report		
Taxes on NFC	\$ 47,000,000	
Taxes on UAW Non-Profit Sharing entities	303,292,295	
Medicare Act	45,159,000	
(Gain) / Loss on Disposal of Assets	(5,809,019)	
Non-Consolidated Income	99,275,124	
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	(58,000,000)	
Total	\$ 430,917,400	z
Pre-Tax Income	\$ 396,749,883	y+z=j
Income Tax (Expense)/Credit	(93,812,886)	k
Net Income (Loss) from Continuing Operations	\$ 302,936,997	

Reconciliation to audited financial statements (in millions):		
Income (Loss) from Continuing Operations Before Income Taxes	\$ 397	j
Income tax (expense) benefit	(94)	k
Net Income (Loss) from Continuing Operations	\$ 303	
Discontinued Operations	(2)	
Net Income	\$ 301	

(a) Andriod Industries;
 Arrendadora Financiera Navistar, S.A. de C.V. SOFOM (AFN) merged into Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;
 MWM International Industria de Motores da America do Sul Ltda. (Brazil and Includes ICB/IESA/Maxion);
 Navistar Canada, Inc. (name changed from International Truck and Engine Corporation Canada in fiscal 2008)
 Navistar International Transportation de Columbia, Ltda.;
 International DealCors Operations, Ltd. (including Maudin International Parts and Services of Daytona Beach, LLC);
 Harbor Assurance Company of Bermuda, Ltd.;
 Heart International;
 IC Bus of Oklahoma, LLC (changed from IC of Oklahoma, LLC in fiscal 2008);
 Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);
 International Engines Germany GmbH;
 International Truck and Engine Investments Corporation;
 International of Mexico Holding Company;
 Navistar Diesel Components, Inc. (Dissolved fiscal 2009);
 Navistar Acceptance Corporation, Ltd, (NAC);
 Navistar Aftermarket Products, Inc. (NAVAFTRP);
 Navistar Advanced Technologies Incorporated (NAT);
 Navistar Comercial, S.A. de C.V.;
 Newstream Enterprises, LLC;
 NLP, Inc;
 Servicios Financieros Navistar, S.A. de C.V.(SFN) name changed to Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;
 SST Truck Company, LLC;
 Workhorse International Holding Company;
 Uptime Parts, LLC;
 International Engineering Solutions, LLC (dissolved in fiscal 2008);
 Navistar International Employee Leasing Company (name changed from ITE Employee Leasing in fiscal 2008);
 Navistar Defense, LLC;
 International Big Bore Diesel of Alabama, LLC (dissolved in fiscal 2009)

Navistar, Inc.
Supplemental Benefit Trust Profit Sharing Plan Calculation Reconciliation
For the Year Ended October 31, 2007

	2007	
Profit Sharing Entities:		
Navistar, Inc. (Previously ITEC)	\$ (819,725,901)	
Export Company	-	
Overseas Company	(2,110,492)	
Indianapolis Casting Corporation	(19,567,553)	
GVW Workhorse Custom Chassis LLC (UAW)	(38,369,009)	
IC Corporation (Conway, Arkansas)	43,844,697	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (835,928,257)	
Net Income Navistar Financial Corporation (NFC)	67,300,382	
Navistar International Corporation (NIC, Holding Company)	94,459,748	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (674,168,128)	a
Entities not part of UAW calculation (a)		
Pre-Tax Earnings - Net	\$ 489,164,990	
Provision for Taxes - Net	(291,235,487)	
Net Income of Entities not part of UAW Calculations	\$ 197,929,503	b
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ (476,238,626)	a+b=c
Adjustments		
Medicare Act	(40,938,000)	d
(Gain) / Loss on Disposal of Assets	3,622,717	e
Profits (Losses) Eligible for Profit Sharing	\$ (513,553,909)	c+d+e=y
Addbacks to reconcile to Annual Report		
Taxes on NFC	\$ 38,100,000	
Taxes on UAW Non-Profit Sharing entities	291,235,487	
Medicare Act	40,938,000	
(Gain) / Loss on Disposal of Assets	(3,622,717)	
Non-Consolidated Income	73,656,520	
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	-	
Total	\$ 440,307,291	z
Pre-Tax Income	\$ (73,246,618)	y+z=j
Income Tax (Expense)/Credit	(46,573,614)	k
Net Income (Loss) from Continuing Operations	\$ (119,820,233)	

Reconciliation to audited financial statements (in millions):	
Income (Loss) from Continuing Operations Before Income Taxes	\$ (73)
Income tax (expense) benefit	(47)
Net Income (Loss) from Continuing Operations	\$ (120)
Discontinued Operations	-
Net Income	\$ (120)

(a) Andriod Industries;

Arrendadora Financiera Navistar, S.A. de C.V. SOFOM (AFN) merged into Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;
MWM International Industria de Motores da America do Sul Ltda. (Brazil and includes ICB/ESA/Maxion);
Navistar Canada, Inc. (name changed from International Truck and Engine Corporation Canada in fiscal 2008)
Navistar International Transportation de Columbia, Ltda.;
International DealCors Operations, Ltd. (including Maudin International Parts and Services of Daytona Beach, LLC);
Harbor Assurance Company of Bermuda, Ltd.;
Heart International;
IC Bus of Oklahoma, LLC (changed from IC of Oklahoma, LLC in fiscal 2008);
Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);
International Engines Germany GmbH;
International Truck and Engine Investments Corporation;
International of Mexico Holding Company;
Navistar Diesel Components, Inc. (Dissolved fiscal 2009);
Navistar Acceptance Corporation, Ltd. (NAC);
Navistar Aftermarket Products, Inc. (NAVAFTRP);
Navistar Advanced Technologies Incorporated (NAT);
Navistar Comercial, S.A. de C.V.;
Newstream Enterprises, LLC;
NLP, Inc;
Servicios Financieros Navistar, S.A. de C.V.(SFN) name changed to Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;
SST Truck Company, LLC;
Workhorse International Holding Company;
Uptime Parts, LLC;
International Engineering Solutions, LLC (dissolved in fiscal 2008);
Navistar International Employee Leasing Company (name changed from ITE Employee Leasing in fiscal 2008);
Navistar Defense, LLC;
International Big Bore Diesel of Alabama, LLC (dissolved in fiscal 2009)

Navistar, Inc.
Supplemental Benefit Trust Profit Sharing Plan Calculation Reconciliation
For the Year Ended October 31, 2008

	2008	
Profit Sharing Entities:		
Navistar, Inc. (Previously ITEC)	\$ (1,003,651,472)	
Export Company	-	
Overseas Company	(2,059,309)	
Indianapolis Casting Corporation	(56,315,309)	
GVW Workhorse Custom Chassis LLC (UAW)	(38,015,635)	
IC Corporation (Conway, Arkansas)	12,196,844	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (1,087,844,882)	
Net Income Navistar Financial Corporation (NFC)	(30,699,945)	
Navistar International Corporation (NIC, Holding Company)	136,615,383	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (981,929,444)	a
Entities not part of UAW calculation (a)		
Pre-Tax Earnings - Net	\$ 1,194,579,456	
Provision for Taxes - Net	(394,845,372)	
Net Income of Entities not part of UAW Calculations	\$ 799,734,084	b
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ (182,195,360)	a+b=c
Adjustments		
Medicare Act	(37,930,000)	d
(Gain) / Loss on Disposal of Assets	4,370,784	e
Profits (Losses) Eligible for Profit Sharing	\$ (215,754,576)	c+d+e=y
Addbacks to reconcile to Annual Report		
Taxes on NFC	\$ (14,100,000)	
Taxes on UAW Non-Profit Sharing entities	394,845,372	
Medicare Act	37,930,000	
(Gain) / Loss on Disposal of Assets	(4,370,784)	
Non-Consolidated Income	70,500,235	
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	(78,482,172)	
Total	\$ 406,322,651	z
Pre-Tax Income	\$ 190,568,076	y+z=j
Income Tax (Expense)/Credit	(56,621,103)	k
Net Income (Loss) from Continuing Operations	\$ 133,946,973	

Reconciliation to audited financial statements (in millions):		
Income (Loss) from Continuing Operations Before Income Taxes	\$ 191	j
Income tax (expense) benefit	(57)	k
Net Income (Loss) from Continuing Operations	\$ 134	
Discontinued Operations	-	
Net Income	\$ 134	

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MWM International Industria de Motores da America do Sul Ltda. (Brazil and includes ICB/IESA/Maxion);
Navistar Canada, Inc. (name changed from International Truck and Engine Corporation Canada in fiscal 2008)
Navistar International Transportation de Columbia, Ltda.;
International DealCors Operations, Ltd. (Including Maudin International Parts and Services of Daytona Beach, LLC);
Harbor Assurance Company of Bermuda, Ltd.;
Heart International;
IC Bus of Oklahoma, LLC (changed from IC of Oklahoma, LLC in fiscal 2008);
Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);
International Engines Germany GmbH;
International Truck and Engine Investments Corporation;
International of Mexico Holding Company;
Navistar Diesel Components, Inc. (Dissolved fiscal 2009);
Navistar Acceptance Corporation, Ltd, (NAC);
Navistar Aftermarket Products, Inc. (NAVAFTRP);
Navistar Advanced Technologies Incorporated (NAT);
Navistar Comercial, S.A. de C.V.;
Newstream Enterprises, LLC;
NLP, Inc;
Servicios Financieros Navistar, S.A. de C.V.(SFN) name changed to Navistar Financial, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;
SST Truck Company, LLC;
Workhorse International Holding Company;
Uptime Parts, LLC;
International Engineering Solutions, LLC (dissolved in fiscal 2008);
Navistar International Employee Leasing Company (name changed from ITE Employee Leasing in fiscal 2008);
Navistar Defense, LLC;
International Big Bore Diesel of Alabama, LLC (dissolved in fiscal 2009)

Navistar, Inc.
 Supplemental Benefit Trust Profit Sharing Plan Calculation Reconciliation
 For the Year Ended October 31, 2009

	2009	
Profit Sharing Entities:		
Navistar, Inc. (Previously ITEC)	\$ (607,994,783)	
Export Company	-	
Overseas Company	(2,284,740)	
Indianapolis Casting Corporation	2,659,653	
GVW Workhorse Custom Chassis LLC (UAW)	(68,387,135)	
IC Corporation (Conway, Arkansas)	881,444	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses	\$ (675,125,561)	
Net Income Navistar Financial Corporation (NFC)	28,754,308	
Navistar International Corporation (NIC, Holding Company)	843,398	
Pre-Tax Income (Loss) of Navistar, Inc. Continuing U.S. Operations Before Provision for Profit Sharing and Bonuses and Adjustments	\$ (645,527,855)	a
Entities not part of UAW calculation (a)		
Pre-Tax Earnings - Net	\$ 1,000,088,248	
Provision for Taxes - Net	(348,302,394)	
Net Income of Entities not part of UAW Calculations	\$ 651,785,854	b
Profits (Losses) Eligible for Profit Sharing before Adjustments	\$ 6,257,999	a+b=c
Adjustments		
Medicare Act	(31,154,000)	d
(Gain) / Loss on Disposal of Assets	(2,264,540)	e
Profits (Losses) Eligible for Profit Sharing	\$ (27,160,541)	c+d+e=y
Addbacks to reconcile to Annual Report		
Taxes on NFC	\$ 17,880,810	
Taxes on UAW Non-Profit Sharing entities	348,302,394	
Medicare Act	31,154,000	
(Gain) / Loss on Disposal of Assets	2,264,540	
Non-Consolidated Income	21,839,376	
Profit Sharing and Bonus Payment Accruals (PS/ST/AI)	(59,652,451)	
Total	\$ 361,788,669	z
Pre-Tax Income including Minority Interest	\$ 334,628,128	y+z=j
Income Tax (Expense)/Credit	(37,451,996)	
Net Income before extraordinary gain	\$ 297,176,132	
Extraordinary Gain, net of tax	23,140,927	
Net Income (Loss) from Continuing Operations	\$ 320,317,059	

Reconciliation to audited financial statements (in millions):	
Income (loss) from before income taxes, minority interest, and	\$ 359
Income tax (expense)	(37)
Income (loss) from before minority interest, and extraordinary gain	\$ 322
Minority Interest in net income of subsidiaries, net of tax	(25)
Income (loss) before extraordinary gain	297
Extraordinary Gain, net of Tax	23
Net Income (loss)	\$ 320



- (a) **Andriod Industries:**
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 - MWM International Industria de Motores da America do Sul Ltda. (Brazil and includes ICB/IESA/Mexico);
 - Navistar Canada, Inc. (name changed from International Truck and Engine Company of Canada in fiscal 2008);
 - Navistar International Transportation de Colombia, Ltda. (dissolved fiscal 2010);
 - International DealCovers Operations, Ltd. (including Masulin International Parts and Services of Daytonou Beach, LLC);
 - Harbor Assurance Company of Bermuda, Ltd.;
 - Hout International;
 - IC Corp - Tulsa (aka IC Bus of Oklahoma, LLC);
 - Navistar Diesel of Alabama, LLC (name changed from International Diesel of Alabama, LLC in fiscal 2008);
 - International Engines Germany GmbH;
 - International Truck and Engine Investments Corporation;
 - International of Mexico Holding Company;
 - Navistar Diesel Components, Inc. (Dissolved fiscal 2009);
 - Navistar Acceptance Corporation, Ltd. (NAC);
 - Navistar Aftermarket Products, Inc. (NAVAFTRP);
 - Navistar Advanced Technologies Incorporated (NAT);
 - Navistar Comercial, S.A. de C.V.;
 - Navistarcan Enterprises, LLC;
 - NLP, Inc.;
 - Servicio Financiero Navistar, S.A. de C.V. (SFN) name changed to Navistar Financiera, S.A. de C.V. SOFOM E.N.R. in fiscal 2008;
 - SST Truck Company, LLC;
 - Workhorse International Holding Company;
 - Uptime Parts, LLC;
 - Navistar International Employee Leasing Company (name changed from ITE Employee Leasing in fiscal 2008);
 - Navistar Defense, LLC;
 - Monaco RV, LLC;
 - Blue Diamond Parts

Supplemental Benefit Trust
Straight Time Hours Summary by Fiscal Year

Group	2004	2005	2006	2007	2008¹	2009
Garland	1,108,162	819,822	1,065,408	857,774	944,704	834,321
Tulsa	1,284,578	1,408,312	1,533,309	1,491,097	1,395,599	1,600,278
Huntsville	323,895	372,297	465,672	494,083	462,602	514,650
Uptime (Acq. 8/05)	N/A	16,264	154,287	92,205	90,369	98,923
Monaco (Acq. 7/09)	N/A	N/A	N/A	N/A	N/A	457,139
Conway, Workhorse, Waukesha, and All Other Represented & Non- Represented (Level 1-5)**	13,385,246	13,390,471	13,269,291	14,069,859	8,814,130	8,482,665
Total Represented and Non- Represented (Level 1-5)	16,101,881	16,007,166	16,487,967	17,005,018	11,707,404	11,987,976

¹ Straight Time Hours are lower number due to UAW Strike and Layoffs at multiple plants