NAVISTAR INTERNATIONAL CORP
Form 424B5
October 26, 2009

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Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Offering Price per Note	Aggregate Offering Price	Amount of Registration Fee(3)
3.00% Senior Subordinated Convertible Notes due 2014	$625,000,000(2)	100.00%	$550,000,000	$34,875.00
Common Stock, $0.10 par value per share	12,431,875(4)	(5)	(5)	(5)

(1) Includes 3.00% Senior Subordinated Convertible Notes due 2014 (the Notes) to be sold upon exercise of the underwriters over-allotment option. See Underwriting.
(2) These amounts are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(r) of the Securities Act of 1933, as amended (the Securities Act).
(3) Calculated in accordance with Rule 457(o) and Rule 457(r) of the Securities Act, and relates to the registration statement on Form S-3 (File No. 333-162588) filed by the Registrant.
(4) There is also registered hereby 12,431,875 shares of Common Stock, par value $0.10 per share, initially issuable upon conversion of the Notes, at a rate of 19.8910 shares of Common Stock per $1,000 principal amount of the Notes, plus, in accordance with Rule 416 under the Securities Act, an indeterminate number of additional shares of Common Stock that may be issued from time to time upon conversion of the Notes as a result of adjustments in circumstances described in the prospectus that is part of this registration statement.
(5) Pursuant to Rule 457(i) under the Securities Act, there is no filing fee with respect to the shares of Common Stock issuable upon conversion of the Notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-162588

Prospectus supplement

(To Prospectus dated October 20, 2009)

Navistar International Corporation

$550,000,000

3.00% Senior Subordinated Convertible Notes due 2014

We are offering $550,000,000 principal amount of our 3.00% Senior Subordinated Convertible Notes due 2014. The notes will bear interest at a rate of 3.00% per year, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2010. The notes will mature on October 15, 2014.

Holders may convert their notes at their option prior to April 15, 2014, only under the following circumstances: (1) during any fiscal quarter commencing after January 31, 2010, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each such trading day; (2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price per $1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On and after April 15, 2014 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, we will have the right to deliver shares of our common stock, cash, or a combination of cash and shares of our common stock, at our election. The initial conversion rate will be 19.8910 shares of common stock per $1,000 principal amount of notes, equivalent to an initial conversion price of approximately $50.27 per share of common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for accrued interest. Following certain corporate transactions that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances. We may not redeem the notes prior to the maturity date of the notes.

If we undergo a fundamental change, as defined in this prospectus supplement, holders may require us to purchase all or a portion of their notes for cash at a price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest (including additional interest, if any) to, but excluding, the fundamental change purchase date.

The notes will be our senior subordinated unsecured obligations and will be subordinated in right of payment to all of our existing and future senior debt, will rank equal in right of payment to all of our existing and future senior subordinated indebtedness and will rank senior in right of payment to all of our future subordinated indebtedness. Payment of principal and interest on the notes will be structurally subordinated to the liabilities of our subsidiaries. The notes also rank junior to our secured indebtedness, whether or not such indebtedness would otherwise constitute senior indebtedness.

The notes will not be listed on any securities exchange. Our common stock is listed on the New York Stock Exchange under the symbol NAV. The last reported sale price of our common stock on the New York Stock Exchange on October 22, 2009 was $37.24 per share.

Concurrently with this offering of notes, under a separate prospectus supplement, we are offering $1,000,000,000 aggregate principal amount of our 8.25% senior notes due 2021. The completion of this offering is not conditioned on the completion of our concurrent public offering of senior notes.

For a more detailed description of the notes, see Description of the notes beginning on page S-51.

Investing in the notes involves risks, including those described in the Risk factors section beginning on page S-21 of this prospectus supplement.

	Per note	Total
Public offering price(1)	100.00%	$550,000,000
Underwriting discounts and commissions	3.00%	$16,500,000
Proceeds, before expenses, to us	97.00%	$533,500,000

(1) Plus accrued interest from October 28, 2009, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters may also purchase up to an additional $75,000,000 principal amount of notes at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within the 13-day period from the date of the original issuance of the notes. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $18,750,000, and our total proceeds, before expenses, will be $606,250,000.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about October 28, 2009.

Joint Book-Running Managers

J.P. Morgan

Credit Suisse

BofA Merrill Lynch

Citi

Deutsche Bank Securities

Goldman, Sachs & Co.

Co-Managers

RBC Capital Markets **Scotia Capital** **UBS Investment Bank**

The date of this prospectus supplement is October 22, 2009.

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Prospectus supplement

Prospectus

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About this prospectus supplement

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the headings Where you can find more information and Incorporation of certain documents by reference.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. See Incorporation of certain documents by reference.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus together with any free writing prospectus used in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which this information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

Certain defined terms

Unless otherwise indicated or the context otherwise requires, as used in this prospectus supplement:

- the Company, us, we, our and Navistar refer collectively to Navistar International Corporation and its consolidated subsidiaries and their respective predecessors;
- NIC refers to Navistar International Corporation, exclusive of its consolidated subsidiaries;
- NFC refers to Navistar Financial Corporation, a wholly-owned subsidiary of Navistar, Inc., which, together with NIC s Mexican financial services subsidiaries that provide financial services to its dealers and customers in Mexico, comprise substantially all of our financial services operations;
- mid-range diesel engines refers to 160-325 horsepower diesel fuel-powered engines;
- North America refers to the United States and Canada; and
- OEMs refer to original equipment manufacturers.

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Market and industry data

Market data and other statistical information used throughout this prospectus supplement and in the documents incorporated by reference into this prospectus supplement are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data is also based on good faith estimates by our management, which are derived from their review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

Where you can find more information

Navistar is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act) and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (SEC). The reports and other information filed by it with the SEC in accordance with the Exchange Act may be inspected and copied at the Public Reference Room maintained by the SEC at Room 1024, Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549. Copies of such material or parts thereof may also be accessed electronically by means of the SEC s home page on the Internet at http://www.sec.gov. Information on the operations of the Public Reference Room maintained by the SEC may be obtained by calling the SEC at 1-800-SEC-0330.

This prospectus supplement and the accompanying prospectus, which forms a part of the registration statement, do not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement. Any statements made in this prospectus supplement or the accompanying prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

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Summary

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and related notes in the documents incorporated and by reference in this prospectus supplement, including our Quarterly Report on Form 10-Q for the quarter ended July 31, 2009 (Third Quarter 10-Q) and our 2008 Annual Report on Form 10-K for the fiscal year ended October 31, 2008 (2008 Annual Report). Our fiscal year ends on October 31. Our fiscal years are identified in this prospectus supplement according to the calendar year in which they end. For example, our fiscal year ended October 31, 2008 is referred to as fiscal 2008. All references to a particular year that is not preceded with the word fiscal refers to the calendar year.

Our business

Overview

We are a leading international manufacturer of *International* brand commercial and military trucks, *MaxxForce* brand diesel engines, *IC Bus* brand school and commercial busses, *Monaco RV* brands of recreational vehicles, *Workhorse Custom Chassis (WCC)* brand chassis for motor homes and step vans, and a provider of service parts for diesel engines and all makes of trucks and trailers. Additionally, we are a private-label designer and manufacturer of diesel engines for the pickup truck, van, and sport utility vehicles (SUV) markets. Through our financial services operations, we also provide retail, wholesale, and lease financing of our trucks, and financing for our wholesale and retail accounts. For the nine months ended July 31, 2009 and fiscal 2008, our manufacturing operations had net sales of manufactured products to third parties of approximately $8,069 million and $14,399 million, respectively, EBITDA (as defined below) of approximately $516 million and $697 million, respectively, and net income of approximately $211 million and $147 million, respectively. See Supplemental financial and operating data and Note (5) thereto for a reconciliation of net income (loss) to EBITDA for these periods and Selected consolidating financial data.

We market our truck products, parts and services through the industry s largest independent dealer network in North America, specializing in medium and heavy trucks and school buses. As of October 31, 2008, our dealer network was comprised of 820 locations in North America. In addition, as of October 31, 2008, we had 85 dealer locations in Mexico. Our dealer network offers a comprehensive range of service, financing and other support functions to our customers. We also operate seven North American regional parts distribution centers that provide 24-hour availability. We provide certain financial services to our customers and dealers through NFC and our foreign finance subsidiaries.

We operate in four industry segments: Truck, Engine, Parts and Financial Services. For accounting purposes, we also have a Corporate segment, which contains those items that are not included in our four other segments. For ease of reference, we collectively refer to our Truck, Engine and Parts segments and corporate items as our manufacturing operations, and our Financial Services segment as our financial services operations.

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Set forth below is certain information regarding our industry segments based on our results for fiscal 2008:

Industry segment	Fiscal 2008 revenues ($ in millions)	% of Fiscal 2008 revenues, net	Fiscal 2008 chargeouts(A)
Truck	$ 10,314	70%	102,200
Engine	2,499	17	345,500
Parts	1,586	11	N/A
Financial Services	325	2	N/A
Total	$ 14,724	100%	N/A

(A) Chargeouts are defined by management as trucks or engines, as applicable, that have been invoiced to customers, with units held in dealer inventory primarily representing the principal difference between retail deliveries and chargeouts with respect to trucks.

Truck segment

Our Truck segment manufactures and distributes a full line of class 4 through 8 trucks and buses in the common carrier, private carrier, government/service, leasing, construction, energy/petroleum, military vehicles, and student and commercial transportation markets under the *International* and *IC Bus* brands. This segment also produces chassis for motor homes and commercial step-van vehicles under the *WCC* brand and recreational vehicles under the *Monaco RV* brands. Additionally, we design, produce, and market a brand of light commercial vehicles for the truck market in India under the *Mahindra International* (Mahindra) brands through a 49% owned joint venture.

Set forth below is certain information regarding our truck products:

Description	Fiscal 2008 chargeouts(A)	Estimated market share(B)
School Bus	13,500	55%
Medium Trucks	20,300	36
Heavy Trucks	18,800	19
Severe Service Trucks (excl. U.S. Military)	12,800	27
Total U.S. and Canada (excl. U.S. Military)	65,400	29%
U.S. Military	7,500	N/A
Expansion Markets(C)	29,300	N/A
Total Truck	102,200	N/A

(A) Chargeouts are defined by management as trucks that have been invoiced to customers, with units held in dealer inventory primarily representing the principal difference between retail deliveries and chargeouts.

(B) Based on chargeouts made by us in fiscal 2008.

(C) Expansion Markets include all markets outside the U.S. and Canada, and include chargeouts of all of our truck products on an aggregate basis.

We recently established a joint venture with Caterpillar Inc. (known as NC^2 Global LLC) for the purpose of developing, designing, testing, manufacturing, assembling, branding, marketing and selling, and distributing and providing product support for, heavy and certain medium duty trucks outside of North America and the Indian subcontinent. In addition to this joint venture, we also entered into a strategic alliance with Caterpillar involving the development, design, manufacture and sale of *Caterpillar*-branded heavy duty severe service trucks in North America.

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Engine segment

Our Engine segment designs and manufactures diesel engines across the 50 through 475 horsepower range for use primarily in our class 6 and 7 medium trucks, military vehicles, buses, and selected class 8 heavy truck models, and for sale to OEMs in North and South America for SUVs and pick-ups. This segment also sells engines for industrial and agricultural applications, and supplies engines for WCC, Low-Cab Forward (LCF), class 5 vehicles, and began producing our new *MaxxForce* 11 and 13 Big-Bore engines in 2008. Our Engine segment, together with the Ford Motor Company (Ford), has made a substantial investment in the Blue Diamond Parts (BDP) joint venture, which is responsible for the sale of service parts to Ford.

Parts segment

Our Parts segment supports our brands of *International* commercial and military trucks, *IC Bus* school and commercial buses, *WCC* chassis and *MaxxForce* engines by providing customers with proprietary products together with a wide selection of other standard truck, trailer, and engine service parts. We distribute service parts in North America and the rest of the world through the dealer network that supports our Truck and Engine segments.

Financial Services segment

Our Financial Services segment provides retail, wholesale, and lease financing of products sold by our Truck segment and its dealers within the U.S. and Mexico. Our Financial Services segment also finances wholesale and retail accounts receivable. In addition, the segment will finance sales of new products (including trailers) of other manufacturers, regardless of whether designed or customarily sold for use with our truck products. Our Mexican financial services operations primary business is providing wholesale, retail, and lease financing to our Mexican operations dealers and retail customers.

Our business strategy

Our long term strategy is focused on three pillars:

- Great Products
  - Growing our Class 8 tractor line, including an expanded line of *ProStar* and *LoneStar* trucks
  - Focusing engine research and development in order to have a competitive advantage in meeting the 2010 emissions standards
  - Introducing our advanced engine technology in new markets
- Competitive Cost Structure
  - Increasing our seamless integration of *MaxxForce* branded engine lines in our products, including the establishment of our new *MaxxForce* 11 and 13 engines
  - Reducing materials cost by increasing global sourcing, leveraging scale benefits, locating synergies among strategic partnerships and making product design improvements

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Profitable Growth

- Working in cooperation with the U.S. military to provide an extensive line of defense vehicles and product support, including vehicles derived from our existing truck platforms
- Minimizing the impact of our traditional markets cyclicality by growing our Parts segment and expansion markets sales, such as Mexico, international export, military export, recreational vehicle, commercial bus, and commercial step van
- Broadening our Engine segment customer base
- Entering foreign military sales markets

We believe the two key enablers to the above strategy are as follows:

Leverage the resources we have and those of our partners

- Grow in our traditional markets and globally through partnerships and joint ventures to reduce investment, increase speed to market, and reduce risk
- Maintain product and plant flexibility to fully utilize our existing facilities, people and technologies
- Combine global purchasing relationships to achieve scale and sourcing anywhere in the world to contain costs

Control our destiny

- Control the development process and associated intellectual property of our products
- Leverage key supplier competencies to reduce costs of components and improve quality
- Ensure the health and growth of our distribution network to provide our products to key markets

Recent developments

Proposed SEC Settlement

As previously disclosed, we are currently subject to an investigation by the SEC with respect to our restatement of our financial results for 2002 and 2003 and the first three quarters of 2004 and the subsequent restatement of our financial results for 2002 through 2004 and for the first three quarters of 2005. The events underlying the subsequent restatement were the subject of an internal investigation completed by a Special Committee of the Board of Directors in December 2007. We have been providing information to and fully cooperating with the SEC on this investigation. To resolve this matter we, along with our chief executive officer, have made offers of settlement to the investigative staff of the

SEC and the investigative staff has decided to recommend those offers of settlement to the SEC. As a result of the proposed settlement, in each case without admitting or denying wrongdoing, we would consent to the entry of an administrative settlement and would not pay a civil penalty and our chief executive officer would consent to the entry of an administrative settlement regarding our system of internal accounting controls and return to us a portion of his bonus for 2004. These proposed settlements are subject to mutual agreement on the specific language of the orders and to final approval by the SEC.

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Chinese joint venture

On September 28, 2009, we announced that our recently established joint venture with Caterpillar (known as NC^2 Global LLC) had signed a framework agreement with Anhui Jianghuai Automobile Co., Ltd., a Chinese manufacturer of automobiles and trucks, to potentially establish a joint venture in China to develop, manufacture and sell trucks and truck parts primarily in China and certain export markets. The framework agreement contemplates that we will work to finalize the joint venture by mid-2010.

NFC refinancing plan

Our financial services operations rely upon the asset-backed securitization and commercial paper markets as an important part of their funding sources. Pricing and liquidity in these markets were negatively impacted due to market volatility in capital and credit markets. Although the credit markets have stabilized recently and pricing within the asset-backed securitization and commercial paper markets has improved, pricing remains higher than historical norms. Over the last several months, our financial services operations have been able to access credit markets and we continue to believe that we will have sufficient liquidity to fund our financial services operations for the foreseeable future. Nevertheless, we expect that borrowings could be more costly than in the past. In addition, NFC s senior credit facility is currently scheduled to mature in July 2010, and any refinancing of NFC s outstanding borrowings thereunder is likely to be at higher interest rates. In light of the foregoing, we have engaged in discussions with multiple parties regarding a strategic alliance involving NFC that would ensure funding and liquidity, reduce the need for capital, lower our funding costs, expand the products and services we can offer to our customers and reduce overall leverage at NFC. Various types of transactions are currently being considered and we expect our discussion on these strategic arrangements to continue through the end of 2009 with an agreement on terms of any such alliance to be completed by the spring of 2010.

In addition, NFC has completed and is actively pursuing a number of financing transactions to improve its liquidity position and extend near-term maturities. For example, on August 26, 2009 NFC renewed a $650 million conduit-based dealer floor plan funding facility for a period of one year. NFC also extended its retail receivables securitization facility (known as TRAC) in August 2009 and expects to renew the TRAC securitization facility again in November 2009. NFC expects to complete an additional wholesale bank conduit facility and/or a capital markets transaction by the end of 2009. Finally, NFC has begun work with its relationship banks to refinance NFC s bank facilities by the end of 2009, likely at a reduced level. As part of this refinancing, NFC expects to complete a retail securitization or asset sale in excess of $300 million. Once the above-described strategic alliance is completed, NFC believes that it would most likely not be necessary to refinance its revolving retail warehouse facility for its retail receivables (known as TRIP) that is currently scheduled to mature on June 15, 2010.

Concurrent senior notes offering

Concurrently with this offering, under a separate prospectus supplement, dated the date hereof, we are offering $1,000 million of 8.25% senior notes due 2021. The senior notes will be guaranteed by our wholly-owned subsidiary, Navistar, Inc. We estimate that the net proceeds from our concurrent senior notes offering will be approximately $945 million, after deducting the underwriters discounts and commissions and estimated offering expenses payable by us.

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We expect to use a portion of the net proceeds from the concurrent senior notes offering and the net proceeds from this offering to repay all amounts outstanding under our existing term loan facility and synthetic revolving facility (collectively, the Credit Facilities), together with any accrued and unpaid interest thereon, and to cash collaterize approximately $19 million of outstanding letters of credit. The remaining proceeds from these offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives.

The foregoing description and other information in this prospectus supplement regarding the concurrent senior notes offering is included solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or a solicitation of an offer to buy, any senior notes. There is no assurance that our concurrent public offering of senior notes will be completed or, if completed, that it will be completed for the amounts contemplated. This offering is not conditioned upon the completion of the concurrent senior notes offering.

Corporate structure

NIC is a holding company that conducts its manufacturing operations principally through Navistar, Inc. and, to a lesser extent, certain other wholly-owned foreign and domestic subsidiaries and joint ventures, including its Blue Diamond joint ventures with Ford. We also have majority-owned subsidiaries whose principal business is owning an *International* dealership. These subsidiaries are acquired and disposed of by us from time to time in order to facilitate the transition of *International* dealerships from one independent owner to another. Our manufacturing operations are supported by our financial services operations, including NFC. Our financial services operations provide wholesale, retail and lease financing for sales of our new and used trucks, truck chassis, buses and trailers, service parts and engines and retail and lease financing for sales of such products by *International* dealers to their customers.

Except as noted below, our financial services operations generally fund their operations on an independent basis. Our financial services operations obtain funds to provide financing to our dealers and retail customers from sales of receivables, medium- and long-term debt securities and short- and long-term bank borrowings. As of July 31, 2009, NFC had $1,023 million of combined funding availability from its bank credit facility and other on- and off-balance sheet funding conduits.

We provide credit support to NFC under NFC s bank credit facility through an agreement whereby Navistar, Inc. has agreed not to permit NFC s consolidated income before income taxes, interest expense and dividends on preferred stock, if any, to be less than 125% of NFC s consolidated interest expense and dividends on preferred stock, if any, for any period of four fiscal quarters immediately preceding the date of measurement. Due to the recent challenging conditions within the U.S. financial markets, Navistar, Inc. made capital contributions to NFC under this arrangement of $20 million and $60 million in the nine months ended July 31, 2009 and fiscal 2008, respectively. Navistar, Inc. had not previously made any payments to NFC under this arrangement since 1984. In addition, NIC has guaranteed an aggregate of $88 million of outstanding borrowings by its Mexican financial services subsidiaries under various bank credit facilities as of July 31, 2009.

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

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

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The offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the notes section of this prospectus supplement contain a more detailed description of the terms and conditions of the notes. As used in this section, Company, we, us, and our refer to Navistar International Corporation and not to any of its subsidiaries.

Issuer	Navistar International Corporation, a Delaware corporation.
Securities	$550 million principal amount of 3.00% Senior Subordinated Convertible Notes due 2014 (plus up to an additional $75 million principal amount to cover over-allotments, if any).
Maturity	October 15, 2014, unless earlier repurchased or converted.
Issue price	100.00% plus accrued interest, if any, from October 28, 2009.
Interest	3.00% per year. Interest will accrue from October 28, 2009 and will be payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2010.
Conversion rights	Holders may convert their notes at their option prior to April 15, 2014, in multiples of $1,000 principal amount, at the option of the holder only under the following circumstances:

during any fiscal quarter commencing after January 31, 2010, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the conversion price on each such trading day;

during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined under Description of the notes Conversion rights Conversion upon satisfaction of trading price condition) per $1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or

upon the occurrence of specified corporate transactions described under Description of the notes Conversion rights Conversion upon specified corporate transactions.

On and after April 15, 2014 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The conversion rate for the notes is initially 19.8910 shares per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $50.27 per share of common stock), subject to adjustment as described in this prospectus supplement.

Upon conversion, we will satisfy our conversion obligation by delivering, at our election, shares of our common stock (plus cash in lieu of fractional shares), cash, or any combination of cash and shares of our common stock as described under Description of the notes Conversion rights Settlement upon conversion. If we elect to settle in cash or a combination of cash and shares, the amounts due upon conversion will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each trading day in a 40 trading-day observation period (as described herein). If you convert your notes on or after April 15, 2014, and we elect physical settlement as described above, you will not receive the shares of common stock into which the notes are convertible until after the expiration of the observation period described above, even though the number of shares you will receive upon settlement will not change. We currently intend to satisfy our conversion obligation by delivering a combination of cash and shares of our common stock, and the cash amount used in the settlement calculation set forth under Description of the notes Conversion Rights Settlement upon conversion Combination settlement will be $1,000. See Description of the notes Conversion rights Settlement upon conversion.

In addition, following certain corporate transactions that occur prior to maturity, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances as described under Description of the notes Conversion rights Adjustment to shares delivered upon conversion upon a make-whole fundamental change.

You will not receive any additional cash payment or additional shares representing accrued and unpaid interest and additional interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed paid by the cash and shares, if any, of our common stock, together with any cash payment for any fractional share, into which a note is convertible.

No redemption at our option	We may not redeem the notes prior to the maturity date of the notes.
Fundamental change	If we undergo a fundamental change (as defined in this prospectus supplement under Description of the notes Fundamental change permits holders to require us to purchase notes), subject to certain conditions, you will have the option to require us to purchase all or

any portion of your notes for cash. The fundamental change purchase price will be 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, including any additional interest, to, but excluding, the fundamental change purchase date.

Ranking The notes will be our senior subordinated unsecured obligations and will be subordinated in right of payment to all of our existing and future senior debt, will rank equal in right of payment to all of our existing and future senior subordinated indebtedness and will rank senior in right of payment to all of our future subordinated indebtedness. Payment of principal and interest on the notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries. The notes also rank junior to our secured indebtedness, whether or not such indebtedness would otherwise constitute senior indebtedness.

At July 31, 2009, on an as adjusted basis to give effect to the sale of notes in this offering and the concurrent senior notes offering and the application of the net proceeds therefrom, our indebtedness to which the notes would have been contractually or effectively subordinated, including indebtedness of our subsidiaries, would have been approximately $4,840 million, of which approximately $3,401 million was indebtedness of our financial services operations and $162 million was indebtedness of our majority-owned dealership subsidiaries.

The indenture governing the notes (the indenture), does not limit the amount of debt that we or our subsidiaries may incur.

Book-entry form The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Absence of a public market for the notes The notes will be new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

NYSE trading symbol Our common stock is listed on the New York Stock Exchange under the symbol NAV.

Certain U.S. federal income tax considerations

You should consult your tax advisor with respect to the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See Certain U.S. federal income tax considerations.

Convertible note hedge and warrant transactions

In connection with the offering of the notes, we entered into convertible note hedge transactions with affiliates of certain of the underwriters (the hedge counterparties), which are expected to reduce the potential dilution upon conversion of the notes. We also entered into separate warrant transactions with the hedge counterparties. The convertible note hedge transactions are expected to reduce potential dilution to our common stock upon any such conversion. However, the warrant transactions could separately have a dilutive effect on our earnings per share to the extent that the market value per share of our common stock exceeds the applicable strike price of the warrants. If the underwriters exercise their over-allotment option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes and from the sale of additional warrants to enter into additional convertible note hedge transactions.

In connection with establishing their initial hedge of the convertible note hedge and warrant transactions, the hedge counterparties or their affiliates expect to enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time.

In addition, the hedge counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so following conversion of the notes and during any related observation period). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs following conversion of the notes and during any related observation period, could affect the number of shares and value of the consideration that you will receive upon conversion of the notes.

For a discussion of the potential impact of any market or other activity by the hedge counterparties or their affiliates in connection with these convertible note hedge and warrant transactions, see Risk factors Risks related to the notes The convertible note hedge and warrant transactions may affect the value of the notes and our common stock and Underwriting.

Use of proceeds We estimate that the proceeds from this offering will be approximately $532.5 million ($605.25 million if the underwriters exercise their option to purchase additional notes in full), after deducting estimated underwriting discounts and offering expenses.

We expect to use a portion of the net proceeds from this offering and the concurrent senior notes offering to repay all amounts outstanding under our Credit Facilities, together with any accrued and unpaid interest thereon, and to cash collaterize approximately $19 million of outstanding letter of credit. The remaining proceeds from these offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives. See Use of proceeds.

If the underwriters exercise their over-allotment option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes and from the sale of additional warrants to enter into additional convertible note hedge transactions.

Trustee, Paying Agent and Conversion Agent The Bank of New York Mellon Trust Company, N.A.

Risk factors

Investment in the notes involves risks. You should carefully consider the information under Risk factors beginning on page S-21 and all other information included or incorporated by reference in this prospectus supplement and accompanying prospectus before investing in the notes.

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Additional information

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

The marks *International*®, *MaxxForce*®, *Workhorse*®, *Monaco*®, *ProStar*® and *LoneStar*® and our logo are registered United States trademarks of Navistar and the mark *IC Bus* is a trademark of Navistar. All other trademarks and trade names appearing in this prospectus supplement and accompanying prospectus are the property of their respective owners.

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Summary consolidated financial data

Navistar International Corporation and consolidated subsidiaries

The following consolidated financial information of Navistar for each of the three years ended October 31, 2008, 2007 and 2006 has been derived from our audited consolidated financial statements and notes thereto. The selected historical consolidated financial information for the nine months ended July 31, 2009 and 2008 was derived from our unaudited condensed consolidated financial statements, which in management s opinion, reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of such information. Results for the interim periods are not necessarily indicative of the results that might be expected for any other interim period or for an entire year. This information should be read in conjunction with Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto for fiscal 2008, each of which is in our 2008 Annual Report and with Management s Discussion and Analysis of Financial Condition and Results of Operations and our unaudited condensed consolidated financial statements and notes thereto for the nine months ended July 31, 2009 and 2008, each of which is in our Third Quarter 10-Q.

	Nine months ended July 31,		Fiscal year ended October 31,		
(in millions)	**2009**	**2008**	**2008**	**2007**	**2006**
Selected income statement data:					
Sales and revenues:					
Sales of manufactured products, net	$ 8,069	$ 10,589	$ 14,399	$ 11,910	$ 13,878
Finance revenues(1)	215	265	325	385	322
Sales and revenues, net	8,284	10,854	14,724	12,295	14,200
Costs and expenses:					
Costs of products sold	6,737	8,715	11,930	10,131	11,703
Impairment of property and equipment(2)			358		
Restructuring charges(3)	55				
Selling, general and administrative expenses	985	1,071	1,453	1,461	1,332
Engineering and product development costs	339	289	380	382	453
Interest expense	206	357	469	502	431
Other (income) expense, net	(232)	(11)	14	(34)	(15)
Total costs and expenses	8,090	10,421	14,604	12,442	13,904
Equity in income of non-consolidated affiliates(4)	56	63	71	74	99
Income (loss) from before income tax, minority interest and extraordinary gain	250	496	191	(73)	395
Income tax expense	32	19	57	47	94
Income (loss) before minority interest and extraordinary gain	218	477	134	(120)	301
Minority interest in net income of subsidiaries, net of tax	(7)				
Income (loss) before extraordinary gain	211	477	134	(120)	301
Extraordinary gain, net of tax	23				
Net income (loss)	$ 234	$ 477	$ 134	$ (120)	$ 301

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(in millions)	July 31, 2009	October 31, 2008
Selected balance sheet data:		
Total assets	$ 9,384	$ 10,390
Long-term debt:		
Manufacturing operations	1,589	1,639
Financial services operations	1,555	3,770
Total long-term debt	3,144	5,409
Current maturities of long-term debt(5)	2,063	665
Total debt	5,207	6,074
Total stockholders deficit	$ (1,352)	$ (1,495)

(in millions, except ratio, employee, market share and unit data)	Nine months ended July 31, 2009	2008	Fiscal year ended October 31, 2008	2007	2006
Selected financial data:					
Capital expenditures(6)	$ 120	$ 145	$ 176	$ 312	$ 230
Depreciation and amortization(6)	225	256	344	317	321
Interest expense	206	357	469	502	431
Cash provided by (used in):					
Operating activities	899	678	1,120	262	(287)
Investing activities	(147)	(426)	(333)	157	(456)
Financing activities	(878)	(343)	(676)	(806)	1,056
Ratio of earnings to fixed charges(7)	2.10x	2.31x	1.38x		1.86x
Operating data:					
Number of worldwide employees (at end of period)	N/A	N/A	17,800	17,200	18,200
Manufacturing gross margin(8)	17%	18%	17%	15%	16%
North American retail truck deliveries, including U.S. military	49,300	53,300	75,700	86,100	122,800
North American market share(9)	36%	29%	31%	27%	27%
Unit shipments worldwide:					
Trucks and school buses	53,100	73,500	102,200	113,600	155,400
OEM engines	178,400	267,600	345,500	404,700	519,700

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

(2) In fiscal 2008, our Engine segment recognized $395 million of charges for impairments of property and equipment and related charges associated with its VEE Business Unit, which is comprised of the following asset groups: the Huntsville Engine Plant (HEP), the Indianapolis Engine Plant (IEP) and the Indianapolis Casting Corporation foundry (ICC). In the fourth quarter of fiscal 2008, our Engine segment recognized $358 million of charges for impairments of property and equipment related to asset groups in the VEE Business Unit. In addition, the VEE Business Unit recorded $27 million of other charges in the fourth quarter of fiscal 2008 related to the significant reduction in demand from Ford. These charges included $5 million in personnel costs relating to employee layoffs at IEP, which were recorded in *Costs of products sold,* and $5 million of net charges reflecting pension and other postretirement benefit curtailments and contractual termination benefits, which were recorded in *Selling, general and administrative expenses*. At IEP and ICC, an aggregate of $7 million of inventory was written down to market value as a charge to *Costs of products sold*. Finally, other charges of $10 million were recorded. In the third quarter of fiscal 2008, the VEE Business Unit recorded $10 million of charges for personnel costs relating to employee layoffs at IEP, which were recorded in *Costs of products sold*.

(3) In the first quarter of fiscal 2009, we reached an agreement with Ford to restructure our ongoing business relationship and settle all existing litigation between us and Ford (the Ford Settlement). In connection with the Ford Settlement, we received a $200 million cash payment from Ford, which was recorded as a gain in *Other (income) expense, net*, and we reversed our previously recorded warranty liability of $75 million, which was recorded as a reduction of *Costs of products*

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sold. With the changes in Ford s strategy, we announced our intentions to close IEP and ICC and our Engine segment recognized $58 million of restructuring charges and $27 million of other related charges. The restructuring charges consisted of $21 million in personnel costs for employee termination and related benefits, $16 million of charges for pension and other postretirement benefit contractual termination benefits and a pension curtailment, and $21 million of other contractual costs. The other related charges consisted of $21 million related to inventory valuation and low volume adjustments in *Costs of products sold* and $6 million of indirect employee costs in *Selling, general and administrative expenses*. We expect the majority of the restructuring and other costs, excluding pension and other postretirement related costs, will be paid in fiscal 2010. Due to the loss of the business with Ford, we continue to resolve commercial disputes with certain suppliers and to evaluate alternatives to improve our ongoing cost structure. Such actions may subject us to additional discrete charges in future periods, which could be material.

(4) Collectively represents a 49% ownership interest in our BDP joint venture, a 51% ownership interest in Blue Diamond Truck (BDT) joint venture and twelve other active, partially-owned affiliates. We do not control these affiliates, but have the ability to exercise significant influence over their operating and financial policies. Our ownership percentages in the twelve other affiliates range from 10% to 50%. In connection with the Ford Settlement and effective June 1, 2009, we increased our equity interest in the BDP joint venture from 49% to 75% and increased our equity interest in the BDT joint venture from 51% to 75%, and since that date we have accounted for BDP and BDT as consolidated subsidiaries with their respective results of operations being consolidated with our operations. Since June 1, 2009, our share of the results of the BDP and BDT joint ventures are no longer included in *Equity in income of non-consolidated affiliates.* We recognized a gain of $23 million in *Other income* in connection with our increased equity interests the BDP joint venture in the nine months ended July 31, 2009.

(5) Current maturities of long-term debt as of July 31, 2009 was comprised of $217 million of indebtedness of our manufacturing operations and $1,846 million of indebtedness of our financial services operations.

(6) Exclusive of equipment that we have leased to others.

(7) The ratio of earnings to fixed charges is determined by dividing the sum of pre-tax income from continuing operations, interest expense, amortization of debt issue costs and the portion of rental expense deemed representative of an interest factor, less minority interest, by the sum of capitalized interest, interest expense, and debt amortization expense. For fiscal 2007, our earnings were insufficient to cover fixed charges by approximately $80 million. On a pro forma basis giving effect to the sale of the notes in the offering and the concurrent offering of the senior notes and the application of the net proceeds therefrom as set forth under Use of proceeds, our ratio of earnings to fixed charges for the nine months ended July 31, 2009 and fiscal 2008 would have been 1.87x and 1.38x, respectively.

(8) Manufacturing gross margin is calculated by subtracting *Costs of products sold* from *Sales of manufactured products, net* and dividing that amount by *Sales of manufactured products, net*.

(9) Based on retail deliveries of medium trucks (Classes 6-7), including school buses, and heavy trucks (Class 8) in the United States and Canada by us and our dealers, compared to the industry total in the United States and Canada of retail deliveries.

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Supplemental financial and operating data

Navistar International Corporation (with financial services operations on a pre-tax equity basis)

The following tables set forth certain supplemental financial and operating data of our manufacturing operations with our financial services operations set forth on a pre-tax equity basis of accounting. Our manufacturing operations, for this purpose, include our Truck, Engine and Parts segments and Corporate items, which includes certain eliminations. We have included this supplemental financial and operating data to assist prospective investors in evaluating an investment in the notes. This information does not represent our financial statements prepared in accordance with generally accepted accounting principles (GAAP) and should not be considered in isolation or as a substitute for our financial data that has been prepared in accordance with generally accepted accounting principles that has been included or incorporated by reference in this prospectus supplement. We have reconciled these non-GAAP financial measures to our GAAP condensed consolidated financial statements by adding the results of our financial services operations, making the necessary adjustments to eliminate certain intercompany transactions between our manufacturing operations and financial services operations and adjusting for certain reclassifications. These reconciliations are included elsewhere in this prospectus supplement under the heading Selected consolidating financial data. Certain of our subsidiaries in our manufacturing operations have debt outstanding with our financial services operations.

The information set forth below should be read in conjunction with Selected Financial Data, Management s Discussion and Analysis of Results of Operations and Financial Condition and our consolidated financial statements and the notes thereto for fiscal 2008, each of which is in our 2008 Annual Report, Management s Discussion and Analysis of Results of Operations and Financial Condition and our condensed consolidated financial statements and notes thereto for the nine months ended July 31, 2009 and 2008, each of which is in our Third Quarter 10-Q, and Unaudited pro forma financial statements included elsewhere in this prospectus supplement.

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(in millions)	Nine months ended July 31, 2009	2008	(Unaudited) Fiscal year ended October 31, 2008	2007	2006
Manufacturing operations					
Selected condensed statement of income data:					
Sales of manufactured products, net	$ 8,069	$ 10,589	$ 14,399	$ 11,910	$ 13,878
Costs of products sold	6,737	8,715	11,930	10,131	11,703
Impairment of property and equipment(1)			358		
Restructuring charges(2)	55				
Selling, general and administrative expenses	886	965	1,309	1,352	1,234
Engineering and product development costs	339	289	380	382	453
Interest expense	77	115	156	196	192
Other (income) expense, net	(182)	65	124	124	147
Total costs and expenses	7,912	10,149	14,257	12,185	13,729
Equity in income of non-consolidated affiliates(3)	56	63	71	74	99
Income (loss) before income taxes, minority interest, extraordinary gain and equity income from financial services operations	213	503	213	(201)	248
Equity income (loss) from financial services operations	37	(7)	(22)	128	147
Income (loss) before income taxes, minority interest and extraordinary gain	250	496	191	(73)	395
Income tax expense	32	19	57	47	94
Income (loss) before minority interest and extraordinary gain	218	477	134	(120)	301
Minority interest in net income of subsidiaries, net of tax	(7)				
Income (loss) before extraordinary gain	211	477	134	(120)	301
Extraordinary gain, net of tax	23				
Net income (loss)	$ 234	$ 477	$ 134	$ (120)	$ 301

(in millions)	At July 31, 2009 Actual	As adjusted(4)
Manufacturing operations		
Selected condensed balance sheet data:		
Cash and cash equivalents	$ 751	$ 841
Property and equipment, net	1,398	1,398
Total assets (excludes investments in and advances to financial services operations)	5,455	5,545
Postretirement benefits liabilities	2,081	2,081
Total debt	1,805	1,988

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(in millions)	Nine months ended July 31, 2009	2008	Fiscal year ended October 31, 2008	2007	2006
Manufacturing operations					
Other financial data:					
EBITDA(5)	$ 516	$ 858	$ 697	$ 300	$ 746
Capital expenditures(6)	118	139	168	309	228
Depreciation and amortization(6)	210	240	328	305	306
Cash provided by (used in):					
Operating activities	129	93	429	169	496
Investing activities	(190)	(160)	(216)	(70)	(351)
Financing activities	(51)	(94)	(133)	(480)	140
Selected pro forma data(7):					
Interest expense	$ 104	$ 116	$ 157		
Total debt (at end of period)	1,988	2,067	2,017		
Net debt (at end of period)(8)	1,147	1,419	1,152		

(1) See note (2) under Summary consolidated financial data.

(2) See note (3) under Summary consolidated financial data.

(3) See note (4) under Summary consolidated financial data.

(4) The as adjusted balance sheet data as of July 31, 2009 gives effect to the sale of the notes in the offering and the concurrent offering of senior notes and the application of the net proceeds therefrom as set forth under Use of proceeds as if these transactions were completed on July 31, 2009. See Use of proceeds and Capitalization. In connection with this offering, we entered into convertible note hedge and warrant transactions. We used existing cash to pay the costs of such transactions. We have reduced the amount of cash we would have had as of July 31, 2009 on an as adjusted basis to reflect the cost of these transactions.

(5) EBITDA for our manufacturing operations is defined as our consolidated net income (loss) from continuing operations minus the net income (loss) from our financial services operations plus interest expense, income taxes and depreciation and amortization. EBITDA is a measure commonly used and is presented to aid in developing an understanding of the ability of our operations to generate cash for debt service and taxes, as well as cash for investments in working capital, capital expenditures and other liquidity needs. This information is presented as a supplement to the other data provided because it provides information which we believe is useful to investors for additional analysis. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities or other consolidated operations or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of our profitability or liquidity as determined in accordance with generally accepted accounting principles. Further, EBITDA, as we calculate it, may not be comparable to calculations of similarly-titled measures by other companies. The following table provides a reconciliation of net income (loss) from continuing operations to EBITDA.

(in millions)	Nine months ended July 31, 2009	2008	Fiscal year ended October 31, 2008	2007	2006
Manufacturing operations					
Net income (loss)	$ 234	$ 477	$ 134	$ (120)	$ 301
Financial services operations net income (loss)	23	(3)	(13)	83	95
Manufacturing operations net income (loss)	211	480	147	(203)	206

Interest expense	77	115	156	196	192
Income tax expense	18	23	66	2	42
Depreciation and amortization(a)	210	240	328	305	306
EBITDA	$ 516	$ 858	$ 697	$ 300	$ 746

(a) Exclusive of depreciation of equipment that we have leased to others.

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Set forth below is a summary of certain other items that are included in the calculation of EBITDA:

	Nine months ended July 31,		Fiscal year ended October 31,		
(in millions)	2009	2008	2008	2007	2006
Supplemental adjustments:					
Impairment of property and equipment(a)	$	$ 10	$ 395	$	$
Loss on early extinguishment of indebtedness(b)				31	23
Certain professional fees(c)		111	129	198	35
Restructuring charges(d)	55				
Inventory valuation / low volume adjustments(e)	68				
Non-recurring gains related to:					
Monaco Coach acquisition(f)	(23)				
Increased equity interest in BDP joint venture(g)	(23)				
Warranty liability reversal(h)	(75)				
Ford Settlement payment(i)	(200)				
Total supplemental adjustments	$ (198)	$ 121	$ 524	$ 229	$ 58

(a) See Note (2) under Summary consolidated financial data.

(b) Represents the write-off of deferred financing fees and premiums paid in connection with repayment of our previously outstanding debt securities.

(c) We incurred elevated levels of professional fees in each of fiscal 2008, fiscal 2007 and fiscal 2006 related to assistance in preparing our consolidated financial statements. The incremental professional fees represent the actual fees incurred for each respective period reduced by our current period fees through July 31, 2009 of $27 million (annualized as appropriate). We believe the fees incurred through July 31, 2009 approximate our near-term professional fee levels. We have substantially reduced our professional fees since completing all of our previously delayed periodic reports, and expect further reductions in the future as we continue to remediate material weaknesses.

(d) A detailed discussion of the restructuring charges recorded in the nine months ended July 31, 2009 is set forth in Management s Discussion and Analysis of Results of Operations and Financial Condition and Note 2, *Ford settlement and related charges*, to our condensed consolidated financial statements for the nine months ended July 31, 2009, each of which is in our Third Quarter 10-Q.

(e) Related to the Ford Settlement, our Engine segment recognized a total of $44 million of inventory valuation and low volume adjustments in *Cost of products sold* and a total of $24 million of inventory valuation and low volume adjustments in *Other income, net*, for the nine months ended July 31, 2009.

(f) We completed the purchase of certain assets of the recreational vehicle business of Monaco Coach Corporation in the third quarter of fiscal 2009. We recognized an extraordinary gain of $23 million in the first nine months ended July 31, 2009 due to the fair market value of the assets acquired in the Monaco acquisition exceeding the purchase price.

(g) We recognized a gain of $23 million in *Other income, net* in connection with the increased equity interest in the BDP joint venture.

(h) We reversed a previously recorded warranty liability of $75 million, which was recorded as a reduction of *Costs of products sold,* in connection with the Ford Settlement.

(i) We recorded a gain of $200 million in *Other (income) expense, net* during the nine months ended July 31, 2009, related to the cash settlement payment we received from Ford in connection with the Ford Settlement.

(6) Exclusive of equipment that we have leased to others.

(7) The selected pro forma data gives effect to the sale of the notes in the offering and the concurrent offering of the senior notes and the application of the net proceeds therefrom as set forth under Use of proceeds as if these transactions were implemented at the beginning of the earliest period presented. We believe that the assumptions used provide a reasonable basis for presenting the significant effects directly attributable to these transactions; however, the pro forma data does not purport to represent what our results of operations would actually have been if such transactions had in fact occurred on such dates or to project results for any future period. See Use of proceeds and Unaudited pro forma financial statements.

(8) *Net debt*, a non-GAAP measure, is calculated by subtracting *Cash and cash equivalents* from *Total debt* for each period presented.

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Risk factors

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

Risks relating to Navistar and its markets

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

Our ability to be profitable depends in part on the varying conditions in the truck, bus, mid-range diesel engine, and service parts markets, which are subject to cycles in the overall business environment and are particularly sensitive to the industrial sector, which generates a significant portion of the freight tonnage hauled. Truck and engine demand is also dependent on general economic conditions, interest rate levels and fuel costs, among other external factors.

Our Truck, Engine and Parts segments are heavily influenced by the overall performance of the medium and heavy truck retail markets within the U.S. and Canada (our traditional market), which consists of vehicles in weight classes 6 through 8, including school buses. The traditional market is typically cyclical in nature and cycles can span several years. The current worldwide economic recession has adversely impacted the industry and the market demand for our products remains stagnant with significantly lower volumes in fiscal 2009 than previously expected. Every part of our business, excluding sales to the U.S. military, has been adversely affected by the global recession during fiscal 2008 and the nine months ended July 31, 2009. These trends have persisted through the date of this prospectus supplement and will be reflected in our results of operations for the fourth quarter and full fiscal 2009. The traditional truck industry retail deliveries were 244,100, 319,000 and 454,700 in fiscal 2008, fiscal 2007 and fiscal 2006, respectively. We expect fiscal 2009 and fiscal 2010 industry volumes to be in the range of 165,000 to 185,000 units, and 175,000 to 215,000 units, respectively.

Our technology solution to meet U.S. federal 2010 emissions requirements may not be successful or may be more costly than planned.

Truck and engine manufacturers continue to face significant governmental regulation of their products, especially in the areas of environment and safety. In that regard, we have incurred, and will continue to incur, significant research, development, and tooling costs to design and produce our engine product lines to meet United States Environmental Protection Agency and California Air Resources Board (CARB) emission requirements. The new on-highway heavy duty emissions standards that came into effect in the U.S. in the 2007 model year reduced allowable particulate matter and allowable nitrogen oxide. This change in emissions standards resulted in a significant increase in the cost of our products to meet these emissions levels. An emissions cap as part of the phase-in process for the heavy duty engines comes into effect for the model year 2010. In addition, emission regulations will begin the initial phase-in in 2010 with respect to the on-board diagnostics for truck engines and are a part of our product plans.

Most other truck and engine manufacturers have chosen urea-based selective catalytic reduction (SCR) systems to address the 2010 emission standards. We intend to address the 2010 emissions requirements for our core applications through advances in fuel systems, air management, combustion and engine controls and continue to explore other cost effective alternative solutions for meeting these emissions standards. Our technology solution to meet U.S. federal 2010 emissions requirements may not be successful or may be more costly than planned.

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We may be subject to greenhouse gas regulations.

Additional changes to on-highway emissions or performance standards as well as complying with additional environmental and safety requirements would add to the cost of our products and increase the capital-intensive nature of our business. In that regard, we have been closely monitoring regulatory proposals intended to address greenhouse gas emissions. These regulatory proposals, if adopted, may have an impact on both our facilities and our products. The scope of the impact of any greenhouse gas emission regulatory program is still uncertain and we are, therefore, unable to predict the impact to our operations.

We operate in the highly competitive North American truck market.

The North American truck market in which we operate is highly competitive. Our major U.S. domestic competitors include: PACCAR Inc. (PACCAR), Ford and General Motors Corporation. The competing foreign-controlled domestic manufacturers include: Freightliner and Western Star (both subsidiaries of Daimler-Benz AG (Mercedes Benz)), and Volvo and Mack (both subsidiaries of Volvo Global Trucks). The major U.S. military vehicle competitors include: BAE Systems, Force Protection Inc, General Dynamics Land Systems, General Purpose Vehicles, Oshkosh Truck, and Protected Vehicles Incorporated. In addition, smaller, foreign-controlled market participants such as Isuzu Motors America, Inc., Nissan North America, Inc., Hino (a subsidiary of Toyota Motor Corporation), and Mitsubishi Motors North America, Inc. are competing in the U.S. and Canadian markets with primarily imported products. In Mexico, the major domestic competitors are Kenmex (a subsidiary of PACCAR) and Mercedes Benz.

The intensity of this competition, which is expected to continue, results in price discounting and margin pressures throughout the industry and adversely affects our ability to increase or maintain vehicle prices. Many of our competitors have greater financial resources, which may place us at a competitive disadvantage in responding to substantial industry changes, such as changes in governmental regulations that require major additional capital expenditures. In addition, certain of our competitors may have lower overall labor costs.

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

We are subject to risk of work stoppages and other labor relations matters because a significant portion of our workforce is unionized. As of July 31, 2009, approximately 62% of our hourly workers and 9% of our salaried workers are represented by labor unions and are covered by collective bargaining agreements. Many of these agreements include provisions that limit our ability to realize cost savings from restructuring initiatives such as plant closings and reductions in workforce. Our current collective bargaining agreement with the UAW will expire in October 2010. Any UAW strikes, threats of strikes, or other resistance in connection with the negotiation of a new agreement or otherwise could materially adversely affect our business as well as impair our ability to implement further measures to reduce structural costs and improve production efficiencies. A lengthy strike by the UAW that involves a significant portion of our manufacturing facilities could have a material adverse effect on our financial condition, results of operations, and cash flows. For additional information regarding our collective bargaining agreements, see Item 1, Business Employees. in our 2008 Annual Report, which is incorporated by reference in this prospectus supplement.

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Current credit market conditions may impair our access to sufficient capital to engage in financing activities.

The U.S. and global economies are currently undergoing a period of economic uncertainty, and the related financial markets are experiencing unprecedented volatility. The current financial turmoil affecting the banking system and financial markets and the possibility that financial institutions may consolidate or go out of business have resulted in a tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in fixed income, credit, currency, and equity markets. Our financial services operations supports our manufacturing operations by providing financing to a significant portion of our dealers and retail customers. Our financial services operations has traditionally obtained the funds to provide such financing from sales of receivables, medium and long-term debt, and equity capital and from short and long-term bank borrowings. In light of the challenging conditions within the financial markets, NIC has had to make loans to the financial services operations in a number of circumstances in order to provide short term liquidity. In addition, Navistar, Inc. made capital contributions to NFC of $20 million and $60 million, respectively, during the nine months ended July 31, 2009 and fiscal 2008, in order to enable NFC to remain in compliance with a covenant in its bank credit facility that requires NFC s consolidated income before income taxes, interest expense and dividends on preferred stock, if any, not to be less than 125% of NFC s consolidated interest expense and dividends on preferred stock, if any, for any period of four fiscal quarters immediately preceding the date of measurement. NIC had also guaranteed an aggregate of $88 million of outstanding borrowings by its Mexican financial services subsidiaries as of July 31, 2009. If cash provided by operations, bank borrowings, continued sales and securitizations of receivables, and the placement of term debt does not provide the necessary liquidity, our financial services operations may restrict its financing of our products both at the wholesale and retail level, which may impair our ability to sell our products to customers who require financing and may have a significant negative effect on our liquidity and results of operations.

Our liquidity position may be adversely affected by a continued downturn in our industry and the upcoming maturity of the NFC senior credit facility.

Any downturn in our industry can adversely affect our operating results. In the event that industry conditions remain weak for any significant period of time, our liquidity position may be adversely affected, which may limit our ability to complete product development programs, capital expenditure programs, or other strategic initiatives at currently anticipated levels. In addition, NFC s senior credit facility is currently scheduled to mature in July 2010, and, as a result, is currently classified as a current obligation for accounting purposes. As of July 31, 2009, NFC had aggregate borrowings of approximately $1.0 billion under such credit facility. In light of the downturn in our industry and credit market conditions, we may be unable to refinance that facility on favorable terms or at all. If we are unable to refinance such facility, we will need to repay such indebtedness with cash generated from operations, which may create substantial liquidity challenges and there is no assurance that we will have sufficient cash flow or capital resources to meet such maturity. Failure to pay such credit facility when due will be an event of default under the notes offered hereby.

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

Ford accounted for approximately 7% of our revenues for the nine months ended July 31, 2009, and approximately 7%, 14% and 12% of our revenues for fiscal 2008, fiscal 2007 and fiscal 2006, respectively. In addition, Ford accounted for approximately 39%, 44%, 58% and 61% of our diesel engine unit volume (including intercompany transactions) for the nine months ended July 31, 2009, fiscal 2008, fiscal 2007 and fiscal 2006, respectively, primarily relating to the sale of our V-8 diesel engines.

On January 13, 2009, we announced the Ford Settlement. As part of the Ford Settlement, we will end our current diesel engine supply agreement with Ford effective December 31, 2009. We will, however, continue our diesel engine supply arrangement with Ford in South America. The loss of business from Ford may have a negative impact on our business, financial condition, and results of operations and may potentially subject us to other costs that may be material. See Note (3) under Summary Summary consolidated financial data for additional information regarding the Ford Settlement and its accounting treatment.

We may not achieve all of the expected benefits from our current business strategies and initiatives.

We have recently completed acquisitions and joint ventures and announced our intention to form a number of additional joint ventures and strategic alliances. We cannot assure you that our previous or future acquisitions, joint ventures or our strategic alliances will be successful or will generate the expected benefits. In addition, we cannot assure you we will not have disputes arise with our joint venture partners and that such disputes will not lead to litigation or otherwise have a material adverse effect on the joint venture or our relationship with our joint venture partners. Failure to successfully manage and integrate these and potential future acquisitions, joint ventures and strategic alliances could materially harm our financial condition, results of operations and cash flows.

We are currently in discussions with multiple parties regarding a strategic alliance involving NFC. At this time, we cannot assure you that we will reach a definitive agreement with respect to any such strategic alliance or, if we do reach a definitive agreement, what the ultimate terms of such alliance will be or whether we will achieve our stated goals from such alliance.

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

We obtain materials and manufactured components from third-party suppliers. Some of our suppliers are the sole source for a particular supply item. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, financial condition, results of operations, and cash flows. The volatility in the financial markets and uncertainty in the automotive sector could result in exposure related to the financial viability of certain of our key third-party suppliers. In response to financial pressures, suppliers may also exit certain business lines, or change the terms on which they are willing to provide products. In addition, many of our suppliers have unionized workforces and are subject to work stoppages as a result of labor relations issues.

Our business may be adversely affected by government contracting risks.

We derived approximately 28% of our revenues for the nine months ended July 31, 2009, and approximately 27%, 4% and 2% of our revenues for fiscal 2008, fiscal 2007 and fiscal 2006, respectively, from the U.S. government. Many of our existing U.S. government contracts extend over multiple years and are conditioned upon the continuing availability of congressional appropriations. Congress usually appropriates funds on a fiscal-year basis and if the congressional appropriations for a program under which we are contractors are not made, or are reduced or delayed, our contract could be cancelled or government purchases under the contract could be reduced or delayed, which could adversely affect our financial condition, results of operations, or cash flows. Although we have multiple bids and quotes, there are no guarantees that they will be awarded to us in the future or that volumes will be similar to volumes under previously awarded contracts. In addition, U.S. government contracts generally permit the contracting government agency to terminate the contract, in whole or in part, either for the convenience of the government or for default based on our failure to perform under the contract. If a contract is terminated for convenience, we would generally be entitled to the payment of our allowable costs and an allowance for profit on the work performed. If one of our government contracts were to be terminated for default, we could be exposed to liability and our ability to obtain future contracts could be adversely affected.

We must comply with numerous miscellaneous federal national security laws, procurement regulations, and procedures, as well as the rules and regulations of foreign jurisdictions, and our failure to comply could adversely affect our business.

We must observe laws and regulations relating to the formation, administration and performance of federal government contracts that affect how we do business with our clients and impose added costs on our business. For example, the federal acquisition regulations, foreign government procurement regulations and the industrial security regulations of the Department of Defense and related laws include provisions that:

- allow our government clients to terminate or not renew our contracts if we come under foreign ownership, control or influence;
- allow our government clients to terminate existing contracts for the convenience of the government;
- require us to prevent unauthorized access to classified information; and
- require us to comply with laws and regulations intended to promote various social or economic goals.

We are subject to industrial security regulations of the U.S. Department of State, Department of Commerce and the Department of Defense and other federal agencies that are designed to safeguard against foreigners access to classified or restricted information. As we expand our operations internationally, we will also become subject to the rules and regulations of foreign jurisdictions. If we were to come under foreign ownership, control or influence, we could lose our facility security clearances, which could result in our federal government customers terminating or deciding not to renew our contracts and could impair our ability to obtain new contracts.

Our failure to comply with applicable laws, regulations or procedures, including federal regulations regarding the procurement of goods and services and protection of classified information, could result in contract termination, loss of security clearances, suspension or prohibition from contracting with the federal government, civil fines and damages and criminal prosecution and penalties, any of which would materially adversely affect our business.

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Our products are subject to export limitations and we may be prevented from shipping our products to certain nations or buyers.

We are subject to federal licensing requirements with respect to the sale and support in foreign countries of certain of our products and the importation of components for our products. In addition, we are obligated to comply with a variety of federal, state and local regulations and procurement policies, both domestically and abroad, governing certain aspects of our international sales and support, including regulations promulgated by, among others, the U.S. Departments of Commerce, Defense and State and the U.S. Department of Justice.

Such licenses may be denied for reasons of U.S. national security or foreign policy. In the case of certain large orders for exports of defense equipment, the Department of State must notify Congress at least 15 to 30 days, depending on the size and location of the sale, prior to authorizing certain sales of defense equipment and services to foreign governments. During that time, Congress may take action to block the proposed sale. We can give no assurances that we will continue to be successful in obtaining the necessary licenses or authorizations or that Congress will not prevent or delay certain sales. Any significant impairment of our ability to sell products outside of the U.S. could negatively impact our results of operations and financial condition.

For products and technology exported from the U.S. or otherwise subject to U.S. jurisdiction, we are subject to U.S. laws and regulations governing international trade and exports, including, but not limited to International Traffic in Arms Regulations, Export Administration Regulations, the Foreign Military Sales program and trade sanctions against embargoed countries and destinations, administered by the Office of Foreign Assets Control, U.S. Department of the Treasury. A determination by the U.S. government that we have failed to comply with one or more of these export controls or trade sanctions could result in civil or criminal penalties, including the imposition of significant fines, denial of export privileges, loss of revenues from certain customers, and debarment from participation in U.S. government contracts.

We are subject to the Foreign Corrupt Practices Act (the FCPA) and other laws which prohibit improper payments to foreign governments and their officials by U.S. and other business entities. We operate in countries known to experience corruption. Our operations in such countries create the risk of an unauthorized payment by one of our employees or agents which would be in violation of various laws including the FCPA.

Additionally, the failure to obtain applicable governmental approval and clearances could materially adversely affect our ability to continue to service the government contracts we maintain. Exports of some of our products to certain international destinations may require shipment authorization from U.S. export control authorities, including the U.S. Departments of Commerce and State, and authorizations may be conditioned on end-use restrictions.

Our international business may pose greater risks than our domestic business due to the greater potential for changes in foreign economic and political environments. Our international business is also highly sensitive to changes in foreign national priorities and government budgets. Sales of military products are affected by defense budgets (both in the U.S. and abroad) and U.S. foreign policy.

We may fail to properly identify and correct material weaknesses or comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting. As is further described in Item 9A, Controls and Procedures, of our 2008 Annual Report, we concluded that there are material weaknesses in our internal control over financial reporting. If we do not correct these material weaknesses, or we or our independent registered public accounting firm determines that we have additional material weaknesses in our internal control over financial reporting, we may be unable to provide financial information in a timely and reliable manner. Although we consistently review and evaluate our internal control systems to allow management to report on, and our independent auditors to attest to, the sufficiency of our internal control, we cannot assure you that we will not discover additional material weaknesses in our internal control over financial reporting. Any such additional material weaknesses or failure to correct existing material weaknesses could adversely affect investor confidence in the Company.

We have significant under-funded postretirement obligations.

The under-funded portion of our projected benefit obligation was $763 million and $197 million for pension benefits at October 31, 2008 and 2007, respectively, and $979 million and $1.1 billion for postretirement healthcare benefits at October 31, 2008 and 2007, respectively. Moreover, we have assumed expected rates of return on plan assets and growth rates of retiree medical costs and the failure to achieve the expected rates of return and growth rates could have an adverse impact on our under-funded postretirement obligations, financial condition, results of operations, and cash flows. The volatility in the financial markets affects the valuation of our pension assets and liabilities, resulting in potentially higher pension costs and higher levels of under-funding in future periods. The requirements set forth in the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended, as applicable to our U.S. pension plan (including such timing requirements) mandated by the Pension Protection Act of 2006 to fully fund our U.S. pension plan, net of any current or possible future legislative or governmental agency relief, could also have an adverse impact on our business, financial condition, results of operations or cash flows.

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

We have significant operations in foreign countries, primarily in Canada, Mexico, Brazil, Argentina and India. Accordingly, our business is subject to the political, economic, and other risks that are inherent in operating in those countries and internationally. These risks include, among others:

- Trade protection measures and import or export licensing requirements;
- Tax rates in certain foreign countries that exceed those in the U.S. and the imposition of withholding requirements for taxes on foreign earnings;
- Difficulty in staffing and managing international operations and the application of foreign labor regulations;
- Currency exchange rate risk; and
- Changes in general economic and political conditions in countries where we operate, particularly in emerging markets.

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Our ability to use net operating loss (NOL) carryovers to reduce future tax payments could be negatively impacted if there is a change in our ownership or a failure to generate sufficient taxable income.

Presently, there is no annual limitation on our ability to use U.S. federal NOLs to reduce future income taxes. However, if an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended, occurs with respect to our capital stock, our ability to use NOLs would be limited to specific annual amounts. Generally, an ownership change occurs if certain persons or groups increase their aggregate ownership by more than 50 percentage points of our total capital stock in a three-year period. If an ownership change occurs, our ability to use domestic NOLs to reduce taxable income is generally limited to an annual amount based on the fair market value of our stock immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate. NOLs that exceed the Section 382 limitation in any year continue to be allowed as carryforwards for the remainder of the 20-year carryforward period and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Our use of new NOLs arising after the date of an ownership change would not be affected. If more than a 50% ownership change were to occur, use of our NOLs to reduce payments of federal taxable income may be deferred to later years within the 20-year carryover period; however, if the carryover period for any loss year expires, the use of the remaining NOLs for the loss year will be prohibited. If we should fail to generate a sufficient level of taxable income prior to the expiration of the NOL carryforward periods, then we will lose the ability to apply the NOLs as offsets to future taxable income.

We are involved in pending litigation and an adverse resolution of such litigation may adversely affect our business, financial condition, results of operations or cash flows.

We are currently involved in a number of pending litigation matters as described below:

Environmental Matters. Along with other vehicle manufacturers, we have been subject to an increase in the number of asbestos-related claims in recent years. In general, these claims relate to illnesses alleged to have resulted from asbestos exposure from component parts found in older vehicles, although some cases relate to the alleged presence of asbestos in our facilities. In these claims we are not the sole defendant, and the claims name as defendants numerous manufacturers and suppliers of a wide variety of products allegedly containing asbestos. We have strongly disputed these claims, and it has been our policy to defend against them vigorously. It is possible that the number of these claims will continue to grow, and that the costs for resolving asbestos related claims could become significant in the future.

Continental Automotive Systems US, Inc. In March 2009, Continental Automotive Systems US, Inc. (Continental) sent notice to Navistar, Inc. pursuant to a contract between them, making a demand for binding arbitration for alleged breach of contract and alleged negligent misrepresentation relating to Navistar s unexpected low volume of purchases of engine components from Continental and seeking monetary damages. If the dispute is submitted to arbitration, pursuant to the contract, such arbitration would be administered under the rules of the International Institute of Conflict Preservation and Resolution. The parties have been discussing a business resolution of these disputes and such discussions continue.

Litigation Relating to Accounting Controls and Financial Restatement. In December 2007, a complaint was filed against us by Norfolk County Retirement System and Brockton Contributory Retirement System (collectively Norfolk). In March 2008, an additional complaint was filed by

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Richard Garza which was subsequently amended and restated by a complaint filed in October 2009. Each of these matters is pending in the United States District Court, Northern District of Illinois.

The plaintiffs in the Norfolk case allege they are shareholders suing on behalf of themselves and a class of other shareholders who purchased shares of the Company s common stock between February 14, 2003 and July 17, 2006. The complaint alleges that the defendants, which include us, one of our executive officers, two of our former executive officers, and our former independent accountants, Deloitte & Touche LLP, violated federal securities laws by making false and misleading statements about our financial condition during that period. In March 2008, the court appointed Norfolk County Retirement System and the Plumbers Local Union 519 Pension Trust as joint lead plaintiffs. On July 7, 2008, we filed a motion to dismiss the complaint based on the plaintiffs failure to plead any facts tending to show the defendants actual knowledge of the alleged false statements or that the plaintiffs suffered damages. On July 28, 2009, the Court denied the motion to dismiss. The plaintiffs in this matter seek compensatory damages and attorneys fees among other relief.

The plaintiff in the Garza case brought a derivative claim on behalf of our Company against one of our executive officers, two of our former executive officers, and certain of our directors. The amended complaint alleges that all of the defendants violated their fiduciary obligations under Delaware law by willfully ignoring certain accounting and financial reporting problems at our Company, thereby knowingly disseminating false and misleading financial information about our Company and certain of the defendants were unjustly enriched in connection with their sale of NIC stock during the December 2002 to January 2006 period. The plaintiffs in this matter seek compensatory damages, disgorgement of the proceeds of defendants profits from the sale of NIC stock, attorneys fees, and other equitable relief.

SEC Investigation. In January 2005, we announced that we would restate our financial results for 2002 and 2003 and the first three quarters of 2004. Our restated Annual Report on Form 10-K was filed in February 2005. The SEC notified us on February 9, 2005 that it was conducting an informal inquiry into our restatement. On March 17, 2005, we were advised by the SEC that the status of the inquiry had been changed to a formal investigation. On April 7, 2006, we announced that we would restate our financial results for 2002 through 2004 and for the first three quarters of 2005. We were subsequently informed by the SEC that it was expanding the investigation to include this restatement. Our 2005 Annual Report on Form 10-K, which included the restated financial statements, was filed in December 2007. We have been providing information to and fully cooperating with the SEC on this investigation. As discussed herein, we recently reached a proposed settlement with the investigative staff of the SEC with respect to this matter. We cannot assure you the proposed settlement will be approved by the SEC and, in the event the proposed settlement is not approved, what the ultimate resolution of this investigation will be.

Commercial Steam LLC and Andrew Harold vs. Ford Motor Co. and Navistar International Corporation. In October 2009, Commercial Steam LLC and Andrew Harold (collectively, the plaintiffs) filed a complaint against NIC in the United States District Court for the Southern District of West Virginia. The plaintiffs in this case allege they are suing on behalf of themselves and a class of other West Virginia residents who purchased a model year 2003 to 2006 Ford F-Series truck with a 6.0 liter Power Stroke engine. The complaint alleges problems with these vehicles and engines, including, but not limited to, the fuel system, fuel injectors, oil leaks, broken turbochargers and other warranty claims. The plaintiffs in this matter seek compensatory damages, interest and attorneys fees among other relief.

Litigation can be expensive, lengthy, and disruptive to normal business operations. The results of complex legal proceedings are often uncertain and difficult to predict. An unfavorable outcome of a particular matter described above or any future legal proceedings could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Potential future impairments of our goodwill, intangible assets, or other long-lived assets could adversely effect our financial condition and results of operations.

We have a substantial amount of goodwill, intangible assets, and other long-lived assets which are subject to periodic impairment analysis and review. Identifying and assessing whether impairment indicators exist, or if events or changes in circumstances have occurred, including market conditions, operating results, competition and general economic conditions, requires significant judgment. In the fourth quarter of fiscal 2008, our Engine segment recognized $358 million for impairments of property and equipment related to asset groups in the VEE Business Unit. In addition, our Truck segment recorded a non-cash charge of $4 million to reflect impairment of goodwill and a non-cash charge of $10 million for impairment of dealer franchise rights with respect to certain of our dealership subsidiaries in the fourth quarter of fiscal 2008. If in the future, we determine that there has been an impairment, our earnings for the relevant period would be reduced by the amount of the impairment, net of any income tax effects, which could have an adverse effect on our financial condition and results of operations.

Risks related to the notes

We have a significant amount of debt, which limits our flexibility and imposes restrictions on us, and a downturn in economic or industry conditions may materially affect our ability to meet our future financial commitments and liquidity needs.

We have a substantial amount of indebtedness. The following table sets forth certain important information regarding our capitalization as of July 31, 2009, on an as adjusted basis to give effect to the sale of the notes in this offering and the concurrent senior notes offering and the application of the net proceeds therefrom.

(in millions)	**As adjusted**
Debt:	
Manufacturing operations	$ 1,988
Financial services operations	3,401
Total debt	5,389
Stockholders deficit	$(1,430)

Our ability to satisfy our debt, lease, pension, healthcare and other obligations, and our ability to refinance our indebtedness, will depend upon our future operating performance, which will be affected by prevailing economic conditions in the markets that we serve and financial, business and other factors, many of which are beyond our control. We may be unable to generate sufficient cash flow from operations and future borrowings or other financing may be unavailable in an amount sufficient to enable us to fund our future financial obligations or our other liquidity needs.

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The amount and terms of our debt could have material consequences to our business, including, but not limited to:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing to fund growth, such as mergers and acquisitions, working capital, capital expenditures, debt service requirements or other cash requirements;
- exposing us to the risk of increased interest costs if the underlying interest rates rise;
- limiting our ability to invest operating cash flow in our business due to existing debt service requirements;
- causing a decline in our credit ratings;
- limiting our ability to compete with companies that are not as leveraged and that may be better positioned to withstand economic downturns; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we compete and general economic and market conditions.

The notes will be unsecured and holders of senior indebtedness will be paid before holders of the notes are paid.

The notes are our unsecured senior subordinated obligations and the payment of the principal of, any cash portion of the conversion obligation in respect of, and interest on, the notes (including, but not limited to, the fundamental change purchase price with respect to the notes subject to purchase as described under Description of the notes Fundamental change permits holders to require us to purchase notes) is subordinated in right of payment to the prior payment in full of our existing and future senior indebtedness. The notes also effectively rank junior to our secured indebtedness, whether or not such indebtedness would otherwise constitute senior indebtedness, and are structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries. At July 31, 2009, on an as adjusted basis to give effect to the sale of the notes in this offering and the concurrent senior notes offering and the application of the net proceeds therefrom, our indebtedness to which the notes would have been contractually, effectively or structurally subordinated, including indebtedness of our subsidiaries, would have been approximately $4,840 million, of which approximately $3,401 million was indebtedness of our financial services operations and $162 million was indebtedness of our majority-owned dealership subsidiaries. The indenture governing the notes does not limit the amount of debt that we or our subsidiaries may incur.

If we become bankrupt, liquidate, or dissolve, our assets would be available to pay obligations on the notes only after our senior indebtedness has been paid. Our right to receive any assets of our subsidiaries upon their bankruptcy, liquidation or dissolution, and therefore the rights of the holders of the notes to participate in those assets, will be subordinated to the claims of our subsidiaries creditors, including trade creditors. We cannot assure you that there will be sufficient assets to pay amounts due on the notes at maturity or if we become bankrupt, liquidate or dissolve.

If we fail to pay any of our senior indebtedness, we may make payments on the notes only if we cure the default or the holders of the senior indebtedness waive the default.

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The notes are obligations of NIC only, and our operations are conducted through, and a substantial portion of our consolidated assets are held by, our subsidiaries.

The notes are obligations exclusively of NIC and are not guaranteed by any of our operating subsidiaries. Concurrently with this offering of notes, under a separate prospectus supplement and accompanying prospectus, we are offering $1,000 million aggregate principal amount of our senior notes due 2021 and these senior notes will be guaranteed by our wholly-owned subsidiary, Navistar, Inc. See Summary Recent developments Concurrent senior notes offering.

NIC is a holding company, and substantially all of its consolidated assets are held by its subsidiaries. Accordingly, its cash flows and ability to meet its obligations are largely dependent upon the earnings of its subsidiaries and the payment of such earnings to it in the form of dividends, distributions, loans or otherwise, and repayment of such loans or advances from it. These subsidiaries are separate and distinct legal entities and generally have no obligation to provide NIC with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. The ability of NIC s subsidiaries to pay dividends or make other advances or transfer of funds will depend on their respective results of operations and may be restricted by, among other things, applicable law and contractual provisions limiting the amount of funds available to make dividends and agreements of those subsidiaries. For example, the payment of dividends by NFC to Navistar, Inc. is limited by the terms of NFC s bank credit facility. See Description of other financing arrangements Financial Services operations NFC Credit Facility.

Our ability to generate the significant amount of cash needed to pay interest and principal on the notes and service our other debt and financial obligations and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the notes, depends on our ability to generate cash in the future. We are subject to general economic, industry, financial, competitive, legislative, regulatory and other factors that are beyond our control. As a result, we may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity. Our ability to refinance debt or obtain additional financing will depend on, among other things:

- our financial condition at the time;
- restrictions in the indenture governing the notes and any other indebtedness; and
- other factors, including financial market or industry conditions.

As a result, we may not be able to refinance any of our indebtedness, including the notes, on commercially reasonable terms, or at all. If our operations do not generate sufficient cash flow from operations, and additional borrowings or refinancings are not available to us, we may not have sufficient cash to enable us to meet all of our obligations, including payments on the notes.

Recent developments in the convertible debt markets may adversely affect the market value of the notes.

Governmental actions that interfere with the ability of convertible debt investors to effect short sales of the underlying shares of our common stock could significantly affect the market value of the notes. Such government actions would make the convertible arbitrage strategy that many convertible debt investors employ difficult to execute for outstanding convertible debt of any company whose shares of common stock are subject to such actions. The convertible debt

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markets have experienced unprecedented disruptions resulting from, among other things, the instability in the credit and capital markets and the emergency orders issued by the SEC on September 17 and 18, 2008 (and extended on October 1, 2008). These orders were issued as a stop-gap measure while the U.S. Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. Among other things, these orders temporarily imposed a prohibition on effecting short sales of common stock of certain financial companies. As a result, the SEC orders made the convertible arbitrage strategy that many convertible debt investors employ difficult to execute for outstanding convertible debt of those companies whose common stock was subject to the short sale prohibition. Although the SEC orders expired on October 8, 2008, the SEC is currently considering instituting other limitations on effecting short sales (such as the up-tick rule) and other regulatory organizations may do the same. Among the approaches to restrictions on short selling currently under consideration by the SEC, one would apply on a market wide and permanent basis, including adoption of a new up-tick rule or an alternative up-tick rule that would allow short selling only at an increment above the national best bid, while the other would apply only to a particular security during severe market declines in that security, and would involve, among other limitations, bans on short selling in a particular security during a day if there is a severe decline in price in that security. If such limitations are instituted by the SEC or any other regulatory agencies, the market value of the notes could be adversely affected.

The market price of the notes could be significantly affected by the market price of our common stock and other factors.

We expect that the market price of our notes will be significantly affected by the market price of our common stock. This may result in greater volatility in the market price of the notes than would be expected for nonconvertible debt securities. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock. These risks include those described or referred to in this Risk factors section and in the other documents incorporated herein by reference.

In addition, the stock market in recent years has experienced significant price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, make it difficult to predict the market price of our common stock in the future and cause the value of your investment to decline. Because the notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of the notes. Holders who receive common stock upon conversion of the notes will also be subject to the risk of volatility and depressed prices of our common stock.

Despite our current debt levels, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial debt.

We may be able to incur additional debt in the future. The terms of the indentures governing the notes and the senior notes will allow us to incur substantial amounts of additional debt, subject to certain limitations. For example, under the indenture governing the senior notes, we may incur additional indebtedness in an amount equal to the greater of: $200 million and a borrowing base equal to 85% of accounts receivables and 60% of inventory (up to a maximum of $1,000 million) under one or more credit facilities and an additional $150 million under any type of borrowing arrangement. The indenture governing the notes does not limit our ability to incur additional indebtedness. If new indebtedness is added to our current debt levels, the risks we face with respect to our substantial indebtedness could intensify. Moreover, the indenture governing the notes and our other debt agreements do not impose any limitation on our incurrence of liabilities that are not considered indebtedness under the terms of such documents.

We may not have the ability to raise the funds necessary to purchase the notes upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the notes.

Upon the occurrence of a fundamental change, as specified in the indenture, you will have the right, as a holder of the notes, to require us to repurchase all of your notes at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, including additional interest, if any, to the date of repurchase, as described under Description of the notes Fundamental change permits holders to require us to purchase notes. In addition, holders of the senior notes being offered concurrently will also have the right to require us to make a similar offer to purchase our senior notes upon the occurrence of certain kinds of change of control events.

We may not be able to pay you the required price for your notes at that time because we may not have available funds to pay the repurchase price. We also may not have available funds to be able to repurchase the senior notes. In addition, the terms future debt may prevent us from paying you. There can be no assurance that we would be able to repay such other debt or obtain consents from the holders of such other debt to repurchase these notes, or the senior notes. Any requirement to offer to purchase any outstanding notes or senior notes may result in us having to refinance our outstanding indebtedness, which we may not be able to do. In addition, even if we were able to refinance our outstanding indebtedness, such financing may be on terms unfavorable to us. In addition, our ability to repurchase the notes or the senior notes may be limited by law or by regulatory authority

Our failure to repurchase surrendered notes or senior notes at a time when the repurchase is required by their respective indentures would constitute a default under each respective indenture. A default under either of the indentures or the fundamental change itself could also lead to a default under the agreements governing our other indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes or senior notes or make cash payments upon conversions thereof.

The conditional conversion features of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion features of the notes are triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option. See Description of the notes Conversion rights. Even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The conditional conversion features of the notes could result in your receiving less than the value of our common stock into which the notes would otherwise be convertible.

Prior to April 15, 2014, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of our common stock, cash or a combination thereof, as the case may be, into which the notes would otherwise be convertible.

Future sales of shares of our common stock may depress its market price.

In the future, we may sell additional shares of our common stock to raise capital. Sales of substantial amounts of additional shares of common stock, including shares of common stock underlying the notes and shares issuable upon exercise of outstanding options and vesting of outstanding restricted stock units, as well as sales of shares that may be issued in connection with future acquisitions or for other purposes, including to finance our operations and business strategy or to adjust our ratio of debt-to-equity, or the perception that such sales could occur, may have a harmful effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. The price of our common stock could also be affected by possible sales of our common stock by investors who view the notes being offered in this offering as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect will develop involving our common stock.

Holders of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.

To the extent we issue shares of our common stock to satisfy our conversion obligation, holders of notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) until settlement, which may be following the last trading day of the observation period related to the conversion of such notes (if any), but holders of notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the close of business on the last trading day of the observation period related to a holder s conversion of its notes, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

You may have to wait a substantial period of time before receiving amounts due upon conversion of the notes.

Some of the settlement methods described under Description of the notes Conversion rights Settlement upon conversion have an associated observation period which will determine the amount of consideration a holder will receive upon conversion. The price of our common stock could decline during that period which would adversely affect the amount and/or value of the consideration a holder will receive upon conversion. In other circumstances as described under Description of the notes Conversion rights Settlement upon conversion, you will have to wait until after the expiration of the 40 trading-day observation period before receiving the consideration due upon conversion.

Upon conversion of the notes, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your conversion right.

Under the notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation. If we elect to settle our conversion obligation in cash, or in

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cash and shares of our common stock, the amount of consideration that you will receive upon conversion of your notes is in part determined by reference to the volume weighted average prices of our common stock for each trading day in a 40 trading-day observation period. Accordingly, if the price of our common stock decreases during this period, the amount and/or value of consideration you receive will be adversely affected. In addition, if the market price of our common stock at the end of such period is below the average of the volume weighted average price of our common stock during such period, the value of any shares of our common stock that you receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares you will receive.

The notes are not protected by restrictive covenants.

The indenture does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change involving NIC, except to the extent described under Description of the notes Fundamental change permits holders to require us to purchase notes, Description of the notes Conversion rights Adjustment to shares delivered upon conversion upon a make-whole fundamental change and Description of the notes Consolidation, merger and sale of assets.

The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction.

If a make-whole fundamental change occurs prior to maturity, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the make-whole fundamental change becomes effective and the price paid (or deemed paid) per share of our common stock in such transaction, as described below under Description of the notes Conversion rights Adjustments to shares delivered upon conversion upon a make-whole fundamental change. The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than $145.00 per share or less than $37.24 per share (in each case, subject to adjustment), no adjustment will be made to the conversion rate. Moreover, in no event will the conversion rate as a result of this adjustment exceed 26.8528 shares per $1,000 principal amount of notes, subject to adjustments in the same manner as the conversion rate as set forth under Description of the notes Conversion rights Conversion rate adjustments.

Our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers as described under Description of the notes Conversion rights Conversion rate adjustments. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or the common stock.

An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes or to increase the conversion rate of the notes.

Upon the occurrence of a fundamental change, you have the right to require us to repurchase your notes and may have the right to convert your notes with an increased conversion rate. However, the definition of the term fundamental change is limited to only certain transactions or events. Therefore, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions or events that do not constitute a fundamental change but that could nevertheless adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the notes or providing you with the right to convert your notes at an increased conversion rate. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes or to convert the notes with an increased conversion rate, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings or otherwise adversely affect the value of the notes.

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

Prior to this offering, there has been no trading market for the notes. We do not intend to apply for listing of the notes on any securities exchange or to arrange for quotation on any interdealer quotation system. While the underwriters may make a market in the notes, they are not obligated to do so and may cease their market making at any time without notice. Even if the underwriters make a market in the notes, the liquidity of such a market may be limited. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case you may not be able to sell your notes at a particular time or you may not be able to sell your notes at a favorable price.

Conversion of the notes may dilute the ownership interest of existing stockholders, including holders who have previously converted their notes.

The conversion of some or all of the notes may dilute the ownership interests of existing stockholders. Any sales in the public market of any shares of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the anticipated conversion of the notes into shares of our common stock or a combination of cash and shares of our common stock could depress the price of our common stock.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. If a make-whole fundamental change occurs on or prior to the maturity date of the notes, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax. See Certain U.S. federal income tax considerations.

If you are a Non-U.S. Holder (as defined in Certain U.S. federal income tax considerations), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set-off against subsequent payments. Under the terms of the supplemental indenture, we are not obligated to pay you any additional amounts in respect of such withheld taxes. See Certain U.S. federal income tax considerations.

The convertible note hedge and warrant transactions may affect the value of the notes and our common stock.

In connection with the pricing of the notes, we entered into convertible note hedge transactions with affiliates of certain of the underwriters (the hedge counterparties). The convertible note hedge transactions are expected to reduce the potential dilution upon conversion of the notes. We also entered into separate warrant transactions with the hedge counterparties. However, the warrant transactions could separately have a dilutive effect on our earnings per share to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants. If the underwriters exercise their over-allotment option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes and from the sale of additional warrants to enter into additional convertible note hedge transactions.

In connection with establishing their initial hedge of the convertible note hedge and warrant transactions, the hedge counterparties or their affiliates expect to enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time.

In addition, the hedge counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so following conversion of the notes and during any related observation period). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs following conversion of the notes and during any related observation period, it could affect the number of shares and value of the consideration that you will receive upon conversion of the notes.

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In addition, if any such convertible note hedge and warrant transactions fail to become effective or are terminated early, whether or not this offering of notes is completed, the hedge counterparties may unwind their hedge positions with respect to our common stock, which could adversely affect the value of our common stock and, if the notes have been issued, the value of the notes.

Risks related to the common stock

Certain charter and statutory provisions may have an anti-takeover effect.

Our certificate of incorporation provides that the affirmative vote of holders of the greater of (a) a majority of the voting power of all common stock or (b) at least 85% of the shares of common stock present at a meeting is required to approve certain mergers and consolidations or a sale of all or substantially all of our assets, or a supermajority transaction. Accordingly, any holder of 15% or more of the aggregate outstanding common stock represented at any meeting of shareowners will be able to block any supermajority transaction. Our certificate of incorporation and by-laws also contain provisions which:

- permit us to issue so-called flexible preferred stock,
- provide for a classified board of directors (which has the effect under Delaware law of precluding shareowners from removing directors without cause),
- limit the filling of board vacancies to the remaining directors, and
- prohibit shareowners from taking action by written consent or calling special meetings.

We also are subject to Section 203 of the Delaware General Corporation Law, or DGCL, which restricts us from engaging in certain business combinations with interested stockholders. The fact that our utilization of its net operating losses could be adversely affected by a change of control also could have an anti-takeover effect.

Although not intended, the foregoing provisions may adversely affect the marketability of the common stock by discouraging potential investors from acquiring our stock. In addition, these provisions could delay or frustrate the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, or impede an attempt to acquire a significant or controlling interest in us, even if such events might be beneficial to us and our shareowners. See Description of capital stock Certain certificate of incorporation and by-laws provisions; certain provisions of Delaware law.

Possible volatility of NIC s share price increases the risk of your investment.

Numerous factors may significantly affect the market price for our common stock. Such factors include the announcement of new products or other strategic initiatives by us or our competitors, technological innovations by us or our competitors, the growth and expansion of our business, trends and uncertainties affecting the truck manufacturing industry as a whole, issuances and repurchases of common stock, quarterly variations in our operating results or the operating results of our competitors, investors expectations of NIC s prospects, changes in earnings estimates by analysts or reported results that vary materially from such estimates and general economic and other conditions, including the cyclical nature of our business. In addition, in recent years the stock market has experienced extreme price fluctuations. This volatility has had a

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substantial effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of the common stock.

We do not intend to pay dividends for the foreseeable future.

We have not paid dividends on our common stock since 1980 and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain our earnings, if any, to use in our ongoing operations. In addition, the terms of the agreements governing our indebtedness restrict our ability to pay dividends on our common stock. Furthermore, our board of directors has the authority to issue one or more series of preferred stock without action of the stockholders. Although we have no present plan to issue any additional series of preferred stock or preference shares, the issuance of any additional series could also have the effect of limiting dividends on the common stock. See Description of capital stock.

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Forward-looking statements

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

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

Our technology solution to meet U.S. federal 2010 emissions requirements may not be successful or may be more costly than planned.

We may be subject to greenhouse gas regulations.

We operate in the highly competitive North American truck market.

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

Current credit market conditions may impair our access to sufficient capital to engage in financing activities.

Our liquidity position may be adversely affected by a continued downturn in our industry and the upcoming maturity of the NFC senior credit facility.

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

We may not achieve all of the expected benefits from our current business strategies and initiatives.

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

Our business may be adversely affected by government contracting risks.

We must comply with numerous miscellaneous federal national security laws, procurement regulations, and procedures, as well as the rules and regulations of foreign jurisdictions, and our failure to comply could adversely affect our business.

- Our products are subject to export limitations and we may be prevented from shipping our products to certain nations or buyers.

- We may fail to properly identify and correct material weaknesses or comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

- We have significant under-funded postretirement obligations.

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

- Our ability to use NOL carryovers to reduce future tax payments could be negatively impacted if there is a change in our ownership or a failure to generate sufficient taxable income.

- We are involved in pending litigation and an adverse resolution of such litigation may adversely affect our business, financial condition, results of operations or cash flows.

- Potential future impairments of our goodwill, intangible assets, or other long-lived assets could adversely affect our financial condition and results of operations.

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

All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

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Use of proceeds

The net proceeds from this offering of the notes, after deducting the underwriters discounts and commissions and estimated offering expenses payable by us, are estimated to be approximately $532.5 million (or approximately $605.25 million if the underwriters exercise in full their over-allotment option). The net proceeds from our concurrent senior notes offering are estimated to be approximately $945 million, after deducting the underwriters discounts and commissions and estimated offering expenses payable by us.

We expect to use a portion of the net proceeds from this offering and the concurrent senior notes offering to repay all amounts outstanding under the Credit Facilities, together with any accrued and unpaid interest thereon, and approximately $19 million to cash collateralize certain outstanding letters of credit. The remaining proceeds from these offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives.

If the underwriters exercise their over-allotment option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of additional notes and from the sale of additional warrants to enter into additional convertible note hedge transactions.

The Credit Facility has a final scheduled maturity of January 19, 2012, and the borrowings thereunder had a weighted average interest rate of 3.54% as of July 31, 2009.

Certain affiliates of the underwriters are lenders under our existing Credit Facility and such affiliates, in their capacities as lenders, will receive a portion of the net proceeds of this offering. See Underwriting.

This offering is not conditioned upon the completion of the concurrent senior notes offering.

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Price range of common stock and dividend policy

Prior to February 14, 2007, our common stock was listed on the New York Stock Exchange (NYSE), the Chicago Stock Exchange, and the Pacific Stock Exchange under the abbreviated stock symbol NAV. Effective February 14, 2007, our common stock was de-listed from the aforementioned exchanges and then traded on the Over-the-Counter (OTC) market under the symbol NAVZ until June 30, 2008, at which time our common stock was re-listed on the NYSE. As of November 30, 2008, there were approximately 13,615 holders of record of our common stock.

The following is the high and low market price per share of our common stock from NYSE and OTC for each quarter of 2007 and 2008. Our stock was traded on the OTC market for part of the second quarter of 2007, the third and fourth quarters of 2007, the first and second quarters of 2008, and for part of the third quarter of 2008. The OTC market quotations in the table below reflect inter-dealer prices, without retail mark-up, mark-down, or commissions and may not represent actual transactions.

	Price Range	
	High	**Low**
Fiscal 2007		
First Quarter ended January 31	$44.56	$26.89
Second Quarter ended April 30	59.50	39.35
Third Quarter ended July 31	74.60	53.10
Fourth Quarter ended October 31	72.00	46.00
Fiscal 2008		
First Quarter ended January 31	$64.45	$43.75
Second Quarter ended April 30	66.05	48.00
Third Quarter ended July 31	79.05	50.29
Fourth Quarter ended October 31	63.50	21.95
Fiscal 2009		
First Quarter ended January 31	$33.34	$15.24
Second Quarter ended April 30	38.10	22.25
Third Quarter ended July 31	48.94	35.84
Fourth Quarter ending October 31 (through October 22, 2009)	48.26	35.14

Holders of our common stock are entitled to receive dividends when and as declared by the Board of Directors out of funds legally available therefor, provided that, so long as any shares of our preferred stock and preference stock are outstanding, no dividends (other than dividends payable in common stock) or other distributions (including purchases) may be made with respect to the common stock unless full cumulative dividends, if any, on our shares of preferred stock and preference stock have been paid. Under the General Corporation Law of the State of Delaware, dividends may only be paid out of surplus or out of net profits for the year in which the dividend is declared or the preceding year, and no dividend may be paid on common stock at any time during which the capital of outstanding preferred stock or preference stock exceeds our net assets.

Our ability to declare and pay dividends is effectively limited by restrictions contained in our asset-backed credit facility that limits the amount of distributions that Navistar, Inc. may make to us in the event that it has less than $50 million of borrowing availability thereunder. The

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indenture under which we expect to issue the senior notes being offered concurrently with the notes will contain restrictions on our ability to pay cash dividends on our common stock.

Ratio of earnings to fixed charges

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

Nine months ended July 31,		Fiscal year ended October 31,				
2009	2008	2008	2007	2006	2005	2004
2.10x	2.31x	1.38x		1.86x	1.45x	

The ratio of earnings to fixed charges is determined by dividing the sum of pre-tax income from continuing operations, interest expense, debt amortization expense and the portion of rental expense deemed representative of an interest factor, less minority interest, by the sum of capitalized interest, interest expense and debt amortization expense. For fiscal 2007 and 2004, our earnings were insufficient to cover fixed charges by $80 million and $36 million, respectively. On a pro forma basis giving effect to the sale of the notes in the offering and the concurrent offering of the senior notes and the application of the net proceeds therefrom as set forth under Use of proceeds, our ratio of earnings to fixed charges for the nine months ended July 31, 2009 and fiscal 2008 would have been 1.87x and 1.38x, respectively.

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Capitalization

The following table sets forth our cash, cash equivalents and marketable securities and capitalization as of July 31, 2009 on:

- an actual basis; and

- as adjusted to give effect to the sale of the notes in this offering and the concurrent offering of the senior notes and the application of the net proceeds therefrom as set forth in Use of proceeds and the convertible note hedge and warrant transactions.

This table should be read in conjunction with the information contained herein under the heading Use of proceeds, and under the heading Management s Discussion and Analysis of Results of Operations and Financial Condition and in our consolidated financial statements and notes thereto, each of which is in our 2008 Annual Report and in our Third Quarter 10-Q, each of which are incorporated by reference in this prospectus supplement.

	At July 31, 2009	
(in millions, except per share data)	**Actual**	**As adjusted**
Cash and cash equivalents:		
Manufacturing operations(1)	$ 751	$ 841
Financial services operations	70	70
Total cash and cash equivalents	$ 821	$ 911
Total debt (including current portion):		
Manufacturing operations:		
Credit Facilities, due 2012(2)	$ 1,330	$
3.00% convertible subordinated notes offered hereby		550
8.25% senior notes offered in a concurrent offering(3)		963
Majority-owned *International* dealership debt(4)	162	162
Financing arrangements and capital lease obligations(5)	278	278
7.5% senior notes due 2011 (net of unamortized discount of less than $1 million)	15	15
9.95% senior notes due 2011	4	4
Other	16	16
Total manufacturing operations debt	1,805	1,988
Financial services operations(6):		
Asset-backed debt issued by consolidated SPEs, at variable rates, due serially through 2016	1,439	1,439
Bank credit facilities, at fixed and variable rates, due dates from 2010 through 2013(7)	1,259	1,259
Revolving retail warehouse facility, at variable rates, due 2010	500	500
Commercial paper, at variable rates, due serially through 2010	75	75
Borrowings secured by operating and finance leases, at various rates, due serially through 2016	128	128
Total financial services debt	3,401	3,401
Total debt	5,206	5,389
Stockholders deficit:		
Series D convertible junior preference stock (liquidation preference $4 million)	4	4
Common stock, $0.10 par value per share, 110.0 million shares authorized, 75.4 million shares issued and outstanding	7	7

Additional paid in capital	2,106	2,070
Accumulated deficit	(2,158)	(2,200)
Accumulated other comprehensive loss	(1,157)	(1,157)
Common stock held in treasury, at cost, 4.8 million shares	(154)	(154)
Total stockholders deficit	(1,352)	(1,430)
Total capitalization	$ 3,854	$ 3,959

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(1) We entered into convertible note hedge and warrant transactions in connection with the offering. We used approximately $36 million of existing cash to pay the costs of such transactions. We have reduced the amount of cash we would have had as of July 31, 2009 on an as adjusted basis to reflect the cost of these transactions. The amount of cash we would have had as of July 31, 2009 on an as adjusted basis does not include $19 million of cash that we intend to use to cash collateralize certain outstanding letters of credit.

(2) In connection with the repayment of all amounts outstanding under the Credit Facilities, we will write-off all unamortized capitalized debt issuance costs associated with such facility, which had a balance of $16 million as of July 31, 2009. The foregoing table does not reflect this write-off.

(3) The senior notes offered concurrently have been recorded at their discounted value. This discount will be amortized over the life of the senior notes as additional interest expense.

(4) Represents indebtedness incurred by certain of our majority-owned subsidiaries whose principal business is owning an International dealership. These subsidiaries are acquired and disposed of from time to time by us in order to facilitate the transition of International dealerships from one independent owner to another. Neither NIC nor any of its other subsidiaries have guaranteed any of the obligations of these subsidiaries with respect to this indebtedness. These subsidiaries will be Unrestricted Subsidiaries under the indenture governing the notes. As a result, these subsidiaries will not be bound by any of the covenants and operating restrictions contained in the indenture and their outstanding indebtedness will not affect, among other things, the amount of indebtedness we may incur under the indenture.

(5) Included in our financing arrangements and capital lease obligations are financing arrangements of $268 million as of July 31, 2009. These arrangements involve the sale and leaseback of manufacturing equipment that we consider to be integral equipment and thus we account for these arrangements as financings. The inception dates of these arrangements range from December 1999 to June 2002, the remaining terms range from 10 months to 5 years and the effective interest rates range from 3.2% to 9.6%. In addition, the amount of financing arrangements and capital lease obligations include $10 million of capital leases for real estate and equipment as of July 31, 2009. As of July 31, 2009, Navistar, Inc. had approximately $270 million of outstanding secured indebtedness under various financing arrangements and capital lease obligations.

(6) The subsidiaries that comprise our financial services operations will be Unrestricted Subsidiaries under the indenture governing the notes. As a result, these subsidiaries will not be bound by any of the covenants and operating restrictions contained in the indenture and their outstanding indebtedness will not affect, among other things, the amount of indebtedness we may incur under the indenture.

(7) Includes borrowings of approximately $282 million by NIC s Mexican finance subsidiaries under various bank credit facilities, of which approximately $29 million was guaranteed by each of NFC and NIC, approximately $170 million was guaranteed by NFC and approximately $59 million was guaranteed by NIC. The amount of total manufacturing operations debt as set forth in the foregoing table does not include NIC s guarantees of this indebtedness. See Description of other financing arrangements Financial Services operations Other Financial Services borrowings.

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Management

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

Name	Age	Position
Daniel C. Ustian	59	Chairman, President and Chief Executive Officer
Andrew J. Cederoth	44	Executive Vice President and Chief Financial Officer
Steven K. Covey	58	Senior Vice President, Chief Ethics Officer and General Counsel
James M. Moran	43	Vice President and Treasurer
John P. Waldron	45	Vice President and Controller
Curt A. Kramer	41	Corporate Secretary