NAVISTAR INTERNATIONAL CORP
Form 424B3
January 12, 2017
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**Filed Pursuant to Rule 424(b)(3)**
**Registration No. 333-213745 and 333-213745-01**

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any jurisdiction where the offer and sale is not permitted.

Subject to completion, dated January 12, 2017

PROSPECTUS SUPPLEMENT

(To Prospectus dated October 5, 2016)

**$200,000,000**

# Navistar International Corporation

## 8.25% Senior Notes due 2021

We are offering $200,000,000 aggregate principal amount of our 8.25% Senior Notes due 2021 (the notes ). The notes will be issued as additional notes under the indenture (the indenture ) governing the outstanding $1,200,000,000 in aggregate principal amount of our existing 8.25% Senior Notes due 2021 that we issued on October 28, 2009 and April 2, 2013 (the Existing Senior Notes ). The notes will be treated under the indenture as a single series with the Existing Senior Notes and will have the same terms as the Existing Senior Notes. The notes will have the same CUSIP number and will be fungible with the Existing Senior Notes. Upon the issuance of the notes, the outstanding aggregate principal amount of our 8.25% Senior Notes due 2021 will be $1,400,000,000. The notes will bear interest at a rate of 8.25% per year, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2017. Interest will accrue on the notes from November 1, 2016 and the initial interest payment to holders of the notes on May 1, 2017 will be the same per note as that to holders of the Existing Senior Notes. The notes will mature on November 1, 2021. Unless the context otherwise requires, references herein to the notes include both the notes offered hereby and the Existing Senior Notes.

We may redeem the notes, in whole or in part, at the redemption prices described under Description of Notes Optional Redemption. If we sell certain of our assets or experience specific kinds of changes in control, we must offer to repurchase the notes.

The notes will be our senior unsecured obligations and will rank equal in right of payment with our existing and future unsecured senior indebtedness. The notes will rank senior in right of payment to all of our existing and future subordinated indebtedness. The notes will also be effectively junior to our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, regardless of whether such indebtedness would otherwise constitute senior indebtedness. The notes will be effectively junior to the third-party equity interests in our majority-owned dealerships and joint ventures to the extent of those interests. The notes will be guaranteed on a senior unsecured basis by our principal operating subsidiary, Navistar, Inc. (the Guarantor ). The guarantee of the notes by the Guarantor will rank equal in right of payment with any and all of the Guarantor s existing and future indebtedness that is not subordinated in right of payment to such guarantee, senior in right of payment to any and all of the Guarantor s future indebtedness that is subordinated in right of payment to such guarantee and effectively subordinated to all existing and future secured indebtedness of the Guarantor to the extent of the value of the collateral securing such indebtedness (regardless of whether such indebtedness would otherwise constitute senior indebtedness). The notes will be structurally subordinated to all existing and future obligations of those of our subsidiaries that do not guarantee the notes.

The notes will not be listed on any securities exchange.

For a more detailed description of the notes, see Description of Notes beginning on page S-50 of this prospectus supplement.

**Investing in the notes involves risks, including those described in the Risk Factors section beginning on page S-25 of this prospectus supplement. You should also consider the risk factors described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.**

| | Per note | Total |
|---|---|---|
| Public offering price (1) | % | $ |
| Underwriting discounts and commissions | % | $ |
| Proceeds, before expenses, to us (1) | % | $ |

(1) Public offering price and proceeds, before expenses, to us do not include the amount of accrued interest on the notes from November 1, 2016, to but excluding the delivery date. All such pre-issuance accrued interest will be paid by the purchasers of the notes. On May 1, 2017, we will pay this pre-issuance accrued interest to the holders of the notes on the applicable record date along with interest accrued on the notes from the date of delivery to May 1, 2017.

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

We expect that delivery of the notes will be made to investors in book-entry form through the facilities of The Depository Trust Company on or about , 2017.

*Joint Book-Running Managers*

| **BofA Merrill Lynch** | **Goldman, Sachs & Co.** | **J.P. Morgan** |
| --- | --- | --- |

*Co-Manager*

**Citigroup**

The date of this prospectus supplement is , 2017.

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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 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 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 herein and therein by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

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## CERTAIN DEFINED TERMS

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

- 2016 Annual Report means our Annual Report on Form 10-K for the fiscal year ended October 31, 2016, filed on December 20, 2016;
- 2018 Convertible Notes means NIC s 4.50% Senior Subordinated Convertible Notes due October 2018;
- 2019 Convertible Notes means NIC s 4.75% Senior Subordinated Convertible Notes due April 2019;
- common stock refers to NIC s common stock, par value $0.10 per share;
- the Company, us, we, our and Navistar refer collectively to Navistar International Corporation and consolidated subsidiaries;
- mid-range diesel engines refers to 160-325 horsepower diesel fuel-powered engines;
- Navistar, Inc. refers to Navistar, Inc., NIC s direct, wholly owned subsidiary through which it conducts the majority of its manufacturing operations;
- 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 dealers and customers in Mexico, comprise substantially all of our financial services operations;
- NIC refers to Navistar International Corporation, exclusive of its consolidated subsidiaries;
- North America refers to the United States ( U.S. ) and Canada; and
- OEMs refers to original equipment manufacturers.

We report our annual results for our fiscal year, which ends 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, 2016 is referred to as fiscal 2016. All references to a particular year contained within this prospectus supplement relate to the fiscal year unless otherwise indicated.

## MARKET AND INDUSTRY DATA

Certain 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 are 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, cannot guarantee its accuracy and completeness and neither we nor the underwriters make any representation as to the accuracy of such data or information. Accordingly, investors should not place undue reliance on such data or information.

## WHERE YOU CAN FIND MORE INFORMATION

NIC 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 together form 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 concerning the provisions of legal documents are summaries and do not necessarily purport to be complete and are subject to, or qualified by reference to, the definitive agreements. Copies of the definitive agreements will be made available without charge to you in response to a written or oral request to us.

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## SUMMARY

*The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement or incorporated by reference herein and the consolidated financial statements and related notes in the documents incorporated by reference herein, including our 2016 Annual Report. You should carefully read the entire prospectus supplement and the documents incorporated by reference herein, including the information under the heading Risk Factors.*

## OUR BUSINESS

### Overview

We are an international manufacturer of *International*® brand commercial and military trucks, proprietary diesel engines, *IC Bus* ( IC ) brand school and commercial buses, as well as a provider of service parts for trucks and diesel engines. We also provide retail, wholesale and lease financing services for our trucks and parts.

For fiscal 2016 and 2015, our manufacturing operations (defined below) had sales of manufactured products of $7,976 million and $9,995 million, respectively, Manufacturing Adjusted EBITDA (as defined in Supplemental Consolidated Financial Data ) of $358 million and $345 million, respectively, and net loss attributable to Navistar International Corporation of approximately $97 million and $184 million, respectively. See Summary Consolidated Financial Data and Note (7) thereto for a reconciliation of loss from continuing operations attributable to Navistar International Corporation, net of tax, to Manufacturing Adjusted EBITDA for these periods and Selected Consolidating Financial Data.

We market our commercial products primarily through our extensive independent dealer network in North America, which offers a comprehensive range of services and other support functions to our end users. Our commercial trucks are distributed in virtually all key markets through our distribution and service network retail outlets, which are comprised, as of October 31, 2016, of 728 outlets in the United States and Canada and 94 outlets in Mexico. Parts are delivered to our customers either through one of our eleven regional parts distribution centers operated out of North America or through direct shipment from our suppliers. We provide certain financial services to our customers and dealers through NFC and our foreign finance operations.

### Our Products and Services

Our principal products and services include:

*Trucks* We manufacture and distribute Class 4 through 8 trucks and buses in the common carrier, private carrier, government, leasing, construction, energy/petroleum, military vehicle and student and commercial transportation markets under the International® and IC brands. We design and manufacture proprietary diesel engines for our International® brand trucks and military vehicles and IC brand buses.

*Parts* We support our International® brand commercial and military trucks, IC brand buses, and our proprietary engines, as well as our other product lines, by distributing proprietary products together with a wide selection of other standard truck, trailer and engine service parts.

*Financial Services* We provide retail, wholesale and lease financing of products sold by the Truck and Parts segments, as well as their dealers within the United States and Mexico.

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**Supplemental Information**

Set forth below is certain information regarding our truck products:

| | Fiscal Year ended October 31, 2016 | |
|---|---|---|
| **Description** | **Chargeouts** | **Estimated market share (A)** |
| **Core markets (United States and Canada)** | | |
| School Bus | 11,200 | 34% |
| Class 6 and 7 Medium Trucks | 17,800 | 21% |
| Class 8 Heavy Trucks | 16,300 | 10% |
| Class 8 Severe Service Trucks (B) | 7,600 | 13% |
| **Total Core markets** | 52,900 | 16% |
| Non Core Military | 500 | |
| Other Markets (C) | 9,900 | |
| **Total worldwide units** | 63,300 | |
| Combined Class 8 Trucks | 23,900 | 11% |

(A) Approximate retail delivery market share percentages are based on market-wide information as of October 31, 2016 from Wards Auto and R.L. Polk & Co. The school bus retail delivery market share information is reported on a one-month lag.

(B) Includes Caterpillar®-branded units sold to Caterpillar Inc. pursuant to a supply agreement.

(C) Other markets primarily consist of our export truck and Mexico markets.

**Our Industry Segments**

We operate in four industry segments: Truck, Parts, Global Operations (collectively referred to as manufacturing operations ) and Financial Services, which consists of NFC and our foreign finance operations (collectively referred to as financial services operations ).

Set forth below is certain information regarding our industry segments:

| | Fiscal year ended October 31, 2016 | |
|---|---|---|
| **Industry segment** | **Revenues (A) ($ in millions)** | **% Revenues, net** |
| Truck | $ 5,271 | 65.0% |

| | | |
|---|---|---|
| Parts | 2,398 | 29.6 |
| Global Operations | 296 | 3.7 |
| **Total manufacturing operations (B)** | 7,965 | 98.3 |
| Financial Services | 135 | 1.7 |
| Total (C) | $ 8,100 | 100.0% |

(A) Excludes intercompany sales and revenues of $132 million, $29 million, $45 million and $100 million for our Truck, Parts, Global Operations and Financial Services industry segments, respectively.

(B) Includes worldwide chargeouts of 63,300 trucks and buses. We define chargeouts as trucks that have been invoiced to customers. The units held in dealer inventory represent the principal difference between retail deliveries and chargeouts.

(C) Excludes revenue of $10 million attributed to Corporate as such revenue is not otherwise attributable to one of our four industry segments.

***Truck Segment***

Our Truck segment manufactures and distributes Class 4 through 8 trucks, buses and military vehicles under the International® and IC brands, along with production of proprietary engines, primarily in the North America markets that include the United States, Canada and Mexico. Our Truck segment also includes our truck export business under the International® and IC brands as well as products that support the military truck product lines. The proprietary engines produced in North America are primarily used in our trucks and buses. Our strategy is to deliver the highest quality commercial trucks, buses and military vehicles. We continue to develop our expansion markets, which includes the exportation of our truck and bus products. The Truck segment is our largest operating segment based on total external sales and revenues.

***Parts Segment***

Our Parts segment supports our brands of International® commercial trucks, IC buses and proprietary engines, as well as our other product lines, by providing customers with proprietary products together with a wide selection of other standard truck, trailer and engine service parts. In addition, our Parts segment includes our parts export business under the International® and IC brands. We distribute service parts through the dealer network that supports our trucks and engines. The Parts segment is our second largest operating segment based on total external sales and revenues.

***Global Operations Segment***

Our Global Operations segment includes businesses that derive their revenue from outside our Core markets in North America and primarily consists of the operations of our wholly owned subsidiary, International Indústria de Motores da América do Sul Ltda. ( IIAA ) (formerly MWM International Industria Automotiva Da America Do Sul Ltda. IIAA is a leader in the South American mid-range diesel engine market, manufacturing and distributing mid-range diesel engines and providing customers with additional engine offerings in the agriculture, marine, and light truck markets. Additionally, we also sell our engines to global OEMs for various on-and-off-road applications. We offer contract manufacturing services under IIAA s MWM brand to OEMs for the assembly of their engines, particularly in South America. Additionally, as part of its IIAA operations, the Global Operations segment has engine manufacturing operations in Argentina. The Global Operations segment is our third largest operating segment based on total external sales and revenues.

***Financial Services Segment***

Our Financial Services segment provides and manages retail, wholesale and lease financing of products sold by the Truck and Parts segments and their dealers. We also finance wholesale and retail accounts receivable. Substantially all revenues earned by the Financial Services segment are derived from services supporting the sales of our vehicles and products. The Financial Services segment continues to meet the primary goal of providing and managing financing to our customers in U.S. and Mexico markets by arranging cost-effective funding sources, while working to mitigate credit losses and impaired vehicle asset values. NFC provides wholesale financing for 100% of new truck inventory sold to our dealers and distributors in the United States through the customary free interest period offered by Navistar, Inc. At both October 31, 2016 and 2015, NFC retained floor plan financing for approximately 80% of the dealers after the free interest period. This segment is also facilitating financing relationships in other countries to align with our global operations.

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## OUR BUSINESS STRATEGY

Our Core business is the U.S. and Canada truck and parts markets, where we participate primarily in the Class 6 through 8 vehicle market segments (our Core markets). In the United States and Canada, nearly one in four Class 6 through 8 vehicles on the road today is an International® truck, with over one million International® trucks on the road. We also produce over a third of all school buses used in North America.

We also have one of the largest commercial vehicle parts distribution networks in the United States and a captive finance company. Outside of our Core markets, International® is one of the leading truck brands in Mexico and much of Latin America. We are also the largest diesel engine company in Brazil, with our wholly owned subsidiary IIAA. In addition, we export trucks, buses and engines to niche markets around the world.

We continue to take actions that we believe will improve our performance and continue to evaluate additional opportunities to enhance value to our customers. The following is a summary of Our 2016 Accomplishments and Our Expectations Going Forward.

### Our 2016 Accomplishments

***Entered into Volkswagen Truck & Bus Alliance***

On September 5, 2016, we entered into an alliance with Volkswagen Truck & Bus to pursue joint global sourcing opportunities and source technology for powertrains and other advanced technologies. Subject to satisfaction of certain conditions, including receipt of regulatory approvals, Volkswagen will take a 16.6% equity stake in Navistar by way of a capital investment.

***Launched Products and Product Features Important to Key Markets***

While we worked through the change in our strategy and the restructuring of our operations, we remained committed to product investment to increase customer value. In 2016, we began to achieve our plan to release a new or redesigned product, on average, every six months through 2018.

- In early 2016, we launched the International® HX Series, the first in a series of new product launches. The HX is a Class 8 premium truck for construction and vocational markets.

- In mid 2016, we introduced a Cummins ISL engine offering in our Medium and Severe Service trucks.

- In late 2016, we introduced the new International® LT with Cummins X15 series to replace our ProStar line of trucks.

- In late 2016, we introduced a propane engine in our school buses.

OnCommand Connection ( OnCommand ), our unique open architecture, all-makes remote diagnostics system, was tailored for the applications of our bus and truck customers to achieve more efficient repairs and maintenance, better life-cycle value, and an overall lower cost of ownership. OnCommand became standard on our vehicles in 2015, and we now have more than 250,000 vehicles subscribed to the OnCommand system.

***Improved Quality and Uptime***

We continued our relentless focus on improving quality and uptime in 2016.

We have reduced dealer dwell time through improvements in the diagnostics and repair procedures. An increasing number of service locations have achieved Diamond Edge certification, which is a dealer service performance program launched this year that includes rigorous requirements and measured results.

We have made great strides on improving the quality of components manufactured by our supply base. The quality performance of our supply base has improved to the point that we have seen a reduction in excess of 70% in supplier related defects in our manufacturing facility over the last four years. The reduction of internal defects will have a positive impact on the uptime and performance of our vehicles.

***Delivered on our Plan to Reduce Costs***

Since 2012, we have reduced our *selling, general and administrativ*e and *engineering and product development costs* (  structural costs  ). We continued to make progress in 2016, which we expect will pave the way for us to be profitable and free-cash flow positive as the truck market recovers from its current downturn.

Procurement and engineering design processes remain focused on lowering material costs.

We continued to implement cost saving initiatives, including reductions in discretionary spending and employee headcount reductions, resulting in lower structural costs of $147 million in 2016 compared to 2015.

Our focused factory strategy has been implemented across our plants whereby each facility is primarily focused on a specific platform, allowing for higher levels of manufacturing and logistics efficiency.

***Built Sales Momentum***

We believe that we have built considerable sales momentum throughout 2016. We quoted more customers in 2016 than in the previous year. Our order share is also increasing with lease/rental customers.

***Divesting Non-Core Businesses***

We continue to evaluate our portfolio of assets to optimize our cost structure. In February 2016, we sold Pure Power Technologies, a components business focused on air and fuel systems. Additionally, in August 2016, we sold our engine and foundry facilities in Indianapolis, Indiana.

**Our Expectations Going Forward**

Going forward, we will focus on implementing our customer-centric strategy. We believe our strategy will enable us to improve sales and market share by offering more value to our customers. Our strategy includes plans to:

- grow the Core business;
- seek new sources of revenue;

- drive operational excellence;
- leverage the Volkswagen Truck & Bus Alliance;
- invest in our people; and
- improve financial performance.

***Grow the Core Business***

We will continue to focus on leveraging our investments and assets to generate revenue growth.

- *New Product Launches* Many key product launches are planned through the next several years, including a new line of Class 4/5 commercial vehicles in the first half of 2018 that will be distributed separately through General Motors Company ( GM ) and our dealer networks. We also plan to introduce our new MV and RH models with superior fuel economy. To support greenhouse gas requirements, we will continue to introduce features that further improve fuel economy. We also plan to relaunch our proprietary 13L engine, which is critical to our success in the Heavy and Vocational markets.

- *Distribution Effectiveness* We will invest in the dealer organization to improve customer reach and sales effectiveness. Core to this strategy is recruitment and training of salespeople, improved operating practices and comprehensive internal sales support.

- *Building Customer Purchase Consideration* We intend to rebuild brand and customer loyalty across all of our Core markets.

***Seek New Sources of Revenue***

We plan to leverage our assets and capabilities to pursue new sources of revenue.

- *Grow Core Services* In 2016, we extended our relationship with GM by signing a long-term agreement to manufacture GM s G Van cutaway models at our Springfield, Ohio assembly plant. Production is to begin in the first calendar quarter of 2017.

- *Parts* We will pursue continued growth of the successful Fleetrite all makes parts offering and remanufacturing businesses. We will also leverage our connected vehicle platform and use of other technologies to accelerate parts and service growth.

*OnCommand Connection* We are planning to leverage the value of the data gathered through OnCommand Connection to generate new sources of revenue.

***Drive Operational Excellence***

We will drive improvement of key performance metrics such as product, manufacturing, structural costs, quality and uptime. A relentless focus on operational excellence is essential to delivering on our commitment to enhancing customer value.

***Leverage the Volkswagen Truck & Bus Alliance***

The alliance is valuable to Navistar across many areas:

- *Products and Technology* Volkswagen Truck & Bus and Navistar have a similar vision for the role of technology, including the importance of driver-focused open architecture solutions. The alliance will be a source of powertrain options and other high-value technologies, including advanced driver assistance systems, connected vehicle solutions, platooning and autonomous technologies, electric vehicles and cab and chassis subsystems;

- *Market Confidence* Increase consideration as part of a leading global truck alliance;

- *Parts* Create new parts sales and growth opportunities afforded by vertically integrated systems; and

- *Cost* Leverage global scale to achieve significant cost reduction synergies and drive more efficient research and development spend.

***Invest in our People***

We will align our people strategy with our capabilities to ensure we focus our people efforts where it matters most. We will focus on recruiting the right people and making sure they are productive as quickly as possible. Methods to retain, motivate, reward and recognize will be customized to ensure we build the workforce we need to achieve our goals.

***Improve Financial Performance***

Our financial performance continues to improve due to savings from cost reduction actions. We plan to lower our breakeven point in order to be prepared when the North American truck industry improves. Over time, we intend to reduce the amount of leverage on our balance sheet.

## RECENT DEVELOPMENTS

**Strategic Alliance with Volkswagen Truck & Bus**

On September 6, 2016, we announced that we had formed a wide-ranging strategic alliance with Volkswagen Truck & Bus GmbH ( VW T&B ), which includes an equity investment in us by VW T&B and framework agreements for strategic technology and supply collaboration and a procurement joint venture.

Pursuant to the terms of the stock purchase agreement governing the equity investment, and subject to satisfaction of certain conditions, including receipt of regulatory approvals, we will issue VW T&B an estimated 19.9% stake (16.6% on a pro forma basis) in the Company. In addition, we agreed to permit VW T&B to acquire up to 20% of the Company without triggering the restrictions that would otherwise be imposed by Section 203 of the Delaware General Corporation Law. VW T&B will also designate two people who are approved by us to be appointed to our Board of Directors. At the closing of this strategic alliance, we will issue VW T&B 16.2 million shares of our common stock

for a purchase price of $15.76 per share, representing an aggregate purchase amount of approximately $256 million.

The framework agreements expected to be entered into in connection with the alliance will enable us to offer customers expanded access to leading-edge products and services through collaboration on technology and the licensing and supply of VW T&B s products and components, while better optimizing our product development

spend. The alliance will also strengthen our liquidity position. In addition, the procurement joint venture is expected to leverage the purchasing power of VW T&B s three major truck brands, Scania, MAN and Volkswagen Caminhões e Ônibus, in addition to Navistar s International® and IC Bus brands, providing us with enhanced global scale. See Our Expectations Going Forward Leverage the Volkswagen Truck & Bus Alliance above for additional information regarding our new alliance with VW T&B and Risk Factors We may not complete our recently announced sale of shares of our common stock to VW T&B or the related agreements to cooperate in respect of engines, related components and technologies and to form a procurement joint venture, and, if completed, we may not realize all or any of the expected benefits from the contemplated strategic alliance.

The closing of the share issuance contemplated by the strategic alliance with VW T&B is subject to the satisfaction or waiver of various conditions, including the receipt of required regulatory approvals, the entry into definitive agreements concerning the procurement joint venture and the license and supply agreement, and other customary closing conditions. With respect to regulatory approvals, early termination of the waiting period under the Hart-Scott-Rodino Act was granted on October 17, 2016, and transaction filings have been submitted and remain outstanding with competition authorities in Brazil and Mexico, as well as with the Committee on Foreign Investment in the United States, the Defense Security Service and Directorate of Defense Trade Controls. We have also made substantial progress on, and continue to negotiate, documentation regarding the formation of a procurement joint venture and a license and supply agreement. We currently expect the closing of the transaction to occur in the first calendar quarter of 2017.

### Market Conditions Update

On our earnings call on December 20, 2016, we disclosed that the tough industry conditions experienced in the second half of 2016 are forecasted to continue into at least the first half of 2017. Therefore, our 2017 first half results will be challenged versus the corresponding period of 2016, though we continue to expect improvement in the second half of 2017.

## 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. 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, 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 October 31, 2016, NFC had $637 million of combined funding availability from its bank credit facility and asset-backed funding facilities. See Description of Certain Indebtedness Financial Services Operations.

We are obligated under certain agreements with public and private lenders of NFC to maintain NFC s consolidated income before interest expense and income taxes at not less than 125% of its total interest expense. Under these agreements, if NFC s consolidated income before interest expense and income taxes is less than 125% of its interest expense, NIC or Navistar, Inc. must make income maintenance payments to NFC to achieve the required ratio. No

such payments have been required during the fiscal year ended October 31, 2016.

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In addition, NIC has guaranteed an aggregate of $4 million of outstanding borrowings by its Mexican financial services subsidiaries under various bank credit facilities as of October 31, 2016.

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:

NIC s principal operating subsidiary, Navistar, Inc., will unconditionally guarantee on a senior unsecured basis all of NIC s obligations under the notes and the indenture. Substantially all of NIC s foreign and domestic manufacturing subsidiaries are Restricted Subsidiaries under the indenture. As of October 31, 2016, after giving effect to the completion of this offering and after excluding intercompany balances and intercompany guarantees, NIC s Restricted Subsidiaries (other than the Guarantor) would have had (i) approximately $14 million of outstanding indebtedness and (ii) approximately $1,611 million of assets, net of liabilities including trade payables and accrued expenses. For fiscal 2016, NIC and its Restricted Subsidiaries (including the Guarantor) generated $7,387 million of net sales of manufactured products to third parties and approximately $256 million of Manufacturing Adjusted EBITDA. See Summary Consolidated Financial Data Supplemental Financial and Operating Data.

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NFC, its subsidiaries, and NIC s foreign finance and International® truck dealership subsidiaries and the Blue Diamond joint venture entities are Unrestricted Subsidiaries under the indenture. As a result, these Unrestricted Subsidiaries are not bound by any of the covenants or operating restrictions contained in the indenture, and their outstanding indebtedness will not affect, among other things, the amount of indebtedness that NIC and its Restricted Subsidiaries may incur under the indenture. For more information relating to the Navistar, Inc. guarantee, NFC s financing arrangements and the relationship between Navistar, Inc. and NFC, see Capitalization, Description of Notes Guarantee and Description of Certain Indebtedness in this prospectus supplement. As of October 31, 2016, excluding intercompany balances and intercompany guarantees, NIC s Unrestricted Subsidiaries had (i) approximately $1,827 million of outstanding indebtedness, of which $1,808 million was indebtedness of our financial services operations, (ii) approximately $1,936 million of total liabilities, of which $1,933 million were liabilities of our financial services operations, and (iii) approximately $2,473 million of assets, of which $2,116 million constituted assets of our financial services operations.

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## THE OFFERING

*The notes will be issued as additional notes under the indenture (the indenture ), dated October 28, 2009, by and among NIC, the Guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee (the trustee ). Certain descriptions in this prospectus supplement and the accompanying prospectus of provisions of the indenture are summaries of such provisions and are qualified in their entirety by reference to the indenture. 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 Notes section in each of this prospectus supplement and the accompanying prospectus contains 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** | $200,000,000 million principal amount of 8.25% Senior Notes due 2021. We are issuing the notes as additional notes under the indenture. The notes will be treated as a single series under the indenture with the Existing Senior Notes for all purposes, will have the same terms as the Existing Senior Notes and will be fungible with the Existing Senior Notes. |
| **Maturity** | The notes will mature on November 1, 2021. |
| **Interest** | 8.25% per annum, payable semi-annually in arrears. |
| **Interest payment dates** | May 1 and November 1 of each year, beginning May 1, 2017. Interest will accrue from November 1, 2016, and the initial interest payment to holders of the notes on May 1, 2017 will be the same per note as that to holders of the Existing Senior Notes. |
| **Subsidiary guarantee** | The notes will be initially guaranteed on a senior unsecured basis by the Guarantor. The guarantee of the notes will rank equal in right of payment with any and all of the Guarantor s existing and future indebtedness that is not subordinated in right of payment to its guarantee, senior in right of payment to any and all of the Guarantor s future indebtedness that is subordinated in right of payment to its guarantee and, to the extent not otherwise secured by assets of the Guarantor, effectively subordinated to all existing and future secured indebtedness of the Guarantor to the extent of the value of the collateral securing such indebtedness (regardless of whether such indebtedness would constitute senior indebtedness). |

| | |
|---|---|
| **Unrestricted subsidiaries** | NFC, its subsidiaries and NIC s foreign finance and International® truck dealership subsidiaries and the Blue Diamond joint venture entities are Unrestricted Subsidiaries under the indenture. As a result, the foregoing entities are not bound by any of the covenants or operating restrictions contained in the indenture. See Risk Factors Risks Related to the Notes A number of our subsidiaries are classified as Unrestricted Subsidiaries under the indenture and are not bound by any of the covenants or operating restrictions contained |

in the indenture. For fiscal 2016, our Unrestricted Subsidiaries generated $589 million of net sales of manufactured products to third parties and approximately $102 million of Manufacturing Adjusted EBITDA.

**Ranking**

The notes will be NIC s senior unsecured obligations and will rank equal in right of payment with any and all of NIC s existing and future indebtedness that is not subordinated in right of payment to the notes and senior in right of payment to any and all of our existing and future indebtedness that is subordinated in right of payment to the notes. The notes will be effectively subordinated to all NIC s existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness (regardless of whether such indebtedness would otherwise constitute senior indebtedness) and will be structurally junior to all existing and future indebtedness and other liabilities of NIC s subsidiaries that do not guarantee the notes. The notes will be effectively junior to the third-party equity interests in our majority-owned dealerships and joint ventures, to the extent of those interests.

As of October 31, 2016, after giving effect to the completion of this offering and after excluding intercompany balances and intercompany guarantees:

NIC and the Guarantor would have had, on a combined basis, approximately $3,335 million of outstanding indebtedness, comprised of (i) $1,400 million of indebtedness represented by the notes (including the Existing Senior Notes), (ii) approximately $1,063 million of senior secured indebtedness, which would have ranked senior to the notes to the extent of the value of the collateral securing such indebtedness and no amounts outstanding under the ABL Facility (as defined below), (iii) approximately $261 million of other senior indebtedness ranking *pari passu* with the notes, (iv) $611 million of indebtedness represented by the 2018 Convertible Notes and 2019 Convertible Notes, which is subordinated in right of payment to the notes, and (v) total assets of approximately $2,397 million;

NIC s Restricted Subsidiaries (other than the Guarantor) would have had (i) approximately $14 million of outstanding indebtedness and (ii) approximately $1,611 million of assets, net of liabilities including trade payables and accrued expenses; and

NIC s Unrestricted Subsidiaries would have had (i) approximately $1,827 million of outstanding indebtedness, of which $1,808 million was indebtedness of our financial services operations,

(ii) approximately $1,936 million of total liabilities, of which $1,933 million were liabilities of our financial services operations, and (iii) approximately $2,473 million of assets, of which $2,116 million constituted assets of our financial services operations.

For fiscal 2016, NIC and its Restricted Subsidiaries (including the Guarantor) had $7,387 million of net sales of manufactured products to third parties and approximately $256 million of Manufacturing Adjusted EBITDA. See Summary Consolidated Financial Data Supplemental Financial and Operating Data.

**Optional redemption**

We may redeem the notes, in whole or in part, at redemption prices described under Description of Notes Optional Redemption.

**Change of control**

Upon the occurrence of a change of control, as described under Description of Notes Certain Covenants Change of Control in the accompanying prospectus, we will be required to commence and consummate an offer to purchase all of the notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued interest (if any) to the payment date (subject to the right of the holders of record on the relevant record date to receive interest due on the relevant interest payment date). See Risk Factors Risks Related to the Notes We may be unable to repurchase notes in the event of a change of control as required by the indenture.

**Certain covenants**

The indenture limits our ability and the ability of our Restricted Subsidiaries to, among other things:

- make restricted payments;
- incur additional debt and issue preferred or disqualified stock;
- create or permit to exist restrictions on our ability or the ability of our Restricted Subsidiaries to make certain payments or distributions;
- engage in sale-leaseback transactions;
- designate Restricted and Unrestricted Subsidiaries;
- make certain dispositions and transfers of assets;
- place limitations on the ability of our Restricted Subsidiaries to make distributions;

enter into transactions with affiliates; and

guarantee indebtedness.

These covenants are subject to a number of important exceptions and qualifications, which are described in the accompanying prospectus under Description of Notes Certain Covenants.

If the notes are assigned an investment grade rating by Standard & Poor s Rating Services and Moody s Investors Service, Inc. and no default has occurred and is continuing, certain covenants will be suspended. If either rating on the notes should subsequently decline to below investment

grade, the suspended covenants will be reinstated. See Risk Factors Risks Related to the Notes Certain of the covenants in the indenture will not apply during any period in which the notes are rated investment grade by both Moody s and Standard & Poor s.

**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.

**Trading and listing**

Although the underwriters make a market in the Existing Senior Notes and have advised us that, following the completion of the offering, they intend to continue to make a market in the notes as permitted by applicable law, we cannot assure you as to the maintenance or liquidity of such a market for the notes. See Risk Factors Risks Related to the Notes We cannot assure you that an active trading market will be maintained for the notes.

We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

**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 and disposition of the notes 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.

**Original issue discount**

Because we intend to treat the notes as issued pursuant to a qualified reopening of the Existing Senior Notes, the issue price of the notes will be, for U.S. federal income tax purposes, the same as the issue price of the Existing Senior Notes, which were issued with original issue discount ( OID ) for U.S. federal income tax purposes. U.S. Holders (as defined in Certain U.S. Federal Income Tax Considerations ) who purchase the notes at a price that is greater than the adjusted issue price of the Existing Senior Notes may be allowed to reduce the amount of OID income ordinarily required to be reported. See Certain U.S. Federal Income Tax Considerations.

**Use of proceeds**

| | |
|---|---|
| | We estimate that the net proceeds from this offering will be approximately $197 million, after deducting underwriting discounts and commissions and estimated offering expenses. |
| | We expect to use the net proceeds of this offering for general corporate purposes, including working capital and capital expenditures. |
| | See Use of Proceeds. |
| **Trustee and paying agent** | The Bank of New York Mellon Trust Company, N.A. |

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## RISK FACTORS

Investment in the notes involves risks. You should carefully consider the information under Risk Factors beginning on page S-25 and all other information included or incorporated by reference in this prospectus supplement and accompanying prospectus before investing in the notes.

## 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 2701 Navistar Drive, Lisle, Illinois 60532, and our telephone number is (331) 332-5000. Our website is *www.navistar.com*. Our website, and the information contained therein, is expressly not included in and is expressly not part of this prospectus supplement.

The marks *International*®, *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 are the property of their respective owners.

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## SUMMARY CONSOLIDATED FINANCIAL DATA

### Navistar International Corporation and Consolidated Subsidiaries

The following summary consolidated financial data of Navistar for each of the three years ended October 31, 2016, 2015 and 2014 has been derived from our audited consolidated financial statements and notes thereto, which are incorporated by reference in this prospectus supplement. 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 2016, each of which is in our 2016 Annual Report incorporated by reference herein.

| | Fiscal year ended October 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in millions) | | |
| **Income Statement Data:** | | | |
| Sales and revenues: | | | |
| Sales and manufactured products, net | $ 7,976 | $ 9,995 | $ 10,653 |
| Finance revenues (1) | 135 | 145 | 153 |
| Sales and revenues, net | 8,111 | 10,140 | 10,806 |
| Costs and expenses: | | | |
| Costs of products sold | 6,812 | 8,670 | 9,534 |
| Restructuring charges (2) | 10 | 76 | 42 |
| Impairment of property and equipment and intangible assets (3) | 27 | 30 | 183 |
| Selling, general and administrative expenses | 802 | 908 | 979 |
| Engineering and product development costs | 247 | 288 | 331 |
| Interest expense | 327 | 307 | 314 |
| Other expense (income), net | (76) | (30) | (12) |
| Total costs and expenses | 8,149 | 10,249 | 11,371 |
| Equity in income of non-consolidated affiliates (4) | 6 | 6 | 9 |
| Loss from continuing operations before income taxes | (32) | (103) | (556) |
| Income tax expense | (33) | (51) | (26) |
| Loss from continuing operations | (65) | (154) | (582) |
| Income from discontinued operations, net of tax (2) | | 3 | 3 |
| Net loss | (65) | (151) | (579) |
| Less: Net income attributable to non-controlling interests | 32 | 33 | 40 |
| Net loss attributable to Navistar International Corporation | $ (97) | $ (184) | $ (619) |

| | Fiscal Year ended October 31, | |
|---|---|---|
| | 2016 | 2015 |
| | (in millions) | |
| **Selected Balance Sheet Data:** | | |
| Total assets | $ 5,653 | $ 6,649 |
| Long-term debt: | | |
| Manufacturing operations | 3,025 | 3,059 |
| Financial services operations | 972 | 1,088 |
| Total long-term debt | 3,997 | 4,147 |
| Notes payable and current maturities of long-term debt (5) | 907 | 1,108 |
| Total debt | $ 4,904 | $ 5,255 |
| Total stockholders equity (deficit) | $ (5,293) | $ (5,160) |

| | Fiscal year ended October 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in millions, except percentages and selected operating data) | | |
| **Selected Other Financial Data:** | | | |
| Capital expenditures (6) | $ 116 | $ 115 | $ 88 |
| Depreciation and amortization (6) | 225 | 281 | 332 |
| Interest expense | 327 | 307 | 314 |
| Adjusted EBITDA (7) | 508 | 494 | 306 |
| Cash provided by (used in): | | | |
| Operating activities | 267 | 46 | (336) |
| Investing activities | (67) | 316 | (75) |
| Financing activities | (353) | 98 | 179 |
| **Selected Operating Data:** | | | |
| Number of worldwide employees (at end of period) | 12,400 | 14,400 | 15,800 |
| Manufacturing gross margin (8) | 15% | 13% | 11% |
| Navistar Core retail deliveries (9) | 54,700 | 62,600 | 59,800 |
| Navistar Core market share (10) | 16% | 16% | 17% |
| Truck category: | | | |
| Core markets net orders (11) | 42,800 | 63,900 | 66,800 |
| Core markets backlog (at end of period) (12) | 13,000 | 22,200 | 23,900 |
| Chargeouts (13): | | | |
| Core markets | 52,900 | 65,000 | 61,500 |
| Non Core military | 500 | 100 | 100 |
| Other markets (14) | 9,900 | 19,400 | 28,400 |
| Total worldwide units | 63,300 | 84,500 | 90,000 |
| Engine category shipments: | | | |
| OEM sales South America | 30,600 | 53,800 | 89,100 |
| Intercompany sales | 16,900 | 31,600 | 37,900 |
| Other OEM sales | 3,800 | 9,200 | 11,700 |
| Total | 51,300 | 94,600 | 138,700 |

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

(2) We have undertaken a number of restructuring initiatives over the past several years. From time to time, we have announced, and we may continue to announce, actions to control spending across the Company with targeted reductions of certain costs. We are focused on continued reductions in discretionary spending, including reductions resulting from efficiencies, and prioritizing or eliminating certain programs or projects. In addition, we continue to focus on our Core Truck and Parts businesses. We continue to evaluate our portfolio of assets, with the purpose of closing or divesting non-Core/non-strategic businesses and identifying opportunities to restructure our business and rationalize our manufacturing operations in an effort to optimize our cost structure. We are currently evaluating our portfolio of assets to validate their strategic and financial fit. To allow us to increase our

focus on our North America Core businesses, we are evaluating product lines, businesses, and engineering programs that fall outside of our Core businesses. We are using an ROIC methodology, combined with an assessment of the strategic fit to our Core businesses, to identify areas that are not performing to our expectations. For those areas, we are evaluating whether to fix, divest or close. These actions could result in additional restructuring and other related charges in the future, including but not limited to: (i) impairments; (ii) costs for employee and contractor termination and other related benefits; and (iii) charges for pension and other postretirement contractual benefits and curtailments. These charges could be significant.

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Set forth below is a summary of the restructuring charges we recorded for each of the periods presented:

For fiscal 2016, restructuring charges were primarily related to the 2011 closure of our Chatham, Ontario plant and an associated ruling received from the Financial Services Tribunal in Ontario, Canada in the third quarter of 2014. The ruling was upheld in a July 2015 decision issued by the Divisional Court of Ontario, and in December 2015 the Court of Appeal for Ontario denied our motion leave to appeal.

For fiscal 2015, restructuring charges were primarily related to cost reduction actions, including our offering of a voluntary separation program ( VSP ) to the majority of our U.S.-based non-represented salaried employees and the impacts of an involuntary reduction-in-force in the United States and Brazil.

For fiscal 2014, restructuring charges were primarily related to our Indianapolis, Indiana foundry facility and Waukesha, Wisconsin foundry operations, as well as a reduction-in-force in the United States. Additionally, in the third quarter of 2014, we recognized charges of $14 million related to the 2011 closure of our Chatham, Ontario plant as discussed above.

For more information, see Note 2, Restructurings and Impairments, to our consolidated financial statements for fiscal 2016 incorporated by reference in this prospectus supplement.

(3) In fiscal 2016, we recognized asset impairment charges of $27 million, primarily relating to certain long-lived assets and operating leases in the Truck segment, as well as impairments related to our sale of Pure Power Technologies, LLC.

In fiscal 2015, we recognized asset impairment charges of $30 million, primarily related to certain intangible and long-lived assets in the Global Operations segment and certain long-lived assets and operating leases in the Truck segment.

In fiscal 2014, we recognized asset impairment charges of $183 million, primarily related to non-cash impairment charges of $149 million in our Global Operations segment. As a result of the economic downturn in Brazil causing declines in actual and forecasted results, we tested the goodwill of our Brazilian engine reporting unit and trademark for potential impairment. As a result, we determined that the entire $142 million balance of goodwill and $7 million of trademark asset carrying value was impaired. In addition, we recognized asset impairment charges of $34 million, which were primarily related to potential sales of assets requiring assessment of impairment for certain intangible and long-lived assets in the Truck segment.

(4) Collectively represents our interest in partially owned affiliates of which our ownership percentages range from 10% to 50%. We do not control these affiliates, but have the ability to exercise significant influence over their operating and financial policies.

(5) Current maturities of long-term debt as of October 31, 2016 were comprised of $71 million of indebtedness of our manufacturing operations and $836 million of indebtedness of our financial services operations.

(6) Includes equipment that we have leased to others.

(7) EBITDA and Adjusted EBITDA, which excludes certain identified items that we do not consider to be part of our ongoing business, are not prepared in accordance with, and should not be viewed as an alternative to, U.S. general accepted accounting principles ( GAAP ) or measures prepared in accordance with U.S. GAAP. This non-GAAP financial information should be considered supplemental to, and not as a substitute for, or superior to, financial measures prepared in accordance with U.S. GAAP.

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We believe EBITDA provides meaningful information about the performance of our business and therefore we use it to supplement our U.S. GAAP reporting. We believe that Adjusted EBITDA improves the comparability of year-to-year results and is representative of our underlying performance. Management uses this information to assess and measure the performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations and to provide an additional measure of performance.

***EBITDA reconciliation:***

| | Fiscal year ended October 31, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| | | (in millions) | |
| Loss from continuing operations attributable to NIC, net of tax | $ (97) | $ (187) | $ (622) |
| *Plus:* | | | |
| Depreciation and amortization expense | 225 | 281 | 332 |
| Manufacturing interest expense (A) | 247 | 233 | 243 |
| *Less:* | | | |
| Income tax expense | (33) | (51) | (26) |
| EBITDA | $ 408 | $ 378 | $ (21) |

(A) Manufacturing interest expense is the net interest expense primarily generated for borrowings that support the manufacturing and corporate operations, adjusted to eliminate intercompany interest expense with our Financial Services segment. The following table reconciles Manufacturing interest expense to the consolidated interest expense:

| | Fiscal year ended October 31, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| | | (in millions) | |
| Interest expense | $ 327 | $ 307 | $ 314 |
| Less: Financial services interest expense | 80 | 74 | 71 |
| Manufacturing interest expense | $ 247 | $ 233 | $ 243 |

| | | | |
|---|---|---|---|
| **EBITDA (*reconciled above*)** | $ 408 | $ 378 | $ (21) |
| *Less significant items of:* | | | |
| Global asset impairment charges (A) | 1 | 10 | 149 |
| Adjustments to pre-existing warranties (B) | 78 | 4 | 55 |
| Brazil truck business actions (C) | | 6 | 29 |
| North America asset impairment charges (D) | 26 | 20 | 24 |

| | | | |
|---|---|---|---|
| Restructuring of North American manufacturing operations (E) | 7 | | 41 |
| Cost reduction and other strategic initiatives (F) | 3 | 72 | 17 |
| Debt refinancing charges (G) | | 14 | 12 |
| Gain on settlement (H) | | (10) | |
| One-time fee received (I) | (15) | | |
| Total adjustments | 100 | 116 | 327 |
| **Navistar Adjusted EBITDA** | $ 508 | $ 494 | $ 306 |
| *Less:* | | | |
| Financial services operations profit before tax (J) | 100 | 98 | 97 |
| Financial services operations depreciation and amortization (K) | 50 | 50 | 45 |
| **Manufacturing Adjusted EBITDA (L)** | $ 358 | $ 346 | $ 164 |

(A) In the third quarter of 2016, we determined that $1 million of trademark asset carrying value was impaired. In the fourth quarter of 2015, we recognized a total non-cash charge of $7 million for the impairment of certain intangible and long-lived assets in the Brazil truck asset group. In the third quarter of 2015, we determined that $3 million of trademark asset carrying value was impaired. In the second quarter of 2014, we recognized a non-cash charge of $149 million for the impairment of certain intangible assets of our Brazilian engine reporting unit, including the entire $142 million balance of goodwill and $7 million of trademark.

(B) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods. Such adjustments typically occur when claims experience deviates from historic and expected trends. Our warranty liability is generally affected by component failure rates, repair costs, and the timing of failures. Future events and circumstances related to these factors could materially change our estimates and require adjustments to our liability. In addition, new product launches require a greater use of judgment in developing estimates until historical experience becomes available.

(C) In the second quarter of 2015, our Global Operations segment recorded $6 million in inventory charges to right size the Brazil Truck business. In the fourth quarter of 2014, the Global Operations segment recorded approximately $29 million in charges, primarily related to inventory, to right size the Brazil Truck business.

(D) The 2016 charges primarily included $17 million related to certain long-lived assets and $8 million related to certain operating leases. During 2015, we recorded $11 million of asset impairment charges related to certain long-lived assets and $9 million related to certain operating leases. In 2014, the impairment charges primarily related to certain amortizing intangible assets and long-lived assets that were determined to be fully impaired.

(E) During 2016 we recorded $7 million of restructuring charges related to the 2011 closure of our Chatham, Ontario plant. In the fourth quarter of 2014, the Truck segment recorded $27 million of charges related to our anticipated exit from our Indianapolis, Indiana foundry facility and certain assets in our Waukesha, Wisconsin foundry operations. The charges included $13 million of restructuring charges, $7 million of fixed asset impairment charges and $7 million of charges for inventory reserves. In the third quarter of 2014, the Truck segment recorded $14 million of charges related to the 2011 closure of its Chatham, Ontario plant.

(F) Cost reduction and other strategic initiatives relates to costs associated with the divestiture of non-strategic facilities and efforts to optimize our cost structure. In 2015, we had $72 million of cost reduction and other strategic initiative expenses primarily consisting of restructuring charges in the third and fourth quarters. In the fourth quarter of 2015, we offered the majority of our U.S.-based non-represented salaried employees the opportunity to apply for a VSP, which resulted in $37 million of restructuring charges. In addition, we incurred restructuring charges of $10 million related to cost reduction actions, including a reduction-in-force in Brazil. In the third quarter of 2015, we incurred

restructuring charges of $13 million related to cost reduction actions, including a reduction-in-force in the United States and Brazil. In 2014, we recorded restructuring charges related to cost reduction actions that included a reduction-in-force in the United States and Brazil.

(G) In the fourth quarter of 2015, we recorded $14 million of third-party fees and unamortized debt issuance costs associated with the refinancing of our Term Loan Facility (as amended by the Term Loan Amendment) with a new Senior Secured Term Loan Credit Facility (as defined below). In the

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second quarter of 2014, we recorded $12 million of unamortized debt issuance costs and other charges associated with the repurchase of our 2014 Convertible Notes.

(H) In the second quarter of 2015, the Global Operations segment recognized a $10 million net gain related to a settlement of a customer dispute. The $10 million net gain for the settlement included restructuring charges of $4 million.

(I) In the first quarter of 2016, we received a $15 million one-time fee from a third-party, which was recognized in *Other income, net*.

(J) Financial services operations profit before tax is included in Navistar EBITDA; as such, it has been excluded to present Manufacturing Adjusted EBITDA.

(K) Financial services operations depreciation and amortization is included in the Navistar depreciation and amortization adjustment to calculate EBITDA; as such, it has been removed to present Manufacturing Adjusted EBITDA.

(L) Our Manufacturing Adjusted EBITDA 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 that we believe is useful to investors for additional analysis. Manufacturing Adjusted 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, Manufacturing Adjusted EBITDA, as we calculate it, may not be comparable to calculations of similarly titled measures by other companies.

(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) We define our Core markets to include U.S. and Canada school bus and Class 6 through 8 medium and heavy trucks.

(10) We calculate our approximate retail delivery market share percentages for our Core truck market based on marketwide information from Wards Auto and R.L. Polk & Co.

(11) We define orders as written commitments received from customers and dealers during the year to purchase trucks. Net orders represent new orders received during the year less cancellations of orders made during the

same year. Orders do not represent guarantees of purchases by customers or dealers and are subject to cancellation. Orders may be either sold orders, which will be built for specific customers, or stock orders, which will generally be built for dealer inventory for eventual sale to customers. These orders may be placed at our assembly plants in the U.S. and Mexico for destinations anywhere in the world and include trucks, buses and military vehicles. Historically, we have had an increase in net orders for stock inventory from our dealers at the end of the year due to a combination of demand, and, from time to time incentives we offer to the dealers. Increases in stock orders typically translate to higher chargeouts for our Truck category and increased dealer inventory.

(12) We define order backlogs ( backlogs ) as orders yet to be built as of the end of the period. Our backlogs do not represent guarantees of purchases by customers or dealers and are subject to cancellation. Although the backlog of unbuilt orders is one of many indicators of market demand, other factors such as changes in production rates, internal and supplier available capacity, new product introductions and competitive pricing actions may affect point-in-time comparisons. Order backlogs exclude units in inventory awaiting additional modifications or delivery to the end customer.

(13) We define chargeouts as trucks that have been invoiced to customers. The units held in dealer inventory represent the principal difference between retail deliveries and chargeouts.

(14) Other markets primarily consist of our export truck and Mexico markets.

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## SUPPLEMENTAL FINANCIAL AND OPERATING DATA

### Navistar International Corporation (with Financial Services Operations on an After-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 an after-tax equity basis of accounting. We have included this supplemental financial and operating data to assist prospective investors in evaluating an investment in the notes. This information does not represent our financial statements prepared in accordance with GAAP and should not be considered in isolation or as a substitute for our financial data that has been prepared in accordance with GAAP 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 2016, each of which is in our 2016 Annual Report incorporated by reference herein.

| | Fiscal year ended October 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | | (in millions) | |
| **Manufacturing Operations** | | | |
| **Selected Condensed Statement of Income Data:** | | | |
| Sales of manufactured products | $ 7,976 | $ 9,995 | $ 10,653 |
| Financial revenues | | | |
| Sales and revenue, net | 7,976 | 9,995 | 10,653 |
| Cost of products sold | 6,812 | 8,670 | 9,534 |
| Restructuring charges (1) | 10 | 75 | 41 |
| Impairment of property and equipment and intangible assets | 27 | 30 | 182 |
| Selling, general and administrative expenses | 723 | 820 | 888 |
| Engineering and product development costs | 247 | 288 | 331 |
| Interest expense | 256 | 243 | 245 |
| Other expense (income) net | 39 | 76 | 94 |
| Total costs and expenses | 8,114 | 10,202 | 11,315 |
| Equity in income of non-consolidated affiliates (2) | 6 | 6 | 9 |
| Loss before equity income from financial services operations and income taxes | (132) | (201) | (653) |
| Equity income from financial services operations | 67 | 71 | 63 |
| Loss from continuing operations before income taxes | (65) | (130) | (590) |

| | | | |
|---|---|---|---|
| Income tax benefit (expense) | | (24) | 8 |
| Loss from continuing operations | (65) | (154) | (582) |
| Income from discontinued operations, net of tax | | 3 | 3 |
| Net loss | (65) | (151) | (579) |
| Less: Income attributable to non-controlling interests | 32 | 33 | 40 |
| Net loss attributable to Navistar International Corporation | $ (97) | $ (184) | $ (619) |

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| | At October 31, 2016 | |
|---|---|---|
| | Actual | As Adjusted (3) |
| | (in millions) | |
| **Manufacturing Operations** | | |
| **Selected Condensed Balance Sheet Data:** | | |
| Cash, cash equivalents and marketable securities (4) | $ 800 | $ 997 |
| Property and equipment, net | 980 | 980 |
| Total assets (excludes investments in advances to financial services operations) | 3,262 | 3,459 |
| Postretirement benefits liabilities | 3,098 | 3,098 |
| Total debt | 3,096 | 3,296 |

| | Fiscal year ended October 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in millions) | | |
| **Manufacturing Operations** | | | |
| **Other Financial Data:** | | | |
| Cash provided by (used in): | | | |
| Operating activities | 56 | 98 | (319) |
| Investing activities | 3 | 346 | 112 |
| Financing activities | (203) | 63 | (59) |

(1) See note (2) under Summary Consolidated Financial Data.

(2) See note (4) under Summary Consolidated Financial Data.

(3) The *as adjusted* balance sheet data as of October 31, 2016 gives effect to the issuance and sale by us of the notes offered hereby and our receipt of the net proceeds therefrom, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. See Use of Proceeds and Capitalization.

(4) Manufacturing cash, cash equivalents and marketable securities is not presented in accordance with, and should not be viewed as an alternative to, GAAP or measures presented in accordance with GAAP. This non-GAAP financial information should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. However, we believe that non-GAAP reporting provides meaningful information and therefore we use it to supplement our GAAP reporting by identifying items that may not be related to the Core manufacturing business. We provide this information for an additional analysis of our ability to meet our operating requirements, capital expenditures and financial obligations. Manufacturing cash, cash equivalents and marketable securities represents our consolidated cash, cash equivalents and marketable securities, which excludes cash, cash equivalents and marketable securities of our financial services operations. We include marketable securities with our cash and cash equivalents when assessing our liquidity position as our investments are highly liquid in nature.

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## RISK FACTORS

*Any investment in the notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this prospectus supplement and the documents incorporated herein by reference before deciding whether to purchase the notes.*

### Risks Relating to Navistar and its Markets

***We may not complete our recently announced sale of shares of our common stock to VW T&B or the related agreements to cooperate in respect of engines, related components and technologies and to form a procurement joint venture, and if completed, we may not realize all or any of the expected benefits from the contemplated strategic alliance.***

On September 5, 2016, NIC and VW T&B entered into the Stock Purchase Agreement pursuant to which, subject to the satisfaction or waiver of the conditions set forth therein, NIC will issue and VW T& B will purchase an estimated 19.9% stake (16.6% on a pro forma basis) in NIC, and NIC and VW T&B entered into a related Stockholder Agreement, which governs the rights and obligations of the parties in connection with VW T&B s ownership stake.

In addition to the agreements governing the share issuance, we entered into the License and Supply Framework Agreement and the Procurement JV Framework Agreement with VW T&B. Pursuant to the License and Supply Framework Agreement, the parties intend to enter into individual contracts in respect of the licensing and supply of certain engines and technologies, conduct feasibility studies in order to investigate the feasibility of sharing certain technologies and begin good faith discussions on possible collaboration with respect to certain powertrain combinations and other strategic initiatives. We also intend to enter into certain other commercial arrangements with VW T&B, including the formation of a joint venture focused on sourcing, evaluating, negotiating and recommending joint procurement opportunities, the terms of which are set forth in the Procurement JV Framework Agreement.

The consummation of the share issuance is subject to the entry into definitive documentation to form the joint venture contemplated by the Procurement JV Framework Agreement, the finalization of the first definitive contract under the License and Supply Framework Agreement, certain regulatory approvals and customary closing conditions, the satisfaction of which is, in some cases, outside of our control. The individual contracts contemplated by the License and Supply Framework Agreement, and the other commercial arrangements and the joint venture documentation under the Procurement JV Framework Agreement are currently being negotiated by the parties. With respect to regulatory approvals, early termination of the waiting period under the Hart-Scott-Rodino Act was granted on October 17, 2016, and transaction filings have been submitted to competition authorities and remain outstanding with Brazil and Mexico, as well as with the Committee on Foreign Investment in the United States, the Defense Security Service and Directorate of Defense Trade Controls. We cannot assure you that the share issuance, or implementation of the related strategic alliance with VW T&B, will be consummated at all, or on the terms described in our public filings.

Even if we consummate the share issuance, enter into the individual contracts contemplated by the License and Supply Framework Agreement and form the joint venture pursuant to the Procurement JV Framework Agreement, we may not achieve the expected benefits and synergies associated with the collaboration with VW T&B, including realizing any anticipated cost savings from the global scope and scale of the procurement joint venture, securing components and technology from VW T&B or successfully developing future technologies and products and optimizing capital and engineering expenditures for technology and future vehicle development.

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***We may not realize sufficient acceptance of our products in the marketplace in order to achieve our goal of regaining market share.***

A key element of our operating strategy is to renew our focus on our Core markets and regain market share following the transition from our Advanced Exhaust Gas Recirculation only engine technology to a Selective Catalytic Reduction ( SCR ) engine technology. Our success in regaining market share depends in part on our ability to achieve market acceptance of our existing and new products. The extent to which, and the rate at which, we achieve market acceptance and penetration of our current and future products is a function of many variables including, but not limited to: price, safety, efficacy, reliability, conversion costs, competitive pressures, regulatory approvals, marketing and sales efforts, residual values, and general economic conditions affecting purchasing patterns. Any failure to regain market share could have an adverse effect on our business, liquidity, results of operations and financial condition.

***We operate in the highly competitive North American truck market.***

The North American truck market in which we operate is highly competitive. As a result, we and other manufacturers face competitive pricing and margin pressures that could adversely affect 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 a lower overall cost structure.

***Our used truck inventory could adversely affect our financial condition, working capital and market share.***

We face intense competition not only with our new and Core products, but also with sales of our used truck inventory. During 2016, our gross used truck inventory increased to approximately $410 million from $390 million in 2015, offset by reserves of $208 million and $110 million, respectively, due in part to an increase in used truck receipts and a decrease in used truck sales. We have incurred significant charges related to our used truck inventory in recent years. If the market value of our used trucks decreases, we could incur additional write-downs beyond our existing reserves. If we are unable to sell our used truck inventory in a timely manner and at a reasonable selling price, our working capital and our ability to gain and retain market share may be adversely affected.

***Our business has significant liquidity requirements, and our recent operating results have had an adverse impact on our liquidity position.***

Our business has significant liquidity requirements, and our operating results over the last several years have had an adverse impact on our liquidity position. We believe that, in the absence of significant extraordinary cash demands, our: (i) level of cash, cash equivalents and marketable securities, (ii) current and forecasted cash flow from our manufacturing operations and financial services operations, (iii) availability under various funding facilities, (iv) current and forecasted availability from various funding alliances and (v) access to capital in the capital markets will provide sufficient funds to meet operating requirements, capital expenditures, investments, and financial obligations on both a short-term and long-term basis. The expected equity proceeds from our recently announced alliance with VW T&B will be a future source of funds if consummated. Significant assumptions underlie our beliefs with respect to our liquidity position, including, among other things, assumptions relating to North American truck volumes for 2017, the continuing availability of trade credit from certain key suppliers, the ability to regain market share and the absence of material adverse developments in our competitive market position, business, access to the capital markets or capital requirements. As a result, we cannot assure you that we will continue to have sufficient liquidity to meet our operating needs. In the event that we do not have sufficient liquidity, we may be required to seek additional capital, sell assets, reduce or cut back our operating activities or otherwise alter our business strategy.

***Past and potential further downgrades in our debt ratings may adversely affect our liquidity, competitive position and access to capital markets.***

The major debt-rating agencies routinely evaluate and rate our debt according to a number of factors, among which are our perceived financial strength and transparency with rating agencies and timeliness of financial reporting. In July 2015, Moody s Corporation downgraded three series of our outstanding debt issuances but left the corporate family credit rating unchanged. In contrast, Standard & Poor s Ratings Services ( S&P ) improved our rating outlook from developing to positive in March 2015 and in September 2016, both S&P and Fitch Ratings placed us on rating watch positive. Any further downgrade in our credit ratings and any resulting negative publicity could adversely affect our continued access to trade credit on customary terms as well as our ability to access capital in the future under acceptable terms and conditions.

***Our ability to execute our strategy is dependent upon our ability to attract, train and retain qualified personnel.***

Our continued success depends, in part, on our ability to identify, attract, motivate, train and retain qualified personnel in key functions and geographic areas. We have significant operations in foreign countries, including Canada, Mexico and Brazil, and, to effectively manage our global operations, we will need to continue to be able to recruit, train, assimilate, motivate and retain qualified experienced employees around the world.

As a result of the loss of certain personnel in connection with our reductions-in-force and other personnel departures that occurred throughout 2014, 2015 and 2016, we have delivered on our goal of achieving a lean and targeted workforce while reducing and controlling costs. However, failure to retain the qualified personnel that remain, or inability to attract, train and retain qualified additional personnel, could impair our ability to execute our business strategy and could have an adverse effect on our business prospects.

***Our parts business may be negatively impacted by our engine strategy.***

As a result of our decision to use third-party engines in some of our products, we expect to experience a decline over time in our engine-related parts business revenue. In addition, our agreement to supply diesel engines to Ford in North America ended in December 2009. A primary business purpose of Blue Diamond Parts is to supply aftermarket parts supporting the diesel engines supplied to Ford. We have experienced declines in Blue Diamond Parts engine-related parts sales and profitability, and we expect to see further declines as the diesel engines transition out of service in the future.

***Increased warranty costs may negatively impact our operating results.***

Emissions regulations in the United States and Canada have resulted in rapid product development cycles, driving significant changes from previous engine models. In 2010, we introduced changes to our engine line-up in response to 2010 emissions standards. Component complexity and other related factors associated with meeting emissions standards have contributed to higher repair costs that exceeded those that we have historically experienced.

We accrue warranty related costs under standard warranty terms and for certain claims outside the contractual obligation period that we choose to pay as accommodations to our customers. We also offer optional extended warranty contracts. Warranty estimates are established using historical information about the nature, frequency, timing and average cost of warranty claims. We recognize losses on defined pools of extended warranty contracts when the expected costs for a given pool of contracts exceed related unearned revenues. However, warranty claims inherently have a high amount of variability in timing and severity and can be influenced by many external factors.

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Historically, warranty claims experience for launch-year engines has been higher compared to the prior model-year engines; however, over time we have been able to refine both the design and manufacturing process to reduce both the volume and the severity of warranty claims. While we continue to improve the design and manufacturing of our engines to reduce the volume and severity of warranty claims and refine our process for determining our warranty cost accruals, we could experience an increase in warranty spend compared to prior periods that could result in additional charges in future periods for adjustments to pre-existing warranties. In addition, as we identify opportunities to improve the design and manufacturing of our engines, we may incur additional charges for recalls and field campaigns to address identified issues. These charges could have an adverse effect on our financial condition, results of operations and cash flows. Throughout 2014, 2015 and 2016, to meet new emissions requirements, including but not limited to On-Board Diagnostics ( OBD ), we launched several products that incorporate additional changes and added component complexity. These changes may result in additional future warranty expense, including costs incurred for engine control software and calibration updates, that may have an adverse effect on our financial condition, results of operations and cash flows.

***We may discover defects or other issues in vehicles potentially resulting in delays in new model launches, recall campaigns, or increased warranty costs.***

Meeting or exceeding many government-mandated safety standards is costly and often technologically challenging, especially where two or more government-mandated standards may conflict. Government safety standards require manufacturers to remedy defects related to motor vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that they do not comply with a safety standard. In addition, we may decide to take action with respect to a product issue not related to safety. Should we or government safety regulators determine that a safety or standard noncompliance, safety-related defect or other product issue exists with respect to certain of our vehicles, there could be a delay in the launch of a new model, a significant increase in warranty claims or a recall, the costs of which could be substantial.

Additionally, if we experience failure in some of our emissions components and the emission component defect rates of our engines exceed a certain level set by the California Air Resources Board and the U.S. Environmental Protection Agency (the EPA ), those engines may be subject to corrective actions by these agencies, which may include extending the warranties of those engines. This could increase exposure beyond the stated warranty period to the relevant regulatory useful life of the engine, and these actions could have an adverse effect on our financial condition, results of operations and cash flows.

***We could incur restructuring and impairment charges as we continue to evaluate our portfolio of assets and identify opportunities to restructure our business and rationalize our manufacturing operations in an effort to optimize our cost structure.***

We continue to evaluate our portfolio of assets in order to validate their strategic and financial fit. To allow us to increase our focus on our North American Core business, we are evaluating product lines, businesses and engineering programs that fall outside of our Core business. We are assessing the strategic fit to our Core business, to identify areas that are under-performing and/or non-strategic. For under-performing and non-strategic areas, we are evaluating whether to fix, divest or close those areas. In addition, we are evaluating opportunities to restructure our business and rationalize our manufacturing operations in an effort to optimize our cost structure. These actions could result in restructuring and related charges, including but not limited to asset impairments, employee termination costs, charges for pension and other postretirement contractual benefits, potential additional pension funding obligations and pension curtailments, any of which could be significant, and could adversely affect our financial condition and results of operations.

We have substantial amounts of long-lived assets, including goodwill and intangible 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. Declines in profitability due to

changes in volume, market pricing, cost or the business environment could result in charges that could have an adverse effect on our financial condition and results of operations.

***Our manufacturing operations are dependent upon third-party suppliers, including, in certain cases, single-source suppliers, making us vulnerable to supply shortages.***

We obtain raw materials, parts and manufactured components from third-party suppliers. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have an 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. Suppliers may also exit certain business lines, requiring us to find other suppliers for materials or components and potentially delaying our ability to deliver products to customers, or our suppliers may change the terms on which they are willing to provide products to us, any of which could adversely affect our financial condition and results of operations. In addition, many of our suppliers have unionized workforces that could be subject to work stoppages as a result of labor relations issues. Some of our suppliers are the sole source for a particular supply item (e.g., the majority of engines, parts and manufactured components) and cannot be quickly or inexpensively re-sourced to another supplier due to long lead times and contractual commitments that might be required by another supplier in order to provide the component or materials. In addition to the risks described above regarding interruption of supplies, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality, warranty claims or other terms relating to a component.

***We are exposed to, and may be adversely affected by, interruptions to our computer and information technology systems and sophisticated cyber-attacks.***

We rely on our information technology systems and networks in connection with many of our business activities. Some of these networks and systems are managed by third-party service providers and are not under our direct control. Our operations routinely involve receiving, storing, processing and transmitting sensitive information pertaining to our business, customers, dealers, suppliers, employees and other sensitive matters. As with most companies, we have experienced cyber-attacks, attempts to breach our systems and other similar incidents, none of which has been material. Any future cyber incidents could, however, materially disrupt operational systems; result in loss of trade secrets or other proprietary or competitively sensitive information; compromise personally identifiable information regarding customers or employees; and jeopardize the security of our facilities. A cyber incident could be caused by malicious outsiders using sophisticated methods to circumvent firewalls, encryption and other security defenses. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Information technology security threats, including security breaches, computer malware and other cyber-attacks, are increasing in both frequency and sophistication and could create financial liability, subject us to legal or regulatory sanctions or damage our reputation with customers, dealers, suppliers and other stakeholders. We continuously seek to maintain a robust program of information security and controls, but the impact of a material information technology event could have a material adverse effect on our competitive position, reputation, results of operations, financial condition and cash flows.

***We have significant under-funded postretirement obligations.***

On a U.S. GAAP basis, the under-funded portion of our projected benefit obligation was $1.7 billion and $1.6 billion for pension benefits at October 31, 2016 and 2015, respectively, and $1.4 billion and $1.5 billion for postretirement healthcare benefits at both October 31, 2016 and 2015, respectively. In calculating these amounts, we have assumed

certain mortality rates, interest rates and growth rates of retiree medical costs. The fair value of invested assets held in our postretirement benefit plans are measured at October 31 each year and are used to compute funded status. Future mortality assumption changes and growth rates of retiree medical costs

actually experienced by the postretirement benefit plans, as well as reductions in interest rates and the investment performance of the assets, could have an adverse impact on our under-funded postretirement obligations, financial condition, results of operations and cash flows.

The continued restructuring and rationalization of our business could also accelerate our pension funding obligations under the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). 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 ERISA and the Internal Revenue Code of 1986, as amended (the Code ), as applicable to our U.S. pension plans (including timing requirements) mandated by the Pension Protection Act of 2006 to fully fund our U.S. pension plans, 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 and cash flows even though the pension funding relief legislation, Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, the Moving Ahead for Progress in the 21st Century Act and the Highway and Transportation Funding Act of 2014 and the Bi-Partisan Budget Act of 2015, will reduce our funding requirements over the next five years.

***Implementation of our emissions strategy, federal regulations and fuel economy rules may increase costs.***

Recent and future changes to on-highway emissions or performance standards (including fuel efficiency, noise and safety), as well as compliance with additional environmental requirements, are expected to continue to add to the cost of our products and increase the engineering and product development programs of our business. Implementation of our emissions strategy is ongoing, and we may experience increased costs or compliance or timing risks as we continue implementation of OBD systems requirements as they phase in and manage Green House Gas ( GHG ) emission credit balances. The EPA, the U.S. Department of Transportation and the government of Canada have issued final rules on GHG emissions and fuel economy for medium and heavy duty vehicles and engines. The emission standards establish required minimum fuel economy and GHG emissions levels for both engines and vehicles primarily through the increased use of existing technology. The rules, which apply to our engines and vehicles, initially required EPA certification for vehicles and engines to GHG emissions standards in calendar year 2014 and will be fully implemented in model year 2017. On October 25, 2016, the EPA and the National Highway Traffic Safety Administration adopted a final rule with respect to the next phase of federal GHG emission and fuel economy regulations. This rule imposes significantly more stringent emissions levels for engines and vehicles, compliance with which will require substantial capital investments. The rule will take effect in model year 2021 and will be implemented in three stages, culminating in model year 2027. We continue to evaluate the final rule to assess its impact on us and our stakeholders. In addition, California has adopted GHG emissions standards for heavy duty vehicles and engines, stated its intention to lower oxides of nitrogen ( NOx ) standards for California certified engines and requested EPA to lower NOx emission standards as well. These standards will require significant investments of capital, will significantly increase costs of development for engines and vehicles and will require us to incur administrative costs arising from implementation of the standards. These regulatory proposals under consideration or those that are proposed in the future may set standards that are difficult to achieve or adversely affect our results of operations due to increased research, development, and warranty 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 October 31, 2016, approximately 5,400 of our hourly workers and approximately 300 of our salaried workers were represented by labor unions and were 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. On February 9, 2015, our International Union, United Automobile,

Aerospace and Agricultural Implement Workers of America ( UAW ) represented employees ratified a new four-year labor agreement that replaced the prior contract that expired October 1, 2014. Any strikes, threats of strikes, arbitration or other resistance in connection with the

negotiation of new labor agreements, or increases in costs under a newly negotiated labor agreement, could 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 that involves a significant portion of our manufacturing facilities could have an adverse effect on our financial condition, and results of operations or cash flows.

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

We are currently involved in a number of pending litigation matters. 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 in our periodic filings or any future legal or investigative proceedings could have an adverse effect on our business, financial condition, results of operations and cash flows. Additionally, regardless of outcome, these lawsuits may require significant attention and resources of management, result in significant legal expenses, harm our reputation and lead to a reluctance of third parties to engage in business transactions with us. For additional information regarding certain lawsuits in which we are involved, see our 2016 Annual Report, Part I, Item 3, *Legal Proceedings*, and Note 15, *Commitments and Contingencies*, to our consolidated financial statements contained therein, which are incorporated by reference in this prospectus supplement.

***A small number of our stockholders have significant influence over our business.***

In October 2012, we entered into settlement agreements with two of our significant stockholders, Carl C. Icahn and several entities controlled by him (collectively, the Icahn Group ) and Mark H. Rachesky, MD, and several entities controlled by him (collectively, the MHR Group ) pursuant to which the Icahn Group and the MHR Group each had one representative appointed to our board of directors, and together the Icahn Group and the MHR Group mutually agreed upon a third representative appointed to our board of directors. In July 2013, we entered into amended settlement agreements with the Icahn Group and the MHR Group pursuant to which the Icahn Group and the MHR Group each had two representatives nominated for election at our 2014 annual meeting.

As of October 31, 2016, based on filings made with the SEC and other information made available to us as of that date, we believe that: (i) the Icahn Group held approximately 16.3 million shares, or 19.9% of our outstanding common stock, (ii) the MHR Group held approximately 16.3 million shares, or 19.9% of our outstanding common stock, and (iii) the Icahn Group, the MHR Group, and three other stockholders, collectively held nearly 80% of our outstanding common stock.

As a result of the foregoing, these stockholders are able to exercise significant influence over the election of our board of directors as well as matters requiring stockholder approval.

If the Share Issuance with VW T&B is consummated, two VW T&B representatives will be appointed to our Board of Directors pursuant to the Stockholder Agreement and, assuming no other stock ownership changes, the Icahn Group, the MHR Group, VW T&B and three other stockholders will collectively hold over 80% of our outstanding common stock.

***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, the Defense Federal Acquisition Regulation

Supplement, 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. Departments of State, Commerce and Defense and other federal agencies that are designed to safeguard against foreigners access to classified or restricted information. Similarly, our international operations are 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 clients terminating or deciding not to renew our contracts and could impair our ability to obtain new contracts.

A failure to comply with applicable laws, regulations, policies 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 debarment from contracting with the federal government, civil fines and damages and criminal prosecution and penalties, any of which 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 are subject to federal licensing requirements with respect to the sale and support in foreign countries of certain of our products and the export of components for our products in foreign countries. 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, State and 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 United States could negatively impact our financial condition, results of operations and cash flows.

For products and technology exported from the United States 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 that could be in violation of various laws including the FCPA.

Additionally, the failure to obtain applicable governmental licenses, clearances, or approvals could 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 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.

***Our operations are subject to environmental, health and safety laws and regulations that could result in liabilities to us.***

Our operations are subject to environmental, health and safety laws and regulations, including those governing discharges to air and water; the management and disposal of hazardous substances; the cleanup of contaminated sites; and health and safety matters. We could incur material costs, including cleanup costs, civil and criminal fines, penalties and third-party claims for property damage or personal injury as a result of violations of or liabilities under such laws and regulations. Contamination has been identified at and in the vicinity of some of our current and former properties and at properties which received wastes from our current or former locations for which we have established financial reserves. The ultimate cost of remediating contaminated sites is difficult to accurately predict and could exceed our current estimates. In addition, as environmental, health, and safety laws and regulations have tended to become stricter, we could incur additional costs complying with requirements that are promulgated in the future. These include climate change regulation, such as the EPA s Clean Power Plan, which could lead to additional state regulations that increase the cost of operations through increased energy costs.

***We may not achieve all of the expected benefits from our cost saving initiatives.***

We have implemented a number of cost saving initiatives, including the consolidation of our North American truck and engine engineering operations, continued reductions in discretionary spending, and employee headcount reductions. As a result, our structural costs decreased by $147 million in 2016, compared to the prior year. In addition, we continue to evaluate additional options to improve the efficiency and performance of our operations. This includes evaluating our portfolio of assets, which could include closing or divesting non-Core/non-strategic businesses, and identifying opportunities to restructure our business and rationalize our manufacturing operations in an effort to optimize our cost structure. We have made certain assumptions in estimating the anticipated impact of our cost saving initiatives, which include the estimated savings from the elimination of certain open positions. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these initiatives is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. Some of our cost saving measures may not have the impact on our profitability that we currently project or we may not be able to sustain the savings. If we are unsuccessful in implementing these initiatives or if we do not achieve our expected results, our results of operations and cash flows could be adversely affected.

***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

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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.

***We may not achieve all of the expected benefits from our acquisitions, joint ventures or strategic alliances.***

We cannot provide any assurances that our acquisitions, joint ventures or strategic alliances will generate all of the expected benefits. In addition, we cannot assure you that disputes will not arise with our joint venture partners and that such disputes will not lead to litigation or otherwise have an adverse effect on the joint ventures or our relationships with our joint venture partners. Failure to successfully manage and integrate these acquisitions, joint ventures and strategic alliances could adversely impact our financial condition, results of operations and cash flows. We continue to evaluate opportunities to further restructure our business in an effort to optimize our cost structure, which could include, among other actions, additional rationalization of certain of our acquisitions, joint ventures or strategic alliances.

***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 and Brazil. Accordingly, our business is subject to the political, economic and other risks that are inherent in operating a multinational company. These risks include, among others:

- trade protection measures and import or export licensing requirements;
- the imposition of foreign withholding taxes on the remittance of foreign earnings to the United States;
- difficulty in staffing and managing international operations and the application of foreign labor regulations;
- multiple and potentially conflicting laws, regulations and policies that are subject to change;
- currency exchange rate risk; and
- changes in general economic and political conditions in countries where we operate, particularly in emerging markets.

***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.***

As of October 31, 2016, we had $2.9 billion of NOL carryforwards with which to offset our future taxable income for U.S. federal income tax reporting purposes. Presently, there is no annual limitation on our ability to use U.S. federal NOLs to reduce future income taxes. However, we may be subject to substantial annual limitations provided by the Code if an ownership change, as defined in Section 382 of the Code, occurs with respect to our capital stock.

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 (i) the fair market value of our stock immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate plus (ii) built-in gains on certain assets held prior to the ownership change. Although 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, the use of the remaining NOLs for the loss year will be prohibited if the carryover period for any loss year expires. 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. Similar limitations also apply to certain U.S. federal tax credits. As of October 31, 2016, we had $244 million of U.S. federal tax credits that would be subject to a limitation upon a change in ownership with carryforward periods of 10-20 years.

**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 satisfy our debt obligations or 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 consolidated capitalization as of October 31, 2016, on an as adjusted basis to give effect to the sale of the notes in this offering.

| (in millions) | As adjusted |
| --- | --- |
| Debt: | |
| Manufacturing operations | $ 3,296 |
| Financial services operations | 1,808 |
| Total debt | $ 5,104 |
| Stockholders deficit | $ 5,293 |

Our significant amount of outstanding indebtedness and the covenants contained in our debt agreements could have important consequences for our operations. The size and terms of certain of our indebtedness limit our ability to obtain additional debt financing to fund future working capital, acquisitions, capital expenditures, engineering and product development costs, and other general corporate requirements. Other consequences for our operations could include:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a portion of these funds to make significant interest payments on our indebtedness;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limiting our ability to take advantage of business opportunities as a result of various restrictive covenants in our debt agreements; and
- placing us at a competitive disadvantage compared to our competitors that have less debt.

Our ability to make required payments of principal and interest on our debt will depend on our future performance and the other cash requirements of our business. Our performance, to a certain extent, is subject to general economic, political, financial, competitive and other factors that are beyond our control. We cannot provide any assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available under certain of our debt agreements in an amount sufficient to enable us to service our indebtedness.

Our debt agreements contain certain restrictive covenants and customary events of default. These restrictive covenants limit our ability to take certain actions, such as, among other things: make restricted payments; incur additional debt and issue preferred or disqualified stock; create liens; create or permit to exist

restrictions on our ability or the ability of our restricted subsidiaries to make certain payments or distributions; engage in sale-leaseback transactions; engage in mergers or consolidations or transfer all or substantially all of our assets; designate restricted and unrestricted subsidiaries; make certain dispositions and transfers of assets; enter into transactions with affiliates; and guarantee indebtedness. One or more of these restrictive covenants may limit our ability to execute our preferred business strategy, take advantage of business opportunities or react to changing industry conditions.

Upon an event of default, if not waived by our lenders, our lenders may declare all amounts outstanding to be due and payable, which may cause cross-defaults under our other debt obligations. If our current lenders accelerate the maturity of our indebtedness, we may not have sufficient capital available at that time to pay the amounts due to our lenders on a timely basis, and there is no guarantee that we would be able to repay, refinance, or restructure the payments on such debt. Further, under our senior secured indebtedness, the lenders would have the right to foreclose on certain of our assets, which could have a material adverse effect on our Company.

Upon the occurrence of a change of control as specified in each of the principal debt agreements of our manufacturing operations, we are required to offer to repurchase or repay such indebtedness. Under these agreements, a change of control is generally defined to include, among other things: (a) the acquisition by a person or group of at least 35 percent of our common stock, or, in the case of our 2018 Convertible Notes and our 2019 Convertible Notes, 50 percent of our common stock, (b) a merger or consolidation as a result of which holders of our common stock own less than a majority of the equity in the resulting entity, or (c) replacement of a majority of the members of our Board of Directors by persons who were not nominated by our current directors. Under our senior secured indebtedness, a change in control would result in an immediate event of default, which would allow our lenders to accelerate the debt owed to them. Under the indentures governing our debt securities, we may be required to offer to purchase the outstanding notes under such indentures at a premium upon a change in control. In any such event, we may not have sufficient funds available to repay amounts outstanding under these agreements, which may also cause cross-defaults under our other debt obligations. Further, under our senior secured indebtedness, the lenders could have the right to foreclose on certain of our assets, which could have a material adverse effect on our financial position and results of operations.

***Despite our current levels of debt, we may still be able to incur 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 indenture and the agreement governing the Senior Secured Term Loan Credit Facility allow us to incur substantial amounts of additional debt, subject to certain limitations. For example, under the indenture and the Senior Secured Term Loan Credit Facility agreement we may incur additional indebtedness if, immediately after giving effect to the incurrence of such indebtedness and the receipt and application of the net proceeds therefrom, our consolidated cash flow ratio (as defined in the indenture and the agreement governing the Senior Secured Term Loan Credit Facility) would be greater than 2.0 to 1.0 for the four full fiscal quarters for which quarterly or annual financial statements are available immediately preceding the incurrence of such indebtedness. Additionally, we may incur additional indebtedness in an amount equal to the greater of: $200 million and a borrowing base equal to 85% of accounts receivable 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 under the indenture. The indentures governing the 2018 Convertible Notes and 2019 Convertible Notes do not limit our ability to incur additional indebtedness. The ABL Facility permits Navistar, Inc. to borrow up to $175 million. As of October 31, 2016, Navistar, Inc. had no outstanding borrowings under this facility and, because of an insufficient borrowing base, had no availability to borrow any amounts under this facility. 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.

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***NIC is a holding company that has no independent operations and is dependent on its subsidiaries for cash.***

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 transfers 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 and the payment of dividends by Navistar, Inc. to NIC is limited by the terms of the ABL Facility. See Description of Certain Indebtedness Financial Services Operations Asset-Backed Debt and Description of Certain Indebtedness Manufacturing Operations ABL Facility.

***The notes and the guarantee will not be secured by any of our assets and therefore will be effectively subordinated to our existing and future secured indebtedness.***

The notes and the guarantee will be general unsecured obligations ranking effectively junior in right of payment to all existing and future secured debt of NIC or the Guarantor to the extent of the collateral securing such debt. The Guarantor had approximately $1,063 million of outstanding secured debt at October 31, 2016 under certain financing arrangements and capital lease obligations. In addition, the indenture governing the notes permits the incurrence of additional debt, some of which may be secured debt. Our other debt agreements may also permit the incurrence by us of additional secured debt. For example, we may incur additional secured 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. In the event that NIC or the Guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, creditors whose debt is secured by assets of NIC or the Guarantor will be entitled to the remedies available to secured holders under applicable laws, including the foreclosure of the collateral securing such debt, before any payment may be made with respect to the notes or the guarantee. As a result, there may be insufficient assets to pay amounts due on the notes and holders of the notes may receive less, ratably, than holders of secured indebtedness.

***The notes are structurally subordinated to the existing and future liabilities of our subsidiaries that do not guarantee the notes to the extent of the assets of such non-guarantor subsidiaries.***

Initially, the notes will only be guaranteed by Navistar, Inc. As a result, the notes will be structurally subordinated to all existing and future liabilities of our other subsidiaries that do not guarantee the notes. Therefore, NIC s rights and the rights of its creditors to participate in the assets of any non-guarantor subsidiary in the event that such a subsidiary is liquidated or reorganized are subject to the prior claims of such subsidiary s creditors. As a result, all indebtedness and other liabilities, including trade payables, of the non-guarantor subsidiaries, whether secured or unsecured, must be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to NIC in order for NIC to meet its obligations with respect to the notes. To the extent that NIC may be a creditor with recognized claims against any subsidiary, its claims would still be subject to the prior claims of such subsidiary s creditors to the extent that they are secured or senior to those held by it. NIC s subsidiaries may incur additional indebtedness and other liabilities under the terms of the indenture governing the notes.

As of October 31, 2016, after giving effect to the completion of this offering, NIC s non-guarantor Restricted Subsidiaries would have had (i) approximately $14 million of outstanding indebtedness and (ii) approximately $1,611

million of assets, net of liabilities including trade payables and accrued expenses; and NIC s Unrestricted Subsidiaries would have had (i) approximately $1,827 million of outstanding indebtedness, of

which $1,808 million was indebtedness of our financial services operations, (ii) approximately $1,936 million of liabilities, of which $1,933 million were liabilities of our financial services operations, and (iii) approximately $2,473 million of total assets, of which $2,116 million constituted assets of our financial services operations.

***A number of our subsidiaries are classified as Unrestricted Subsidiaries under the indenture and thus are not bound by any of the covenants or operating restrictions contained in the indenture.***

All of the subsidiaries that comprise our financial services operations, the Blue Diamond joint venture entities and those subsidiaries whose principal business is owning one of our International truck dealerships are classified as Unrestricted Subsidiaries under the indenture. As a result, these subsidiaries are not bound by any of the covenants or operating restrictions contained in the indenture, and their outstanding indebtedness will not affect, among other things, the amount of indebtedness that NIC and its Restricted Subsidiaries may incur under the indenture. For fiscal 2016, our Unrestricted Subsidiaries generated $589 million of net sales of manufactured products to third parties and approximately $102 million of Manufacturing Adjusted EBITDA. For the most part, the indenture does not restrict our ability to engage in transactions with our financial services subsidiaries under these agreements. As a result, we will be able to incur additional indebtedness from, or make loans to or investments in, or otherwise engage in ordinary course transactions with, such subsidiaries pursuant to the terms of these agreements.

***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.

***The terms of the agreements governing our indebtedness contain significant restrictions that limit our operating and financial flexibility.***

The indenture governing the notes and the agreements governing our and our subsidiaries other indebtedness contain various covenants and other restrictions that limit our ability and the ability of our restricted subsidiaries to engage in specified types of transactions. These covenants and other restrictions limit our and our restricted subsidiaries ability

to, among other things:

- make restricted payments;
- incur additional debt and issue preferred or disqualified stock;

- create liens;
- create or permit to exist restrictions on our ability or the ability of our restricted subsidiaries to make certain payments or distributions;
- engage in sale-leaseback transactions;
- engage in mergers or consolidations or transfer all or substantially all of our assets;
- designate restricted and unrestricted subsidiaries;
- make certain dispositions and transfers of assets;
- place limitations on the ability of our restricted subsidiaries to make distributions;
- enter into transactions with affiliates; and
- guarantee indebtedness.

These restrictions on operations and financings, as well as those that may be contained in future debt agreements, may limit our ability to execute preferred business strategies. Moreover, if operating results fall below current levels, we may be unable to comply with these covenants. If that occurs, our lenders, including you, could accelerate their debt. If their debt is accelerated, we may not be able to repay all of their debt, in which case your notes may not be fully repaid, if they are repaid at all.

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

Upon the occurrence of certain kinds of change of control events, 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 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of Notes Certain Covenants Change of Control.

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. In addition, the terms of our future debt may prevent us from paying you. We cannot assure you that we would be able to repay such other debt or obtain consents from the holders of such other debt to repurchase the notes. Any requirement to offer to purchase the 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 may be limited by law or by regulatory authority.

Our failure to repurchase surrendered notes at a time when such repurchase is required by the indenture would constitute a default under the indenture. A default under the indenture or the change of control 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.

***Certain of the covenants in the indenture will not apply during any period in which the notes are rated investment grade by both Moody s and Standard & Poor s.***

Certain of the covenants in the indenture will not apply to us during any period in which the notes are rated investment grade by both Moody s and Standard & Poor s, provided that at such time no default has

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occurred and is continuing. Such covenants restrict, among other things, our ability to make restricted payments, incur debt and enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade, or that if they are rated investment grade, that the notes will maintain these ratings. However, suspension of these covenants would allow us to engage in certain transactions that would not otherwise be permitted while these covenants were in effect. To the extent that the covenants are subsequently reinstated, any such actions taken while the covenants were suspended would not result in a default under the indenture.

***Federal and state fraudulent conveyance laws may permit a court to void the guarantee, and, if that occurs, you may not receive any payments on the guarantee.***

The issuance of the guarantee may be subject to review under federal and state fraudulent conveyance statutes. While the relevant laws may vary from state to state, under such laws the payment of consideration generally will be a fraudulent conveyance if:

- it was paid with the intent of hindering, delaying or defrauding creditors; or
- the Guarantor received less than fair consideration in return for issuing a guarantee and either:
  - the Guarantor was insolvent or rendered insolvent by reason of the incurrence of the indebtedness;
  - payment of the consideration left the Guarantor with an unreasonably small amount of capital to carry on the business; or
  - the Guarantor intended to, or believed that it would, incur debts beyond its ability to pay the debt.

If a court were to find that the issuance of a guarantee was a fraudulent conveyance, the court could void the payment obligations under such guarantee or further subordinate such guarantee to presently existing and future indebtedness, or require the holders of the notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the notes. Further, the voidance of a guarantee could result in an event of default with respect to our other debt that could result in acceleration of that debt.

***We cannot assure you that an active trading market will be maintained for the notes.***

The notes will be issued as additional notes under the indenture governing the Existing Senior Notes. The notes will be treated as a single series with the Existing Senior Notes for all purposes under the indenture, will have the same terms as the Existing Senior Notes and will be fungible with the Existing Senior Notes. Although the underwriters make a market in the Existing Senior Notes and have advised us that, following the completion of the offering, they intend to continue to make a market in the notes as permitted by applicable law, there is no guarantee that such trading market will be maintained for the notes.

If an active trading market 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. Accordingly, you may be required to bear the financial risk of your investment in the notes indefinitely.

The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of the notes;
- our ratings published by major credit rating agencies;

our financial performance;

the market for similar securities;

the interest of securities dealers in making a market in the notes; and

prevailing interest rates.

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

***A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the notes could cause the liquidity or market value of the notes to decline.***

The Existing Senior Notes have been rated by rating agencies. A rating is not a recommendation to purchase, sell or hold the notes. We cannot assure you that any rating assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant. Any lowering or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the notes.

***The notes offered hereby would not be fungible with the Existing Senior Notes if the notes offered hereby were Contingent Payment Debt Instruments.***

We intend for the notes offered hereby to be fungible with the Existing Senior Notes. One requirement of fungibility is that the notes offered hereby be issued as a qualified reopening of the Existing Senior Notes. One requirement for the issuance of the notes offered hereby to constitute a qualified reopening is that the notes not be contingent payment debt instruments. As described further in Certain U.S. Federal Income Tax Considerations, we believe that the notes are not contingent payment debt instruments, and we are taking the position that they are not contingent payment debt instruments. There is a risk, however, that the Internal Revenue Service (the IRS ) could challenge this treatment. If the IRS were to successfully recharacterize the notes as contingent payment debt instruments, then the issuance of the notes offered hereby would not constitute a qualified reopening, and the notes offered hereby would not be fungible with the Existing Senior Notes.

***The notes will be issued with original issue discount for U.S. federal income tax purposes.***

Because we intend to treat the notes as issued pursuant to a qualified reopening of the Existing Senior Notes, the issue price of the notes will be, for U.S. federal income tax purposes, the same as the issue price of the Existing Senior Notes, which were issued with original issue discount ( OID ) for U.S. federal income tax purposes. As a result, in addition to the stated interest on a note, a U.S. Holder (as defined in Certain U.S. Federal Income Tax Considerations ) may generally be required to include the OID on such note in gross income (as ordinary income) as it accrues on a constant yield-to-maturity basis for U.S. federal income tax purposes, in advance of the receipt of the cash payments to which such OID is attributable and regardless of the U.S. Holder s regular method of accounting for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations.

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## FORWARD-LOOKING STATEMENTS

This prospectus supplement and the documents incorporated herein contain forward-looking statements within the meaning of the federal securities laws 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, estimate or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus supplement 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:

- estimates we have made in preparing our financial statements;
- the anticipated consummation and implementation of our recently announced strategic alliance with Volkswagen Truck & Bus GmbH;
- our development of new products and technologies;
- anticipated sales, volume, demand, markets for our products and financial performance;
- anticipated performance and benefits of our products and technologies;
- our business strategies relating to, and our ability to meet, federal and state regulatory heavy-duty diesel emissions standards applicable to certain of our engines, including the timing and costs of compliance and consequences of noncompliance with such standards, as well as our ability to meet other federal, state and foreign regulatory requirements;
- our business strategies and long-term goals, and activities to accomplish such strategies and goals;
- our ability to implement our strategy focused on growing our Core business, seeking new sources of revenue, driving operational excellence, leveraging the VW T&B alliance, investing in our people and improving our financial performance, as well as the results we expect to achieve from the

implementation of our new strategy;

our expectations related to new product launches;

anticipated results from the realignment of our leadership and management structure;

anticipated benefits from acquisitions, strategic alliances and joint ventures we complete;

our expectations and estimates relating to restructuring activities, including restructuring charges and timing of cash payments related thereto, and operational flexibility, savings and efficiencies from such restructurings;

our expectations relating to the potential effects of anticipated divestitures and closures of businesses;

our expectations relating to our cost-reduction actions and actions to reduce discretionary spending;

our expectations relating to our ability to service our long-term debt;

our expectations relating to our wholesale and retail finance receivables revenues;

our expectations and estimates relating to our used truck inventory;

liabilities resulting from environmental, health and safety laws and regulations;

our anticipated capital expenditures;

our expectations relating to payments of taxes;

our expectations relating to warranty costs;

our expectations relating to interest expense;

our expectations relating to impairment of goodwill and other assets;

costs relating to litigation and similar matters;

estimates relating to pension plan contributions and unfunded pension and postretirement benefits;

trends relating to commodity prices;

anticipated trends, expectations and outlook relating to matters affecting our financial condition or results of operations; and

other factors described in the Risk Factors section of this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein by reference.

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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## RATIO OF EARNINGS TO FIXED CHARGES

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

| | Fiscal year ended October 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | (in millions) | | | | |
| Loss before income tax benefit (expense) (1) | $ (38) | $ (109) | $ (565) | $ (985) | $ (1,082) |
| Less: Net income attributable to non-controlling interests | (32) | (33) | (40) | (54) | (48) |
| Dividends from non-consolidated affiliates | 12 | 12 | 12 | 13 | 7 |
| Interest expense (2) | 290 | 270 | 265 | 264 | 213 |
| Debt amortization expense | 37 | 37 | 49 | 57 | 46 |
| Interest portion of rent expense (3) | 17 | 19 | 20 | 24 | 21 |
| Total earnings (loss) | $ 286 | $ 196 | $ (259) | $ (681) | $ (843) |
| Capitalized interest | $ 3 | $ 1 | $ | $ 5 | $ 9 |
| Interest expense (2) | 307 | 289 | 285 | 288 | 234 |
| Debt amortization expense | 37 | 37 | 49 | 57 | 46 |
| Total fixed charges | $ 347 | $ 327 | $ 334 | $ 350 | $ 289 |
| Ratio of earnings to fixed charges | 0.82 | 0.60 | | | |
| Earnings shortfall | $ (61) | $ (131) | $ (593) | $ (1,031) | $ (1,132) |

(1) Excludes equity in income (loss) of non-consolidated affiliates.

(2) Excludes interest expense on income tax contingencies.

(3) Represents an estimated amount of rental expense (33%) that is deemed to be representative of the interest factor.

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## USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of the notes in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $197 million. We expect to use the net proceeds of this offering for general corporate purposes, including working capital and capital expenditures.

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## CAPITALIZATION

The following table sets forth our cash, cash equivalents and marketable securities and capitalization as of October 31, 2016 on:

- an actual basis; and
- an as adjusted basis to give effect to the sale of the notes in this offering.

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 the notes thereto, each of which is in our 2016 Annual Report, which is incorporated by reference in this prospectus supplement.

| | At October 31, 2016 | |
|---|---|---|
| | Actual | As adjusted |
| | (in millions, except per share data) | |
| **Cash, cash equivalents and marketable securities:** | | |
| Manufacturing operations | $ 800 | $ 997 |
| Financial services operations | 50 | 50 |
| Total cash, cash equivalents and marketable securities | $ 850 | $ 1,047 |
| **Total debt (including current portion):** | | |
| Manufacturing operations: | | |
| Senior Secured Term Loan Credit Facility, net of unamortized discount and debt issuance costs of $14 million and $7 million, respectively | $ 1,009 | $ 1,009 |
| Existing 8.25% Senior Notes, net of unamortized discount and debt issuance costs of $15 million and $12 million, respectively | 1,173 | 1,173 |
| 8.25% Senior Notes offered hereby | | 200 |
| 2018 Convertible Notes, net of unamortized discount and debt issuance costs of $10 million and $1 million, respectively | 189 | 189 |
| 2019 Convertible Notes, net of unamortized discount and debt issuance costs of $24 million and $4 million, respectively | 383 | 383 |
| Financing arrangements and capital lease obligations (1) | 42 | 42 |
| Loan agreement relating to Tax Exempt Bonds (2) | 220 | 220 |
| Financed lease arrangements (3) | 52 | 52 |
| Other | 28 | 28 |
| Total manufacturing operations debt | 3,096 | 3,296 |
| Financial services operations: | | |
| Asset-backed debt issued by consolidated SPEs, at variable rates, due serially through 2022 | 753 | 753 |

| | | |
|---|---|---|
| Bank revolvers, at fixed and variable rates, due dates from 2017 through 2021 | 861 | 861 |
| Commercial paper, at variable rates, program matures in 2017 | 96 | 96 |
| Borrowings secured by operating and finance leases, at various rates, due serially through 2021 | 98 | 98 |
| Total financial services debt | 1,808 | 1,808 |
| Total debt | $ 4,904 | $ 5,104 |

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| | At October 31, 2016 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | (in millions, except per share data) | | | |
| **Stockholders deficit:** | | | | |
| Series D convertible junior preference stock | $ | 2 | $ | 2 |
| Common stock ($0.10 par value per share, 220.0 million shares authorized, 86.8 million shares issued) | | 9 | | 9 |
| Additional paid in capital | | 2,499 | | 2,499 |
| Accumulated deficit | | (4,963) | | (4,963) |
| Accumulated other comprehensive loss | | (2,640) | | (2,640) |
| Common stock held in treasury, at cost, 5.2 million shares | | (205) | | (205) |
| Total stockholders deficit attributable to NIC | | (5,298) | | (5,298) |
| Stockholders equity attributable to non-controlling interests | | 5 | | 5 |
| Total stockholders deficit | $ | (5,293) | $ | (5,293) |
| Total capitalization | $ | (389) | $ | (189) |

(1) Included in our financing arrangements and capital lease obligations as of October 31, 2016 are: (i) $3 million of financing arrangements that involve the sale and leaseback of manufacturing equipment that we consider to be integral equipment, and thus we account for these arrangements as financings, (ii) $37 million related to the lease of a manufacturing facility in Cherokee, Alabama and the purchase of certain machinery and equipment within that facility, and (iii) $2 million of capital leases for real estate and equipment.

(2) In October 2010, we benefited from the issuance of certain tax-exempt bond financings, of which: (i) the Illinois Finance Authority issued and sold $135 million aggregate principal amount of Recovery Zone Facility Revenue Bonds due October 15, 2040, and (ii) The County of Cook, Illinois issued and sold $90 million aggregate principal amount of Recovery Zone Facility Revenue Bonds, also due October 15, 2040 (collectively, the Tax Exempt Bonds ). The proceeds from the issuance of the Tax Exempt Bonds are restricted, and must be used substantially for capital expenditures related to financing the relocation of our headquarters, the expansion of an existing warehouse facility, and the development of certain industrial and testing facilities, together with related improvements and equipment (the Projects ). The payment of principal and interest on the Tax Exempt Bonds is guaranteed by Navistar, Inc. The funds received from the issuance of the Tax Exempt Bonds were deposited directly into trust accounts by the bonding authority at the time of issuance, and will be remitted to us on a reimbursement basis as we make qualified capital expenditures related to the Projects. As we make qualifying capital expenditures and are reimbursed by the Trust, we report the corresponding amounts as capital expenditures and proceeds from issuance of debt within our Consolidated Statement of Cash Flows. In November 2010, we finalized the purchase of the property and buildings that we are developing into our new world headquarters site. As of October 31, 2016, we had received reimbursements for the entire $225 million under the Tax Exempt Bonds.

(3) Represents certain third-party equipment financings provided by BMO Financial Group and its wholly-owned subsidiary BMO Harris Bank N.A., our preferred source of retail customer financing for equipment offered by us

and our dealers in the United States. We have accounted for these financings as an obligation on our consolidated balance sheet because the initial sales transactions do not qualify for revenue recognition under GAAP as we retain substantial risks of ownership in the leased property. As a result, the proceeds from the transfer are recorded as an obligation and amortized to revenue over the term of the financing. The remaining obligation will be amortized through 2018 with interest rates ranging from 4.1% to 12.5%.

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## MANAGEMENT

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

| Name | Age | Position |
|---|---|---|
| Troy A. Clarke | 61 | President and Chief Executive Officer and Director |
| Walter G. Borst | 54 | Executive Vice President and Chief Financial Officer |
| William R. Kozek | 54 | President, Truck and Parts |
| Persio V. Lisboa | 51 | President, Operations |
| William V. McMenamin | 57 | President, Financial Services and Treasurer |
| Steven K. Covey | 65 | Senior Vice President and General Counsel |
| Samara A. Strycker | 44 | Senior Vice President and Corporate Controller |
| Curt A. Kramer | 48 | Corporate Secretary |

**Troy A. Clarke** has served as our President and Chief Executive Officer and as a member of our board of directors since April 2013. Mr. Clarke served as our President and Chief Operating Officer from August 2012 to April 2013. Prior to holding these positions, Mr. Clarke served at Navistar, Inc. as President of the Truck and Engine Group from June 2012 to August 2012, as President of Asia-Pacific Operations of Navistar, Inc. from 2011 to 2012, and as Senior Vice President of Strategic Initiatives of Navistar, Inc. from 2010 to 2011. Prior to joining Navistar, Inc., Mr. Clarke held various positions at General Motors Company, including President of GM North America from 2006 to 2009 and President of GM Asia Pacific from 2003 to 2006. On June 1, 2009, GM filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code.

**Walter G. Borst** has served as our Executive Vice President and Chief Financial Officer since June 2013. Prior to joining us, Mr. Borst served as Chairman, President and CEO of GM Asset Management and Vice President of GM since 2010. Prior to that, Mr. Borst served as Vice President and Treasurer of GM from 2009 to 2010 and as Treasurer of GM from 2003 to 2009. On June 1, 2009, GM filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code.

**William R. Kozek** has served as President, Truck and Parts of Navistar, Inc. since November 2014. Prior to holding this position, Mr. Kozek served as President of North America Truck and Parts of Navistar, Inc. from June 2013 to November 2014. Prior to joining Navistar, Inc., Mr. Kozek held various positions at PACCAR, including as its Vice President and General Manager of its Peterbilt division from January 2012 to June 2013, as Vice President, China from June 2011 to December 2011 and as Vice President and General Manager of PACCAR s Kenworth division from October 2008 to May 2011. Mr. Kozek began his career as an accountant for Peterbilt in 1987, and served in a number of finance roles before moving into operations as a Parts District Manager for the Kenworth division in 1995. He spent the next 16 years at Kenworth moving through a number of key operational roles with increasing responsibility.

**Persio V. Lisboa** has served as President, Operations of Navistar, Inc. since November 2014. Prior to holding this position, Mr. Lisboa served as the Senior Vice President, Chief Procurement Officer of Navistar, Inc. from December 2012 to November 2014, as Vice President, Purchasing and Logistics and Chief Procurement Officer of Navistar, Inc. from October 2011 to November 2012 and Vice President, Purchasing and Logistics of Navistar, Inc. from August 2008 to October 2011. Prior to these positions, Mr. Lisboa held various management positions within the Company s North American and South American operations.

**William V. McMenamin** has served as our President, Financial Services and Treasurer since August 2015. He has also served as President of NFC since January 2013. Mr. McMenamin served as Vice President, Chief Financial

Officer and Treasurer of NFC from October 2008 to January 2013. Prior to these positions, he served as Vice President of Strategy of NFC from May 2007 to October 2008, Vice President of Credit of NFC from April 2005 to May 2007, and Director of Corporate Finance of Navistar, Inc. from 2001 to 2005. Prior to

joining Navistar, Mr. McMenamin held various positions in finance and accounting with a human resources services company, a national bank and a national accounting firm.

**Steven K. Covey** has served as our Senior Vice President and General Counsel since September 2004 and Chief Ethics Officer from February 2008 to July 2014. Prior to holding these positions, Mr. Covey served as Deputy General Counsel of Navistar, Inc. from April 2004 to September 2004 and as Vice President and General Counsel of NFC from 2000 to 2004. Mr. Covey also served as our Corporate Secretary from 1990 to 2000 and Associate General Counsel of Navistar, Inc. from 1992 to 2000.

**Samara A. Strycker** has served as our Senior Vice President and Corporate Controller since August 2014. Prior to joining us, Ms. Strycker served as Regional Controller, Americas, of General Electric Healthcare ( GE Healthcare ) from July 2010 to July 2014 and prior to that position she served as Assistant Controller of GE Healthcare from September 2008 to July 2010. Prior to joining GE Healthcare, Ms. Strycker was employed at PricewaterhouseCoopers, LLP from 1993 to 2008. Ms. Strycker is a Certified Public Accountant.

**Curt A. Kramer** has served as our Corporate Secretary since December 2007. Mr. Kramer has also served as Associate General Counsel and Corporate Secretary of Navistar, Inc. since December 2007. Prior to holding these positions, Mr. Kramer served as General Attorney of Navistar, Inc. from April 2007 to December 2007, Senior Counsel of Navistar, Inc. from 2004 to 2007, Senior Attorney of Navistar, Inc. from 2003 to 2004, and Attorney of Navistar, Inc. from 2002 to 2003. Prior to joining Navistar, Inc., Mr. Kramer was in private practice.

We incorporate by reference in this prospectus supplement certain information relating to, among other things, executive officer and director compensation, transactions with related parties and ownership of NIC common stock. See Incorporation of Certain Documents by Reference.

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## DESCRIPTION OF NOTES

*In this Description of Notes, NIC refers only to Navistar International Corporation and not to any of its Subsidiaries, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under Certain definitions.*

NIC will issue, and the Initial Subsidiary Guarantor will guarantee, the $200,000,000 aggregate principal amount of 8.25% Senior Notes due 2021 offered hereby under the indenture (the Indenture ), dated as of October 28, 2009, among NIC, the Initial Subsidiary Guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee ). The terms of the notes offered hereby include those set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the TIA ). The notes offered hereby will be issued as additional notes under the Indenture ( Additional Notes ), and will be treated together with any of our then outstanding 8.25% Senior Notes due 2021 (the Existing Senior Notes ) as a single class for all purposes under the Indenture. As of October 31, 2016, we had $1,200 million aggregate principal amount of outstanding Existing Senior Notes. The terms of the notes offered hereby (other than their issue date, public offering price and first interest payment date) will be identical to those of the Existing Senior Notes. The notes offered hereby will have the same CUSIP and ISIN numbers as the Existing Senior Notes and will be fungible with the Existing Senior Notes.

The notes offered hereby will bear interest at a rate of 8.25% per year, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2017. Interest will accrue on the notes offered hereby from November 1, 2016 and the initial interest payment on May 1, 2017 to holders of the notes offered hereby will be the same per note as that to holders of the Existing Senior Notes. All pre-issuance accrued interest from November 1, 2016 to, but excluding, the date of issuance will be paid by the purchasers of the notes offered hereby. On May 1, 2017, we will pay this pre-issuance accrued interest to the holders of the notes offered hereby on the applicable record date along with accrued interest on the notes offered hereby from the date of delivery to May 1, 2017. The notes offered hereby will mature on November 1, 2021.

The following description is a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety. You should read the Indenture because it contains additional information and because it and not this description define your rights as a holder of the notes offered hereby. Copies of the Indenture may be obtained by requesting them from NIC at the address indicated under Where You Can Find More Information.

Unless the context otherwise requires, references to the Notes for all purposes under the Indenture and in this Description of Notes include references to the Existing Senior Notes and the Additional Notes.

### Brief Description of the Structure and Ranking of the Notes and the Subsidiary Guarantees

#### *The Notes*

The Notes will:

- be NIC s general unsecured obligations;
- be structurally subordinated to all existing and future Indebtedness and other liabilities of Subsidiaries of NIC that do not provide Subsidiary Guarantees;

to the extent not otherwise secured by the assets of NIC, be effectively subordinated to all existing and future secured Indebtedness of NIC to the extent of the assets securing such Indebtedness;

rank equal in right of payment with any and all of NIC s existing and future Indebtedness that is not subordinated in right of payment to the Notes;

rank senior in right of payment to any and all of NIC s existing and future Indebtedness that is subordinated in right of payment to the Notes, including the Convertible Subordinated Notes; and

be guaranteed on a senior basis by the Subsidiary Guarantors.

***The Subsidiary Guarantees***

Each Subsidiary Guarantee will:

be a general unsecured obligation of the Subsidiary Guarantor that granted such Subsidiary Guarantee;

to the extent not otherwise secured by assets of such Subsidiary Guarantor, be effectively subordinated to all existing and future secured Indebtedness of such Subsidiary Guarantor to the extent of the assets securing such Indebtedness;

rank equal in right of payment with any and all of such Subsidiary Guarantor s existing and future Indebtedness that is not subordinated in right of payment to its Subsidiary Guarantee; and

rank senior in right of payment to any and all of such Subsidiary Guarantor s existing and future Indebtedness that is subordinated in right of paym