NAVISTAR INTERNATIONAL CORP
Form S-3/A
March 12, 2003

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As filed with the Securities and Exchange Commission on March 12, 2003

Registration Statement No. 333-103437

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM S-3
REGISTRATION STATEMENT
Under the Securities Act of 1933

NAVISTAR INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-3359573**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4201 Winfield Road
P.O. Box 1488
Warrenville, Illinois 60555
(630) 753-5000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

INTERNATIONAL TRUCK AND ENGINE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-1264810**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4201 Winfield Road
Warrenville, Illinois 60555
Telephone: (630) 753-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert A. Boardman
Senior Vice President and General Counsel
Navistar International Corporation
4201 Winfield Road
P.O. Box 1488
Warrenville, Illinois 60555
(630) 753-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Dennis M. Myers, Esq.
Kirkland & Ellis

200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-2000

Approximate date of commencement of proposed sale to the public:
From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS

$190,000,000

Navistar International Corporation

2 1/2% Senior Convertible Notes due December 15, 2007
and
5,473,926 Shares of Common Stock
Issuable Upon Conversion of the Notes

Holders of our 2 1/2% Senior Convertible Notes due December 15, 2007 may offer for sale the notes and the shares of our common stock into which the notes are convertible at any time at market prices prevailing at the time of sale or at privately negotiated prices. The selling securityholders may sell the notes or the common stock directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions.

Holders of notes may convert the notes into shares of our common stock at any time prior to maturity at a conversion price of approximately $34.71 per share, subject to certain adjustments described in this prospectus. This is equivalent to a conversion rate of 28.8101 shares per $1,000 principal amount of notes. Interest on the notes is payable June 15 and December 15 of each year, commencing on June 15, 2003. If a fundamental change occurs as defined in the indenture, subject to certain conditions, we must give the holders of notes an opportunity to sell to us the notes at a purchase price of 100% of the principal amount of the notes, plus accrued and unpaid interest to the date of purchase.

The notes are senior, unsecured obligations of NIC (as defined elsewhere herein). As of October 31, 2002, after giving pro forma effect to the December 2002 private placement of the notes offered hereby and the application of the net proceeds therefrom, NIC would have had $840 million of total indebtedness outstanding, of which $590 million would have ranked equally with the notes and $250 million would have been subordinated to the notes. The notes also are effectively subordinated to all of NIC's future secured indebtedness (to the extent of the value of the assets securing such debt) and all liabilities, including trade payables, of our financial services subsidiaries, including Navistar Financial Corporation, or NFC.

The payment of principal, premium, if any, and interest on the notes is guaranteed by International Truck and Engine Corporation, or International, our principal operating subsidiary. International will be released from its obligations under its guarantee of the notes upon the occurrence of certain events described elsewhere herein.

Our common stock is listed on the New York Stock Exchange under the symbol "NAV." The last reported price of our common stock on March 10, 2003 was $22.00 per share.

Investing in the notes or our common stock involves risks. Please carefully consider the "Risk Factors" beginning on page 8 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated March 12, 2003.

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We have not authorized anyone to provide you with information different from that contained in, or incorporated by reference in, this prospectus or any prospectus supplement. This document may only be used where it is legal to sell these securities.

The fiscal year of Navistar ends on October 31. Fiscal years are identified in this prospectus according to the calendar year in which they end. For example, the fiscal year ended October 31, 2002 is referred to as "fiscal 2002." Unless the context indicates otherwise, as used in this prospectus: (i) "company," "us," "we," "our" and "Navistar" refer to Navistar International Corporation and its consolidated subsidiaries and their respective predecessors; (ii) "International" refers to International Truck and Engine Corporation, our principal operating subsidiary; (iii) "NIC" refers to Navistar International Corporation, exclusive of our subsidiaries; (iv) "NFC" refers to Navistar Financial Corporation, a wholly owned subsidiary of International, which together with NIC's three Mexican subsidiaries that provide financial services to its dealers and customers in Mexico, comprise our financial services operations; (v) "mid-range diesel engines" refers to 160-300 horsepower diesel fuel-powered engines; and (vi) "North America" refers to the United States and Canada.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Navistar is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, in accordance therewith, files reports and other information with the 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, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material or parts thereof may also be obtained by mail from the Public Reference Room of the SEC, 450 Fifth Street, Washington, D.C. 20549 at prescribed rates or 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. Our reports and other information that are filed with the SEC are not incorporated by reference into this prospectus and, therefore, are not part of this prospectus unless otherwise expressly indicated. See "Incorporation of Certain Documents by Reference."

We have agreed that, whether or not we are required to do so by the rules and regulations of the SEC, for so long as any of the notes remain outstanding, we will furnish to the registered holders of the notes and file with the SEC (unless the SEC will not accept the filing) copies of the financial and other information that would be contained in the annual report, quarterly reports and current reports that we would be required to file with the SEC if we were subject to the periodic reporting requirements of the Exchange Act. We will also make such reports available to prospective purchasers of the notes and common stock into which the notes are convertible, as applicable, and to securities analysts and broker-dealers upon their request. In addition, we have agreed to furnish to holders of the notes, and prospective purchasers of the notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act or 1933, as amended, or the Securities Act, until such time as the shelf registration statement relating to the notes and common stock into which the notes are convertible has been declared effective by the SEC.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the sale of all of the shares of common stock that are part of this prospectus. The documents we are incorporating by reference are as follows:

- our Annual Report on Form 10-K for the fiscal year ended October 31, 2002 (including the information from Part III incorporated by reference from our Proxy Statement dated January 16, 2003); and

- our Current Reports on Form 8-K dated November 8, 2002, December 3, 2002, the three reports dated December 11, 2002, and February 14, 2003.

Any statement contained in a document incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus (or in any other document that is subsequently filed with the SEC and incorporated by reference) modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superseded.

You may request a copy of these filings at no cost (other than exhibits unless such exhibits are specifically incorporated by reference) by writing or telephoning us at the following address and telephone number:

Navistar International Corporation
4201 Winfield Road
P.O. Box 1488
Warrenville, Illinois 60555
Attention: Investor Relations
Telephone: (630) 753-5000

INDUSTRY DATA

In this prospectus, we rely on and refer to information regarding the heavy and medium truck, bus and mid-range diesel engine markets from several sources, including internal estimates and industry publications, including those generated by Ward's Communications in the United States, the Canadian Vehicle Manufacturers Association, R.L. Polk & Company and Power Systems Research of Minneapolis, Minnesota as well as other sources. Although we believe this information is reliable, we cannot guarantee the accuracy and completeness of the information, and we have not independently verified such information. Unless otherwise indicated, all market data relates only to those markets in the United States and Canada.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus.

We are a leading producer and marketer of medium- and heavy-duty trucks, school buses and severe service vehicles, and we are the world's largest mid-range diesel engine manufacturer. We also distribute a comprehensive line of parts for our truck and engine products. Our truck products are sold under the International® brand to the common carrier, private carrier, government, leasing, construction, industrial and agricultural markets. We are North America's leading manufacturer of school buses, which are marketed under our IC brand. Our mid-range diesel engine products are used in our medium- and heavy-duty trucks, school buses and severe service vehicles as well as sold directly to original equipment manufacturers, or OEMs, principally Ford Motor Company. Our diesel engines are sold under the International® brand and to Ford for sale under its PowerStroke brand. We are the exclusive supplier of mid-range diesel engines to Ford for use in its over 8,500 lbs. gross vehicle weight, or GVW, medium-duty trucks, pick-up trucks, vans and SUVs in North America.

We market our truck products, parts and services through the industry's largest dealer network in North America specializing in medium- and heavy-duty trucks and school buses. As of October 31, 2002, our dealer network was comprised of 872 locations in North America. In addition, we have 70 dealer locations in Mexico and 70 dealer locations in 58 other countries. Our dealer network offers a comprehensive range of service, financing and other support functions to our customers. We also operate seven North American regional parts distribution centers that provide 24-hour availability and shipment with a 98% order fill rate of our truck and engine parts. We provide certain financial services to our customers and dealers through our financial services operations.

Demand for our truck and engine products is cyclical and depends in part on the business environment, particularly the industrial sector. Levels of freight tonnage hauled, which track the primary end use for our truck products, are driven in large part by demand in the industrial sector. While demand for new trucks has dropped significantly since early 2000, we have an improving order backlog, which has increased from 20,000 trucks at October 31, 2001 to 24,000 trucks at October 31, 2002.

Set forth below is certain information regarding our principal product lines based upon our results for fiscal 2002:

Product Line Description	Fiscal 2002 Revenues (in millions)	% of Fiscal 2002 Mfg. Revenues	Fiscal 2002 Unit Deliveries(1)	Estimated Market Share(2)	Typical End-Use/User
Medium Trucks (Class 5-7)	1,209	19%	30,500	42%	Local and regional delivery/beverage, refrigeration, utilities, towing, municipalities and emergency rescue
Heavy Trucks (Class 8)	1,267	19%	18,400	16%	Long-haul, local and regional delivery/fleets and owner operators

Product Line Description	Fiscal 2002 Revenues (in millions)	% of Fiscal 2002 Mfg. Revenues	Fiscal 2002 Unit Deliveries(1)	Estimated Market Share(2)	Typical End-Use/User
School Buses	831	13%	16,100	59%	School districts
Severe Service Vehicles	611	9%	9,300	20%	Construction, waste management and other on-off highway applications
Total Trucks	3,918	60%	74,300	26%	
Mid-Range Diesel Engines	1,607	25%	315,100	NA	Ford and other OEMs
Service Parts	968	15%	NA	NA	All end-users listed in this table

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

(2) Combined North American markets for fiscal 2002. Market share for medium trucks reflects only Class 6-7 trucks.

Recent Developments

Restructuring and Other Non-Recurring Charges and Discontinued Operations

In fiscal 2002, we recorded pre-tax charges and losses from discontinued operations totaling $602 million. We incurred pre-tax restructuring charges of $374 million, pre-tax non-recurring charges of $170 million primarily related to our V-6 diesel engine program and $58 million in losses from discontinued operations associated with our decision to exit the domestic Brazil truck market.

Set forth below is a summary of the cash and non-cash impacts of the restructuring, discontinued operations and other non-recurring charges:

	Non-Cash Impact	Cash Impact 2003	Cash Impact 2004	Cash Impact Thereafter	Pre-Tax Total
	(in millions)				
Restructuring and other non-recurring charges:					
Chatham plant closure	$ 36	$ 36	$ 9	$ 32	$ 113
Completion of Five Point Plan	46	74	27	97	244
V-6 diesel engine termination	67	15	9	76	167
Brazil export business	8	2	0	0	10
Other(1)	0	6	0	2	10
Subtotal	157	133	45	207	544

		Cash Impact			
Discontinued operations:					
Exit domestic Brazil truck business	34	16	6	2	58
Total	$ 191	$ 149	$ 51	$ 209	$ 602

(1) Cash payments of $2 million were incurred in fiscal 2002.

A brief description of the major components of these items are set forth below:

Restructuring Charges. The major restructuring, integration and cost reduction initiatives included in our 2002 restructuring charge:

Chatham Plant Closure. Closure of facilities and exit of certain activities at the Chatham, Ontario heavy truck assembly facility.

Completion of Five Point Plan. Closure of the Springfield, Ohio body plant and a manufacturing production line, as well as related severance and pension costs.

V-6 Diesel Engine Termination. In 2000, we finalized a contract with Ford for the supply of a newly designed V-6 diesel engine on an exclusive basis commencing with model year 2002 and extending through 2012. In October 2002, Ford advised us that its current business case for a V-6 diesel engine in the specified vehicles is not viable and it has discontinued its program for the use of these engines. Ford is seeking to cancel the V-6 supply contract. We have recorded a non-recurring pre-tax charge to write-off the deferred pre-production costs, to write-down to fair value certain V-6 diesel engine-related fixed assets that will be abandoned, to accrue for future lease obligations under non-cancelable operating leases for certain V-6 diesel engine assembly assets that will not be used by the company, to accrue for amounts contractually owed to suppliers related to the V-6 diesel engine program and write-down to fair value certain other assets.

Exit Domestic Brazil Truck Business. In October 2002, we announced our decision to exit the domestic truck business in Brazil due to the condition of the Brazilian economy.

Corporate Structure

Our common stock is publicly traded on the New York Stock Exchange under the symbol "NAV." We conduct our manufacturing operations principally through International, the guarantor of the notes, and, to a lesser extent, certain other wholly owned foreign and domestic subsidiaries. Our manufacturing operations are supported by our financial services subsidiaries, including NFC. Our financial services subsidiaries provide wholesale, retail and lease financing for sales of new and used trucks, truck chassis, buses and trailers, service parts and engines by International and retail and lease financing for sales of such products by International dealers to their customers.

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

For the most part, our financial services subsidiaries fund their operations on an independent basis. Our financial services subsidiaries obtain funds to provide financing to our dealers and retail customers from sales of receivables, medium- and long-term debt securities and short- and long-term bank borrowings. As of October 31, 2002, NFC had $501 million of unrestricted cash and committed borrowing capacity to fund its general business purposes.

We provide credit support to NFC under NFC's senior credit facility through an agreement whereby International has agreed not to permit NFC's consolidated income before income taxes, interest expense and dividends on preferred stock, if any, to be less than 125% of NFC's consolidated interest expense and dividends on preferred stock, if any, for any period of four fiscal quarters immediately preceding the date of measurement. For fiscal 2002, NFC's ratio of income before income taxes and consolidated interest expense to its consolidated interest expense was 205%. International has not made a payment to NFC under this arrangement since 1984. In addition, NIC had guaranteed an aggregate of $166 million of outstanding borrowings by its financial services subsidiaries as of October 31, 2002.

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

For more information relating to NFC's financing arrangements and the relationship between Navistar, International and NFC, see "Description of Other Financing Arrangements" and "Certain Arrangements with NFC and International."

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The Offering

Issuer	Navistar International Corporation.
Notes Offered	\$190 million aggregate principal amount of $2^1/_2$% Senior Convertible Notes due December 15, 2007.
Maturity Date	December 15, 2007.
Interest Payment Dates	June 15 and December 15 of each year, commencing June 15, 2003.
Conversion Rights	The notes are convertible at any time prior to maturity into shares of our common stock at a conversion price of approximately \$34.71 per share, subject to certain adjustments. This is equivalent to a conversion rate of 28.8101 shares per \$1,000 principal amount of notes. Upon conversion, you will not receive any cash representing accrued interest. See "Description of Notes Conversion of Convertible Notes."
Optional Redemption	None.
Sinking Fund	None.
Ranking	The notes are senior, unsecured obligations of NIC. Accordingly, they rank:
	behind all of NIC's future secured debt, if any, to the extent of the value of the assets securing such debt;
	equally with all of NIC's existing and future senior unsecured debt; and
	ahead of any of NIC's existing and future subordinated debt.
	As of October 31, 2002, after giving pro forma effect to the December 2002 private placement of the notes offered hereby and the application of the net proceeds therefrom:
	NIC would have had \$840 million of total indebtedness outstanding (including the notes), of which \$590 million would have ranked equally with the notes and \$250 million would have been subordinated to the notes;
	NIC's financial services subsidiaries would have had \$166 million of indebtedness that was guaranteed by NIC, which guarantee ranks equally with the notes; and
	NIC's non-guarantor subsidiaries would have had \$2,737 million of liabilities (including trade payables), of which \$1,982 million would be liabilities of the financial services operations. See "Description of Notes Ranking."
Subsidiary Guarantee	The payment of the principal, premium, if any, and interest on the notes is guaranteed by International (the "International Guarantee"). International will be released from its obligations under the International Guarantee upon the occurrence of certain events that are described more fully at "Description of Notes Guarantee."

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	The International Guarantee is a senior, unsecured obligation of International and, as a result, it ranks:
	behind all of International's future secured debt, if any, to the extent of the value of the assets securing such debt;
	equally with all of International's existing and future senior unsecured debt; and

	ahead of any of International's existing and future subordinated debt.
	As of October 31, 2002, after giving pro forma effect to the December 2002 private placement of the notes offered hereby and the application of the net proceeds therefrom, International would have had $861 million of total indebtedness outstanding (including all guaranteed obligations), $611 million of which would have ranked equally with the International Guarantee and $250 million of which would have been subordinated to the International Guarantee.
Purchase of Notes at Your Option Upon a Fundamental Change	If a fundamental change occurs as defined in the indenture, subject to certain conditions, we must give holders of the notes an opportunity to sell to us the notes at a purchase price of 100% of the principal amount of the notes, plus accrued and unpaid interest to the date of the purchase. See "Description of Notes Fundamental Change."
Trading	There is no established trading market for the notes and the notes are not listed on any securities exchange or quotation system. Our common stock is traded on the New York Stock Exchange under the symbol "NAV."
Use of Proceeds	We will not receive any of the proceeds from the sale by any selling securityholder of the notes or the shares of our common stock into which the notes are convertible. For more information, see "Use of Proceeds."

Additional Information

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

RISK FACTORS

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

Risks Relating to Navistar and its Markets

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

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

Sales of Class 5 - 8 trucks have historically been cyclical, with demand affected by such economic factors as industrial production, construction, demand for consumer durable goods, interest rates and the earnings and cash flow of dealers and customers. Truck sales in fiscal 2002 were hindered by a number of factors including the overall state of the economy, rising insurance costs, tightened credit availability and a large decline in sales to leasing companies. Reflecting the continued industry-wide decline in new truck orders, we lowered our industry projections for fiscal 2003. We currently project fiscal 2003 North American Class 8 heavy truck demand to be 156,000 units, down 5% from fiscal 2002. Class 5 - 7 medium truck demand, excluding school buses, is forecast at 105,500 units, 8% higher than in fiscal 2002. We are unable to predict the length or severity of the current downturn in the truck market or recovery levels. This weakness in the demand for new trucks has adversely affected our operating results in fiscal 2002 and 2001. Continued weakness in the demand for new trucks would have a negative impact on our business, financial condition and results of operations.

We operate in the highly competitive North American truck market.

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

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

We are subject to risk of work stoppages and other labor relations matters because our workforce is highly unionized. As of October 31, 2002, we employed approximately 7,200 hourly workers and 6,100 salaried workers in the U.S. and Canada. Approximately 86% of the hourly workers and 19% of the salaried workers are represented by unions. Of these represented employees, 72% of the hourly workers and 94% of the salaried workers are represented by the United Automobile, Aerospace and Agriculture Implement Workers of America, or UAW, or the National Automobile, Aerospace and Agriculture Implement Workers of Canada, or CAW. In fiscal 2002, our Chatham, Ontario heavy-duty truck plant was subject to a strike before the parties reached a new collective bargaining agreement

after expiration of the prior agreement. Our new collective bargaining agreements with the UAW and CAW expire in October 2007 and June 2004, respectively. Any prolonged work stoppage or strike at any one of our principal manufacturing facilities could have a negative impact on our business, financial condition and results of operations.

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

Ford accounted for approximately 20% of our revenues for fiscal 2002, 21% for fiscal 2001 and 18% for fiscal 2000. In addition, Ford accounted for approximately 78%, 82% and 76% of our diesel engine unit volume in fiscal 2002, fiscal 2001 and fiscal 2000, respectively, primarily relating to the sale of our V-8 diesel engines. Although we have an agreement with Ford that continues through 2012 to supply V-8 diesel engines for inclusion in selected models produced by Ford, this agreement provides that we will supply Ford's requirements rather than manufacture a specific quantity of products. The loss of Ford as a customer, reduced or lower than anticipated purchases from Ford, or a significant decrease in demand for the models or a group of related models that utilize our products would have a negative impact on our business, financial condition and results of operations.

We also have an agreement with Ford that was originally scheduled to commence with model year 2002 and extend through 2012 to supply newly-designed V-6 diesel engines for inclusion in selected models produced by Ford. This agreement provides that we will supply Ford's requirements rather than manufacture a specific quantity of products. In that regard, Ford recently advised us that its business case for using our newly-designed V-6 diesel engines is no longer viable and it has discontinued its program for the use of these engines. Ford is seeking to cancel the V-6 Diesel Engine Supply Agreement. As a result, we took a $167 million pre-tax charge for assets and obligations directly related to this product program in the fourth quarter of fiscal 2002.

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

We, like other truck and engine manufacturers, continue to face heavy governmental regulation of our products, especially in the areas of environment and safety. As a diesel engine manufacturer, we have incurred research, development and tooling costs to design our engine product lines to meet new United States Environmental Protection Agency, or EPA, and California Air Resources Board, or CARB, emission standards. In addition, we expect to continue to incur research, design and tooling costs to: (1) achieve further required reductions in ozone-causing exhaust emissions by 2004 in accordance with the settlement agreement we entered into with the EPA and CARB and (2) satisfy the EPA's 1998 Clean Fuel Fleet Vehicle requirements and California's emission standards in 2002 for engines used in medium-size vehicles. We expect that our diesel engines will be able to meet all of these standards within the required time frames. We believe that the new emission standards governing heavy-duty diesel engines that went into effect in the United States on October 1, 2002 resulted in significant purchases of new trucks by fleet operators prior to such date and, therefore, may result in a temporary near-term decline in new heavy-duty truck demand.

We also are subject to various noise standards imposed by federal, state and local regulations, and to the National Traffic and Motor Vehicle Safety Act, or Safety Act, and Federal Motor Vehicle Safety Standards, or Safety Standards, promulgated by the National Highway Traffic Safety Administration, or NHTSA. On October 1, 2002, International notified the NHTSA of a program to effect a voluntary safety recall of hydraulic anti-lock brake system electronic control units manufactured by a third party and installed on certain of our vehicles. We have identified the population that could be affected by this recall, which could be up to approximately 90,000 units in the U.S. and Canada. We recorded a fourth quarter pre-tax charge for fiscal 2002 of approximately $51 million for estimated costs associated with the recall.

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

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

The downturn in our industry which began in 2000 has adversely affected our operating results and consequently limited our ability to incur additional indebtedness under certain of our debt instruments. In the event industry conditions continue to remain weak for a significant period of time, our liquidity position may be adversely affected, which may limit our ability to complete product development, capital improvement programs or other strategic initiatives at currently proposed levels.

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

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

Navistar has significant underfunded postretirement obligations.

We have significant underfunded postretirement obligations. The underfunded portion of our accumulated benefit obligation was $992 million and $512 million for pension benefits at October 31, 2002 and 2001, respectively, and $1,703 million and $1,473 million for postretirement healthcare benefits at October 31, 2002 and 2001, respectively. Our underfunded postretirement obligations increased October 31, 2002 as a result of the decline in the market value of equity securities held by such benefit plans and a lowering of the rate used to calculate the present value of future benefit obligations.

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

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

As of October 31, 2002, we had $1,236 million of domestic and $51 million of foreign net operating loss carryovers, or NOLs. Currently there is no annual limitation on our ability to use NOLs to reduce future income taxes. However, if an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended, occurs with respect to our capital stock, our ability to use NOLs would be limited to specific annual amounts. Generally, an ownership change occurs if certain persons or groups increase their aggregate ownership by more than 50 percentage points of our total capital stock in any three-year period.

If an ownership change occurs, our ability to use domestic NOLs to reduce income taxes is limited to an annual amount based on our fair market value immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate. The long-term tax-exempt interest rate is published monthly by the Internal Revenue Service. As of the date of this prospectus, the rate is approximately 4.65%. NOLs that exceed the Section 382 limitation in any year continue to be allowed as carryforwards for the remainder of the 15- or 20-year carryforward period and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Our use of new NOLs arising after the date of an ownership change would not be affected.

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

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

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

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

As of October 31, 2002, we maintained approximately $258 million of property and equipment in foreign countries, primarily in Canada, Mexico, Brazil and Argentina. Accordingly, our business is subject to the political, economic and other risks that are inherent in operating in those countries and internationally. These risks include:

- the difficulty of enforcing agreements and collecting receivables through foreign legal systems;
- trade protection measures and import or export licensing requirements;
- tax rates in certain foreign countries that exceed those in the United States and the imposition of withholding requirements of foreign earnings;

- the imposition of tariffs, exchange controls or other restrictions;
- difficulty in staffing and managing international operations and the application of foreign labor regulations;
- currency exchange rate risk to the extent that our assets/liabilities are denominated in a currency other than the functional currency of the country where we operate;
- the imposition of exchange controls and currency devaluations;

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

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

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

Risks Related to the Notes

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

We have a substantial amount of outstanding indebtedness, and a significant portion of our cash flow from operations will be used to satisfy our debt obligations. Therefore, a prolonged downturn in our business could limit our ability to satisfy our debt service obligations under such indebtedness, including the notes. The following chart sets forth certain important information regarding our capitalization and is presented as of October 31, 2002, adjusted to give effect to the December 2002 private placement of the notes offered hereby:

	At October 31, 2002
	(in millions)
Debt:	
Manufacturing operations	$ 930
Financial services operations	1,878
Total debt	$ 2,808
Shareowners' equity	$ 426

Our level of indebtedness could:

increase our vulnerability to general adverse economic and industry conditions;

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

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

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

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

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

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

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

NIC's ability to satisfy its debt service obligations will depend on, among other things, its future operating performance. NIC's future financial performance will be affected by a range of economic, competitive, regulatory and business factors, many of which are beyond our control, and we cannot assure you that NIC's business will generate sufficient cash flow from operations to enable it to service indebtedness, including the notes, or fund other liquidity needs. Our earnings for fiscal 2002 and fiscal 2001 were insufficient to cover our fixed charges by approximately $783 million and $75 million, respectively. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, including payments on the notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional equity capital. We cannot assure you that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales or the amount of proceeds realized from those sales, or that additional financing could be obtained on acceptable terms, if at all.

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

NIC, the issuer of the notes, is a holding company that derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. The effect of this structure is that NIC will depend on the earnings of its subsidiaries, and the payment or other distribution to NIC of these earnings, in order to meet its obligations under the notes and other outstanding indebtedness. Although the notes are guaranteed by International, the primary operating subsidiary of NIC, there is a risk that the guarantee could be avoided or subordinated as a result of applicable fraudulent transfer laws. See "Risk Factors A court may void the guarantee or subordinate the guarantee to other obligations of International." The ability of NIC's subsidiaries to make payments to NIC also is subject to, among other things, applicable state corporate laws and contractual restrictions. In addition, the payment of dividends by NFC to International is limited by the terms of its senior credit facility. See "Description of Other Financing Arrangements Financial Services Operations."

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

The notes are unsecured obligations of NIC and the guarantee of the notes by International is an unsecured obligation of International. The payment of principal and interest on the notes and payments pursuant to the guarantee are effectively subordinated in right of payment to any secured indebtedness of NIC and International, respectively, to the extent of the value of the collateral securing such indebtedness. If either NIC or International becomes insolvent or is liquidated, or if payment under any secured indebtedness of NIC or International is accelerated, the holders of such secured debt will be entitled to exercise the remedies available to a secured lender under applicable law. Assets securing

such indebtedness will not be available to satisfy claims with respect to the notes or the guarantee of the notes in the event of a bankruptcy, liquidation or similar circumstance until all amounts due under the secured debt are repaid.

As of October 31, 2002, International had approximately $2 million of secured indebtedness. Although the indentures governing certain of our other outstanding notes contain restrictions on the ability of NIC and International to incur secured indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the secured indebtedness incurred in the future in compliance with these restrictions could be substantial.

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

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

As of October 31, 2002, after giving pro forma effect to the December 2002 private placement of notes offered hereby and the application of the net proceeds therefrom, NIC's non-guarantor subsidiaries had an aggregate of $1,947 million of indebtedness outstanding, of which $1,878 million would be liabilities of the financial services operations.

We may be unable to repurchase your notes upon the occurrence of a Fundamental Change.

Upon the occurrence of a Fundamental Change, as defined in "Description of Notes," you will have the right, at your option, to require us to repurchase all or any portion of your notes. If a Fundamental Change were to occur, there can be no assurance that we would have sufficient funds to pay the purchase price for all the notes tendered by the holders of the notes.

If the notes are rated investment grade at any time by both Standard & Poor's and Moody's, the International Guarantee of the notes will be released, and the holders of the notes will lose the benefit of the guarantee.

International will be released from its obligations under the International Guarantee if, among other things, after giving effect to such release of the International Guarantee, the notes will continue to be assigned an investment grade rating by both Standard & Poor's and Moody's. See "Description of Notes Guarantee." The International Guarantee would not be reinstated even if Standard & Poor's or Moody's were to later downgrade their rating of the notes to a non-investment grade level.

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

Our principal operating subsidiary, International, guarantees the notes. If, however, International becomes a debtor in a case under the United States Bankruptcy Code or encounters other financial difficulty, under Federal or state fraudulent transfer law a court might:

- avoid all or a portion of International's guarantee of the notes;
- subordinate International's guarantee of the notes to other existing and future indebtedness, entitling other creditors to be paid in full before any payment is made on the guarantee; and
- take other action detrimental to holders of the notes, including, in certain circumstances, invalidating the guarantee.

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

- received less than reasonably equivalent value or fair consideration for the guarantee; and
- either (1) was, or was rendered, insolvent, (2) was left with inadequate capital to conduct its business or (3) believed, or should have believed, that it would incur debts beyond its ability to pay.

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

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

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

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

There is no established trading market for the notes and no guarantee that a market will develop or that you will be able to sell your notes.

There is no established trading market for the notes and the notes are not listed on any securities exchange or quotation system. We cannot assure you that a market will develop or that you will be able to resell your notes. We do not intend to apply for listing of the notes on any securities exchange or to arrange for any quotation system to quote them. We cannot assure you that a market will develop or that you will be able to resell your notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Generally, the liquidity of, and trading market for, the notes may also be materially and adversely affected by declines in the market for similar debt securities. Such a decline may materially and adversely affect such liquidity and trading independent of our financial performance and prospects.

Risks Related to Our Common Stock

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

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

block any supermajority transaction. Our certificate of incorporation and by-laws also contain provisions which:

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

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

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

Possible volatility of Navistar share price increases the risk of your investment.

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

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

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, and such forward-looking statements only speak as of the date of this prospectus. 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 "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus, 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. These factors include:

- general economic or business conditions affecting the markets in which we operate being less favorable than expected;
- our failure to develop or successfully introduce new products;
- increased competition in the North American truck market;
- the loss of major customers, including Ford;
- work stoppages or other adverse labor relations matters;
- implementation of or changes in the laws, regulations or policies governing manufacturers of trucks and engines that could negatively affect the automotive components supply industry;
- changes in general economic conditions in the United States, Canada and Mexico;
- various other factors beyond our control; and

the factors described in the "Risk Factors" section of this prospectus.

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. **You should also read carefully the factors described in the "Risk Factors" section of this prospectus.**

SUBSIDIARY GUARANTOR

The payment of the principal, premium, if any, and interest on the notes has been guaranteed on a senior, unsecured basis by International. International is a direct wholly owned subsidiary of NIC through which substantially all of NIC's manufacturing operations are conducted. NIC is a holding company that does not conduct any operations on a stand-alone basis. As a result, the reports and other information filed by NIC with the SEC includes a description of the business and operations conducted by International and its consolidated subsidiaries.

The board of directors of International consists of John R. Horne, Robert C. Lannert and Daniel C. Ustian. Each of Messrs. Horne, Lannert and Ustian are also executive officers of International and directors and executive officers of NIC. NIC's Annual Report on Form 10-K for the fiscal year ended October 31, 2002 includes a list of the executive officers of International, along with related biographical information. See "Where You Can Find More Information."

Note 21 to NIC's audited consolidated financial statements for the three years ended October 31, 2002 contains condensed consolidating financial information for NIC, International and NIC's non-guarantor subsidiaries. Separate financial statements of International have not been included or incorporated by reference in this prospectus as permitted under Rule 3-10 of Regulation S-X.

International was incorporated under the laws of the State of Delaware in 1965. Its principal executive offices are located at 4201 Winfield Road, Warrenville, Illinois 60555, and its telephone number is (630) 753-5000.

USE OF PROCEEDS

When this prospectus is used by selling securityholders to resell their notes and/or common stock of Navistar, we will not receive any proceeds from the sale of the notes or common stock, as the case may be, from the selling securityholders. Our net proceeds from the offering of the notes in the December 2002 private placement, after deducting fees and discounts payable by us, were approximately $184 million. We used $100 million of the net proceeds to repay our existing 7.0% senior notes upon their maturity on February 1, 2003, and approximately $84 million of the net proceeds to repay other existing indebtedness and to replenish cash balances used to repay indebtedness during fiscal 2002. Such cash balances are available for general corporate purposes.

The other existing indebtedness we repaid using the net proceeds from the December 2002 private placement of the notes includes: (i) $38 million of borrowings under a bank loan agreement that matures on January 31, 2004 with an annualized weighted average interest rate of 2.87% for fiscal 2002; (ii) approximately $19 million of intercompany borrowings from NFC that mature on October 31, 2003 with an annualized interest rate of 7.75% for fiscal 2002; and (iii) approximately $13 million of intercompany borrowings from International Truck and Engine Corporation Cayman Islands Holding Company that mature on October 31, 2003 with an annualized interest rate of 7.875% for fiscal 2002.

HEDGING ARRANGEMENTS

Simultaneous with the issuance of the notes in the December 2002 private placement, a subsidiary of NIC entered into hedging arrangements with Credit Suisse First Boston International under which we will benefit from increases in the price of NIC's common stock from the conversion price of each note up to approximately $53.40. The maturity and terms of the hedge match the maturity and certain terms of the notes. The effect of these arrangements is to eliminate share dilution upon conversion of the convertible debt from the conversion price of the notes up to a 100% premium over the share price from issuance. We paid for these hedge arrangements using cash on hand. See note 22 to the consolidated financial statements, which are incorporated by reference in this prospectus.

In connection with these arrangements, Credit Suisse First Boston International has purchased Navistar common stock in open market transactions.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges on a historical basis for each of the periods presented:

	Fiscal Year Ended October 31,				
	2002	2001	2000	1999	1998
Ratio of earnings to fixed charges (1)			2.1x	4.6x	4.1x

(1) The ratio of earnings to fixed charges is determined by dividing pre-tax income from continuing operations, adjusted for the cumulative changes in accounting policy, interest expense, debt expense amortization and the portion of rental expense deemed representative of an interest factor by the sum of interest expense, debt expense amortization and the portion of rental expense deemed representative of the interest factor. For fiscal 2002 and 2001, our earnings were insufficient to cover fixed charges by $783 million and $75 million, respectively.

DESCRIPTION OF NOTES

Navistar International Corporation issued the Convertible Notes under an Indenture (the "Indenture") between itself, International and BNY Midwest Trust Company, as trustee (the "Trustee"). The terms of the Convertible Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

Certain capitalized terms used solely in this description are defined under the subheading " Certain Definitions." Certain capitalized terms used solely in this description but not defined below under " Certain Definitions" have the meanings assigned to them in the Indenture. In this description, the word "NIC" refers only to Navistar International Corporation and not to any of its subsidiaries.

The following description is only a summary of the material provisions of the Indenture and the Registration Rights Agreement. We urge you to read the Indenture and the Registration Rights Agreement because they, not this description, define your rights as holders of these Convertible Notes. You may request copies of these agreements at our address set forth below under the heading " Additional Information."

Brief Description of the Convertible Notes

These Convertible Notes:

- are unsecured senior obligations of NIC;
- are senior in right of payment to all existing and future Subordinated Obligations of NIC;
- are guaranteed by International on a senior unsecured basis;