

New Supplemental Letter

Tentative Agreement on All Issues: 9/28/10, 7:00 p.m.

[Note: This proposal is redlined against the Company's last prior proposal on this document; all elements of the most recent Union counterproposal that are not specifically included herein are declined.]

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TDTC PHASEDOWN AGREEMENT

THIS AGREEMENT is entered into as of the date designated in the last paragraph below between NAVISTAR, INC. (hereinafter referred to as the "Company"), and INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, and its affiliated Local Union No. 2911 (said International Union and said Local Union hereinafter collectively referred to as the "Union"), acting on behalf of and as a duly authorized bargaining agent for active and inactive employees of the Company employed within the bargaining unit represented by the Union at the Company's Fort Wayne TDTC and TRC facilities ("TDTC"). The Company and the Union are currently parties to several contracts which cover bargaining unit employees at TDTC, including the Clerical and Technical (C&T) Main Labor Contract; the Health-Security Program Agreement ("HSPA"); the Non-Contributory Retirement Plan (NCRP"); the Supplemental Unemployment Benefit Plan ("SUB Plan"); Supplemental Documents to the Main Labor Contracts; and local letters of agreement (collectively referred to herein as the "Contracts"), all of which are dated December 12, 2007.

The parties hereto do hereby agree that the following terms and conditions will apply to the phasedown of various operations at the Company's TDTC facility.

1. **Phasedown Period:** The parties understand and agree that the Company will cease all bargaining unit operations at TDTC and eliminate all UAW bargaining unit positions at all TDTC locations over a period of time that is currently estimated to be 24 to 36 months from the date hereof (the "Phasedown Period"). The Phasedown Period will begin on the effective date of this Agreement as designated in the last Paragraph below, and will end on the first date on which there are no remaining active UAW bargaining unit employees at any TDTC location. In the event this end date does not occur prior to October 1, 2014, the parties agree that they will meet to discuss and consider whether this Phasedown Agreement requires modification based upon new circumstances. **TA (Modified 10/15/10).**
2. **Terms and Conditions of Employment:** Term and conditions of employment for all bargaining unit employees during the Phasedown Period will be as determined in 2010 collective bargaining negotiations between the parties. Should the Phasedown Period extend beyond the term of the 2010 Contracts, the terms and conditions of employment for all bargaining unit employees will be as determined by successor contracts. **TA**
3. **Layoff, Staffing and Overtime Equalization During Phasedown Period:** During the Phasedown Period, the parties agree that bargaining unit employees may be laid off by

Bumping per 3,6
MOA IV.1, 2,

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are eliminated

the Company at its discretion per existing contract seniority procedures, and that employees designated for layoff may exercise bumping rights as provided by the current (2007) Modern Operating Agreement ("MOA"). The parties understand and agree that employees may be laid off in one or more Sub Units (as defined by the current (2007) local letters of agreement) even when contractors continue to provide services for the Company in other Sub Units, and that additional contractors may be retained by the Company at any time except in Sub Units where bargaining unit employees are on layoff. Within a Functional Area (i.e., Body, Chassis, Electrical, or the Support Groups) in all Departments, where bargaining unit work in that "area of expertise" (Ref. LOA #22) is being performed by contractors, bargaining unit employees may exercise bumping rights as provided by the current 2007 MOA, as if the contractor was a lower seniority employee. During the Phasedown Period, overtime equalization practices established by the current (2007) local letters of agreement will be maintained, but all retention ratios established by the current (2007) MOA are hereby eliminated. TA

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4. **Union Representation During Phasedown Period:** During the Phasedown Period, the number of union stewards will be maintained at 12 until June 30, 2012, at which time the number of union stewards will be reduced to six for the duration of the Phasedown Period. During the Phasedown Period, the bargaining committee will continue to consist of a Chair and three committee members (four total on committee) until January 1, 2012, at which time the bargaining committee will be reduced to a Chair and two committee members (three total on committee) for the duration of the Phasedown Period. The EAP/Benefits representative will be provided preferred seniority during the Phasedown Period.

5. **Master Recall:** The parties agree that any and all Master Recall rights and privileges that are provided in the Contracts, including but not limited to those set forth in the 2007 Supplemental Letter #40 regarding Master Recall as well as any Master Recall rights that are maintained as a result of 2010 negotiations between the parties, will not apply to or be extended to TDTC bargaining unit employees as of the effective date of this Agreement. TA

Tan Book 6.
pages 207-208,
382, 352 + 2

Retirement: Bargaining unit employees who are otherwise retirement eligible under the terms of the applicable NCRP Agreement may retire at any time during the Phasedown Period pursuant to the terms of the NCRP. TA ~~T Book~~
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7. **Initial Retention Bonus:** All bargaining unit employees who remain employed by the Company as of March 1, 2011 (whether active or on layoff or leave status) will be paid an Initial Retention Bonus in the gross amount of \$2,500. Payment will be made in one lump sum in the amount of \$2,500, less applicable withholdings, on or about March 15, 2011. TA

8. **Second Retention Bonus:** All bargaining unit employees will be eligible for a Second Retention Bonus under the following terms and conditions:

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- A. **Conditions:** In order to receive the Second Retention Bonus, the employee must continue active employment with the Company in the employee's assigned position (as determined by the Company and bumping procedures, which may change over time) until the employee is released from employment by the Company (the "Qualification Date"). All employees who qualify for and/or select the SER, RER, Special Buyout, or regular layoff as set forth in Paragraph 9 below will also be eligible for the Second Retention Bonus, provided the employee works until the employee's Qualification Date and does not otherwise forfeit eligibility under the following subparagraph. TA
- B. **Forfeiture:** The employee will forfeit eligibility for the Second Retention Bonus if the employee voluntarily resigns or retires from employment with the Company, or is terminated for good cause, prior to the Qualification Date. TA
- C. **Payments:** Eligible employees who satisfy all conditions stated above will receive a Second Retention Bonus in the gross amount of \$7,500. Payment will be made in one lump sum in the amount of \$7,500, less applicable withholdings, within 14 days after the Qualification Date. TA
- D. **Layoff Status:** Upon the Qualification Date, the employee will be placed on layoff status until exercising one of the options set forth in the following Paragraph to the extent otherwise eligible for those options. TA

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9. **Employees Placed on Layoff During the Phasedown Period:** Bargaining unit employees at TDTC who are placed on layoff during the Phasedown Period will be provided the following options:

- A. **Special Early Retirement:** An employee who (i) is laid off during the Phasedown Period, (ii) meets all of the eligibility requirements for Special Early Retirement established by the 2007 NCRP Agreement as of the employee's Qualification Date, including but not limited to those set forth in the "Standards for Application of Special Early Retirement Provision" in Paragraphs 688-695 in the 2007 NCRP Agreement applicable to employees hired prior to October 1, 2002, and the comparable paragraphs in the 2007 NCRP Agreement applicable to employees hired on or after October 1, 2002 and prior to October 1, 2007 (without regard to the requirement therein that the employee otherwise be laid off as the direct result of a plant closing), and (iii) does not elect any benefits and payments provided under any of the options set forth elsewhere in this Paragraph, may elect Special Early Retirement ("SER") pursuant to the procedures and conditions set forth in the 2007 NCRP Agreement, as modified below. An employee who is otherwise eligible must elect the SER option within 30 days of the effective date of layoff. An employee who is otherwise so eligible and elects the SER option will receive SUB Plan benefits under the terms of the 2007 SUB Plan (Article II, Section 1, Par. 55), until the earlier of the effective date of the employee's retirement or the date on which SUB Plan benefits are otherwise exhausted under the terms of the 2007 SUB Plan. Alternatively, in lieu of any and all SUB Plan payments for which the employee would otherwise be eligible, the employee may elect to receive a lump sum bonus payment in the amount of \$15,600. To elect this lump sum bonus payment option, the employee must notify the Company in writing (on a form to be provided by the

Tan Book
 pages 215-217,
 371-372, 382,
 352, 390, 282,
 294, 288-289,
 397, 290-292,
 296
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Company) within 30 days of the effective date of layoff, and must not apply for or accept any other SUB Plan payments at any time. This bonus payment will be made in one lump sum, less applicable withholdings, within 30 days of the date of election. Such employee will also be provided benefit continuation privileges for laid off employees pursuant to the terms and conditions set forth in the 2007 HSPA and applicable law, for the time period during which the employee would have collected SUB Plan payments had the employee not elected this lump sum bonus payment option. The benefits and payments provided under the 2007 NCRP Agreement pursuant to this SER option shall be in lieu of any other benefits and payments that the employee would otherwise have been eligible to receive under any other version of the NCRP Agreement. **TA**

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B. **Regular Early Retirement:** An employee who (i) is laid off during the Phasedown Period, (ii) meets all of the eligibility requirements for Regular Early Retirement established by the 2007 NCRP Agreement as of the employee's Qualification Date, including but not limited to those set forth in Paragraphs 98-124 of the 2007 NCRP Agreement applicable to employees hired prior to October 1, 2002, and the comparable paragraphs in the 2007 NCRP Agreement applicable to employees hired on or after October 1, 2002 and prior to October 1, 2007, and (iii) does not elect any benefits or payments provided under any of the options set forth elsewhere in this Paragraph, may elect Regular Early Retirement ("RER") pursuant to the procedures and conditions set forth in the 2007 NCRP Agreement, as modified below. An employee who is otherwise eligible must elect the RER option within 30 days of the effective date of layoff. An employee who is otherwise so eligible and elects the RER option will receive SUB Plan benefits under the terms of the 2007 SUB Plan (Article II, Section 1, Par. 55), until the earlier of the effective date of the employee's retirement or the date on which SUB Plan benefits are otherwise exhausted. Alternatively, in lieu of any and all SUB Plan payments for which the employee would otherwise be eligible, the employee may elect to receive a lump sum bonus payment in the amount of \$15,600. To elect this lump sum bonus payment option, the employee must notify the Company in writing (on a form to be provided by the Company) within 30 days of the effective date of layoff, and must not apply for or accept any other SUB Plan payments. This bonus payment will be made in one lump sum, less applicable withholdings, within 30 days of the date of election. Such employee will also be provided benefit continuation privileges for laid off employees pursuant to the terms and conditions set forth in the 2007 HSPA and applicable law, for the time period during which the employee would have collected SUB Plan payments had the employee not elected this lump sum bonus payment option. The benefits and payments provided under the 2007 NCRP Agreement pursuant to this RER option shall be in lieu of any other benefits and payments that the employee would otherwise have been eligible to receive under any other version of the NCRP Agreement. **TA**

C. **Special Buyout:** In full and complete satisfaction of any and all payments and benefits due and owing to the employee by the Company (excluding any accrued benefits under the terms of any version of the NCRP Agreement), an employee who (i) is laid off during the Phasedown Period, (ii) has at least one year of service as of the employee's Qualification Date, and (iii) does not elect any benefits and payments

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pages 208-209,
211-212, 382,
352, 282
and
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Keep Deferred
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provided under any of the options set forth elsewhere in this Paragraph, may elect this Special Buyout option. An eligible employee must select this Special Buyout option and resign employment with the Company within 30 days of the effective date of layoff. The Special Buyout option consists of one lump sum payment as follows: (1) for employees with at least one but less than 10 years of service as of the effective date of layoff, the gross amount of \$10,000; (2) for employees with at least 10 years of service as of the effective date of layoff, the gross amount of \$10,000 plus an additional \$1,250 for each year of service in excess of 10 years of service, up to a maximum of 30 years of service. As a condition of receiving this Special Buyout payment, the employee must resign employment with the Company, and will be required to execute a written waiver of any and all claims for SER, RER, SUB Plan benefits, benefit continuation or any other claims under this Agreement, the Contracts, or any other claims against the Company, and to waive all future employment opportunities with the Company in any capacity at any Company location. Payment of the Special Buyout will be made in one lump sum, less applicable withholdings, within 14 days of the effective date of the employee's waiver and release of claims against the Company. **TA**

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pages 415,
171-172

D. **Layoff:** An employee who is laid off during the Phasedown Period will remain on layoff status unless the employee affirmatively elects and qualifies for one of the other options listed in this Paragraph. Employees who are laid off during the Phasedown Period will be provided SUB Plan benefits pursuant to the terms, conditions and eligibility requirements established by the 2007 SUB Plan in the amount and for the duration established by the 2007 SUB Plan (Article II, Section 1, Par. 55). Such employees will also be provided benefit continuation privileges then in effect for laid off employees pursuant to the terms and conditions set forth in the 2007 HSPA and applicable law. An employee who remains on layoff pursuant to this subparagraph (either by affirmatively electing to do so or by failing to elect a different option listed in this Paragraph) will not be eligible for any plant shutdown benefits (including but not limited to Special Early Retirement established by the applicable NCRP Agreement) at any time in the future. **TA**

10. **Election Process:** All active bargaining unit employees at TDTC will be provided the opportunity by the Company to elect from the options listed in the above Paragraph by utilizing the form attached hereto as Exhibit 1. The Company will provide this election form to each active employee as soon as possible after the employee's Qualification Date. Each such employee will be required to submit his or her completed election form no later than 30 days after the Qualification Date. Once submitted to the Company, the election made by the employee will be considered irrevocable, except to the extent otherwise required by applicable law. Any employee who voluntarily resigns or retires or is terminated for good cause after the effective date of this Agreement but before the employee fully satisfies all conditions and eligibility requirements established above will not be eligible for the Initial Retention Bonus, the Second Retention Bonus, SER, RER, SUB Plan benefits, benefit continuation privileges or any other benefits provided or referred to in this Agreement, and will be considered a terminated employee for all purposes. **TA**

- 11. **Consideration for Continued Employment:** A bargaining unit employee who desires to remain an employee of the Company at a different location may self-nominate and be considered for any open, posted position with the Company for which the employee meets the position qualifications. If selected, the employee will be paid \$15,000 for relocation expenses. This amount will be paid in one lump sum, less applicable withholdings, no later than the first day the employee reports to the new location. Employees who elect and are qualified for either the SER, the RER or the Special Buyout options under Paragraph 9 above will not be eligible to apply for such a position. TA
- 12. **Phasedown Process:** The parties agree to cooperate fully with each other in implementing an orderly phasedown of operations at TDTC, and will neither take nor endorse any action which interferes with the phasedown process. TA
- 13. **Acknowledgements:** The parties each acknowledge that all parties have fully satisfied any and all obligations to bargain regarding the decision to phasedown TDTC, and the effects of that decision on TDTC bargaining unit employees. Each party acknowledges that during the negotiations which resulted in this Agreement, each had the unlimited right and opportunity to make demands and proposals with respect to any subject or matter not removed by law from the area of collective bargaining, and that the understandings and agreements arrived at by the parties after the exercise of that right and opportunity are set forth in this Agreement. Therefore, the Company and the Union each voluntarily and unqualifiedly waives the right, and each agrees that the other shall not be obligated, at any time in the future, to bargain collectively with respect to any subject or matter referred to or covered in this Agreement, or with respect to any subject or matter not specifically referred to or covered in this Agreement, even though such subject or matter may not have been within the knowledge or contemplation of either or both of the parties at the time that they negotiated or signed this Agreement. TA
- 14. **Grievance Procedure:** Any grievance or dispute arising under this Agreement will be considered and processed pursuant to the grievance and arbitration procedures set forth in the applicable C&T Main Labor Contract. TA
- 15. **Other Agreements:** The 2007 Supplemental Document regarding "Ft. Wayne TDTC Operating Practices" (#23) is hereby deleted and extinguished. In addition, the current local letter of agreement regarding "Travel Procedure" (LOA #31) will be modified to delete the phrase "(minus one hour per travel day)" from paragraph 2 under "Pay Procedures." All Contracts between the parties will be modified to the full extent necessary to fully incorporate the provisions and changes set forth above. Unless mutually agreed otherwise in writing, if there is any provision in any of the Contracts or any past practice that is inconsistent with or infringes on the intent of the above provisions, it is understood and agreed that the above provisions will control (i.e., supersede) over the other provision or practice. TA

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16. **Ratification and Effective Date of this Agreement:** This Agreement will become effective as of the date the Company receives written notification from the Union that all contracts and agreements reached between the parties during 2010 multi-site negotiations have been ratified by the multi-site Union membership. **TA**

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FOR THE COMPANY

FOR THE INTERNATIONAL UNION

FOR LOCAL UNION 2911

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EXHIBIT 1

TDTC PHASEDOWN AGREEMENT: EMPLOYEE ELECTION FORM

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In accordance with the TDTC Phasedown Agreement entered between the Company and the Union, I designate the election below as indicated by an "X" placed in the related box. I hereby confirm that I have been provided all information necessary for me to make this election; that I fully understand the terms and conditions of all of the options listed below; and that I am making this election on a completely voluntary basis without any force or duress. Finally, I fully understand and agree that my election below is irrevocable once submitted to the Company, except to the extent otherwise required by applicable law.

Election #1 **Special Early Retirement:** I wish to apply to retire under the Special Early Retirement provisions of the Company's Non-Contributory Retirement Plan, provided I meet the eligibility requirements and other terms and conditions established by the Plan and the Phasedown Agreement. I understand and agree that if I elect this option, I will not be entitled to Regular Early Retirement, or the Special Buyout option under the terms of the Phasedown Agreement, or to remain on layoff under option #4 below except for the period immediately preceding the effective date of my retirement.

Election #2 **Regular Early Retirement:** I wish to apply to retire under the Regular Early Retirement provisions of the Company's Non-Contributory Retirement Plan, provided I meet the eligibility requirements and other terms and conditions of the Plan and the Phasedown Agreement. I understand and agree that if I elect this option, I will not be entitled to Special Early Retirement, or the Special Buyout under the terms of the Phasedown Agreement, or to remain on layoff under option #4 below except for the period immediately preceding the effective date of my retirement.

Election #3 **Special Buyout:** I wish to elect the Special Buyout option under the terms and conditions set forth in the Phasedown Agreement. I understand that as a condition of receiving this Special Buyout payment, I will be required to resign employment with the Company, agree to and execute a written waiver of any and all claims for SER, RER, SUB Plan benefits, benefit continuation, or any other claims under the Phasedown Agreement, the contracts, or any other claims against the Company, and to waive all future employment opportunities with the Company in any capacity at any Company location. I understand and agree that if I elect this option, I will not be entitled to Special Early Retirement, or the Regular Early Retirement under the terms of the Phasedown Agreement, or to remain on layoff under option #4 below. I further understand that if I execute the required waiver and release of claims, but subsequently revoke the waiver and release as permitted by applicable law, I will be placed on layoff status as if I had selected option #4 below.

Election #4 **Layoff:** I am not eligible for or wish to decline all of the other options listed above, and wish to remain on layoff status under the terms and conditions established by the Phasedown Agreement. I understand and agree that by electing this options, I will not be eligible for any plant shutdown benefits (including but not limited to Special Early Retirement under the applicable NCRP Agreement) at any time in the future.

Name (Please Print)

Signed

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Date