

NAVISTAR INTERNATIONAL CORP

Form S-3/A

January 10, 2003

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As filed with the Securities and Exchange Commission on January 10, 2003

Registration Statement No. 333-101684

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 1**

To

**FORM S-3**

**REGISTRATION STATEMENT**

Under the Securities Act of 1933

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**NAVISTAR INTERNATIONAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**36-3359573**

(I.R.S. Employer  
Identification No.)

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**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)

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**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.

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

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.

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.

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.

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

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant 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.**

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### PROSPECTUS

## Navistar International Corporation

**7,755,030 shares**

### Common Stock

This prospectus relates to 7,755,030 shares of common stock of Navistar International Corporation, which may be sold from time to time by the selling stockholders named herein, or their transferees, pledgees, donees or successors. These stockholders acquired shares directly from our company in a private placement completed on November 8, 2002 at a price of \$22.566 per share. We will not receive any proceeds from the sale of these shares, although we have paid the expenses of preparing this prospectus and the related registration statement.

The shares are being registered to permit the selling stockholders to sell the shares from time to time in the public market. The selling stockholders may sell this common stock through ordinary brokerage transactions or through any other means described in the section entitled "Plan of Distribution" beginning on page 15.

**Before purchasing any of the shares covered by this prospectus, carefully read and consider the risk factors in the section entitled "Risk Factors" beginning on page 2.**

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Our common stock is traded on the New York Stock Exchange under the symbol "NAV." On January 9, 2003, the last reported sale price of our common stock on the New York Stock Exchange was \$26.08 per share.

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**Neither the Securities and Exchange Commission nor any state securities commission has approved the sale of the common stock or determined that the information in this prospectus is accurate and complete. It is illegal for any person to tell you otherwise.**

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The date of this prospectus is January 10, 2003.

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You should rely only on the information contained in, or incorporated by reference in, this prospectus and in any accompanying prospectus supplement. We have not authorized anyone to provide you with information different from that contained in, or incorporated by reference in, this prospectus. The common stock is not being offered in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of the prospectus or prospectus supplement, as applicable.

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Unless the context requires otherwise, as used in this prospectus, the terms "us," "we," "our" and "Navistar" refer to Navistar International Corporation, its consolidated subsidiaries, including its principal operating subsidiary, International Truck and Engine Corporation, which we refer to, exclusive of its subsidiaries, as "International," and their respective predecessors. "NFC" refers to Navistar Financial Corporation, a wholly owned finance subsidiary of International. 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."

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### WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You can inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain copies of these materials from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings, including the registration statement, will also be available to you on the SEC's Web site. The address of this site is <http://www.sec.gov>.

We have filed with the SEC a registration statement (which term shall include all amendments, exhibits and schedules thereto) on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares offered hereby. This prospectus does not contain all the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC, and to which reference is hereby made. Statements made in this prospectus as to the contents of any document referred to are not necessarily complete. With respect to each such document filed as an exhibit to the registration statement, reference is made to the exhibit for a

more complete description of the matter involved, and each such statement shall be

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deemed qualified in its entirety by such reference. The registration statement may be inspected at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain copies of such materials from the Public Reference Section of the SEC at 450 Fifth Street, N.W. Washington, D.C. 20549, at prescribed rates.

### **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 offering. 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 and the three reports dated December 11, 2002.

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

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### **OUR COMPANY**

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 (160-300 horsepower) 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.

Our principal executive office is located at 4201 Winfield Road, Warrenville, Illinois 60555, and our telephone number at that address is (630) 753-5000.

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## RISK FACTORS

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

### **Risks Relating to Navistar and our Markets**

#### **Our profitability could suffer due to the considerable volatility of the markets in which we compete.**

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 U.S. and Canadian 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, which may require us to discount our prices, thereby lowering our margins.**

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.

#### **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.

**Our ability to achieve reductions in cost and employment levels and to realize production efficiencies is critical to improving our operating results.**

We currently are in the process of implementing a number of cost and employment reduction initiatives. For example, we recently announced plans to close our Chatham, Ontario assembly plant in mid-2003 in order to address competitive market conditions. Successfully implementing these initiatives is critical to improving our operating results and competitiveness. In addition, we are continually attempting to realize production efficiencies. While realizing these efficiencies is important to our competitive position, there can be no assurance that we will be able to realize the above operating efficiencies in the future.

**Agreements relating to our indebtedness contain various provisions which limit our management's discretion in the operations of our business.**

Agreements relating to our indebtedness contain various provisions which limit our management's discretion and flexibility by restricting our ability and the ability of certain of our restricted subsidiaries to:

enter into transactions with affiliates;

pay dividends on stock or make other restricted payments;

consummate asset sales;

incur indebtedness;

issue preferred stock of our restricted subsidiaries (as defined in our indentures);

incur liens;

impose restrictions on the ability of a restricted subsidiary to pay dividends or make payments to Navistar and its restricted subsidiaries;

merge or consolidate with any other person;

sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of Navistar;

engage in specified sale/leaseback transactions; or

enter into guarantees.

Our financial services subsidiaries, including NFC, are not considered "restricted subsidiaries" under our debt indentures. These finance subsidiaries, however, are party to credit and other agreements that contain restrictive covenants that are, in many cases, similar to those described above.

**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.

**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 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 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.

**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 offering circular, 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

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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 Common Stock of Navistar**

**Certain charter and statutory provisions may have anti-takeover effects.**

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

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outstanding common stock represented at any meeting of shareowners will be able to block any supermajority transaction. Our certificate of incorporation and by-laws also contain provisions which:

permit us to issue so-called "flexible" preferred stock,

provide for a classified board of directors (which has the effect under Delaware law of precluding shareowners from removing directors without cause),

limit the filling of board vacancies to the remaining directors, and

prohibit shareowners from taking action by written consent or calling special meetings.

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

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

### **Possible volatility of 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.

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### **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."

### **The market price of our common stock could be adversely affected as a result of future sales of our common stock by the selling stockholders or the perception that such future sales could occur.**

The future sale of a substantial number of shares of common stock in the public market, including by the selling stockholders named herein, or the perception that such future sales could occur, could adversely affect the prevailing market price of our common stock. The shares offered by the selling stockholders through this prospectus represent approximately 11.4% of our outstanding common stock as of January 7, 2003. All of such shares being offered hereby by the selling stockholders are eligible for immediate resale in the public market without restriction.

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### **DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that are subject to risks and uncertainties. You should not place undue reliance on those statements because they 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; and

various other factors beyond our control.

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.

### **USE OF PROCEEDS**

We will not receive any of the proceeds from the sale of any of the shares of our common stock offered hereby. All of such proceeds will be for the account of the selling stockholders and for the benefit of employees and retirees and their beneficiaries participating in the employee benefit plans of which the selling stockholders are trusts established thereunder. For more information, see "Selling Stockholders."

## DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 150 million shares, of which 110 million shares are designated as common stock, with a par value of \$.10 per share, 30 million shares are designated as preferred stock, with a par value of \$1.00 per share and 10 million shares are designated as preference stock, with a par value of \$1.00 per share. The following summary of our capital stock is qualified in its entirety by the provisions of our restated certificate of incorporation and by-laws, copies of which have been filed with the SEC and are available for inspection. See "Where You Can Find More Information."

### Common Stock

The authorized common stock consists of 110 million shares, of which 67,844,743 shares were issued and outstanding and 7,451,551 shares were held in treasury at January 7, 2003. There were approximately 22,919 holders of record of our common stock as of such date.

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

We do not expect to pay cash dividends on the common stock in the foreseeable future, and are subject to restrictions under the indentures for our \$250 million 8% Senior Subordinated Notes and \$400 million 9.375% Senior Notes on the amount of cash dividends we may pay.

*Voting Rights.* Holders of shares of our common stock are entitled to one vote for each share for the election of directors and on any question arising at any shareowners meeting. The UAW, as holder of the series B preference stock, is entitled to elect one member to our board of directors. See "Preferred Stock and Preference Stock."

*Liquidation Rights.* In the event of the voluntary or involuntary dissolution, liquidation or winding up of us, holders of common stock are entitled to receive after satisfaction in full of the prior rights of creditors (including holders of our indebtedness) and holders of preferred stock and preference stock, all of our remaining assets available for distribution.

*Miscellaneous.* The holders of common stock are not entitled to preemptive, redemption or subscription rights. Mellon Investor Services is the transfer agent and the registrar for the common stock.

As of January 7, 2003, we had reserved for issuance: (i) approximately 7.2 million shares of our common stock under our various stock option plans, stock discount purchase plans and other award plans for officers, employees and directors, of which options to purchase approximately 7.0 million shares were outstanding; (ii) 48,679 shares issuable upon the conversion of our series D preference stock; (iii) 3,947,605 shares issuable upon the conversion of NFC's 4.75% subordinated exchangeable notes due 2009; and (iv) 5,473,919 shares issuable upon the conversion of our 2.50% senior convertible notes due December 15, 2007.

### Preferred Stock and Preference Stock

We are authorized to issue preferred stock and preference stock, which may be issued from time to time in one or more series upon authorization by our board of directors. The board of directors, without further approval of the shareowners, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock and preference stock. The issuance of preferred stock and preference stock, while providing flexibility in connection with possible acquisitions and other corporate purposes could, among other things, adversely affect the voting power of the holders of common stock and, under certain circumstances, make it more difficult for a third party to gain control of us, discourage bids for the common stock at a premium or otherwise adversely affect the market price of the common stock. We have no present plans to issue any additional series of preferred stock or preference stock.

Two series of preference stock are currently outstanding. Three million shares of convertible junior preference stock, series D are authorized, of which 155,774 shares were outstanding as of January 7, 2003. At that date, one share of nonconvertible junior preference stock, series B is authorized and held by the UAW.

*Series D Preference Stock.* Holders of shares of series D preference stock are entitled to receive accrued dividends, if any, if and when declared by the board of directors, in the amount of 120 percent of the dividend (on an as-converted basis) declared on common stock, other than a dividend payable solely in shares of common stock. Holders of series D preference stock have the right at their option to convert shares of the series D preference stock into shares of common stock at any time at a conversion rate of 0.3125 of a share of common stock for each share of series D preference stock, subject to adjustment in certain events. The series D preference stock is redeemable at any time, in whole or in part, at our option upon at least 30 days' advance written notice at the price of \$25 per share plus accrued dividends. Generally, holders of series D preference stock do not have any voting powers, except as provided by law and except that holders of at least two-thirds of the number of shares outstanding must approve any adverse amendment, alteration or repeal of the preferences, special rights or powers of series D preference stock. Before any distribution to holders of common stock or of any other of our stock ranking junior upon liquidation to the series D preference stock upon any liquidation, dissolution or winding up of us, holders of the series D preference stock are entitled to receive \$25 per share plus accrued dividends.

*Series B Preference Stock.* In connection with a 1993 restructuring of Navistar's post-retirement health care and life insurance benefits pursuant to a settlement agreement, the UAW was issued the series B preference stock. As the holder of the series B preference stock, the UAW is entitled to elect one member of our board of directors, the UAW Director, until such time as we have fully funded our liability under the health care and life insurance benefits program (subject to such right vesting if such funding falls below 85% of the fully funded amount). The series B preference stock is not transferable by the UAW, does not have any voting rights other than as described above or as required by law, does not have the right to receive dividends or distributions and is redeemable for a nominal price at such time as the UAW has not been entitled to elect a director for five consecutive years.

#### **Certain Certificate of Incorporation and By-law Provisions; Certain Provisions of Delaware Law**

*General.* Certain provisions of our certificate of incorporation and by-laws could have an anti-takeover effect. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by the board of directors. We are also subject to Section 203 of the DGCL. As described above under " Preferred Stock and Preference Stock," the ability of the board of directors to issue so-called "flexible" preferred stock may

also have an anti-takeover effect. In addition, the fact that our utilization of our NOLs could be adversely affected by a change of control could have an anti-takeover effect.

*Classified Board; Board Vacancies.* The certificate of incorporation provides for the board of directors to be divided into three classes of directors serving staggered three year terms, excluding the director elected by the UAW as the holder of our series B preference stock. See " Preferred Stock and Preference Stock." The overall effect of the provisions in the certificate of incorporation with respect to the staggered board may be to render more difficult a change in control of us or the removal of incumbent directors. Under the DGCL, since we have a classified board, the shareowners may only remove the directors for cause. A majority of the remaining directors elected by the holders of common stock then in office (and not shareowners), though less than a quorum, is empowered to fill any vacancy on the board of directors. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock or preference stock issued by us have a preference over the common stock as to dividends or upon liquidation have the right, voting separately by class or series, to elect directors (such as the holder of the series B preference stock), the number, election, term of office, filling of vacancies, terms of removal and other features of such directorships are governed by the terms relating to such rights.

*Special Meetings of Shareowners; Action by Written Consent.* The certificate of incorporation provides that no action may be taken by shareowners except at an annual or special meeting of shareowners, and prohibits action by written consent in lieu of a meeting. Our by-laws provide that special meetings of shareowners may be called only by the chairman of the board and chief executive officer or by the board of directors. This provision will make it more difficult for shareowners to take action opposed by the board of directors.

*Approval of Supermajority Transactions.* As a result of the settlement agreement relating to the 1993 restructuring of our post-retirement health care and life insurance benefits, 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 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.

*Certain Provisions of Delaware Law.* We are governed by the provisions of Section 203 of the DGCL. In general, the law prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. "Business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of the corporation's voting stock.

**SELLING STOCKHOLDERS**

We are registering all 7,755,030 shares covered by this prospectus on behalf of the selling stockholders named in the table below (including their donees, pledgees, distributees, transferees or other successors-in-interest who receive any of the shares covered by this prospectus in a non-sale transfer). We issued all of these shares of common stock to the selling stockholders in a private placement transaction that was exempt from the registration requirements of the Securities Act. We are registering the shares in order to permit the selling stockholders to offer these shares for resale from time to time. The selling stockholders may sell all, some or none of the shares covered by this prospectus. For more information, see "Plan of Distribution."

The table below lists the selling stockholders and the other information regarding the ownership of the common stock by each of the selling stockholders on January 7, 2003.

<b>Selling Stockholder</b>	<b>Number of Shares Owned Prior to This Offering(1)</b>	<b>Number of Shares Being Offered Hereby</b>	<b>Number Of Shares Owned After Offering (2)</b>	<b>Percentage (3)</b>
International Truck and Engine Corporation Non-Contributory Retirement Plan Trust	4,658,818	4,653,018	5,800	*
International Truck and Engine Corporation Retirement Plan for Salaried Employees Trust	1,554,006	1,551,006	3,000	*
International Truck and Engine Corporation Retiree Health Benefit and Life Insurance Plan Trust	1,554,406	1,551,006	3,400	*

\* Less than 1.0%.

(1) Includes shares being offered hereby.

(2) Assumes that the selling stockholders dispose of all of the shares of common stock covered by this prospectus and do not acquire or dispose of any additional shares of common stock. However, the selling stockholders are not representing that any of the shares covered by this prospectus will be offered for sale, and the selling stockholders reserve the right to accept or reject, in whole or in part, any proposed sale of shares.

(3) The percentage of common stock beneficially owned after the offering is based on the shares of common stock outstanding on January 7, 2003.

Each of the selling stockholders named in the table above are trusts established under an employee benefit plan sponsored by International for the benefit of its current and former employees. The trust agreements for each of the International Truck and Engine Corporation Non-Contributory Retirement Plan Trust and the International Truck and Engine Corporation Retirement Plan for Salaried Employees Trust provide that the trustee of the trust is only a directed trustee with respect to employer stock held by the trusts and that the Pension Fund Investment Committee, or PFIC, of International, or an investment manager designated by the PFIC, is to direct the trustee with respect to the

voting and disposition of employer securities. The trust agreement for the International Truck and Engine Corporation Retiree Health Benefit and Life Insurance Plan Trust provides that International, or an investment manager appointed by International, is to direct the trustee with respect to voting and disposition of employer securities. International has delegated authority for such matters to the Base Plan Investment Committee, or BPIC, of International, which currently has the same members as the PFIC. Each member is an executive officer of Navistar. The Navistar stock acquired by the trusts is employer securities under these provisions. Jennison Associates LLC has been appointed an investment manager for each trust with respect to the Navistar common stock, and Jennison has been given

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discretionary authority regarding voting and disposition of the stock in a manner consistent with maximizing the value of the respective trust's investment in our common stock. However, each of PFIC and BPIC, as applicable, and Navistar have the power to revoke or change the appointment of Jennison and therefore reacquire the voting and dispositive control over the stock.

The prospectus also covers any additional shares of common stock that become issuable in connection with the shares being registered by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the receipt of consideration which results in an increase in the number of outstanding shares of our common stock.

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#### **PLAN OF DISTRIBUTION**

The selling stockholders (including, subject to applicable law, their pledgees, donees, distributees, transferees or successors in interest who receive any shares covered by this prospectus) are offering shares of our common stock that they acquired from us in a private placement transaction. This prospectus covers the selling stockholders' resale of up to 7,755,030 shares of our common stock.

In connection with our sale to the selling stockholders of the common stock, we agreed to file a registration statement with the SEC. This registration statement covers the resale of the common stock from time to time as indicated in this prospectus. This prospectus forms a part of that registration statement. We have also agreed to prepare and file any amendments and supplements to the registration statement as may be necessary to keep it effective for a period not to exceed two years and to indemnify and hold the selling stockholders harmless against certain liabilities under the Securities Act that could arise in connection with the selling stockholders' sale of the shares covered by this prospectus. We have agreed to pay all reasonable fees and expenses incident to the filing of the registration statement, but the selling stockholders will pay any brokerage commissions, discounts or other expenses relating to the sale of the common stock.

The selling stockholders may sell the shares of common stock described in this prospectus directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling stockholders and/or the purchasers of shares of common stock for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). The selling stockholders may also transfer, devise or gift these shares by other means not described in this prospectus. As a result, pledgees, donees, transferees or other successors-in-interest that receive such shares as a gift, partnership distribution or other transfer may offer shares of the common stock covered by this prospectus. In addition, if any shares covered by this prospectus qualify for sale pursuant to Rule 144 under the Securities Act, the selling stockholders may sell such shares under Rule 144 rather than pursuant to this prospectus.

The selling stockholders may sell shares of common stock from time to time in one or more transactions:

at fixed prices that may be changed;

at market prices prevailing at the time of sale;

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at prices related to such prevailing market prices; or

at negotiated prices.

The selling stockholders may offer their shares of common stock in one or more of the following transactions (which may include block trades and crosses):

on any national securities exchange or quotation service on which the common stock may be listed or quoted at the time of sale, including the New York Stock Exchange;

in the over-the-counter market;

in privately negotiated transactions;

through put or call options;

by pledge to secure debts and other obligations;

by a combination of the above methods of sale; or

to cover short sales.

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In effecting sales, brokers or dealers engaged by the selling stockholders may arrange for other brokers or dealers to participate in the resales. The selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, and in connection with those transactions, broker-dealers or other financial institutions may engage in short sales of the shares. The selling stockholders also may sell shares short and deliver the shares to close out such short positions; provided that the short sale is made after the registration statement has been declared effective and a copy of this prospectus is delivered in connection with the short sale. The selling stockholders also may enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the shares, which the broker-dealer or other financial institution may resell pursuant to this prospectus. The selling stockholders also may loan or pledge the shares to a broker, dealer or other financial institution, and upon a default, the broker, dealer or other financial institution may effect sales of the loaned or pledged shares pursuant to this prospectus.

The selling stockholders and any underwriters, broker-dealers or agents that participate in the distribution of the shares of common stock may be deemed "underwriters" within the meaning of the Securities Act. As underwriters, any profits on the resale of the shares of common stock and any compensation to be received by an underwriter, broker-dealer or agent would be deemed underwriting discounts and commissions under the Securities Act. Each selling stockholder has represented to us it purchased the common stock in the ordinary course of its business, and at the time the selling stockholder purchased the common stock, it was not a party to any agreement or other understanding to distribute the securities, directly or indirectly.

Selling stockholders that are underwriters will be subject to the prospectus delivery requirements of the Securities Act. Those requirements may be satisfied through the facilities of the New York Stock Exchange pursuant to Rule 153 under the Securities Act with respect to sales effected on such exchange. We will deliver a copy of this prospectus to the NYSE for such purpose.

To our knowledge, the selling stockholders have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of the shares, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling stockholders.

Upon our being notified by a selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker-dealer, a supplement to



this prospectus will be filed, if required, under Rule 424(b) under the Securities Act, disclosing relevant information regarding such arrangement. A supplement to this prospectus will also be filed upon our being notified by a selling stockholder that a donee, pledgee, transferee or other successor-in-interest intends to sell more than 500 shares.

Under the Exchange Act, any person engaged in the distribution of the shares of common stock may not simultaneously engage in market-making activities with respect to the common stock for five business days prior to the start of the distribution. In addition, each selling stockholder and any other person participating in a distribution will be subject to the Exchange Act, which may limit the timing of purchases and sales of common stock by the selling stockholders or any such other person.

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#### **LEGAL MATTERS**

The validity of the shares of common stock offered hereby will be passed on for Navistar by Robert A. Boardman, Senior Vice President and General Counsel of Navistar International Corporation. As of January 7, 2003, Mr. Boardman owned approximately 41,282 shares of Navistar common stock and held options to purchase 177,628 shares of Navistar common stock, of which options to purchase 85,662 shares were currently exercisable.

#### **EXPERTS**

The consolidated financial statements and the related financial statement schedule incorporated by reference in this prospectus from Navistar's Annual Report on Form 10-K for the year ended October 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports which are incorporated herein by reference, and are incorporated in reliance upon the reports of such firm given their authority as experts in accounting and auditing.

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**7,755,030 Shares**

**Navistar International Corporation**

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**Common Stock**

**January 10, 2003**

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**Part II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The following is a statement of expenses, to be paid solely by Navistar, of the offering of the securities being registered hereby. All amounts are estimated, except the SEC registration fee.

Securities and Exchange Commission Registration Fee	\$	19,314
Printing Expenses	\$	20,000
Legal Fees and Expenses	\$	50,000
Accounting Fees	\$	10,000
Miscellaneous Fees	\$	3,500
		<hr/>
Total	\$	102,814
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**ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

*General Corporation Law*

Section 145 of the General Corporation Law of the State of Delaware (the "Delaware Statute") provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), other than an action by or in the right of such corporation, by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise (an "indemnified capacity"). The indemnity may include expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. Similar provisions apply to actions brought by or in the right of the corporation, except that no indemnification shall be made without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred. Section 145 of the Delaware Statute further authorizes a corporation to purchase and maintain insurance on behalf of any indemnified person against any liability asserted against him and incurred by him in any indemnified capacity, or arising out of his status as such, regardless of whether the corporation would otherwise have the power to indemnify him under the Delaware Statute.

In addition, Section 102 of the Delaware Statute allows a corporation to eliminate the personal liability of a director of a corporation to the corporation or to any of its stockholders for monetary damages for a breach of fiduciary duty as a director, except in the case where the director (i) breaches his duty of loyalty, (ii) fails to act in good faith, engages in intentional misconduct or knowingly violates a law, (iii) authorized the payment of a dividend or approves a stock repurchase or redemption in violation of the Delaware Statute or (iv) obtains an improper personal benefit.

*Certificate of Incorporation and By-laws*

Article Eighth of Navistar's certificate of incorporation includes a provision which eliminates directors' personal liability to the fullest extent permitted under the Delaware Statute. Under Article Ninth of Navistar's certificate of incorporation and Article XII of its by-laws, as amended, Navistar shall indemnify any person who was or is made a party or is threatened to be made party to or is

otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of Navistar (including any predecessor corporation of Navistar), or is or was serving at the request of Navistar as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith to the fullest extent authorized by the Delaware Statute. Such right of indemnification shall be a contract right and shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire under any statute, Navistar's certificate of incorporation, Navistar's by-laws, agreement, vote of stockholders or disinterested directors or otherwise. Navistar also maintains a policy of directors and officers liability insurance covering certain liabilities incurred by its directors and officers in connection with the performance of their duties.

**ITEM 16. EXHIBITS.**

The attached Exhibit Index is incorporated herein by reference.

**ITEM 17. UNDERTAKINGS.**

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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Pursuant to the requirements of the Securities Act of 1933, as amended, Navistar International Corporation has duly caused this Amendment No. 1 to Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in Warrenville, Illinois, on January 10, 2003.

### NAVISTAR INTERNATIONAL CORPORATION

By:           /s/ ROBERT C. LANNERT          

Name: Robert C. Lannert  
 Title: Vice Chairman and Chief Financial Officer (Principal Financial Officer)

Pursuant to the requirements of the Securities Act of 1993, as amended, this Amendment No. 1 to Registration Statement on Form S-3 and power of attorney have been signed below by the following persons in the capacities indicated on the 10th day of January, 2003.

Signature	Title
*	
John R. Horne	Chairman and Chief Executive Officer and Director (Principal Executive Officer)
/s/ ROBERT C. LANNERT	
Robert C. Lannert	Vice Chairman and Chief Financial Officer and Director (Principal Financial Officer)
*	
Daniel C. Ustian	President and Chief Operating Officer and Director
*	
Mark T. Schwetschenau	Vice President and Controller (Principal Accounting Officer)
*	
Y. Marc Belton	Director
*	
John D. Correnti	Director
*	
Jerry E. Dempsey	Director
*	
Dr. Abbie J. Griffin	Director
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Michael N. Hammes	Director

*	Director
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Allen J. Krowe	
*	Director
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David McAllister	
*	Director
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Southwood J. Morcott	
*	Director
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William F. Patient	
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\*  
 The undersigned, by signing his name hereto, does execute this Amendment No. 1 to Registration Statement on Form S-3 on behalf of the above-named officers and/or directors of the registrant pursuant to the Power of Attorney executed by such officers and/or directors on the signature pages to the Registration Statement previously filed on December 6, 2002.

/s/ ROBERT C. LANNERT

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 Robert C. Lannert  
 Attorney-in-fact

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**INDEX TO EXHIBITS**

Exhibit No.	Description of Exhibit
3.1	Restated Certificate of Incorporation of Navistar International Corporation effective July 1, 1993 (incorporated by reference to Exhibit 3.2 to Annual Report on Form 10-K for the fiscal year ended October 31, 1993).
3.2	The By-Laws of Navistar International Corporation effective April 14, 1995 (incorporated by reference to Exhibit 3.2 to Annual Report on Form 10-K for the fiscal year ended October 31, 1995).
4.1	Form of Common Stock Certificate of Navistar International Corporation (incorporated by reference to Exhibit 4.20 of Navistar's Quarterly Report on Form 10-Q for the three-month period ended January 31, 2002).
*4.2	Securities Purchase Agreement, dated as of November 8, 2002, by and between Navistar International Corporation and the Investors party thereto.
*4.3	Registration Rights Agreement, dated as of November 8, 2002, by and between Navistar International Corporation and the Investors party thereto.
*5.1	Opinion of Robert A. Boardman.
23.1	Consent of Deloitte & Touche LLP.
*23.2	Consent of Robert A. Boardman (included in Exhibit 5.1).

Exhibit No.	Description of Exhibit
*24.1	Powers of Attorney (included in Part II to the Registration Statement previously filed).
*	Previously filed.

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- an and one year as Co-Chairman; and

Independent of our management.

William J. Farrell III (40), current director and nominee, has, from January 2011 until the present, served as Chief Executive Officer of Viszy Inc., a start-up company developing software and services for the consumer market. Mr. Farrell is also Chief Executive Officer of Bōbiam, LLC, a company that turns youth art into apparel and other products, which it merchandises through its retail store and wholesale channels. From April 1998 to January 2011, Mr. Farrell held various senior management roles at Medtronic, Inc. (NYSE: MDT), a multi-national medical technology company. His engineering career began with eight years in production support, process development and operations. He then worked 10 years in product development for Medtronic, during which time he led management teams in program, product and process development. At the end of his tenure with Medtronic, he was Senior Director of Product Development and led corporate-wide initiatives to improve design, reliability and manufacturability practices. Mr. Farrell has a B.S. degree in Mechanical Engineering from the University of Minnesota (1996). Mr. Farrell has been a director of our since January 2013.

Mr. Farrell brings the following experience, qualifications, attributes and skills to our Board:

- Current senior-level management, operating and board experience;

- More than 12 years of experience in engineering and management roles in the medical device industry, our primary target market; and

- Independent of our management.

David C. Hovda (51), current director and nominee, has served as President, Chief Executive Officer and a member of the Board of Directors of Spinal Motion, Inc., a privately held medical device company that designs, develops and markets artificial discs for use in the spine, since 2004. Prior to joining Spinal Motion, he held leadership positions with Arthrocare, Inc., (Nasdaq: ARTC), a developer and manufacturer of surgical devices, instruments, and implants focused on enhancing surgical techniques and patient outcomes, serving as the Vice President/General Manager of its Spine Division from 1999 to 2004, and as the Managing Director of its ENT Division from 1997 to 1999. From 1992 to 1997, Mr. Hovda served in financial analysis and product management positions with Medtronic, Inc. (NYSE: MDT), a multi-national medical technology company, which culminated in his service as the European Business Manager of its Upper Airway Venture from 1995 to 1997. He holds more than 30 patents related to radio frequency ablation technology, specific clinical applications, and artificial disc replacement designs and implantation methods. Mr. Hovda served for five years with the United States Navy, achieving the rank of Lieutenant. He received a Bachelor of Science degree in Civil Engineering from Northwestern University and an M.B.A. from the Harvard Graduate School of Business Administration. Mr. Hovda has been a director of our since January 2013.

Mr. Hovda brings the following experience, qualifications, attributes and skills to our Board:

- Current senior-level management, operating and board experience based on 20 years of participation in the medical device industry, our primary target market, eight years of which are specifically with medical devices to treat disorders of the spine, a sector within the medical device industry that we believe represents potential for future revenue growth;

- Core management and leadership skills gained through experience overseeing and managing operations at the manager and chief executive officer levels, including experience in medical device intellectual property, product development, clinical testing and marketing;

Experience in financial analysis, including operational restructuring, acquisition opportunities and market entry feasibility; and

Independent of our management.

Harold A. Hurwitz (61), current director and nominee, has served as our Chief Executive Officer and President since February 2013 in addition to his positions as Chief Financial Officer, Treasurer and Secretary, which he has held since joining the Company in October 2010. Between March 2010 and September 2010, Mr. Hurwitz served as an independent consultant, providing service primarily to a molecular diagnostics company. From April 2008 to February 2010, Mr. Hurwitz served as Chief Financial Officer and Vice President of Interventional Spine, Inc., a venture-backed medical device company. Prior to joining Interventional Spine in April 2008, Mr. Hurwitz served as Principal Consultant, focused on the medical technology industry, with McDermott & Bull from December 2005 to March 2008. Mr. Hurwitz served as an independent consultant from December 2004 to December 2005, with his primary client during that time being Micro Therapeutics, Inc., a then-public medical device company (now part of Covidien plc). He was Chief Financial Officer of Micro Therapeutics, Inc. from December 1997 to December 2004. Earlier in his career, Mr. Hurwitz was a Partner with Coopers & Lybrand L.L.P. (now PricewaterhouseCoopers LLP), where he was a Business Assurance Partner, Team Leader of its Orange County Medical Device Practice and an SEC Review Partner. He has a broad financial background that includes more than 35 years of public accounting and financial management experience. In addition, he has leadership experience in human resources and information technology, diversified fund raising and Sarbanes-Oxley compliance. Mr. Hurwitz holds a B.A. in Economics from the University of California, Los Angeles. Mr. Hurwitz has been a director of ours since June 2013.



Mr. Hurwitz brings the following experience, qualifications, attributes and skills to our Board:

37 years of experience in accounting, reporting and financial management based on 22 years as an employee and partner with Coopers & Lybrand L.L.P. and 15 years as a chief financial officer and financial consultant;

10 years as a chief financial officer of publicly held companies, including three years as our Chief Financial Officer; and

29 years of senior-level management, operating and consulting experience in the medical device industry, our primary target market.

Nicholas J. Swenson (45), current director and nominee, is an investor in both private and public companies. Since March, 2009, Mr. Swenson has been the Chief Executive Officer and a Portfolio Manager of Groveland Capital, LLC. Prior to forming Groveland Capital, Mr. Swenson was a Portfolio Manager and Partner at Whitebox Advisors, LLC, a multi-strategy hedge fund, from 2001 to 2009. From 1999 to 2001 he was a Research Analyst at Varde Partners, LLC, a partnership that specializes in distressed debt investing. He was an Associate in Corporate Finance at Piper Jaffray, Inc. from 1996 to 1999. Mr. Swenson serves as a director of several private companies as well as Air T, Inc. (AIRT), a Nasdaq listed company. Mr. Swenson has a B.A. degree in History from Middlebury College (1991) and an M.B.A. from the University of Chicago (1996). Mr. Swenson has been a director of ours since January 2013.

Mr. Swenson brings the following experience, qualifications, attributes and skills to our Board:

17 years of experience as a financial analyst and investment manager;

Public company board experience; and

Independent of our management

#### BUSINESS EXPERIENCE OF KEY MANAGEMENT

Set forth below is information concerning our other non-director key management personnel.

Richard L. Van Kirk (53) was appointed our Chief Operating Officer in April 2013. He joined the Company in January 2006 and was named Vice President of Manufacturing in December 2006. Mr. Van Kirk's career includes over 13 years of management experience in manufacturing. Mr. Van Kirk previously served as Manufacturing Manager and Manager of Product Development at Comarco Wireless Technologies, ChargeSource Division, which provides power and charging functionality for popular electronic devices and wireless accessories. Prior to Comarco, Mr. Van Kirk was General Manager at Dynacast, a leader in precision die casting. Mr. Van Kirk earned a BA in Business Administration at California State University, Fullerton and an M.B.A. from Claremont Graduate School.

#### BOARD MEETINGS AND RELATED MATTERS

During the fiscal year ended June 30, 2013, our Board held 10 meetings and acted one time by unanimous written consent. For all meetings at which our Board was not comprised entirely of independent directors, the independent members met immediately after each Board meeting. The "independent directors" consist of all non-employee, "independent directors" (as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules). No director attended less than 75% of the aggregate of all meetings of our Board and all meetings of committees of our Board upon which he served.

## Audit Committee

Our Board has an Audit Committee that consists of three Board members, Messrs. Hovda (Chairman), Cabillot and Swenson. The Audit Committee is comprised entirely of non-employee, “independent directors” (as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules) and operates under a written charter adopted by our Board. The duties of the Audit Committee include meeting with our independent registered public accounting firm to review the scope of the annual audit and to review our quarterly and annual financial statements before the statements are released to our shareholders. The Audit Committee also evaluates the independent public accounting firm’s performance and appoints or replaces the independent public accounting firm subject, if applicable, to the consideration of shareholder ratification for the ensuing fiscal year. A copy of the Audit Committee’s current charter may be found at our website at [www.pro-dex.com](http://www.pro-dex.com) under “Investor Relations,” then “Governance,” and then “Audit Committee Charter.” The Audit Committee and Board have confirmed that the Audit Committee does and will continue to include at least three independent directors and has confirmed that Messrs. Hovda, Cabillot and Swenson each meet applicable SEC regulations for designation as an “Audit Committee Financial Expert” based upon their respective experience noted elsewhere in this proxy statement. The Audit Committee held five meetings during the fiscal year ended June 30, 2013.

#### Nominating/Corporate Governance Committee

Our Board has a Nominating/Corporate Governance Committee (“Nominating Committee”) that consists of four Board members, Messrs. Cabillot (Chairman), Farrell, Hovda and Swenson. The Nominating Committee is comprised entirely of non-employee, “independent directors” (as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules) and operates under a written charter adopted by our Board, a copy of which may be found at our website at [www.pro-dex.com](http://www.pro-dex.com) under “Investor Relations,” then “Governance,” and then “Charter of the Nominating/Corporate Governance Committee.” In such capacity, the Nominating Committee identifies and reviews the qualifications of candidate nominees to our Board. The Nominating Committee held one meeting during the fiscal year ended June 30, 2013.

The Nominating Committee works with our Board to determine the appropriate characteristics, skills, and experiences for our Board as a whole and its individual members with the objective of having a Board with diverse experience. The Nominating Committee believes that it is desirable that directors possess an understanding of our business environment and have the requisite ethical standards, knowledge, skills, expertise and diversity of experience such that our Board’s ability to manage and direct our affairs and business is enhanced. Additional considerations may include an individual’s capacity to enhance the ability of committees of our Board to fulfill their duties and/or satisfy any independence requirements imposed by law, regulation or listing requirements. The Nominating Committee may receive candidate nomination suggestions from current Board members, our executive officers, our shareholders or other sources, which may be either unsolicited or in response to requests from our Board for such candidates. The Nominating Committee may also, from time to time, engage firms that specialize in identifying director candidates. Once a person has been identified by the Nominating Committee as a potential candidate, the Nominating Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating Committee determines that the candidate warrants further consideration, a member of the Nominating Committee may contact the person. Generally, if the person expresses a willingness to be considered and to serve on our Board, the Nominating Committee may request information from the candidate, review the person’s accomplishments and qualifications and may conduct one or more interviews with the candidate. The Nominating Committee may consider all such information in light of information regarding any other candidates that it might be evaluating for nomination to our Board. The Nominating Committee or other Board members may also contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate’s accomplishments. With the candidate’s consent, the Nominating Committee may also engage an outside firm to conduct background checks on the candidate as part of the evaluation process. The Nominating Committee’s evaluation process does not vary based on the source of the recommendation.

Shareholder nominations for director should be sent to our Secretary and should include the candidate’s name and qualifications and a statement from the candidate that he or she consents to being named in the proxy statement and will serve as a director if elected. In order for any such candidate to be considered for nomination and, if nominated, to be included in the proxy statement, such recommendation must satisfy the requirements discussed later in this proxy statement under the heading “Proposals of Shareholders.”

In compiling the list of our Board nominees appearing in this proxy statement, nominee referrals as well as nominee recommendations were received from existing directors and members of management—both solicited and unsolicited. No paid consultants were engaged by us, our Board or any of our Board’s committees for the purposes of identifying qualified, interested Board candidates.

#### Compensation Committee

Our Board has a Compensation Committee that consists of three Board members, Messrs. Swenson (Chairman), Cabillot and Farrell. The Compensation Committee is comprised entirely of non-employee, “independent directors” (as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules) and operates under a written charter adopted by our Board. A copy of the Compensation Committee’s current charter may be found at our website at [www.pro-dex.com](http://www.pro-dex.com) under “Investor Relations,” then “Governance,” and then “Compensation Committee Charter.” The Compensation Committee establishes compensation policies applicable to our executive officers and directors. The Compensation Committee held three meetings during the fiscal year ended June 30, 2013.

The agenda for each meeting of the Compensation Committee is usually developed by the Chairman of the Committee and our outside legal counsel with input from the other Committee members as well. The Compensation Committee meets regularly in executive session. From time to time, various members of management and other employees, as well as outside advisors or consultants, may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice, or otherwise participate in Compensation Committee meetings or executive sessions. Among other things, the charter of the Compensation Committee grants the Compensation Committee authority to obtain, at our expense, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers

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necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

#### FAMILY RELATIONSHIPS

There are no family relationships among our executive officers and directors.

#### BOARD LEADERSHIP STRUCTURE

Our Board has separated the roles of Chairman of the Board and Chief Executive Officer. Mr. Swenson, an independent director, serves as Chairman of our Board and presides at all Board and shareholder meetings. Mr. Hurwitz is the Chief Executive Officer, serves as our primary spokesperson and supervises our business, subject to the direction of our Board. The independent Board members annually assess Mr. Hurwitz's performance as Chief Executive Officer. We believe that an independent Chairman is better able to provide oversight and guidance to management, especially in relation to the Board's essential role in risk management oversight, and to ensure the efficient use and accountability of resources. Furthermore, this separation provides for focused engagement between these two roles in their respective areas of responsibility, while still providing for collaborative participation. The separation of the Chairman and Chief Executive Officer roles, together with our other comprehensive corporate governance practices, are designed to establish and preserve management accountability, provide a structure that allows the Board to set objectives and monitor performance, and enhance stockholder value.

#### BOARD'S ROLE IN RISK OVERSIGHT

Our Board has an active role, as a whole and also at the committee level, in overseeing management of our risks. Our Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. The Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The Audit Committee oversees management of financial risks. The Nominating Committee manages risks associated with the independence of our Board and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee and management reports about such risks and their mitigation. Our Board believes the division of risk management responsibilities described above is an effective approach for evaluating and addressing the risks we face and that the structure allows our Board to exercise effective oversight of the actions of management.

#### COMPENSATION OF EXECUTIVE OFFICERS AND MANAGEMENT

##### Compensation Committee Procedures

The Compensation Committee makes its most significant determinations with respect to annual compensation, bonus awards, and new financial and other corporate performance objectives for executive compensation purposes, at one or more meetings held during the first quarter of the fiscal year for which the targets and compensation levels are applicable. The Compensation Committee generally makes determinations regarding the grant of annual equity incentive awards to our employees at the first meeting held following the Audit Committee's approval of the Form 10-K Annual Report for the fiscal year just ended—generally during the first quarter of the fiscal year. At various meetings throughout the year, the Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of, and any risks relating to, our compensation strategies, policies and practices, potential modifications to

those strategies, policies and practices, and new trends, plans or approaches to compensation.

Generally, the Compensation Committee's process consists of two related elements: (i) the determination of compensation levels and (ii) the establishment of financial and other corporate performance objectives in connection with our Annual Incentive and Long-Term Incentive Plans. Our Annual Incentive Plan provides for payment of cash bonuses to participants following the completion of a fiscal year subject to the attainment of certain performance goals. Our Long-Term Incentive Plan rewards long-term growth, profitability and total shareholder return by providing a vehicle through which our executive officers may receive stock-based compensation. For executive officers other than our CEO, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Compensation Committee by our CEO. In the case of our CEO, the evaluation of his performance is conducted by the Compensation

Committee, which determines any adjustments to his compensation as well as equity awards to be granted. Our CEO may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation. For all executive officers and directors, as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executive officers in various hypothetical scenarios, our stock performance data, and analyses of historical executive compensation levels and our current compensation levels. Periodically, the Compensation Committee reviews all of our incentive compensation plans in order to evaluate the level of risk that such plans may encourage and, along with management's report concerning such matters and their mitigation, to ensure that each plan is properly monitored and evaluated. The specific determinations of the Compensation Committee with respect to executive compensation for the fiscal year ended June 30, 2013 are described herein.

### Compensation Committee Philosophy

Our compensation philosophy is predicated upon the following concepts:

We pay competitively. We are committed to providing a pay program that helps attract and retain highly qualified people in the industry. To ensure that pay is competitive, we compare our pay practices with those of other leading companies of similar size and location(s) and set our pay parameters based on this review.

We pay for sustained performance. Executive officers are rewarded based upon corporate performance and individual performance. Corporate performance is evaluated by the Compensation Committee by reviewing the extent to which strategic and business plan goals are met, including such factors as revenues, operating profit and cash flow.

We strive for fairness in the administration of pay and to achieve a balance of the compensation paid to a particular individual as compared to the compensation paid to both our executives and executives at comparable companies.

We believe that employees should understand the performance evaluation and pay administration process.

The Compensation Committee believes that it is important that our executives be compensated in a manner that closely links compensation with performance and yet does not incent excessive risk-taking. To that end, the Compensation Committee has developed a comprehensive and balanced compensation plan that includes a base salary; an annual cash incentive based upon our Annual Incentive Plan; a long-term stock incentive based upon our Long-Term Incentive Plan; equity awards; and, a package of benefits similar in scope and nature to those offered to all our other employees.

The Compensation Committee believes that there are no risks related to our compensation plans that would result in a material adverse impact on us. This conclusion is based upon management's risk analysis and the Compensation Committee's belief that the following mitigating factors also serve to reduce such risks:

Incentives are capped at a maximum amount regardless of the degree to which objectives may be exceeded.

Payments are based upon audited year end results.

Multiple objectives are used as performance targets.

Computations are reviewed at regular intervals during the year and are subject to multiple levels of review at the management, committee, and full Board level.

All incentives are based upon pre-established objective criteria as approved by our Board.

#### Compensation of Executive Officers

The following table sets forth certain compensation information for the fiscal years ended June 30, 2013 and 2012, for our principal executive officer, our principal financial officer and one other executive officer, who was the only other executive officer whose total compensation exceeded \$100,000 during fiscal year ended June 30, 2013 (collectively, the "Named Executive Officers").



## Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Incentive		Total (\$)
						Plan Compensation (\$)	All Other Compensation (\$)(3)	
Harold A. Hurwitz(4) Director, CEO, President, CFO, Treasurer and Secretary	2013	\$ 192,311	\$ —	\$ 8,650	\$ 6,227	\$ —	\$ 12,048	\$ 219,236
	2012	\$ 185,075	\$ 4,625	\$ —	\$ 21,265	\$ —	\$ 6,494	\$ 217,459
Richard L. Van Kirk(5) COO	2013	\$ 157,011	\$ —	\$ 8,650	\$ 6,227	\$ —	\$ 16,511	\$ 188,399
	2012	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Michael J. Berthelot(6) Director, CEO and President	2013	\$ 195,852	\$ —	\$ —	\$ —	\$ —	\$ 173,174	\$ 369,026
	2012	\$ 52,888	\$ —	\$ —	\$ 190,431	\$ —	\$ —	\$ 243,319

- (1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the years ended June 30, 2013 and 2012, for the fair value of stock awards granted to each of our Named Executive Officers calculated in accordance with FASB ASC Topic 718. Pursuant to applicable SEC regulations, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to the restricted stock awards, refer to Notes To Consolidated Financial Statements set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2013. These amounts reflect only our accounting expense for these stock awards and do not correspond to the actual value that will be recognized by our Named Executive Officers.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the years ended June 30, 2013 and 2012, for the fair value of stock options granted to each of our Named Executive Officers calculated in accordance with FASB ASC Topic 718. Pursuant to applicable SEC regulations, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to these option grants, refer to Notes To Consolidated Financial Statements set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2013. These amounts reflect only the expense to be recognized for financial statement purposes and do not correspond to the actual value that will be recognized by our Named Executive Officers. See the table of Outstanding Equity Awards at June 30, 2013, below, for more information on options held by the Named Executive Officers. Stock options awarded have a term of ten years; vest in equal monthly or annual installments as per the applicable option agreement over a period of up to four years, and have an exercise price equal to either (a) the average of the high and low prices of our Common Stock on the Nasdaq Capital Market on the date of grant for options granted under our First Amended and Restated 2004 Stock Option Plan, or (b) the closing price of our Common Stock on the Nasdaq Capital Market on the last business day prior to the date of grant in which a closing price is available for options granted under our Second Amended and Restated 2004 Stock Option Plan.
- (3) All Other Compensation consists of:

Name	Year	Life and health insurance premium payments	Matching contributions to the Company's 401(k) plan	Separation agreement payments	Total (\$)
Harold A. Hurwitz	2013	\$ 9,914	\$ 2,134	\$ —	\$ 12,048
	2012	\$ 5,854	\$ 640	\$ —	\$ 6,494
Richard L. Van Kirk	2013	\$ 14,964	\$ 1,547	\$ —	\$ 16,511
	2012	\$ —	\$ —	\$ —	\$ —
Michael J. Berthelot	2013	\$ 2,640	\$ 3,140	\$ 167,394	\$ 173,174
	2012	\$ —	\$ —	\$ —	\$ —

(4) Mr. Hurwitz was appointed our Chief Executive Officer and President on February 25, 2013, in addition to continuing his position as CFO, Treasurer and Secretary.

(5) Mr. Van Kirk was appointed our Chief Operating Officer on April 23, 2013. Mr. Van Kirk did not qualify as a Named Executive Officer prior to such appointment.

(6) Mr. Berthelot's employment with us commenced April 20, 2012 and concluded on February 25, 2013. Of the Option Awards granted to Mr. Berthelot in 2012, 100% expired unexercised upon the conclusion of Mr. Berthelot's employment with us.

#### Employment Agreements with Named Executive Officers

##### Employment Arrangement with Harold A. Hurwitz

On February 25, 2013, Mr. Hurwitz began service as our Chief Executive Officer and President, in addition to continuing to serve as our Chief Financial Officer, a position he has held since 2010. In connection with the appointment, Mr. Hurwitz entered into an at-will employment arrangement (the "February 2013 Employment Arrangement"), the terms of which incorporate the terms of Mr. Hurwitz's previously existing employment arrangement dated August 23, 2010 (except for the base compensation stated therein) and Mr. Hurwitz's existing Change of Control Agreement dated July 19, 2011.

Pursuant to the terms of the February 2013 Employment Arrangement, Mr. Hurwitz's compensation consists of the following:

A base salary at an annualized rate of \$225,000.

Participation in our Annual Incentive Plan and Long Term Incentive Plan.

Mr. Hurwitz is permitted to participate in any program of stock options or other equity grants that we may from time to time provide key employees. Such grants are made under the terms and provisions of the Second Amended and Restated 2004 Stock Option Plan or a successor stock incentive plan as may be approved by our Board.

Health, dental, disability and life insurance, qualified retirement plans, and optional employee benefits on the same terms as other employees, except Mr. Hurwitz will not participate in the Company-wide employee bonus plan.

##### Employment Arrangement with Richard L. Van Kirk

On April 23, 2013, Mr. Van Kirk began service as our Chief Operating Officer. In connection with the appointment, Mr. Van Kirk entered into an at-will employment arrangement (the "April 2013 Employment Arrangement"), which incorporates certain terms of Mr. Van Kirk's existing at-will employment arrangement dated January 6, 2006 and Mr. Van Kirk's existing Change of Control Agreement dated July 19, 2011. Pursuant to the April 2013 Employment arrangement, Mr. Van Kirk's compensation consists of the following:

A base salary at an annualized rate of \$180,000.

Participation in our Annual Incentive Plan and Long Term Incentive Plan.

Mr. Van Kirk is permitted to participate in any program of stock options or other equity grants that we may from time to time provide key employees. Such grants are made under the terms and provisions of the Second Amended and Restated 2004 Stock Option Plan or a successor stock incentive plan as may be approved by our Board.

Health, dental, disability and life insurance, qualified retirement plans, and optional employee benefits on the same terms as other employees, except Mr. Van Kirk will not participate in the Company-wide employee bonus plan.

#### Fiscal Year 2013 Compensation Reduction

Upon the recommendation of management and as approved by the Compensation Committee and our Board, all our employees, including the Named Executive Officers, became subject to a 5% reduction in base compensation, effective July 1, 2012. Upon the recommendation of management and as approved by the Compensation Committee and our Board, this reduction was discontinued as of the end of business on September 30, 2013.

#### Annual Incentive Awards

On July 14, 2010, our Board approved an Annual Incentive Plan (“AIP”) to provide annual cash-based incentive opportunities for our key employees. The AIP provides for payment of cash bonuses to participants following the completion of the fiscal year subject to the attainment of certain pre-determined performance goals established by the Compensation Committee. Target incentives under the AIP range from 20% to 50% of a participant’s base salary with a maximum achievement factor of 200%, capping such awards at 40% to 100% of base salary.

Fiscal 2012 performance metrics for our Named Executive Officers included financial performance measures related to revenue growth, profit before tax, net cash flow and other measures directly related to each Named Executive Officer’s individual job responsibilities and areas of influence. During fiscal 2012, six individuals participated in the AIP under which total awards of \$42,772 were made. Upon the recommendation of management and as approved by the Compensation Committee and our Board, payment of all AIP awards for 2012 (except for the award paid to Mr. Mark

Murphy, a former Chief Executive Officer, as described below) was deferred until such time as our Company-wide 5% reduction in base compensation is repaid to all employees who are not members of senior management (see “Fiscal Year 2013 Compensation Reduction” above).

Under the fiscal 2012 AIP, our former Chief Executive Officer, Mark Murphy, received a \$12,082 payment at the time of his departure from the Company in accordance with the terms of his separation agreement.

Also under the terms of the AIP, a fiscal 2012 award of \$4,625 was made to Mr. Hurwitz, although payment of such award has been deferred as noted above.

For fiscal 2013, the AIP was slightly modified so as to recognize both individual performance as well as overall corporate performance. Awards were to be calculated by multiplying (a) an Individual Achievement Factor as determined by each participant’s achievement of his individual objectives times (b) a “Corporate Achievement Factor”. For fiscal 2013, the Corporate Achievement Factor was established as EBITDA (as determined by our Board based on our applicable audited financial statements and calculated substantially in conformance with our historic determination of EBITDA) of \$800,000. No incentives were to be paid unless a minimum Corporate Achievement Factor was achieved, which minimum Corporate Achievement Factor was established as EBITDA of \$300,000. Because the minimum Corporate Achievement Factor was not achieved, no awards were made under the terms of the AIP for fiscal 2013.

For fiscal 2014, AIP awards are subject to a formula based on threshold cash flows from operations of approximately \$300,000, with no Individual Achievement Factors as existed in prior years. In years subsequent to fiscal 2014, we expect that the AIP will be calculated in two parts, subject to formulas based on (a) threshold cash flows from operations, and (b) growth in cash flows from operations. The Compensation Committee believes that this design, which balances short-term and long-term incentives, reduces the inherent risk of incentive compensation by rewarding business decisions and actions over a longer term, thus avoiding plan designs that could incentivize executives to take actions that would result in short-term gain in order to bolster annual incentive compensation without regard to the long-term best interests of the Company.

#### Long-Term Incentive Awards

On July 14, 2010, our Board approved a Long Term Incentive Plan (“LTIP”) in order to provide an incentive for executives to focus on the long-term sustainable growth of the Company. In fiscal 2013, our executives, including our Named Executive Officers, participated in the LTIP. Effective in fiscal 2014, the LTIP has been discontinued in favor of the long-term incentives offered by the AIP, as described above.

The LTIP allowed for an award to be made to the participants by the Compensation Committee at the beginning of each fiscal year, with the final determination and payment of that award occurring at the end of the third year following the award’s grant and after such payment is approved by the Compensation Committee. The Compensation Committee reviewed the status and forecasted amount of outstanding LTIP awards for each participant, including the Named Executive Officers, on a quarterly basis. Unless otherwise provided in the plan, LTIP awards were to be paid in shares of Company restricted stock granted under our Second Amended and Restated 2004 Stock Option Plan. LTIP awards could range from 50% to 150% of the target award depending upon the actual achievement level as measured against certain predetermined performance objectives.

Target awards under the LTIP were set at 50% of base salary. Performance metrics were established for each participant and achievement was measured over a three-year period. One-half of each LTIP award was determined by Total Shareholder Return (“TSR”) as measured against a peer group of companies. The remaining half of the LTIP

award was measured against performance objectives which included revenue growth, net income, EBITDA or similar metrics established by the Compensation Committee within the first 75 days of the measurement period.

Payment of awards related to the award period beginning in fiscal 2011 would have been made following the end of fiscal 2013, however, none of the threshold targets had been met. Accordingly, no awards were payable from this period.

Final determination of the amounts to be paid under the LTIP award periods beginning in fiscal 2012 and 2013 will occur following the end of fiscal years 2014 and 2015, respectively. Based on our performance through fiscal 2013, no awards have been accrued to date for either of these award periods.

#### Change of Control Agreements

On July 19, 2011, the Compensation Committee approved change of control agreements (the “Change of Control Agreements”) for Messrs. Hurwitz, Van Kirk and Berthelot. The Change of Control Agreements provide that if the individual’s employment with us involuntarily terminates (as such term is defined in the Change of Control Agreements) within 12 months after a change of control (as such term is defined in the Change of Control Agreements, which includes, among other items, (a) conditions under which a person or group becomes a beneficial owner of 50% or more

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of the voting power of our outstanding stock, or (b) a change in the composition of our Board occurring within a one-year period of 60% or more), the individual will receive, subject to signing a release of claims in favor of us, (i) a lump sum amount equal to thirty (30) weeks base compensation of the individual at the time of such termination and (ii) one hundred percent (100%) Company-paid health, dental and life insurance coverage as provided to the individual immediately prior to his termination of employment for a period equal to the earlier of (i) twelve (12) months following termination or (ii) until the individual becomes covered under another employer's group health, dental or life insurance plan. In addition, the individual shall be entitled to receive bonus or compensation award payments, if any, in accordance with the terms of our AIP and LTIP and we shall pay the individual all of his accrued and unused vacation, if any, through the date of termination. If the individual receives a payment under the terms of the Change of Control Agreement, he will not be eligible to receive a severance payment under our severance policy in existence at the time of such payment.

In June 2012, a group of our shareholders nominated a slate of three director nominees (the "AO Nominees") to run in opposition to the slate of five director nominees placed into nomination by our then-incumbent Board of Directors (the "Pro-Dex Nominees"). At our January 17, 2013 Annual Meeting of Shareholders (the "2012 Annual Meeting"), our shareholders elected the three AO Nominees and two Pro-Dex Nominees, only one of whom was an incumbent member of our Board of Directors, to fill the five seats on our new Board of Directors. As a result, the Board of Directors elected at our 2012 Annual Meeting was composed of four new members and one continuing member. The degree of change in composition of our Board as described above constituted a "change of control" under the Change of Control Agreements.

In connection with Mr. Berthelot's previously reported separation of employment with us on February 25, 2013, the Company and Mr. Berthelot entered into a Separation Agreement and General Release of All Claims ("Separation Agreement") concerning the conclusion of his employment services with us. Under the terms of the Separation Agreement, Mr. Berthelot was paid all unpaid base salary and unreimbursed business expenses for the period through February 25, 2013, plus his prorated portion under the LTIP in the amount of \$1,971, in addition to the \$165,423 under the terms of his Change of Control Agreement described above and as additional consideration for the release of claims under the terms of the Separation Agreement.

Also, the "change of control" that resulted from the new Board composition at the 2012 Annual Meeting would entitle each of Messrs. Hurwitz and Van Kirk to the benefits provided under his respective Change of Control Agreement if his employment with us is involuntarily terminated prior to January 17, 2014. The Change of Control Agreements with Messrs. Hurwitz and Van Kirk terminate upon the earlier of (i) the date that all obligations of the parties under the Change of Control Agreements have been satisfied or (ii) July 19, 2014.

#### Outstanding Equity Awards at Fiscal Year End

The following table sets forth information about outstanding equity awards held by our Named Executive Officers as of June 30, 2013.

Name	Number of Securities Underlying Unexercised Options Exercisable	Option Awards		Option Exercise Price	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options Unexercisable				Number of Shares or Units of Stock That Have Not	Market Value of Shares or Units of Stock That Have Not Vested

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					Vested		
Harold A. Hurwitz	17,778	2,222	\$1.97	October 7, 2020			
	14,582			September 12, 2021			
	—	10,418	\$1.80	September 11, 2022			
		5,000	\$1.73		5,000	\$	9,500
Richard L. Van Kirk	8,334	—	\$7.65	January 6, 2016			
	3,334	—	\$4.38	May 18, 2017			
	17,778	2,222	\$1.97	October 7, 2020			
	14,582	10,418	\$1.80	September 12, 2021			
	—	5,000	\$1.73	September 11, 2022			
					5,000	\$	9,500
Michael J. Berthelot	—	—	—	—	—	—	—



## Compensation of Directors

### 2010 Directors' Compensation Plan

In 2010, the Compensation Committee engaged Remedy Compensation Consulting (“Remedy”) as its independent compensation consultant to assist the Compensation Committee in evaluating compensation strategies with respect to our employees and the non-employee directors on our Board, noting that director compensation had not changed since 1997. As part of its engagement, the Compensation Committee directed Remedy to develop a comparative group of companies and to perform analyses of competitive performance and compensation levels for the group. The analysis with respect to compensation of non-employee Board members resulted in the Board’s adoption, in July 2010, of the compensation plan described below (the “2010 Directors’ Compensation Plan”). In 2011, the Compensation Committee engaged the independent compensation consulting firm Compensia (who had acquired Remedy during 2011) to perform an updated analysis based on the same comparative group of companies. Among the findings resulting from the updated analysis were that the elements of the non-employee directors’ compensation plan described below fell generally at, or below, the targeted 25th percentile of the comparative group of companies.

The compensation plan for non-employee members of our Board under the 2010 Directors Compensation Plan was as follows:

Annual retainer for each director	\$ 24,000
Additional annual retainer for service as:	
Lead Director/Chairman	\$ 7,000
Committee Chair	\$ 5,000

All retainers were paid in quarterly installments at the end of each calendar quarter. In the event that a director attended more than six Board meetings or more than six meetings of any committee upon which that director served in one fiscal year, an additional per meeting fee of \$1,000 for in person meetings or \$500 for telephone meetings was paid. If any such “excess” committee meeting was held on the same date as a Board meeting, only the Board meeting was considered compensable.

In addition, upon election or appointment to our Board, each director was granted an option for the purchase of 15,000 shares of our Common Stock. Upon re-election to our Board, each director was granted an option for the purchase of 10,000 shares of our Common Stock. All such option grants were made as of the date of such election, appointment or re-election and in accordance with the terms of our Director Option Plan.

Effective July 1, 2012, our Board voluntarily reduced the amounts of the cash retainers described above by 12%. This reduction remained in effect until May 2, 2013, at which time the compensation of non-employee directors on our Board was changed, as described below.

### 2013 Directors' Compensation Plan

On February 4, 2013, the AO Nominees (Messrs. Swenson, Cabillot and Farrell), each of whom was elected to our Board at the January 17, 2013 Annual Meeting of Shareholders, each opted to waive (a) receipt of stock options they were otherwise entitled to receive upon their election to the Board, and (b) any cash retainers or meeting fees in excess of \$200 per meeting and \$2,000 per year.

At its meeting on May 2, 2013, our Board replaced the 2010 Directors' Compensation Plan with the 2013 Directors' Compensation Plan that provides for the following:

Fees of \$200 for participation in Board or Committee meetings, to a maximum of \$2,000 per fiscal year; and

An annual retainer of \$23,000 for the Audit Committee Chair (which may be modified in compensating any future Audit Committee Chair).

The 2013 Directors' Compensation Plan has no provision for (a) retainers other than that described above, or (b) grants of options to purchase shares of our common stock.

The directors' fees earned or paid in the fiscal year ended June 30, 2013 are as follows:

Name	Fees Earned or Paid in Cash (\$)(1)	Option Awards (\$)(2)	Total (\$)
George J. Isaac(3)	\$ 25,510	—	\$ 25,510
David Holder(4)	\$ 26,010	—	\$ 26,010
William J. Healey(5)	\$ 36,287	\$ 13,917	\$ 50,204
Michael J. Berthelot(6)	\$ 4,014	—	\$ 4,014
David C. Hovda(7)	\$ 7,250	\$ 22,749	\$ 29,999
William J. Farrell III(8)	\$ 1,000	—	\$ 1,000
Nicholas J. Swenson(8)	\$ 1,200	—	\$ 1,200
Raymond E. Cabillot(8)	\$ 1,200	—	\$ 1,200

(1) Cash compensation is based on the annual retainers and per meeting fees under the 2010 Directors' Compensation Plan and the 2013 Directors' Compensation Plan, as applicable.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the year ended June 30, 2013 for the fair value of stock options granted to each of our directors calculated in accordance with FASB ASC Topic 718. Pursuant to applicable SEC regulations, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to these option grants, refer to Notes To Consolidated Financial Statements set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2013. These amounts reflect only the expense to be recognized for financial statement purposes and do not correspond to the actual value that will be recognized by our directors.

(3) Mr. Isaac's position as a Board member terminated on January 17, 2013.

(4) Mr. Holder's position as a Board member terminated on January 17, 2013.

(5) Upon Mr. Healey's re-election as a director in January 2013, he was granted an option to purchase 10,000 shares of our Common Stock at a per share price of \$2.14. Mr. Healey's position as a Board member terminated on June 7, 2013.

(6) Mr. Berthelot's position as a Board member terminated on January 17, 2013.

(7) Upon Mr. Hovda's election as a director in January 2013, he was granted an option to purchase 15,000 shares of our Common Stock at a per share price of \$2.14.

(8) Messrs. Farrell, Swenson and Cabillot were elected as directors in January 2013. As described elsewhere in this proxy statement, Messrs. Farrell, Swenson and Cabillot each waived the stock options and certain fees they were otherwise entitled to under the 2010 Directors' Compensation Plan.

#### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about our Common Stock that may be issued upon the exercise of options under all of our equity compensation plans as of June 30, 2013.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options,	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Available for Issuance Under Equity Compensation Plans
---------------	--	---	--

Plans Approved by Stockholders:	Warrants and Rights (a)	(b)	(excluding services reflected in column (a)) (c)
Second Amended and Restated 2004 Stock Option Plan	276,670	\$ 2.33	439,133
Amended and Restated 2004 Directors' Stock Option Plan	48,334	\$ 2.49	140,000

Options and Restricted Stock Generally

Our Board, as the administrator of each of the plans listed above, has the discretion to accelerate the vesting of any outstanding options held by the employees and directors in the event of an acquisition of us by a merger or asset sale

in  
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which the outstanding options under each such plan are not to be assumed by the successor corporation or substituted with options to purchase shares of such corporation.

In the event of a change of control (as such term is defined in the stock option plans listed in the table above, which definition includes, among other items, (a) conditions under which a person or group becomes a beneficial owner of 50% or more of the voting power of our outstanding stock, or (b) a change in the composition of our Board occurring within a one-year period of 60% or more), the Board has the discretion to accelerate the vesting of any outstanding options or shares of restricted stock held by employees. Vesting of outstanding options held by members of our Board would be automatically accelerated as a result of a change of control.

#### AUDIT COMMITTEE REPORT

The Audit Committee reports to and acts on behalf of our Board in providing oversight to our financial management, independent registered public accounting firm, and financial reporting procedures. Our management is responsible for preparing our financial statements and the independent registered public accounting firm is responsible for auditing those statements. In this context, the Audit Committee has reviewed and discussed the audited financial statements contained in our 2013 Annual Report on Form 10-K with management and Moss Adams, LLP, the independent registered public accounting firm engaged to audit such financial statements.

The Audit Committee has discussed with Moss Adams, LLP the matters required to be discussed by the Statement on Auditing Standards No. 61 (“Communication with Audit Committees”), as amended. The Audit Committee has received the written disclosures and the letter from Moss Adams, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the audit committee concerning independence and has discussed with Moss Adams, LLP its independence. In concluding that Moss Adams, LLP is independent, the Audit Committee considered, among other factors, whether the non-audit services provided by Moss Adams, LLP were compatible with maintaining its independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2013, and be filed with the SEC.

The Audit Committee has appointed Moss Adams, LLP to serve as our independent auditors for the fiscal year ending June 30, 2014.

#### AUDIT COMMITTEE

David C. Hovda

Raymond E. Cabillot Nicholas J. Swenson

#### CODE OF BUSINESS CONDUCT AND ETHICS

Our code of business conduct and ethics, as approved by our Board, can be obtained from our website at [www.pro-dex.com](http://www.pro-dex.com) under “Investor Relations,” then “Governance,” and then “Code of Ethics.”

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from provisions of the code that relate to one of more of the items set forth in Item 406(b) of Regulation S-K and its successor regulation, by describing on our Internet website, within four business days following the date of a waiver or a substantive amendment, the date of the waiver or amendment, the nature of the amendment or waiver, and the name of the person to whom the waiver was granted. There have been no waivers of the ethics policy granted during

the fiscal year ended June 30, 2013 and through the date of this proxy statement, nor have there been any requests for such waivers during that period.

Information on our Internet site is not, and shall not be deemed to be, a part of this proxy statement or incorporated into any other filings we make with the SEC.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our directors and officers and any person who owns more than ten percent of our Common Stock are required to report their initial ownership of our Common Stock and any subsequent changes in that ownership to the SEC and the Nasdaq Capital Market. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all forms they file in accordance with Section 16(a). Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons that no other reports were required for those persons, we

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believe that during the fiscal year ended June 30, 2013, our officers, directors and greater than 10% shareholders complied with all Section 16(a) filing requirements applicable to such persons.

#### POLICIES AND PROCEDURES FOR APPROVAL OF RELATED PARTY TRANSACTIONS

Our Board has the responsibility to review and discuss with management and approve, and has adopted written policies and procedures relating to approval or ratification of, interested transactions with related parties. During this process, the material facts as to the related party's interest in a transaction are disclosed to all Board members or an applicable committee. Under the policies and procedures, the Board is to review each interested transaction with a related party that requires approval and either approve or disapprove of the entry into the interested transaction. An interested transaction is any transaction in which we are a participant and any related party has or will have a direct or indirect interest. Transactions that are in the ordinary course of business and would not require either disclosure pursuant to Item 404(a) of Regulation S-K under the Securities Act or approval of the Board or an independent committee of the Board pursuant to applicable Nasdaq rules would not be deemed interested transactions. No director may participate in any approval of an interested transaction with respect to which he or she is a related party. Our Board intends to approve only those related party transactions that are in the best interests of Pro-Dex, Inc. and its shareholders.

Since July 1, 2012, the beginning of our fiscal year 2013, there has not been a transaction or series of related transactions to which we were or are a party, or in which any director, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest.

#### Certain Relationships and Related Transactions

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Colorado law.

#### Director Independence

Our corporate governance guidelines provide that a majority of the Board and all members of the Audit, Compensation and Nominating Committees of the Board will be independent. On an annual basis, each director and executive officer is obligated to complete a Director and Officer Questionnaire that requires disclosure of any transactions with us in which a director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Following completion of these questionnaires, the Board, with the assistance of the Nominating Committee, makes an annual determination as to the independence of each director using the current standards for "independence" established by the Securities and Exchange Commission and Nasdaq, additional criteria set forth in our corporate governance guidelines and consideration of any other material relationship a director may have with us.

The Board has determined that all of its directors are independent under these standards, except for Mr. Hurwitz, our Chief Executive Officer and President, who was appointed to our Board on June 10, 2013.

#### COMMUNICATIONS WITH DIRECTORS

Our Board has established a process to receive communications from shareholders. Shareholders and other interested parties may contact any member (or all members) of our Board, or the independent directors as a group, any Board committee or any Chair of any such committee by mail or electronically. To communicate with our Board, any individual directors or any group or committee of directors, correspondence should be addressed to our Board or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent "c/o Corporate Secretary" at 2361 McGaw Avenue, Irvine, California 92614. To communicate with any of our directors electronically, a shareholder should send an email to our Secretary: hal.hurwitz@pro-dex.com.

All communications received as set forth in the preceding paragraph will be opened by the Company's Secretary for the sole purpose of determining whether the contents represent a message to one or more of the directors. Any contents that are not in the nature of advertising, promotions of a product or service or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the Company's Secretary will make sufficient copies (or forward such information in the case of e-mail) of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

It is our policy that our directors are invited and encouraged to attend all of our annual meetings of shareholders. All of the then-current directors were in attendance at the 2012 Annual Meeting.



## Proposal No. 2

## RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has appointed the firm of Moss Adams, LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2014, and requests our shareholders to ratify this appointment. In the event that our shareholders do not ratify the selection of Moss Adams, LLP as our independent public accountants, our Board will consider the selection of another independent public accounting firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interest and the best interest of our shareholders.

A representative of Moss Adams, LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if such representative desires to do so, and will be available to respond to appropriate questions.

## ACCOUNTING FEES

The Audit Committee's policy is to pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our independent registered public accounting firm, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee considers whether the performance of any service by our independent registered public accounting firm is compatible with maintaining such firm's independence.

The following table sets forth the aggregate fees billed to us for the fiscal years ended June 30, 2013 and June 30, 2012 by our independent registered public accounting firm, Moss Adams, LLP, all of which were preapproved by the Audit Committee:

	Years Ended June 30,	
	2013	2012
Audit Fees(1)	\$ 172,125	\$ 153,500
Audit-Related Fees(2)	\$ 4,280	12,030
Tax Fees(3)	\$ 36,410	\$ 22,140
All Other Fees(4)	—	—
Total	\$ 215,815	\$ 187,670

- 
- (1) Audit Fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees."
- (3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal state and local tax compliance, planning and advice.
- (4) All Other Fees consist of fees for products and services other than the services reported above.

Required Vote and Board Recommendation

Although shareholder ratification is not required for the appointment of Moss Adams, LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2014, our Board has directed that this appointment be submitted to our shareholders for ratification at the Annual Meeting. Assuming a quorum is present at the Annual Meeting, this proposal will be ratified and approved if the votes cast in favor of this proposal exceed the votes cast opposing this proposal.

**OUR BOARD RECOMMENDS THAT OUR SHAREHOLDERS VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF MOSS ADAMS, LLP TO SERVE AS OUR INDEPENDENT PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JUNE 30, 2014.**

**Proposal No. 3**

**ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

Pursuant to Section 14A of the Exchange Act, we are asking our shareholders to vote to approve, on a nonbinding, advisory basis, the compensation of our Named Executive Officers, commonly referred to as the “say-on-pay” vote. In

accordance with the Exchange Act requirements, we are providing our shareholders with an opportunity to express their views on our Named Executive Officers' compensation. Although this advisory vote is nonbinding, our Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our Named Executive Officer compensation and related executive compensation programs.

We encourage shareholders to read the "Compensation of Executive Officers and Management" section in this Proxy Statement, including the compensation tables and the related narrative disclosure, which describes the structure and amounts of the compensation of our Named Executive Officers for the fiscal year ended June 30, 2013. The compensation of our Named Executive Officers is designed to enable us to attract and retain talented and experienced executives to lead us successfully in a competitive environment. The Compensation Committee and our Board believe that our executive compensation strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our Named Executive Officers to dedicate themselves fully to value creation for our shareholders.

Accordingly, we ask our shareholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the shareholders approve, on an advisory basis, the compensation of our Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the compensation tables and any other related disclosure in the proxy statement."

#### Required Vote and Board Recommendation

Assuming a quorum is present at the Annual Meeting, this proposal to approve, on an advisory basis, the compensation of our Named Executive Officers will be approved if the votes cast in favor of this proposal exceed the votes cast opposing this proposal.

**OUR BOARD RECOMMENDS THAT OUR SHAREHOLDERS VOTE "FOR", ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**

#### Proposal No. 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Pursuant to Section 14A of the Exchange Act, we are asking our shareholders to vote, on a nonbinding, advisory basis, on the frequency of future advisory votes to approve the compensation of our Named Executive Officers as reflected in Proposal 3 above. Shareholders may indicate whether they prefer that we conduct future advisory votes to approve the compensation of our Named Executive Officers every one, two or three years. Shareholders also may abstain from casting a vote on this proposal.

The Board has determined that holding an advisory vote to approve the compensation of our Named Executive Officers every year is the most appropriate policy at this time, and recommends that future advisory votes to approve the compensation of our Named Executive Officers occur every year. Our Board recognizes the importance of receiving regular input from our shareholders on important issues such as our compensation programs.

Shareholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years, or abstain. The voting frequency option that receives the highest number of votes cast by shareholders will be deemed the frequency for the advisory vote on executive compensation that has been selected by shareholders.

Although this advisory vote on the frequency of future advisory votes to approve the compensation of our Named Executive Officers is nonbinding, our Board and the Compensation Committee will carefully review and consider the voting results when determining the frequency of future advisory votes to approve the compensation of our Named Executive Officers.

**Required Vote and Board Recommendation**

Assuming a quorum is present at the Annual Meeting, the voting frequency option that receives the highest number of votes will be deemed the frequency for the advisory vote on executive compensation that has been selected by our shareholders.

**OUR BOARD RECOMMENDS THAT OUR SHAREHOLDERS VOTE FOR “1 YEAR” WITH RESPECT THE FREQUENCY OF FUTURE ADVISORY VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**

## ANNUAL REPORT

Our Annual Report on Form 10-K containing audited financial statements for the fiscal year ended June 30, 2013 accompanies this proxy statement. Such report is not incorporated herein and is not deemed to be a part of this proxy solicitation material.

## PROPOSALS OF SHAREHOLDERS

Pursuant to Rule 14a-8 of the SEC, proposals by shareholders and submissions by shareholders of director nominees that are intended for inclusion in our proxy statement and proxy card and to be presented at our next annual meeting must be received by us by June 27, 2014, in order to be considered for inclusion in our proxy materials. Such proposals should be addressed to our Secretary and may be included in next year's proxy materials if they comply with certain rules and regulations of the SEC governing shareholder proposals. Proposals by shareholders, as well as shareholder nominees for director, for possible consideration at our next annual meeting that are not intended for inclusion in our proxy materials must also be received by our Secretary no later than June 27, 2014. Every shareholder notice must also comply with certain other requirements set forth in our Bylaws, a copy of which may be obtained by written request delivered to our Secretary.

## OTHER MATTERS

Our Board knows of no other matters which will be acted upon at the Annual Meeting. If any other matters are presented properly for action at the Annual Meeting or at any adjournment or postponement thereof, it is intended that the proxy will be voted with respect thereto in accordance with the best judgment and in the discretion of the proxy holder.

OUR SHAREHOLDERS ARE URGED TO PROMPTLY SUBMIT THEIR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE BY FOLLOWING THE INSTRUCTIONS IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS, WHICH WAS MAILED TO YOU ON OR ABOUT OCTOBER 25, 2013. IF YOU REQUEST PRINTED COPIES OF THE PROXY MATERIALS BY MAIL, YOU CAN ALSO VOTE BY MAIL OR BY TELEPHONE.

By Order of the Board of Directors,

PRO-DEX, INC.

/s/ Harold A. Hurwitz  
Corporate Secretary

Irvine, California

SHAREHOLDERS MAY OBTAIN FREE OF CHARGE A PAPER COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 2013, (WITHOUT EXHIBITS) AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BY WRITING TO: INVESTOR RELATIONS, PRO-DEX, INC., 2361 MCGAW AVENUE, IRVINE, CALIFORNIA 92614 OR CALLING (949) 769-3200.

PRO-DEX, INC.  
2361 MCGAW AVENUE  
IRVINE, CA 92614

VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

Electronic Delivery of Future PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

For	Withhold	For All	To withhold
All	All	Except	authority to
			vote for any
			individual
			nominee(s),
			mark "For All

Except" and write the number(s) of the nominee(s) on the line below.

The Board of Directors recommends you vote FOR each of the following director nominees:

1. Election of Directors Nominees      "      "      "

01 Raymond E. Cabillot    02 William J. Farrell III    03 David C. Hovda    04 Harold A. Hurwitz    05 Nicholas J. Swenson

The Board of Directors recommends you vote FOR proposals 2 and 3.	For	Against	Abstain
2 To ratify the appointment of Moss Adams, LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2014.	..	..	..
3 Advisory vote to approve the compensation of our Named Executive Officers.	..	..	..

The Board of Directors recommends you vote for 1 Year with respect to proposal 4.	1 Year	2 Years	3 Years	Abstain
4 Advisory vote on the frequency of future advisory votes to approve the compensation of our Named Executive Officers.	..	..	..	..

NOTE: In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners)

Date

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Combined Document, Shareholder Letter is/are available at [www.proxyvote.com](http://www.proxyvote.com) .

PRO-DEX, INC.  
Annual Meeting of Shareholders  
December 5, 2013 8:00 AM  
This proxy is solicited by the Board of Directors

The undersigned hereby appoints Harold A. Hurwitz as attorney and proxy, with full power of substitution, to represent and vote, as designated below, all shares of Common Stock of Pro-Dex, Inc. held of record by the undersigned on October 10, 2013, at the Annual Meeting of Shareholders to be held at Pro-Dex, Inc., 2361 McGaw Avenue, on December 5, 2013, at 8:00 a.m., local time, and at any and all adjournments or postponements thereof.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted "FOR" each of the director nominees in proposal 1, "FOR" proposals 2 and 3, and "1 YEAR" with respect to proposal 4.

Continued and to be signed on reverse side

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