

Press Release

SEC: Navistar International and Former CEO Misled Investors About Advanced Technology Engine

FOR IMMEDIATE RELEASE

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Washington D.C., March 31, 2016 — The Securities and Exchange Commission today charged Navistar International Corp. with misleading investors about its development of an advanced technology truck engine that could be certified to meet U.S. emission standards.

Navistar, without admitting or denying the charges, has reached a settlement with the SEC and agreed to pay a \$7.5 million penalty. Separately, in a complaint filed in federal court in the Northern District of Illinois, the SEC charged former Navistar CEO Daniel C. Ustian with misleading investors and with aiding and abetting violations by Lisle, Illinois-based Navistar.

The SEC alleges that Navistar and Ustian failed to fully disclose the company's difficulties obtaining Environmental Protection Agency (EPA) certification of a truck engine able to meet stricter EPA Clean Air Act standards that took effect in 2010. Navistar and Ustian also are alleged to have repeatedly misled investors about Navistar's development of the engine, which used exhaust-gas-recirculation (EGR) technology. Navistar later abandoned the effort and adopted the selective catalytic reduction (SCR) technology used by its competitors.

"When public companies and top executives discuss important regulatory developments with investors, they must tell the whole truth," said Andrew J. Ceresney, Director of the SEC's Division of Enforcement. "Here, we allege that Navistar and its former CEO misled investors about their dealings with the EPA and the likely approval of its new emissions technology."

David Glockner, Director of the SEC's Chicago Regional Office added, "We allege that in 2011 and 2012, the EPA repeatedly raised serious concerns with Navistar about its applications to certify an engine using EGR technology and that top Navistar officials knew the company had not succeeded in developing a commercially viable engine that would meet EPA standards. Navistar and its then-CEO misled investors about these difficulties in numerous SEC filings, press releases, and public conference calls, and today we seek to hold them accountable for that misconduct."

According to the SEC's order instituting a settled administrative proceeding against Navistar:

- In early 2011, in an effort to reassure investors about its emissions control strategy, Navistar applied for certification of an engine it knew was not ready for production and sale even if the EPA certified it. The EPA did not approve the application and by summer 2011, Navistar decided not to pursue it any longer.
- In late 2011, Navistar began preparing another application for EPA certification. Four days after a meeting in which the EPA staff told Navistar that the proposed engine did not appear to meet the certification requirements, Navistar filed its 2011 annual report on Form 10-K, which stated that it planned to apply to have the EPA certify the engine and that it believed the engine met EPA's certification requirements.

- After Navistar submitted a new application in early 2012, EPA staff raised “several serious concerns” that it said would need to be resolved before it could approve the application. Nevertheless, in a press release and filings in March 2012, Navistar characterized the application as a “milestone,” and in a conference call with analysts and investors, Ustian indicated that certification was proceeding in a typical timeframe and that Navistar could begin production on the engine in June 2012.
- In May 2012, Navistar withdrew its January 2012 application and submitted a third one incorporating changes to lower emissions at the expense of fuel economy and other engine performance features. In a June 4, 2012 meeting, EPA staff told Navistar that it had serious concerns about this application as well and the next day informed Navistar in writing that the engine as currently designed was “unlikely” to be certified. Despite this, Navistar’s June 2012 quarterly filing and conference call suggested that Navistar was unaware of any concerns by the EPA regarding the May 2012 application – one of several misstatements in the filing and call regarding the application.
- In July 2012, Navistar announced that it was withdrawing its application and would begin work on an engine using SCR technology.

The SEC’s investigation was conducted by Anne Graber Blazek, Amy Flaherty Hartman, Tim Stockwell, Will Saylor and Ann Tushaus, and was supervised by Robert J. Burson. Eric Phillips and Jonathan Polish will lead the SEC’s litigation against Ustian.

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Related Materials

- [SEC order - Navistar](#)
- [SEC complaint - Ustian](#)