

NAVISTAR INTERNATIONAL CORP
Form 11-K
May 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-9618

INTERNATIONAL TRUCK AND ENGINE CORPORATION

IC CORPORATION 401(k) PLAN

(Full Title of the Plan)

NAVISTAR INTERNATIONAL CORPORATION

4201 Winfield Road

Warrenville, Illinois 60555

(Name of Issuer of the securities held pursuant to the plan and the address of its principal executive office)

REQUIRED INFORMATION

IC Bus, LLC (formerly IC Corporation) is a wholly-owned subsidiary of Navistar, Inc. (formerly International Truck and Engine Corporation). Navistar, Inc. is the Plan Administrator of the IC Corporation 401(k) Plan (Plan). The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan as of December 31, 2006 and 2005, and for the year ended December 31, 2006, and the schedule as of December 31, 2006, have been prepared in accordance with the financial reporting requirements of ERISA.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator for the Plan has duly caused this annual report to be signed on the Plan's behalf by the undersigned hereunto duly authorized.

IC Corporation 401(k) Plan

By: Navistar, Inc. (formerly International Truck and
Engine Corporation)
Plan Administrator

/s/ John P. Waldron
John P. Waldron
Vice President and Controller
(Principal Accounting Officer)

May 27, 2008

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
IC CORPORATION 401(k) PLAN
DECEMBER 31, 2006 AND 2005**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

International Truck and Engine Corporation:

We have audited the accompanying statements of net assets available for benefits of the IC Corporation 401(k) Plan (the Plan) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of assets (held at end of year) as of December 31, 2006, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in note B, the Plan adopted Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans*, as of December 31, 2006 and 2005.

/s/ Grant Thornton LLP
GRANT THORNTON LLP
Chicago, Illinois

August 29, 2007

IC Corporation 401(k) Plan**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

December 31,

| | 2006 | 2005 |
|---|----------------------|----------------------|
| Assets | | |
| Investments | | |
| Investment in Master Trust, at fair value | \$ 15,629,288 | \$ 10,535,180 |
| Participant loans | 781,779 | 503,063 |
| Total investments | 16,411,067 | 11,038,243 |
| Receivables | | |
| Participant contributions | 76,965 | 70,241 |
| Company retirement contributions | 422,110 | 1,051,706 |
| Company matching contributions | 89,940 | 136,801 |
| Total receivables | 589,015 | 1,258,748 |
| Net assets available for benefits, at fair value | 17,000,082 | 12,296,991 |
| Proportionate share of adjustment from fair value to contract value for fully benefit-responsive investment contracts | 18,931 | 579 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 17,019,013 | \$ 12,297,570 |

The accompanying notes are an integral part of these statements.

IC Corporation 401(k) Plan

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31, 2006

| | |
|--|------------------|
| Additions to net assets | |
| Net earnings of Master Trust (note C) | \$ 1,614,796 |
| Participant loan interest | 45,170 |
| Contributions | |
| Participant | 1,988,703 |
| Company retirement | 1,636,935 |
| Company matching | 820,446 |
| Rollovers from other qualified plans | 29,757 |
| Total contributions | 4,475,841 |
| Total additions to net assets | 6,135,807 |
| Deductions from net assets | |
| Benefits paid to participants | 1,213,473 |
| Administrative expenses | 307 |
| Total deductions from net assets | 1,213,780 |
| Increase in net assets prior to transfers | 4,922,027 |
| Transfers to other qualified plans, net | (200,584) |
| NET INCREASE | 4,721,443 |
| Net assets available for benefits | |
| Beginning of year | 12,297,570 |
| End of year | \$ 17,019,013 |

The accompanying notes are an integral part of this statement.

IC Corporation 401(k) Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A - DESCRIPTION OF THE PLAN

The following description of the IC Corporation 401(k) Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan is sponsored by International Truck and Engine Corporation (the Company). The Plan is a defined contribution plan covering certain eligible employees of IC of Oklahoma, LLC (Tulsa) and IC Corporation, which are subsidiaries of the Company. The Plan was established in 1982 and has subsequently been restated and amended to maintain qualification under Sections 401(a), 401(k) and 501 of the Internal Revenue Code of 1986 (the IRC) and to modify the provisions of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Contributions

Participant contributions may be made to the Plan on a pretax basis, an after-tax basis, or a combination of both. Pretax salary reduction contributions to the Plan are subject to annual maximum limits equal to the lesser of 90% of a participant's eligible compensation or a prescribed Internal Revenue Service dollar amount. In addition, for 2006 and 2005, those participants who were age 50 or over during the Plan year had the ability to defer additional amounts on a pretax basis. After-tax contributions are subject to annual maximum limits of 90% of eligible compensation. The total of pretax and after-tax contributions cannot exceed 90% of eligible compensation. Both pretax and after-tax contributions may be elected at a minimum level of 1% of eligible compensation at any time. Subject to Company approval, certain eligible employees are allowed to make rollover contributions to the Plan if such contributions satisfy applicable regulations. Such employees are not required to be participants for any purpose other than their rollover account; however, no pretax salary reduction contributions may be made until such time as such employee would otherwise become eligible to and does elect participation in the Plan.

The Plan permits the Company to make matching and discretionary retirement contributions for Tulsa participants. Company matching and discretionary retirement contributions are subject to a vesting schedule based upon the participant's length of employment, and fully vest upon completion of five years of service. The Company matches 50% of the first 6% of eligible pretax compensation deferred by the participant. Effective for the 2006 Plan year, the participant is immediately eligible to receive such matching contributions. Retirement contributions are allocated to eligible members and are calculated as a percentage of eligible compensation based on the participant's age at the end of each calendar quarter.

IC Corporation 401(k) Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE A - DESCRIPTION OF THE PLAN - Continued

Contributions - Continued

Non-vested Company matching contributions are forfeited when a participant retires or terminates service. Such forfeitures are used to offset future Company contributions. At December 31, 2006 and 2005, forfeited non-vested accounts totaled \$225,771 and \$142,232, respectively. For the Plan years ended December 31, 2006 and 2005, approximately \$60,000 and \$120,000, respectively, of forfeitures were used to offset Company contributions. Salary reduction contributions and rollover contributions are fully vested immediately.

Investment Options

Company matching and discretionary retirement contributions are initially invested in the Frank Russell Aggressive Balanced Fund. Once assets are in the fund, participants can direct them to any other investment option available in the Plan. Once assets are moved out of the Frank Russell Aggressive Balanced Fund, they cannot be transferred back. Participants direct the investment of their account balances and future contributions. Investment options during 2006 and 2005 consisted of funds classified as mutual funds, commingled funds, separate accounts or Navistar International Corporation (Navistar) common stock.

Participant Accounts

Individual accounts are maintained for each Plan participant. Contributions and assets allocated to a specific investment fund are commingled with those of other participants and are invested in accordance with the nature of the specific fund. Realized gains and losses, unrealized appreciation and depreciation, and dividends and interest are allocated to participants based on their proportionate share of the funds. Fund managers' fees are charged to participants' accounts as a reduction of the return earned on each investment option. Most other administrative costs related to the Plan are paid directly by the Company.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to the lesser of 50% of their vested account balance or \$50,000. Loan transactions are treated as a transfer between the applicable investment funds and the loan fund. Loan terms range from one to five years, with the exception of loans made for the purchase of a principal residence, which may be repaid in installments over a period of up to ten years. The loans are secured by the balance in the participant's account and bear interest at a rate equal to the prime rate plus one percentage point.

IC Corporation 401(k) Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE A - DESCRIPTION OF THE PLAN - Continued

Payment of Benefits

Participants may request either an in-service or hardship withdrawal of certain of their account assets. Participants may only withdraw authorized pretax salary reduction contributions after attaining age 59-1/2, or on a hardship basis prior to attaining age 59-1/2. Company matching and discretionary retirement contributions and investment earnings thereon are not eligible for in-service withdrawal. The amount of any withdrawal, distribution or loan is first charged against the participant's interest in Plan investments other than the Navistar Stock Fund on a pro rata basis. Any subsequent distributions of an account invested in the Navistar Stock Fund will be made in the form of Navistar common stock.

Vesting

Participants vest according to a graded vesting schedule and become 100% vested in employer contributions after the completion of five years of employment. A participant's vested account is distributable at the time a participant separates from service with the Company, suffers a total and permanent disability or dies. When the participant terminates employment, the vested portion of the account will be distributed if the asset value is \$1,000 or less. If the asset value is more than \$1,000 but not more than \$5,000, and the participant has not elected to have such distribution paid directly to an eligible retirement plan specified by the participant in a direct rollover, or to receive the distribution directly in accordance with the provisions of the Plan, then the Plan will pay the distribution in a direct rollover to an individual retirement plan as designated by the Plan. If the asset value is more than \$5,000, the participant has the option of receiving the account upon separation or deferring receipt until no later than age 65. Accounts are distributed in a single sum.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Plan are presented on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

IC Corporation 401(k) Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates - Continued

As described in *Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Plan invests in investment contracts through a collective trust that is part of the International Truck and Engine Corporation Defined Contribution Plans Master Trust (the Master Trust). As required by the FSP, the statements of net assets available for benefits present the proportionate share of the fair value of the investment held by the Master Trust as well as the adjustment of the investment in the Master Trust from fair value to contract value relating to investment contracts. The statement of changes in net assets available for benefits is prepared on a contract value-basis. The FSP was adopted during the 2006 Plan year and was retrospectively applied to the statement of net assets available for benefits for December 31, 2005.

Risks and Uncertainties

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition

The Plan's investment in the Master Trust is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

The investments held by the Master Trust are valued as follows:

Shares of mutual funds and common stock are valued at the net asset value of shares held at year-end. The Plan's interest in the collective trust is valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. The fair value of the wrap contract for one of the collective trusts is determined using the market approach discounting methodology, which incorporates the difference between current market

IC Corporation 401(k) Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Valuation and Income Recognition - Continued

level rates for contract level wrap fees and the wrap fee being charged. The difference is calculated as a dollar value and discounted by the prevailing interpolated swap rate as of period end.

Participant loans are valued at their outstanding balances, which approximate market value. Security transactions are accounted for on the trade-date basis. Dividend income is accrued on the ex-dividend date.

Participant Withdrawals

As of December 31, 2006 and 2005, there were no benefits that were due to former participants who have withdrawn from participation in the Plan. Benefits are recorded when paid.

Administrative Fees

Most administrative expenses of the Plan are paid by the Company.

NOTE C - MASTER TRUST

All of the Plan's investment assets are held in a trust account at JPMorgan Chase Bank (the Trustee) and consist of a divided interest in an investment account of the Master Trust, a master trust established by the Company and administered by the Trustee. Use of the Master Trust permits the commingling of Plan assets with the assets of other defined contribution plans sponsored by the Company and its affiliated companies for investment and administrative purposes. Although assets of all plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

IC Corporation 401(k) Plan**NOTES TO FINANCIAL STATEMENTS - CONTINUED****December 31, 2006 and 2005****NOTE C - MASTER TRUST - Continued**

The participating plans in the Master Trust and their respective percent interests as of December 31, 2006 and 2005, calculated on a cash basis, are as follows:

| | 2006 | 2005 |
|--|-------------|-------------|
| International Truck and Engine Corporation 401(k) Retirement Savings Plan | 38.78% | 42.59% |
| International Truck and Engine Corporation 401(k) Plan for Represented Employees | 29.60 | 31.07 |
| International Truck and Engine Corporation Retirement Accumulation Plan | 29.15 | 24.40 |
| IC Corporation 401(k) Plan | 2.47 | 1.94 |

The following table presents the carrying value of investments of the Master Trust as of December 31:

| | 2006 | 2005 |
|--|----------------|----------------|
| Cash and cash equivalents | \$ | \$ 10,000 |
| U.S. Government securities | 139,059 | 123,574 |
| Common and collective funds | 321,152,988 | 270,498,356 |
| Registered investment companies | 292,214,673 | 244,452,225 |
| Navistar common stock | 18,228,415 | 27,826,582 |
| Total investments, at fair value | 631,735,135 | 542,910,737 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 781,396 | 26,313 |
| Net investments | \$ 632,516,531 | \$ 542,937,050 |

IC Corporation 401(k) Plan**NOTES TO FINANCIAL STATEMENTS - CONTINUED****December 31, 2006 and 2005****NOTE C - MASTER TRUST - Continued**

The net investment earnings of the Master Trust for the year ended December 31, 2006, are summarized below:

| | |
|---|----------------------|
| Dividend and interest income | |
| Common and collective funds | \$ 194 |
| Registered investment companies | 13,378,573 |
| Navistar common stock | 4,567 |
| Total dividend and interest income | 13,383,334 |
| Net realized and unrealized appreciation in fair value of investments | |
| Common and collective funds | 27,129,936 |
| Registered investment companies | 20,626,246 |
| Navistar common stock | 3,115,668 |
| Net appreciation in fair value of investments | 50,871,850 |
| Net investment earnings | \$ 64,255,184 |

NOTE D - CONTINGENCY

The Company failed to file its financial results for fiscal year 2005 with the Securities and Exchange Commission on a timely basis. Because of the delay and until such results are filed, participants were not allowed to acquire additional shares of Navistar common stock through the 401(k) plans. However, participants were allowed to sell shares of Navistar common stock if they elected to do so. The Company intends to file its annual report (Form 10-K) as soon as possible, but cannot estimate a date at this time. The suspension of participants' ability to purchase shares of Navistar common stock should have been effective March 1, 2006, but the restriction was not placed into effect until April 6, 2006. Accordingly, participants who may have purchased Navistar common stock during the period March 1, 2006 through April 6, 2006, have been notified by letter that there will be a rescission offer extended to them and that they are not required to take any action with respect to the Navistar common stock at this time. Participants will be notified by Navistar at the time it conducts its rescission offer. There were 97 participants who collectively purchased approximately 205 shares of Navistar common stock at a total cost of approximately \$6,000 during the period March 1, 2006 through April 6, 2006, and who will be notified by Navistar of the rescission offer when it is ready to be extended.

IC Corporation 401(k) Plan**NOTES TO FINANCIAL STATEMENTS - CONTINUED****December 31, 2006 and 2005****NOTE E - NON-PARTICIPANT-DIRECTED INVESTMENTS**

The Company initially directs the investment of certain contributions. The Company employs professional investment managers, as selected by the Pension Fund Investment Committee of the Company, to manage such investment portfolio. It is intended that the assets will be invested on a long-term basis, consistent with the purpose of the Plan to provide retirement benefits. Such Plan assets held in the Master Trust for the years ended December 31, 2006 and 2005, were invested in the Frank Russell Aggressive Balanced Fund, a mutual fund that invests in common stocks of United States and foreign companies and in intermediate bonds. Effective January 1, 2003, participants were given the option of directing the investment of such Company contributions. After such contributions are initially deposited into the fund, participants can direct them to any other investment option available in the Plan. Once assets are moved out of the Frank Russell Aggressive Balanced Fund, they cannot be transferred back.

Information about the Plan's net assets and significant components of the changes in the Plan's net assets relating to the non-participant-directed investments as of December 31, 2006 and 2005, and for the year ended December 31, 2006, calculated on a cash basis, is as follows:

| | 2006 | 2005 |
|---|--------------|--------------|
| Net assets - Frank Russell Aggressive Balanced Fund | \$ 7,209,286 | \$ 4,039,661 |
| Changes in net assets | | |
| Net realized and unrealized appreciation in fair value of investments | \$ 889,226 | |
| Company discretionary retirement contributions | 2,266,531 | |
| Company matching contributions | 921,228 | |
| Transfers to other investment funds | (425,982) | |
| Benefits paid to participants | (481,378) | |
| Total changes in net assets | \$ 3,169,625 | |

IC Corporation 401(k) Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE F - TAX STATUS

The Plan obtained its latest determination letter dated September 17, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that, in all material respects, the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE G - PLAN TERMINATION

Although the Company expects to continue the Plan indefinitely, the Company, at its discretion, reserves the right to amend, modify, suspend or terminate the Plan, provided that no such action shall deprive any person of any rights to contributions made under the Plan. If the Plan is terminated or contributions thereto have been completely discontinued, the rights of all participants to the amounts credited to their accounts shall be non-forfeitable and the interest of each participant in the funds will be distributed to such participant or his or her beneficiary in accordance with the Plan terms and ERISA. If the Plan is terminated, Plan participants will be fully vested in any funds allocated to them.

NOTE H - RELATED-PARTY TRANSACTIONS

Certain Master Trust investments are shares of mutual funds managed by JPMorgan. JPMorgan Retirement Plan Services is the record keeper as defined by the Master Trust and, therefore, these transactions qualify as party-in-interest transactions. Also qualifying as party-in-interest transactions are transactions relating to participant loans and Navistar common stock. Fees paid by the Plan for investment management services are computed as a basis point reduction of the return earned on each investment option and are included in net earnings of the Master Trust.

IC Corporation 401(k) Plan**NOTES TO FINANCIAL STATEMENTS - CONTINUED****December 31, 2006 and 2005****NOTE I - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2006:

| | |
|---|----------------------|
| Net assets available for benefits per financial statements | \$ 17,019,013 |
| Proportionate share adjustment to fair value from contract value for interest in Master Trust relating to fully benefit-responsive investment contracts | (18,931) |
| Net assets available for benefits per Form 5500 | \$ 17,000,082 |

Investments in collective trusts are required to be reported at fair value on the Form 5500.

The following is a reconciliation of changes in net assets per the financial statements to the Form 5500 for the year ended December 31, 2006:

| | |
|---|---------------------|
| Change in net assets per financial statements | \$ 4,922,027 |
| Proportionate share adjustment to fair value from contract value for interest in Master Trust relating to fully benefit-responsive investment contracts | (18,931) |
| Change in net assets per Form 5500 | \$ 4,903,096 |

Income attributed to collective trusts is required to be reported at fair value on the Form 5500.

SUPPLEMENTAL SCHEDULE

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IC Corporation 401(k) Plan

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2006

| Identity of issue | Description of investment | Cost** | Current value |
|--------------------------|--|---------------|----------------------|
| *Various participants | Participant loans at interest rates of 5.0% to 10.5% | | \$ 781,779 |

* Party-in-interest.

** Cost information is not required for participant-directed investments and, therefore, is not included.

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EXHIBIT INDEX

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