NETWORK 1 TECHNOLOGIES INC
Form DEF 14A
July 20, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under §240.14a-12

Network-1 Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Network-1 Technologies, Inc.
445 Park Avenue, Suite 912
New York, New York 10022

July 24, 2015

Dear Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Network-1 Technologies, Inc. (the "Company") which will be held on September 10, 2015, at 10:00 A.M. (local time), at the offices of Eiseman Levine Lehrhaupt & Kakoyiannis, P.C., 805 Third Avenue, 10th Floor, New York, New York 10022.

The Notice of Annual Meeting and Proxy Statement, which follow, describe the business to be conducted at the meeting.

Your vote is very important. Whether or not you plan to attend the meeting in person, we appreciate a prompt submission of your vote. We hope to see you at the meeting.

Cordially,

Corey M. Horowitz
Chairman and Chief Executive Officer

NETWORK-1 TECHNOLOGIES, INC.
445 Park Avenue, Suite 912
New York, New York 10022

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER 10, 2015

To the Stockholders of Network-1 Technologies, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Network-1 Technologies, Inc. (the "Company") will be held on Thursday, September 10, 2015, at 10:00 A.M. (local time), at the offices of Eiseman Levine Lehrhaupt & Kakoyiannis, P.C., 10th Floor, 805 Third Avenue, New York, New York 10022.

1. To elect five directors to serve until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified (Proposal 1);

2. To approve, by non-binding advisory vote, the resolution approving named executive officer compensation ("Say on Pay Vote") (Proposal 2);

3. To ratify the appointment of Friedman LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015 (Proposal 3); and

4. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on July 15, 2015 are entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

Your Board of Directors believes that the election of the nominees specified in the accompanying proxy statement as directors at the Annual Meeting is in the best interest of the Company and its stockholders and, accordingly, unanimously recommends a vote "FOR" such nominees. The Board of Directors recommends that you vote "FOR" the Say on Pay Vote. Further, the Board of Directors recommends that you vote “FOR” ratifying the appointment of Friedman LLP as the Company’s independent registered public accounting firm.

By Order of the Board of Directors,

July 24, 2015 David Kahn
Chief Financial Officer and Secretary

PLEASE NOTE THAT ATTENDANCE AT THE ANNUAL MEETING WILL BE LIMITED TO STOCKHOLDERS OF NETWORK-1 TECHNOLOGIES, INC. AS OF THE RECORD DATE (OR THEIR AUTHORIZED REPRESENTATIVES) HOLDING EVIDENCE OF OWNERSHIP. IF YOUR SHARES ARE HELD BY A BANK OR BROKER, PLEASE BRING TO THE MEETING YOUR BANK OR BROKER STATEMENT EVIDENCING YOUR BENEFICIAL OWNERSHIP OF NETWORK-1 TECHNOLOGIES, INC. STOCK TO GAIN ADMISSION TO THE MEETING.

NETWORK-1 TECHNOLOGIES, INC.
PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER 10, 2015

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors ("Board") of Network-1 Technologies, Inc. (the "Company", "Network-1", "we", "us", or "our") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on September 10, 2015, including any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

Management intends to mail this proxy statement and the accompanying form of proxy to stockholders on or about July 24, 2015.

Proxies in the accompanying form duly executed and returned to the management of the Company and not revoked, will be voted at the Annual Meeting. Any proxy given pursuant to such solicitation may be revoked by the stockholder at any time prior to the voting of the proxy by a subsequently dated proxy, by written notification to the Secretary of the Company, or by personally withdrawing the proxy at the meeting and voting in person.

The address and telephone number of the principal executive offices of the Company are:

445 Park Avenue, Suite 912
New York, New York 10022
Telephone No.:
(212) 829-5770

If your shares are held in street name through a broker, bank, or other nominee, you need to contact the record holder of your shares regarding how to revoke your proxy.

At the Annual Meeting, the stockholders of the Company will vote on proposals (1) to elect five individuals to serve as directors, (2) to approve by non-binding advisory vote the resolution on named executive compensation, (3) to ratify the appointment of Friedman LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015 and (4) any other matters properly brought before the Annual Meeting or any adjournment or adjournments thereof.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on September 10, 2015: This Proxy Statement and the Company's Annual Report to Stockholders are available for review on the Internet at http://www.network-1.com./sec/proxy2015/.

Your Vote is Important

Please vote as promptly as possible by signing, dating and returning the enclosed Proxy Card. You may also vote by attending the Annual Meeting and voting in person.

OUTSTANDING STOCK AND VOTING RIGHTS

Only holders of the Company's common stock (the “Common Stock”) at the close of business on July 15, 2015 (the "Record Date") are entitled to receive notice of and to vote at the Annual Meeting. As of the Record Date, the Company had 23,311,485 shares of Common Stock outstanding. Each share of Common Stock is entitled to one vote on all matters. There are no cumulative voting rights.

VOTING PROCEDURES

The directors will be elected by the affirmative vote of the holders of a plurality of the shares of Common Stock that are present in person or represented by proxy at the Annual Meeting, provided a quorum is present. Therefore, the nominees receiving the greatest number of votes cast at the meeting will be elected as directors of the Company. All other matters at the Annual Meeting will be decided by the affirmative vote of the holders of a majority of the votes represented by the shares of Common Stock cast with respect thereto, provided a quorum is present. A quorum is present if, as of the Record Date, at least a majority of the outstanding shares entitled to vote at the Annual Meeting are present in person or represented by proxy at the Annual Meeting.

Votes will be counted and certified by one or more Inspectors of Election who are expected to be either an employee of American Stock Transfer & Trust Company, LLC, the transfer agent for the Common Stock, or a representative of the Company's legal counsel. In accordance with Delaware law, abstentions and "broker non-votes" (i.e., proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other person entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will be treated as present for purposes of determining the presence of a quorum. Abstentions and broker non-votes will have no effect on the election of directors because directors will be elected by the affirmative vote of the holders of a plurality of the shares of Common Stock that are present in person or represented by proxy at the Annual Meeting. For purposes of determining approval of the non-binding Say on Pay Vote (Proposal 2) and the ratification of Friedman LLP as the Company’s independent registered public accounting firm (Proposal 3), abstentions will be deemed present and entitled to vote and will, therefore, have the same legal effect as a vote "against" such matters. Broker non-votes will be deemed not entitled to vote on Proposals 1 and 2 as to which the non-vote is indicated and will, therefore, have no legal effect on the vote on such matter.

Proxies will be voted in accordance with the instructions thereon. Unless otherwise stated, all shares represented by a proxy will be voted as instructed. If a proxy is executed but no instructions as to how to vote are given, the persons named as proxies in the accompanying proxy card intend to vote to ratify the appointment of Friedman LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015 (Proposal 3). Broker non-votes are entitled to vote on “routine” matters as to which the none-vote is indicated such as the ratification of the appointment of Friedman LLP as the Company’s independent registered public accounting (Proposal 3). The election of directors and the non–binding Say on Pay Vote to be voted upon at this meeting are considered "non-routine" and brokers may not vote such matters in their discretion in the absence of specific instructions from the beneficial owner.

PROPOSAL 1
ELECTION OF DIRECTORS

The Company's bylaws provide that at each annual meeting of stockholders, directors shall be elected to hold office until the expiration of the term for which they are elected, and until their respective successors are duly elected and qualified or until the director's earlier resignation or removal. The Company’s Board of Directors has fixed the number of members of the Board of Directors at five members.

At the Annual Meeting, proxies granted by stockholders will be voted individually for the election, as directors of the Company, of the five persons listed below, unless a proxy specifies that it is not to be voted in favor of a nominee for director. In the event any of the nominees listed below is unable to serve, it is intended that the proxy will be voted for such other nominees as are designated by the Board of Directors. Each of the persons named below of whom all are presently members of the Company's Board of Directors, has indicated to the Board of Directors of the Company that he or she will be available to serve.

All nominees have been recommended by the Company's Nominating and Corporate Governance Committee.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES SPECIFIED BELOW.

The following table sets forth the name and age of the nominees for election at this Annual Meeting and the length of continuous service as a director of the Company. Also included below the table is information each director has given us about all positions he or she holds, the director’s principal occupation and business experience for at least the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe that all of our directors have a reputation for integrity, honesty and adherence to high ethical standards. They have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Network-1 and our Board.

NAME	AGE	POSITION	DIRECTOR SINCE
Corey M. Horowitz	60	Chairman, Chief Executive Officer and Chairman of the Board of Directors	April 1994
David C. Kahn	63	Chief Financial Officer, Secretary and a Director	April 2012
Emanuel Pearlman	55	Director	January 2012
Niv Harizman	51	Director	December 2012
Allison Hoffman	44	Director	December 2012

Corey M. Horowitz became our Chairman and Chief Executive Officer in December 2003. Mr. Horowitz has also served as Chairman of our Board of Directors since January 1996 and has been a member of our Board of Directors since April 1994. During the period June 2001 through December 2003, CMH Capital Management Corp., an entity solely owned by Mr. Horowitz, rendered financial advisory services to us. We believe Mr. Horowitz's qualifications to serve on our Board of Directors include his significant experience and expertise as an executive in the intellectual property field, his understanding of our intellectual property and the patent acquisition, licensing and enforcement business combined with his private equity and corporate transactional experience.

David C. Kahn, CPA, became our Chief Financial Officer in January 2004 and our Secretary in August 2012. Mr. Kahn was elected to our Board in April 2012. Since December 1989, Mr. Kahn has provided accounting and tax services on a consulting basis to private and public companies. From August 2000 until August 2012, Mr. Kahn served as a full-time faculty member of Yeshiva University in New York. We believe Mr. Kahn's qualifications to serve on our Board include his background and expertise in accounting and tax matters.

Emanuel Pearlman became a director of our company in January 2012. Mr. Pearlman currently serves as Chairman and CEO of Liberation Investment Group, LLC, a New York based investment management and financial consulting firm, a position he has held since January 2003. Since September 2010 to the present, he has served as Chairman of the Board of Empire Resorts, Inc. (NASDAQ: NYNY), having first been elected to the Board of Directors in May 2010. Mr. Pearlman also currently serves on the Audit, Compensation, Corporate Governance and Regulatory Compliance Committees of Empire Resorts, Inc. and also as Chairman of its Strategic Development Committee. From January 2012 to January 2013, Mr. Pearlman served on the board of directors of Dune Energy, Inc. (OTCBB: DUNR.OB) as Chairman of the Nominating and Governance Committee. From October 2006 to March 2010, Mr. Pearlman served on the board of directors of Multimedia Games, Inc. (NASDAQ: MGAM). Mr. Pearlman was previously a director of Network-1 from December 1999 to December 2002. We believe Mr. Pearlman's qualifications to serve on our Board include his significant investment and financial experience and expertise combined with his Board experience.

Niv Harizman became a director of our company in December 2012. Mr. Harizman is a Managing Member of Tyto Capital Partners LLC, a private investment firm specializing in debt and equity investments in middle market companies and special situations, a position he has held since August 2010. Since March 2010, Mr. Harizman has also been the Managing Member of NHK Partners LLC, an entity that makes private investments and provides consulting services. Since November 2013, Mr. Harizman has been affiliated with Riverside Management Group, a merchant banking firm, and BCW Securities LLC, its affiliated broker-dealer. From May 2005 to March 2010, Mr. Harizman was a Founding Partner and Head of Corporate Finance at Plainfield Asset Management LLC, which was a privately held registered investment adviser focused on alternative investments. From May 2000 until May 2005, Mr. Harizman was a member of the Mergers & Acquisitions Group of Credit Suisse First Boston LLC where he was a Managing Director from 2001-2005 and a Director from 2000 to 2001. From 1995 until 2000, Mr. Harizman was employed by Bankers Trust and its successors including BT Alex. Brown Incorporated and Deutsche Bank in various investment banking positions in the Mergers & Acquisitions Group and Leveraged Finance Group. We believe Mr. Harizman's qualifications to serve on our Board include his significant investment and financial transactional experience and expertise.

Allison Hoffman became a director of our company in December 2012. Since September 2013, Ms. Hoffman has served as Executive Vice President, General Counsel and Corporate Secretary of Martha Stewart Living Omnimedia, Inc. (NYSE:MSO), a media and merchandising company providing consumers with high quality life style content and products. From December 2012 until September 2013, she provided legal services to Martha Stewart Living Omnimedia, Inc. From June 1999 to September 2012, Ms. Hoffman was employed by ALM Media, LLC, a leading provider of specialized news and information for the legal and commercial real estate sectors, as Senior Vice President, Chief Legal Officer and Secretary (January 2007 – September 2012), Vice President, General Counsel and Secretary (August 2001 to December 2006) and Assistant General Counsel (June 1999 – July 2001). From 1995 to 1999, Ms. Hoffman was an associate in the corporate finance department of Skadden, Arps, Slate, Meagher and Flom LLP. We believe that Ms. Hoffman's qualifications to serve on our Board include her extensive legal background and transactional experience.

CORPORATE GOVERNANCE

Director Independence

Our stock is listed on the NYSE MKT LLC. Three of our current five directors, Emanuel Pearlman, Allison Hoffman and Niv Harizman, are considered independent directors in compliance with the standard of independence in Rule 803A(2) of the NYSE MKT LLC Company Guide.

Leadership Structure

Corey M. Horowitz, our Chairman and Chief Executive Officer, serves as Chairman of the Board of Directors. The Company does not have a lead independent director. The majority of the members of our Board of Directors are independent and all members of Board committees (including Chairpersons) are independent. The Company believes its leadership is appropriate given the size of the Company, the majority of independent directors and the independent leadership of the committees of the Board.

Board Oversight of Risk

With respect to the oversight of the Company's risk, the Company's executive officers supervise the day-to-day risk management responsibilities and in turn report, when necessary, to the Audit Committee with respect to financial and operational risk and to the full Board with respect to risks associated with the Company's overall strategy.

BOARD OF DIRECTOR MEETINGS AND BOARD COMMITTEES

During the year ended December 31, 2014, the Board held eight meetings and Board committees held the following meetings: Audit Committee – seven meetings and one unanimous consent in lieu of meeting; Compensation Committee - three meetings and two unanimous consents in lieu of meetings and Nominating and Corporate Governance Committee - one meeting. During 2014, each of the Company's directors attended at least seventy-five percent of the aggregate of: (1) the total number of meetings of the Board of Directors; and (2) the total number of meetings of all Board committees on which they served.

The Company's current policy strongly encourages that all of its Directors attend all Board and Committee meetings and the Company's Annual Meeting of Stockholders, absent extenuating circumstances that would prevent their attendance. All of the directors attended the Annual Meeting of Stockholders last year.

BOARD COMMITTEES

The Board of Directors currently has four committees: an Audit Committee; a Compensation Committee; a Nominating and Corporate Governance Committee and a Strategic Development Committee. Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee has a charter. These charters are available on the Company’s website at: http://www.Network-1.com/sec/sec.htm. Each member of each committee is an “independent” director under the standards of the NYSE MKT LLC. Three of our current five directors, Emanuel Pearlman, Allison Hoffman and Niv Harizman, are considered independent directors in compliance with the standard of independence in Section 803A(2) of the NYSE MKT LLC Company Guide.

Audit Committee

The Board of Directors has an audit committee in accordance with 10A-3 of the Securities Exchange Act of 1934, as amended, and Section 803 of the NYSE MKT LLC Company Guide, consisting of Emanuel Pearlman (Chairman) and Allison Hoffman. Emanuel Pearlman and Allison Hoffman each qualify as an audit committee financial expert under applicable SEC rules. Mr. Pearlman and Ms. Hoffman also qualify as “independent” as independence for audit committee members is defined under 10A-3 under the Securities Exchange Act of 1934, as amended, and Section 803B(2) of the NYSE MKT LLC Company Guide.

The Audit Committee is appointed by our Board of Directors to provide assistance to the Board in fulfilling its oversight responsibility with respect to, among other things, (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) selecting and evaluating the qualifications and independence of the Company’s independent registered public accounting firm, (iv) evaluating the performance of the Company’s internal audit function and independent registered public accounting firm, and (v) the Company’s internal controls and procedures.

Compensation Committee

The Compensation Committee consists of Allison Hoffman (Chairperson) and Niv Harizman. The Compensation Committee is appointed by the Board of Directors to assist the Board in carrying out the Board's responsibilities relating to compensation of the Company's executive officers and directors. The Committee has overall responsibility for evaluating and approving the officer and director compensation plans, policies and programs of the Company.

Nominating and Corporate Governance Committee

Our Board has a Nominating and Corporate Governance Committee consisting of Niv Harizman (Chairman) and Emanuel Pearlman. The Nominating and Corporate Governance Committee is responsible for, among other things, developing and recommending to the Board a set of corporate governance policies for the Company, establishing criteria for selecting new directors, and identifying, screening and recruiting new directors. The Committee also recommends to the Board nominees for directors and recommends directors for committee membership to the Board.

Strategic Development Committee

In June 2013, the Company established a Strategic Development Committee to assist our Chairman and Chief Executive Officer in strategic development and planning of the Company's business relating to identifying potential strategic partners, the development of new IP acquisition opportunities and strategic alternatives. The Committee also assists in capital markets related activities. Niv Harizman is the sole member of the Strategic Development Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than ten percent (10%) of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent (10%) stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms furnished to us or amendments thereto, we believe that all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent (10%) stockholders were complied with during 2014.

CODE OF ETHICS

Network-1 has developed and adopted Codes of Ethics to cover its executive officers, directors and employees. Copies of the Codes of Ethics can be obtained, without charge, upon written request, addressed to:

Network-1 Technologies, Inc.
445 Park Avenue, Suite 912
New York, New York 10022
Attention: Corporate Secretary

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COMMUNICATIONS WITH THE BOARD

The Board of Directors, through its Nominating and Corporate Governance Committee, has established a process for stockholders to send communications to the Board of Directors. Stockholders may communicate with the Board of Directors individually or as a group by writing to: The Board of Directors of Network-1 Technologies, Inc. c/o Corporate Secretary, 445 Park Avenue, Suite 912, New York, NY 10022. Stockholders should identify their communication as being from a Network-1 stockholder. The Corporate Secretary may require reasonable evidence that the communication or other submission is made by a Network-1 stockholder before transmitting the communication to the Board of Directors.

CONSIDERATION OF DIRECTOR NOMINEES

Stockholders wishing to recommend director candidates to the Nominating and Corporate Governance Committee must submit their recommendations in writing to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Network-1 Technologies, Inc., 445 Park Avenue, Suite 912, New York, NY 10022.

The Nominating and Corporate Governance Committee will consider nominees recommended by Network-1 stockholders provided that the recommendation contains sufficient information for the Nominating and Corporate Governance Committee to assess the suitability of the candidate, including the candidate's qualifications, and complies with the procedures set forth below under "Deadline and Procedures for Submitting Board Nominations". In addition, it must include information regarding the recommended candidate relevant to a determination of whether the recommended candidate would be barred from being considered independent under applicable NYSE MKT LLC Rules, or, alternatively, a statement that the recommended candidate would not be so barred. Candidates recommended by stockholders that comply with these procedures will receive the same consideration that candidates recommended by the Nominating and Corporate Governance Committee receive. A nomination which does not comply with the above requirements will not be considered.

The qualities and skills sought in prospective members of the Board are determined by the Nominating and Corporate Governance Committee. When reviewing candidates to our Board, the Nominating and Corporate Governance Committee consider the evolving needs of the Board and seek candidates that fill any current or anticipated future needs. The Nominating and Corporate Governance Committee generally requires that director candidates be qualified individuals who, if added to the Board, would provide the mix of director characteristics, experience, perspectives and skills appropriate for Network-1. Criteria for selection of candidates will include, but not be limited to: (i) business and financial acumen, as determined by the Nominating and Corporate Governance Committee in its discretion, (ii) qualities reflecting a proven record of accomplishment and ability to work with others, (iii) knowledge of our industry, (iv) relevant experience and knowledge of corporate governance practices, and (v) expertise in an area relevant to Network-1. Such persons should not have commitments that would conflict with the time commitments of a Director of Network-1. Such persons shall have other characteristics considered appropriate for membership on the Board of Directors, as determined by the Nominating and Corporate Governance Committee. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, the Board and the Nominating and Corporate Governance Committee believe that it is important that the Board members represent diverse viewpoints. In considering candidates for the Board, the Nominating and Corporate Governance Committee and the Board consider the entirety of each candidate's credentials in the context of the foregoing standards.

DEADLINE AND PROCEDURES FOR SUBMITTING BOARD NOMINATIONS

A stockholder wishing to nominate a candidate for election to our Board of Directors at a meeting of our stockholders must give written notice, containing the required information specified above, that must be delivered personally to or mailed to and received by our Corporate Secretary at our principal executive offices (currently located at 445 Park Avenue, Suite 912, New York, NY 10022), not less than 50 days nor more than 75 days prior to the meeting; provided, however, that, in the event that we give less than 65 days' notice or prior public disclosure of the date of the meeting to our stockholders, notice by the stockholder to be timely must be received by our Corporate Secretary not later than the close of business on the tenth day following the earlier of (i) the day on which such notice of the date of the meeting was mailed or (ii) such public disclosure was made. Any such notice must set forth: (i) the name and record address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) the class or series and number of shares of our stock which are held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and of the date of such notice; (iii) a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iv) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) under which the nomination or nominations are to be made by such stockholder; (v) the name, age, business address and residence address of the nominee and such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed by us pursuant to the proxy rules of the SEC, had each nominee been nominated, or intended to be nominated by our Board of Directors; and (vi) the written consent of each nominee to serve as our director, if so elected.

COMPENSATION OF DIRECTORS

For 2014 we compensated each non-management director of our company by granting to each such outside director 5-year stock options to purchase 35,000 shares of our Common Stock (which grants are made on an annual basis). We also grant to each non-management director 5-year stock options to purchase 50,000 shares of our Common Stock upon joining our Board (there were no new members of our Board in 2014). All such options are issued at an exercise price equal to the closing price of our Common Stock on the date of grant and vest over a one year period in equal amounts on a quarterly basis, subject to continued service on the Board. In addition, we pay our non-management directors cash director fees of $40,000 per annum ($10,000 per quarter). Non-management directors also receive additional cash compensation on an annual basis for serving on the following Board committees: Audit Committee – Chairperson ($7,500) and member ($5,000) and the Chairperson and member of each of the Compensation Committee and Nominating and Corporate Governance Committee received annual fees of $3,750 and $2,500, respectively.

In consideration for serving as the sole member of our Strategic Development Committee, in June 2013 we issued to Niv Harizman a 5-year option to purchase 300,000 shares of our Common Stock, at an exercise price of $1.88 per share, which option vested 100,000 shares on the date of grant and 100,000 shares on each the first and second anniversary from the grant date.

The Board of Directors or the Compensation Committee may review and determine the form and amount of directors' compensation, including cash, equity based awards and other director compensation to maintain a transparent and readily understandable director compensation which ensures that the directors continue to receive fair and appropriate compensation for the time commitment required to discharge their duties for a company of our size.

The following table sets forth the compensation awarded to, earned by or paid to all persons who served as members of our board of directors (other than our Named Executive Officers) during the year ended December 31, 2014. No director who is also a Named Executive Officer received any compensation for services as a director in 2014.

Name	Option Awards(2)(3) ($)	Fees earned or paid in cash ($)(1)	All other compensation ($)	Total ($)
Emanuel Pearlman	$ 27,000	$ 50,000	—	$ 77,000
Niv Harizman	$ 97,000	$ 46,250	—	$ 143,250
Allison Hoffman	$ 27,000	$ 48,750	—	$ 75,750

(1) Represents director's fees payable in cash to each non-management director of $10,000 per quarter (or $40,000 per annum) for 2014 plus cash fees for serving on Board committees.

(2) The amounts included in the "Option Awards" column represent the grant date fair value of stock option awards (vested) to directors, computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions see Note G[1] to our Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

(3) The aggregate grant date fair values for 2014 calculated in accordance with FASB ASC Topic 718 reflect the following: (i) 5-year options to purchase 35,000 shares of our Common Stock granted to each of Emanuel Pearlman, Niv Harizman and Allison Hoffman on April 9, 2014, at an exercise price of $1.65 per share, which options vested 8,750 shares on the date of grant and the balance of 26,250 shares in equal amounts of 8,750 shares on a quarterly basis beginning June 30, 2014, and (ii) a 5-year option to purchase 300,000 shares of our Common Stock granted to Niv Harizman on June 19, 2013, at an exercise price of $1.88 per share, which option vested 100,000 shares on the date of grant and 100,000 shares on the first and second anniversary from the date of grant. The aggregate number of option awards outstanding at December 31, 2014 for each director was as follows: Mr. Pearlman – options to purchase 135,000 shares; Mr. Harizman – options to purchase 410,000 shares; and Ms. Hoffman - options to purchase 110,000 shares.

					14,971	16%
Financial services	336	302	11%	1,356	1,131	20%
Eliminations and other	(57)	(45)		(246)	(138)	
Total revenues	$3,941	$4,334	(9)%	$18,476	$15,964	16%
Net sales:						
North America	$1,413	$1,397	1%	$5,975	$5,506	9%
Western Europe	1,130	1,384	(18)%	5,345	4,995	7%
Latin America	456	564	(19)%	2,457	1,738	41%
Rest of World	663	732	(9)%	3,589	2,732	31%
Total net sales						

$3,662 $4,077 (10)% $17,366 $14,971 16%

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CNH GLOBAL N.V.

CONDENSED CONSOLIDATED INCOME STATEMENTS

AND SUPPLEMENTAL INFORMATION

(Unaudited)

	CONSOLIDATED Three Months Ended December 31,		EQUIPMENT OPERATIONS Three Months Ended December 31,		FINANCIAL SERVICES Three Months Ended December 31,	
	2008	2007	2008	2007	2008	2007
	(in Millions, except per share data)					
Revenues						
Net sales	$ 3,662	$ 4,077	$ 3,662	$ 4,077	$	$
Finance and interest income	279	257	58	49	336	302
Total	3,941	4,334	3,720	4,126	336	302
Costs and Expenses						
Cost of goods sold	2,930	3,381	2,930	3,381		
Selling, general and administrative	416	386	334	311	82	75
Research and development	99	120	99	120		
Restructuring	5	9		9	5	
Interest expense	180	179	100	71	130	151
Interest compensation to Financial Services			80	70		
Other, net	149	79	78	42	56	20
Total	3,779	4,154	3,621	4,004	273	246
Income before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates	162	180	99	122	63	56
Income tax provision	56	114	42	88	14	24
Minority interest	(12)	(1)	(12)	(1)		
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	2	2	51	34	2	2
Equipment Operations	(6)	45	(6)	45		
Net income	$ 114	$ 114	$ 114	$ 114	$ 51	$ 34
Weighted average shares outstanding:						
Basic	237.4	237.1				
Diluted	237.4	237.7				
Basic and diluted earnings per share (EPS):						
Basic:						
EPS before restructuring, after tax	$ 0.49	$ 0.51				
EPS	$ 0.48	$ 0.48				

Diluted:		
EPS before restructuring, after tax	$ 0.49	$ 0.50
EPS	$ 0.48	$ 0.48
Dividends per share		

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED INCOME STATEMENTS

AND SUPPLEMENTAL INFORMATION

(Unaudited)

	CONSOLIDATED Year Ended December 31,		EQUIPMENT OPERATIONS Year Ended December 31,		FINANCIAL SERVICES Year Ended December 31,	
	2008	2007	2008	2007	2008	2007
	(in Millions, except per share data)					
Revenues						
Net sales	$ 17,366	$ 14,971	$ 17,366	$ 14,971	$	$
Finance and interest income	1,110	993	205	190	1,356	1,131
Total	18,476	15,964	17,571	15,161	1,356	1,131
Costs and Expenses						
Cost of goods sold	14,054	12,154	14,054	12,154		
Selling, general and administrative	1,698	1,436	1,403	1,183	295	253
Research and development	422	409	422	409		
Restructuring	39	85	34	85	5	
Interest expense	765	701	358	358	606	479
Interest compensation to Financial Services			275	247		
Other, net	342	349	204	224	115	70
Total	17,320	15,134	16,750	14,660	1,021	802
Income before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates	1,156	830	821	501	335	329
Income tax provision	385	354	279	245	106	109
Minority interest	(1)	15	(1)	15		
Equity in income of unconsolidated subsidiaries and affiliates:						
Financial Services	13	9	242	229	13	9
Equipment Operations	40	89	40	89		
Net income	$ 825	$ 559	$ 825	$ 559	$ 242	$ 229
Weighted average shares outstanding:						
Basic	237.3	236.8				
Diluted	237.5	237.2				
Basic and diluted earnings per share (EPS):						
Basic:						
EPS before restructuring, after tax	$ 3.59	$ 2.62				
EPS	$ 3.48	$ 2.36				

Diluted:				
EPS before restructuring, after tax	$	3.59	$	2.61
EPS	$	3.47	$	2.36
Dividends per share	$	0.50	$	0.25

See Notes to Condensed Consolidated Financial Statements.

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CNH GLOBAL N.V.

CONDENSED CONSOLIDATED BALANCE SHEETS

AND SUPPLEMENTAL INFORMATION

(Unaudited)

	CONSOLIDATED		EQUIPMENT OPERATIONS		FINANCIAL SERVICES	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(in Millions)					
Assets						
Cash and cash equivalents	$ 633	$ 1,025	$ 173	$ 405	$ 460	$ 620
Deposits in Fiat affiliates cash management pools	2,058	1,231	1,666	1,157	392	74
Accounts, notes receivable and other - net	10,713	10,593	1,478	1,544	9,461	9,310
Intersegment notes receivable			2,295	1,831		
Inventories	4,485	3,488	4,485	3,488		
Property, plant and equipment - net	1,617	1,510	1,613	1,505	4	5
Equipment on operating leases - net	604	511	5		599	511
Investment in Financial Services			2,073	2,099		
Investments in unconsolidated affiliates	473	528	371	420	102	108
Goodwill and other intangibles	3,105	3,142	2,950	2,973	155	169
Other assets	1,771	1,717	1,320	1,215	451	502
Total Assets	$ 25,459	$ 23,745	$ 18,429	$ 16,637	$ 11,624	$ 11,299
Liabilities and Equity						
Short-term debt	$ 5,336	$ 4,269	$ 1,275	$ 728	$ 4,061	$ 3,541
Intersegment short-term debt					1,976	1,831
Accounts payable	2,735	2,907	2,860	2,989	93	161
Long-term debt, including current maturities	6,021	5,367	3,282	2,179	2,739	3,188
Intersegment long-term debt					319	
Accrued and other liabilities	4,913	4,900	4,558	4,439	363	479
Total Liabilities	19,005	17,443	11,975	10,335	9,551	9,200
Equity	6,454	6,302	6,454	6,302	2,073	2,099
Total Liabilities and Equity	$ 25,459	$ 23,745	$ 18,429	$ 16,637	$ 11,624	$ 11,299
Total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and intersegment notes receivables Net Debt(Cash)	$ 8,666	$ 7,380	$ 423	$ (486)	$ 8,243	$ 7,866

See Notes to Condensed Consolidated Financial Statements.

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CNH GLOBAL N.V.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

AND SUPPLEMENTAL INFORMATION

(Unaudited)

	CONSOLIDATED Year Ended December 31,		EQUIPMENT OPERATIONS Year Ended December 31,		FINANCIAL SERVICES Year Ended December 31,	
	2008	2007	2008	2007	2008	2007
			(in Millions)			
Operating Activities:						
Net income	$ 825	$ 559	$ 825	$ 559	$ 242	$ 229
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation and amortization	374	372	258	295	116	77
Intersegment activity			69	(30)	(69)	30
Changes in operating assets and liabilities	(525)	(767)	(1,131)	560	606	(1,327)
Other, net	(24)	(259)	(303)	(383)	41	(43)
Net cash from operating activities	650	(95)	(282)	1,001	936	(1,034)
Investing Activities:						
Expenditures for property, plant and equipment	(493)	(338)	(492)	(333)	(1)	(5)
Expenditures for equipment on operating leases	(318)	(377)	(5)		(313)	(377)
Net (additions) collections from retail receivables and related securitizations	(2,106)	(1,120)			(2,106)	(1,120)
Net (deposits in) withdrawals from Fiat affiliates cash management pools	(925)	(609)	(546)	(548)	(379)	(61)
Other, net	53	52	(23)	(9)	68	61
Net cash from investing activities	(3,789)	(2,392)	(1,066)	(890)	(2,731)	(1,502)
Financing Activities:						
Intersegment activity			(625)	(281)	625	281
Net increase (decrease) in indebtedness	2,957	2,306	1,867	(83)	1,090	2,389
Dividends paid	(118)	(59)	(118)	(59)	(4)	(62)
Other, net	4	(9)	4	(9)	8	
Net cash from financing activities	2,843	2,238	1,128	(432)	1,719	2,608
Other, net	(96)	100	(12)	23	(84)	77
Increase (decrease) in cash and cash equivalents	(392)	(149)	(232)	(298)	(160)	149
Cash and cash equivalents, beginning of period	1,025	1,174	405	703	620	471
Cash and cash equivalents, end of period	$ 633	$ 1,025	$ 173	$ 405	$ 460	$ 620

See Notes to Condensed Consolidated Financial Statements.

CNH Global N.V.
Notes to Unaudited Condensed Consolidated Financial Statements

1. **Principles of Consolidation and Basis of Presentation** The accompanying unaudited condensed consolidated financial statements and supplemental information reflect all adjustments consisting only of normal, recurring adjustments except where noted, that are, in the opinion of management, necessary for a fair presentation of the consolidated results of CNH Global N.V., a Netherlands corporation, and its consolidated subsidiaries (CNH or the Company) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); however, because of their condensed nature, they do not include all of the information and note disclosures required by U.S. GAAP or the rules of the Securities and Exchange Commission (SEC) for complete annual or interim period financial statements. These financial statements should therefore be read in conjunction with the audited, consolidated financial statements and notes thereto for the year ended December 31, 2007 included in the Company s Annual Report on Form 20-F filed with the SEC on March 5, 2008. CNH is controlled by Fiat Netherlands Holding N.V., a wholly owned subsidiary of Fiat S.p.A. (Fiat). As of December 31, 2008, Fiat owned approximately 89% of CNH s outstanding common shares.

The condensed consolidated financial statements include the accounts of CNH s majority-owned and controlled subsidiaries and reflect the interests of the minority owners of the subsidiaries that are not fully owned for the periods presented, as applicable. The operations and key financial measures and financial analyses differ significantly for manufacturing and distribution businesses and financial services businesses; therefore, management believes that certain supplemental disclosures are important in understanding the consolidated operations and financial results of CNH. The supplemental financial information captioned Equipment Operations includes the results of operations of CNH s agricultural and construction equipment operations, with the Company s financial services businesses reflected on the equity method of accounting. The supplemental financial information captioned Financial Services reflects the combination of CNH s financial services businesses.

2. **Recent Accounting Developments** As of the beginning of 2008, CNH adopted Statement of Financial Accounting Standards (SFAS) No. 157 Fair Values Measurements (SFAS No. 157) and No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159), except as SFAS No. 157 applies to nonfinancial assets and nonfinancial liabilities.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, which defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The Statement does not require any new fair value measures but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. In February 2008, the FASB issued FSP No. FAS 157-2, which delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially deferred the effective date of Statement 157 to fiscal years beginning after November 15, 2008. The partial adoption of SFAS No. 157 on January 1, 2008, did not have a material impact to CNH s financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, which permits an entity to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in income at each subsequent reporting date. This standard also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The adoption of SFAS No. 159 on January 1, 2008, did not have an impact to CNH s financial position and results of operations, as the Company did not elect the fair value option for eligible items.

3. Stock-Based Compensation Plans Stock-based compensation consists of stock options and performance-based shares that have been granted under the CNH Outside Directors Compensation Plan and the CNH Equity Incentive Plan (CNH EIP).

As of December 31, 2008, CNH had granted approximately 2.6 million performance-based, non-vested share awards under the CNH EIP to the Company s top executives. These performance shares will vest upon achievement of specified targets in 2008, 2009 or 2010. The number of shares that vest will decrease by 20% each year the specified targets are not achieved. If specified targets are not achieved by 2010, the shares granted will not vest. CNH did not achieve these performance targets in 2008. In the fourth quarter management determined that achievement of these targets is improbable in either 2009 or 2010. As a result, CNH reversed approximately $22 million in previously recognized stock-based compensation expense in the fourth quarter.

For the years ended December 31, 2008 and 2007, pre-tax stock-based compensation costs were approximately $300 thousand and $19 million, respectively. Including the $22 million reversal of previously recognized performance share expense, CNH recognized pre-tax income of approximately $21 million from stock-based compensation for the three months ended December 31, 2008. For the three months ended December 31, 2007, pre-tax stock-based compensation costs were approximately $4 million.

In June 2008, CNH granted approximately 1.2 million performance-based stock options (at targeted performance levels) under the CNH EIP. One-third of the options will vest if specified fiscal 2008 targets are achieved when 2008 results are approved by the Board of Directors in the first quarter of 2009 (the Determination Date). The remaining options will vest equally on the first and second anniversary of the Determination Date. Excluding the impact of forfeitures, CNH expects the actual number of options that will vest to be approximately 600 thousand based on CNH s 2008 actual results. This grant has a contractual life of five years from the Determination date. The grant date fair value of $12.78 was determined using the Black-Scholes pricing model. CNH expects to recognize expense over the vesting period of approximately $7 million.

The assumptions used in the Black-Scholes model were:

Risk-free interest rate	3.02%
Expected volatility	40.65%
Expected life	3.63 years
Dividend yield	0.94%

The risk-free interest rate is based on the current U.S. Treasury rate for a bond of approximately the expected life of the options. The expected volatility is based on the historical activity of CNH s common shares over a period equal to the expected life of the options. The expected life is based on the average of the vesting period of each vesting tranche and the original contract term of 68 months. The expected dividend yield is based on the annual dividends which have been paid on CNH s common shares over the past several years.

4. Accounts and Notes Receivable In CNH s receivable securitization programs, certain retail, wholesale finance and credit card receivables are sold and not included in the Company s consolidated balance sheets.

The amounts outstanding under the retail programs were $3.0 billion and $4.6 billion at December 31, 2008 and 2007, respectively. In addition, as of December 31, 2008 and 2007, $1.7 billion and $2.3 billion, respectively, of wholesale receivables remained outstanding under these programs. For the year ending December 31, 2008, CNH securitized $1.2 billion of retail notes sold to the US asset-backed securitization market at a loss of $5.3 million. There were no retail securitizations transacted in the fourth quarter of 2008.

In October 2008, the Company securitized approximately $190 million of credit card receivables on a revolving basis to a $200 million privately structured conduit facility. This transaction qualified for off-book treatment for US GAAP purposes and accordingly, the receivables are not consolidated by CNH. As of December 31, 2008, $186 million of credit card receivables were outstanding under this program.

In December 2008, the Company expanded its special purpose trust used to securitize certain wholesale receivables in Europe to now include third party conduits. Consequently, a portion of the wholesale receivables sold qualify for off-book treatment for US GAAP and therefore are not included in the Company s consolidated balance sheets. The amounts outstanding under Europe s wholesale securitization program that qualified for off-book treatment were $638 million at December 31, 2008.

5. Inventories Inventories as of December 31, 2008 and 2007 consist of the following:

	December 31, 2008	December 31, 2007
	(in millions)	
Raw materials	$ 995	$ 890
Work-in-process	323	333
Finished goods and parts	3,167	2,265
Total Inventories	$ 4,485	$ 3,488

6. Goodwill and Other Intangibles The following table sets forth changes in goodwill and other intangibles for the years ended December 31, 2008:

	Balance at December 31, 2007	Amortization	Foreign Currency Translation and Other	Balance at December 31, 2008
		(in millions)		
Goodwill	$ 2,382	$	$ (35)	$ 2,347
Other Intangibles	760	(65)	63	758
Total Goodwill and Other Intangibles	$ 3,142	$ (65)	$ 28	$ 3,105

As of December 31, 2008 and 2007, the Company s other intangible assets and related accumulated amortization consisted of the following:

	Weighted Average Life	December 31, 2008 Gross	Accumulated Amortization	Net	December 31, 2007 Gross	Accumulated Amortization	Net
			(in millions)				
Other intangible assets subject to amortization:							
Engineering drawings	20	$ 379	$ 197	$ 182	$ 391	$ 186	$ 205
Dealer network	25	216	78	138	216	70	146

Software	5	371	238	133	318	207	111
Other	10-30	60	27	33	49	23	26
		1,026	540	486	974	486	488
Other intangible assets not subject to amortization:							
Trademarks		272		272	272		272
Total other intangibles		$ 1,298	$ 540	$ 758	$ 1,246	$ 486	$ 760

CNH recorded amortization expense of approximately $65 million and $69 million for the years ended December 31, 2008 and 2007, respectively.

7. Debt The following table sets forth total debt and total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and intersegment notes receivable (Net Debt (Cash)) as of December 31, 2008 and 2007:

	Consolidated		Equipment Operations		Financial Services	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(in millions)					
Short-term debt:						
With Fiat affiliates	$ 2,882	$ 2,562	$ 901	$ 263	$ 1,981	$ 2,299
Other	2,454	1,707	374	465	2,080	1,242
Intersegment					1,976	1,831
Total short-term debt	5,336	4,269	1,275	728	6,037	5,372
Long-term debt:						
With Fiat affiliates	2,328	1,668	1,207	800	1,121	868
Other	3,693	3,699	2,075	1,379	1,618	2,320
Intersegment					319	
Total long-term debt	6,021	5,367	3,282	2,179	3,058	3,188
Total debt:						
With Fiat affiliates	5,210	4,230	2,108	1,063	3,102	3,167
Other	6,147	5,406	2,449	1,844	3,698	3,562
Intersegment					2,295	1,831
Total debt	11,357	9,636	4,557	2,907	9,095	8,560
Less:						
Cash and cash equivalents	633	1,025	173	405	460	620
Deposits in Fiat affiliates cash management pools	2,058	1,231	1,666	1,157	392	74
Intersegment notes receivable			2,295	1,831		
Net debt (cash)	$ 8,666	$ 7,380	$ 423	$ (486)	$ 8,243	$ 7,866

At December 31, 2008, CNH had approximately $1.6 billion available under $7.9 billion total lines of credit and asset-backed facilities.

Consolidated long term debt includes current maturities of long term debt of $2.2 billion.

CNH participates in Fiat affiliates cash management pools with other Fiat affiliates. Amounts deposited with Fiat affiliates as part of the Fiat cash management system are repayable to CNH upon one business day s notice. To the extent that Fiat affiliates are unable to return any such amounts upon one business day s notice and in the event of a bankruptcy or insolvency of Fiat, CNH may be unable to secure the return of such funds, and CNH may be viewed as a creditor of such Fiat entity with respect to such funds. There is no assurance that the future operations of the Fiat cash management system may not adversely impact CNH s ability to recover its funds to the extent one or more of the above described events were to occur.

CNH Global N.V.

Notes to Unaudited Condensed Consolidated Financial Statements

8. Income Taxes For the years ended December 31, 2008 and 2007, consolidated effective income tax rates were 33.3% and 42.7%, respectively. For the three months ended December 31, 2008 and 2007, consolidated effective income tax rates were 34.6% and 63.3%, respectively. For 2008 and 2007, tax rates differ from the Netherlands statutory rate of 25.5% due primarily to higher tax rates in certain jurisdictions, tax credits and incentives, provisioning of unrecognized tax benefits, utilization of tax losses in certain jurisdictions where no tax benefit was previously recognized, impact of tax losses in certain jurisdictions where no immediate tax benefit is recognized and enacted changes in tax rates.

The Company is engaged in competent authority income tax proceedings at December 31, 2008. The Company anticipates reaching a settlement with competent authority within the next twelve months that may result in a tax deficiency assessment for which there should be correlative relief under competent authority. The potential tax deficiency assessment could have a net effect on cash flows in the range of $45 million to $50 million. The Company has provided for the unrecognized tax benefits and related competent authority recovery in accordance with FASB Interpretation No. 48. The Company does not believe that the resolution of the competent authority proceedings will have a material adverse effect on the results of operation.

9. Restructuring During the years ended December 31, 2008 and 2007, CNH recognized expense of approximately $39 million and $85 million, respectively. For the three months ended December 31, 2008 and 2007, CNH recognized expense of approximately $5 million and $9 million, respectively. Restructuring expense for 2008 primarily relates to severance and other costs incurred due to headcount reductions and plant closures. During the years ended December 31, 2008 and 2007, CNH recorded cash utilization of approximately $40 million and $118 million, respectively. For the three months ended December 31, 2008 and 2007, CNH recorded cash utilization of approximately $8 million and $34 million, respectively. Cash utilization recorded in 2008 primarily represents payments of involuntary employee severance costs and costs related to the closing of facilities.

10. Commitments and Contingencies CNH pays for warranty costs and the cost of major programs to modify products in the customers possession within certain pre-established time periods. A summary of recorded activity as of and for the year ended December 31, 2008 for this commitment is as follows:

	Amount (in millions)
Balance at January 1, 2008	$ 297
Current year provision	369
Claims paid and other adjustments	(345)
Currency translation adjustment	(27)
Balance at December 31, 2008	$ 294

Management makes estimates and assumptions that affect the reported amounts of deferred tax assets. The Company has recorded valuation allowances to reduce its deferred tax assets to the amount we believe more likely than not to be realized. A change in judgment of the realizability of the Company s deferred tax assets may significantly impact CNH s results of operations and financial position in the period that such a determination is made.

CNH Global N.V. (CNH Global) was involved in a consolidated arbitration proceeding (the Arbitration) pending in London before the ICC International Court of Arbitration. The Arbitration relates to a Services Agreement between CNH Global and PGN Logistics Ltd (PGN), pursuant to which PGN provided specified logistics services for certain CNH Global subsidiaries in Europe. The dispute arose following CNH Global s termination of the Services Agreement in January 2005 and involves CNH Global s right to terminate (based upon alleged breach of contract and illegal activities) as well as invoices under the Services Agreement that were disputed by CNH Global and unpaid. The Tribunal in the Arbitration issued a partial decision on liability issues in August 2007, finding, among other things, that CNH Global was not permitted to terminate the Services Agreement and that PGN was entitled in principle to recover amounts properly owed to it at the time of termination as well as additional damages that PGN may establish it has suffered for lost profits.

The hearing on damages was held on October 8-9, 2007. Prior to the damages hearing, CNH Global paid to PGN approximately £27.4 million ($55 million, of which $42 million was classified as restructuring) which represented payment of claims which the Tribunal, in the partial decision on liability, held CNH Global was responsible for and with respect to which CNH Global did not have an objection as to amount. At the damages hearing, PGN advanced a variety of theories purporting to substantiate damages for lost profits and other items. On February 4, 2008, the Tribunal issued its damages award. Pursuant to the award, the Tribunal, among other things, required CNH Global to pay certain invoices, compensate PGN for lost future profits under the Services Agreement and bear a portion of the costs incurred in connection with the dispute and the Arbitration. The Tribunal dismissed all of PGN s other claims.

In March 2008 CNH Global and PGN submitted applications requesting that the Tribunal correct certain errors in the damages award. On June 10, 2008 the Tribunal issued an Addendum to the damages award allegedly correcting certain errors, however, CNH Global believes the Tribunal exceeded its authority and made substantive changes to the original damages award. As a result on July 16, 2008, CNH Global filed an appeal with the English Commercial Court seeking to overturn a particular aspect of the Addendum. In response, PGN filed its own appeal with the English Commercial Court, in essence asking that the finding in the Addendum challenged by CNH be upheld. A hearing on the two appeals is scheduled for February 26, 2009.

On or about December 4, 2008, CNH Global paid to PGN an additional sum of approximately $17 million in respect of certain unpaid invoices claimed by PGN outside the Arbitration and claims which the Tribunal held CNH Global was responsible for and with respect to which CNH Global did not have an objection as to amount. The Company maintains what it believes to be adequate reserves for any remaining liability relating to this matter.

11. Employee Benefit Plans During the third quarter of 2008, CNH made a discretionary contribution to its U.S. defined benefit pension plan trust of approximately $120 million.

12. Shareholders Equity Shareholders approved a dividend of $0.50 per common share at the Annual General Meeting on March 20, 2008. The dividend was paid on April 15, 2008 to shareholders of record at the close of business on April 4, 2008. As of December 31, 2008, CNH had 237.4 million common shares outstanding.

13. Earnings per Share The following table reconciles the numerator and denominator of the basic and diluted earnings per share computations for the three months and years ended December 31, 2008 and 2007:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in Millions, except per share data)			
Basic:				
Net income	$ 114	$ 114	$ 825	$ 559
Weighted average common shares outstanding basic	237.4	237.1	237.3	236.8
Basic earnings per share	$ 0.48	$ 0.48	$ 3.48	$ 2.36
Diluted:				
Net income	$ 114	$ 114	$ 825	$ 559
Weighted average common shares outstanding basic	237.4	237.1	237.3	236.8
Effect of dilutive securities (when dilutive):				
Stock compensation plans		0.6	0.2	0.4
Weighted average common shares outstanding dilutive	237.4	237.7	237.5	237.2
Diluted earnings per share	$ 0.48	$ 0.48	$ 3.47	$ 2.36

14. Comprehensive Income (Loss) The components of comprehensive income (loss) for the three months and years ended December 31, 2008 and 2007 are as follows:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in Millions)			
Net income	$ 114	$ 114	$ 825	$ 559
Other comprehensive income, net of tax				
Cumulative translation adjustment	(248)	85	(402)	345
Deferred gains (losses) on derivative financial instruments, net of tax	(3)	32	(35)	(2)
Unrealized gains (losses) on retained interests in securitization transactions, net of tax	1	(4)	(2)	(4)
Minimum pension liability adjustment, net of tax	(146)	304	(120)	337
Comprehensive net income	$ (282)	$ 531	$ 266	$ 1,235

15. Segment Information CNH has three reportable operating segments: Agricultural Equipment, Construction Equipment and Financial Services.

A reconciliation from consolidated trading profit reported to Fiat under International Financial Reporting Standards and International Accounting Standards (collectively IFRS) to income (loss) before taxes, minority interest and equity in income (loss) of unconsolidated subsidiaries and affiliates under U.S. GAAP for the three months and years ended December 31, 2008 and 2007 is as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
	(in Millions)			
Trading profit reported to Fiat under IFRS	$ 310	$ 333	$ 1,650	$ 1,357
Adjustments to convert from trading profit under IFRS to U.S. GAAP income before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates:				
Accounting for employee benefit plans	(5)	(27)	(43)	(80)
Accounting for intangible assets, primarily product development costs	(15)	(27)	(68)	(63)
Restructuring	(5)	(9)	(39)	(85)
Net financial expense	(99)	(45)	(289)	(257)
Accounting for receivable securitizations and other	(24)	(45)	(55)	(42)
Income before income taxes, minority interest and equity in income of unconsolidated subsidiaries and affiliates under U.S. GAAP	$ 162	$ 180	$ 1,156	$ 830

The following summarizes trading profit under IFRS by segment:

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
	(in Millions)			
Agricultural Equipment	308	157	1,234	656
Construction Equipment	(73)	77	26	321
Financial Services	75	99	390	380
Trading profit under IFRS	$ 310	$ 333	$ 1,650	$ 1,357

16. Reconciliation of Non-GAAP Financial Measures CNH, in its quarterly unaudited condensed financial statements, utilizes various figures that are Non-GAAP Financial Measures as this term is defined under Regulation G as promulgated by the SEC. In accordance with Regulation G, CNH has detailed either the computation of these measures from multiple U.S. GAAP figures or reconciled these non-GAAP financial measures to the most relevant U.S. GAAP equivalent. Some of these measures do not have standardized meanings and investors should consider that the methodology applied in calculating such measures may differ among companies and analysts. CNH s management believes these non-GAAP measures provide useful supplementary information to investors in order that they may evaluate CNH s financial performance using the same measures used by our management. These non-GAAP financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with U.S. GAAP. An explanation and reconciliation of the measures to U.S. GAAP follows.

Net Income Before Restructuring and Earnings Per Share Before Restructuring, After Tax

CNH defines net income before restructuring, after tax, as U.S. GAAP net income, less U.S. GAAP restructuring charges, after tax applicable to the restructuring charges.

The following table reconciles net income to net income before restructuring, after tax and the related pro-forma computation of earnings per share:

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
	(in Millions, except per share data)			
Basic:				
Net income	$ 114	$ 114	$ 825	$ 559
Restructuring, after tax:				
Restructuring	5	9	39	85
Tax benefit	(2)	(3)	(11)	(24)
Restructuring, after tax	3	6	28	61
Net income before restructuring, after tax	$ 117	$ 120	$ 853	$ 620
Weighted average common shares outstanding - basic	237.4	237.1	237.3	236.8
Basic earnings per share before restructuring, after tax	$ 0.49	$ 0.51	$ 3.59	$ 2.62
Diluted:				
Net income before restructuring, after tax	$ 117	$ 120	$ 853	$ 620
Weighted average common shares outstanding - basic	237.4	237.1	237.3	236.8
Effect of dilutive securities (when dilutive):				
Stock compensation plans		0.6	0.2	0.4
Weighted average common shares outstanding - dilutive	237.4	237.7	237.5	237.2
Diluted earnings per share before restructuring, after tax	$ 0.49	$ 0.50	$ 3.59	$ 2.61

Equipment Operations Gross and Operating Profit

CNH defines Equipment Operations gross profit as net sales of equipment less costs classified as cost of goods sold. CNH defines Equipment Operations operating profit as gross profit less costs classified as selling, general and administrative and research and development costs. The following table summarizes the computation of Equipment Operations gross and operating profit.

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
	(in Millions)			

Net sales	$ 3,662	100%	$ 4,077	100.0%	$ 17,366	100%	$ 14,971	100.0%
Less:								
Cost of goods sold	2,930	80.0%	3,381	82.9%	14,054	80.9%	12,154	81.2%
Equipment Operations gross profit	732	20.0%	696	17.1%	3,312	19.1%	2,817	18.8%
Less:								
Selling, general and administrative	334	9.1%	311	7.6%	1,403	8.1%	1,183	7.9%
Research and development	99	2.7%	120	2.9%	422	2.4%	409	2.7%
Equipment Operations operating profit	$ 299	8.2%	$ 265	6.5%	$ 1,487	8.6%	$ 1,225	8.2%

CNH defines Equipment Operations gross margin as gross profit as a percent of net sales of equipment. CNH defines Equipment Operations operating margin as operating profit as a percent of net sales of equipment.

Net Debt

Net Debt (Cash) is defined as total debt less cash and cash equivalents, deposits in Fiat affiliates cash management pools and intersegment notes receivable. The calculation of Net Debt (Cash) is shown below:

	Equipment Operations		Financial Services	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(in millions)			
Total Debt	$ 4,557	$ 2,907	$ 9,095	$ 8,560
Less:				
Cash and cash equivalents	173	405	460	620
Deposits in Fiat affiliates cash management pools	1,666	1,157	392	74
Intersegment notes receivables	2,295	1,831		
Net Debt (Cash)	$ 423	$ (486)	$ 8,243	$ 7,866

Working Capital

Equipment Operations working capital is defined as accounts and notes receivable and other-net, excluding intersegment notes receivable, plus inventories less accounts payable. The U.S. dollar computation of working capital, as defined, is impacted by foreign exchange (FX) rate movements. To demonstrate the impact of these movements, we have computed working capital as of December 31, 2008 and September 30, 2008 using December 31, 2007 exchange rates.

The calculation of Equipment Operations working capital is shown below:

	December 31, 2008	December 31, 2008 at December 31, 2007 FX Rates	September 30, 2008 at December 31, 2007 FX Rates	December 31, 2007
	(in millions)			
Accounts, notes receivable and other net Third Party	$ 1,424	$ 1,588	$ 1,735	$ 1,438
Accounts, notes receivable and other net Intersegment	54	54	88	106
Accounts, notes receivable and other net Total	1,478	1,642	1,823	1,544
Inventories	4,485	4,897	4,526	3,488
Accounts payable Third party	(2,691)	(2,929)	(2,940)	(2,838)
Accounts payable Intersegment	(169)	(169)	(182)	(151)
Accounts payable Total	(2,860)	(3,098)	(3,122)	(2,989)
Working Capital	$ 3,103	$ 3,441	$ 3,227	$ 2,043

Equipment Operations Change in Net Sales on a Constant Currency Basis

CNH defines the change in net sales on a constant currency basis as the difference between prior period actual net sales and current period net sales as if they had been translated at the prior period s average currency exchange rates. Elimination of the currency translation effect provides constant comparisons without the impact of currency exchange rate fluctuations.

The following table presents the change in Equipment Operations full year 2008 net sales as reported and on a constant currency basis:

	Year Ended December 31, 2008	Year Ended December 31, 2007	% Change
Agricultural equipment net sales (as reported)	$ 12,902	$ 9,948	30%
Effect of currency translation	(311)		(3)%
Agriculture equipment net sales on a constant currency basis	12,591	9,948	27%
Construction equipment net sales (as reported)	$ 4,464	$ 5,023	(11)%
Effect of currency translation	(162)		(3)%
Construction equipment net sales on a constant currency basis	4,302	5,023	(14)%

The following table presents the change in Equipment Operations fourth quarter 2008 net sales as reported and on a constant currency basis:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	% Change
Agricultural equipment net sales (as reported)	$ 2,967	$ 2,743	8%
Effect of currency translation	267		10%
Agriculture equipment net sales on a constant currency basis	3,234	2,743	18%
Construction equipment net sales (as reported)	$ 695	$ 1,334	(48)%
Effect of currency translation	134		10%
Construction equipment net sales on a constant currency basis	829	1,334	(38)%