NAVISTAR INTERNATIONAL CORP
Form 10-Q
June 27, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended April 30, 2008

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

NAVISTAR INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-3359573**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4201 Winfield Road, P.O. Box 1488, Warrenville, Illinois	**60555**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (630) 753-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of larger accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes ¨ No x.

As of April 30, 2008, the number of shares outstanding of the registrant s common stock was 70,239,785, net of treasury shares.

Documents incorporated by reference: None.

NAVISTAR INTERNATIONAL CORPORATION FORM 10-Q

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PART I

Item 1. Condensed Consolidated Financial Statements

Navistar International Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

(in millions, except per share data)	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Six Months Ended April 30, 2008	Six Months Ended April 30, 2007
Sales and revenues				
Sales of manufactured products, net	**$ 3,853**	$ 2,900	**$ 6,713**	$ 5,950
Finance revenues	**96**	90	**190**	188
Sales and revenues, net	**3,949**	2,990	**6,903**	6,138
Costs and expenses				
Costs of products sold	**3,196**	2,472	**5,647**	5,077
Selling, general and administrative expenses	**364**	345	**685**	642
Engineering and product development costs	**99**	95	**181**	198
Interest expense	**102**	131	**269**	242
Other (income) expenses, net	**(4)**	(16)	**(5)**	13
Total costs and expenses	**3,757**	3,027	**6,777**	6,172
Equity in income of non-consolidated affiliates	**21**	18	**45**	40
Income (loss) before income tax	**213**	(19)	**171**	6
Income tax benefit (expense)	**2**	(6)	**(9)**	(19)
Net income (loss)	**$ 215**	$ (25)	**$ 162**	$ (13)
Basic earnings (loss) per share	**$ 3.06**	$ (0.36)	**$ 2.30**	$ (0.19)
Diluted earnings (loss) per share	**$ 2.94**	$ (0.36)	**$ 2.22**	$ (0.19)
Weighted average shares outstanding				
Basic	**70.3**	70.3	**70.3**	70.3
Diluted	**73.2**	70.3	**72.9**	70.3

See Notes to Condensed Consolidated Financial Statements

Navistar International Corporation and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

(in millions, except per share data)	**As of** **April 30, 2008**	**October 31, 2007**
ASSETS		
Current assets		
Cash and cash equivalents	**$ 675**	$ 777
Marketable securities	**38**	6
Finance and other receivables (net of allowance for losses of $53 and $60 as of April 30, 2008 and October 31, 2007, respectively)	**3,142**	2,941
Inventories	**1,364**	1,412
Deferred taxes, net	**115**	115
Other current assets	**167**	194
Total current assets	**5,501**	5,445
Restricted cash and cash equivalents	**735**	419
Finance and other receivables (net of allowance for losses of $40 and $41 as of April 30, 2008 and October 31, 2007, respectively)	**2,330**	2,478
Investments in and advances to non-consolidated affiliates	**175**	154
Property and equipment (net of accumulated depreciation and amortization of $2,266 and $2,199 as of April 30, 2008 and October 31, 2007, respectively)	**1,980**	2,086
Goodwill	**359**	353
Intangible assets (net of accumulated amortization of $65 and $53 as of April 30, 2008 and October 31, 2007, respectively)	**273**	286
Pension assets	**121**	103
Deferred taxes, net	**20**	35
Other noncurrent assets	**120**	89
Total assets	**$ 11,614**	$ 11,448
LIABILITIES AND STOCKHOLDERS DEFICIT		
Liabilities		
Current liabilities		
Notes payable and current maturities of long-term debt	**$ 856**	$ 798
Accounts payable	**2,027**	1,770
Other current liabilities	**1,203**	1,423
Total current liabilities	**4,086**	3,991
Long-term debt	**6,028**	6,083
Postretirement benefits liabilities	**1,235**	1,327
Other noncurrent liabilities	**827**	781
Total liabilities	**12,176**	12,182
Stockholders deficit		
Series D convertible junior preference stock	**4**	4
Common stock and additional paid in capital (par value $0.10 per share, 75.4 million shares issued as of April 30, 2008 and October 31, 2007)	**2,107**	2,101
Accumulated deficit	**(2,362)**	(2,519)
Accumulated other comprehensive loss	**(146)**	(155)
Common stock held in treasury, at cost (5.1 million shares as of April 30, 2008 and October 31, 2007)	**(165)**	(165)

Total stockholders deficit	**(562)**	(734)
Total liabilities and stockholders deficit	**$ 11,614**	$ 11,448

See Notes to Condensed Consolidated Financial Statements

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Navistar International Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended April 30,	
(in millions)	**2008**	**2007**
Cash flows from operating activities		
Net income (loss)	**$ 162**	$ (13)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities		
Depreciation and amortization	**156**	151
Depreciation of equipment held for or under lease	**30**	27
Deferred taxes		(4)
Amortization of debt issuance costs	**10**	5
Stock-based compensation	**2**	4
Provision for doubtful accounts	**18**	16
Equity in income of non-consolidated affiliates	**(45)**	(40)
Dividends from non-consolidated affiliates	**29**	52
Gain on sale of affiliate	**(4)**	
(Gain) loss on sale of property and equipment	**(2)**	6
Loss on repurchases of debt		31
Changes in other assets and liabilities	**(45)**	(468)
Total adjustments	**149**	(220)
Net cash provided by (used in) operating activities	**311**	(233)
Cash flows from investing activities		
Purchases of marketable securities	**(42)**	(148)
Sales or maturities of marketable securities	**11**	264
Net change in restricted cash and cash equivalents	**(316)**	163
Capital expenditures	**(103)**	(139)
Purchase of equipment held for or under lease	**(27)**	(29)
Proceeds from sale of property and equipment	**20**	10
Investments and advances to non-consolidated affiliates	**(4)**	(7)
Proceeds from sale of affiliate	**19**	
Business acquisitions, net of cash acquired		(7)
Other investing activities	**1**	(1)
Net cash provided by (used in) investing activities	**(441)**	106
Cash flows from financing activities		
Proceeds from issuance of securitized debt	**813**	473
Principal payments on securitized debt	**(980)**	(671)
Proceeds from issuance of non-securitized debt	**101**	1,548
Principal payments on non-securitized debt	**(8)**	(1,525)
Net increase (decrease) in notes and debt outstanding under revolving credit facilities	**143**	(186)
Principal payments under financing arrangements and capital lease obligations	**(51)**	(30)
Debt issuance costs	**(7)**	(19)
Net cash provided by (used in) financing activities	**11**	(410)

Effect of exchange rate changes on cash and cash equivalents	**17**	28
Decrease in cash and cash equivalents	**(102)**	(509)
Cash and cash equivalents at beginning of period	**777**	1,157
Cash and cash equivalents at end of the period	**$ 675**	$ 648

See Notes to Condensed Consolidated Financial Statements

Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of significant accounting policies

Organization and Description of the Business

Navistar International Corporation (NIC), incorporated under the laws of the state of Delaware in 1993, is a holding company whose principal operating subsidiaries are Navistar, Inc. and Navistar Financial Corporation (NFC). References herein to the company, we, our, or us refer collectively to NIC, its subsidiaries, and certain variable interest entities (VIEs) of which we are the primary beneficiary. We operate in four principal industry segments: Truck, Engine, Parts (collectively called manufacturing operations), and Financial Services. The Financial Services segment consists of NFC and our foreign finance operations (collectively called financial services operations).

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements include the assets, liabilities, revenues, and expenses of our manufacturing operations, majority owned dealers, wholly-owned financial services subsidiaries, and VIEs of which we are the primary beneficiary. The effects of transactions among consolidated entities have been eliminated to arrive at the consolidated amounts. Certain reclassifications were made to prior year s amounts to conform to the 2008 presentation.

We prepared the accompanying unaudited condensed consolidated financial statements in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by U.S. GAAP for comprehensive annual financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting policies described in the Annual Report on Form 10-K for the year ended October 31, 2007 and should be read in conjunction with the disclosures therein. In our opinion, these interim financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position, results of operations, and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of annual operating results.

Accounting Changes

As of November 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*. See Note 9, *Income taxes,* for more information.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Significant estimates and assumptions are used for, but are not limited to, pension and other postretirement benefits, allowance for losses, sales of receivables, income tax contingency accruals and valuation allowances, product warranty accruals, asbestos accruals, asset impairment, and litigation related accruals. Actual results could differ from our estimates.

Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Concentration Risks

Our financial position, results of operations, and cash flows are subject to concentration risks related to concentrations of union employees and two customers. As of April 30, 2008, approximately 6,100, or 64%, of our hourly workers and approximately 700, or 10%, of our salaried workers are represented by labor unions and are covered by collective bargaining agreements. See Note 13, *Segment reporting*, for discussions on customer concentration.

Product Warranty Liability

Accrued product warranty and deferred warranty revenue activity is as follows:

	Six Months Ended April 30,	
	2008	**2007**
(in millions)		
Balance, at beginning of period	**$ 677**	$ 777
Costs accrued and revenues deferred	**100**	120
Adjustments to pre-existing warranties[(A)]	**5**	25
Payments and revenues recognized	**(174)**	(170)
Balance, at end of period	**$ 608**	$ 752

(A) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods.

The amount of deferred revenue related to extended warranty programs as of April 30, 2008 and October 31, 2007 was $125 million and $127 million, respectively. Revenue recognized under our extended warranty programs was $12 million and $6 million, and $23 million and $11 million for three months and six months ended April 30, 2008 and 2007, respectively.

New Accounting Pronouncements

Accounting pronouncements issued by various standard setting and governmental authorities that have not yet become effective with respect to our condensed consolidated financial statements are described below, together with our assessment of the potential impact they may have on our financial position, results of operations, or cash flows:

Pronouncement	Effective Date	Impact on Our Financial Condition and Results of Operations
Emerging Issues Task Force Issue No. 08-3, *Accounting by Lessees for Nonrefundable Maintenance Deposits*	Effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. Early adoption is not permitted. Our effective date is November 1, 2009.	We are evaluating the potential impact, if any.

Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Pronouncement	Effective Date	Impact on Our Financial Condition and Results of Operations
FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*	Effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. Our effective date is November 1, 2009.	We are evaluating the potential impact, if any.
FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities An Amendment of FASB Statement No. 133*	Effective for fiscal years and interim reporting periods beginning after November 15, 2008. Our effective date is February 1, 2009.	When effective, we will comply with the disclosure provisions of this Statement.
FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51*	Effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. Our effective date is February 1, 2009.	We are evaluating the potential impact, if any.
FASB Statement No. 141(R), *Business Combinations*	Applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. Our effective date is November 1, 2009.	We will adopt this Statement on a prospective basis.
Emerging Issues Task Force Issue No. 07-03, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities*	Effective for financial statements issued for fiscal years beginning after December 15, 2007. Our effective date is November 1, 2008.	We are evaluating the potential impact, if any.
FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*	Effective as of the beginning of the first fiscal year beginning after November 15, 2007. If we adopt the Fair Value Option, our effective date is November 1, 2008.	We are evaluating the potential impact, if any. We have not determined whether to adopt the fair value option.
FASB Statement No. 157, *Fair Value Measurements*	Effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. Our effective date is November 1, 2008.	We are evaluating the potential impact, if any.

Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

2. Disposal of business

In December 2007, we sold all of our interests in a heavy duty truck parts remanufacturing business. In connection with the sale, we received gross proceeds of $22 million, including liabilities assumed, resulting in a gain of $4 million.

3. Finance and other receivables, net

Information regarding impaired finance receivables is as follows:

	As of	
	April 30, 2008	**October 31, 2007**
(in millions)		
Outstanding balances with specific loss reserves	**$ 55**	$ 52
Specific loss reserves	**8**	11
Outstanding balances on non-accrual status loans	**42**	39
Average balance of impaired finance receivables	**55**	42
Outstanding balances with payments over 90 days past due	**129**	120

Impaired receivables include accounts identified as critical accounts as a result of financial difficulties and accounts that are on non-accrual status. In certain cases, we continue to collect payments on our impaired receivables.

The activity related to our allowance for losses for finance and other receivables is summarized as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2008	**2007**	**2008**	**2007**
(in millions)				
Balance, at beginning of period	**107**	78	**101**	75
Provision for doubtful accounts	**6**	10	**18**	15
Charge-off of accounts, net of recoveries	**(20)**	(8)	**(26)**	(10)
Balance, at end of period	**$ 93**	$ 80	**$ 93**	$ 80

Repossessions

We repossess leased and sold trucks on defaulted finance receivables and leases, and place them into *Inventories*. We liquidate these repossessions to partially recover the credit losses in our portfolio. Losses recognized at the time of repossession and charged against the allowance for losses for the three months ended April 30, 2008 and 2007 were $12 million and $6 million, and for the six months ended April 30, 2008 and 2007 were $16 million and $7 million, respectively. Losses recognized upon the sale of repossessed vehicles for the three months ended April 30, 2008 and 2007 were $4 million and less than $1 million, and for the six months ended April 30, 2008 and 2007 were $4 million and $1 million, respectively.

Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

A summary of the activity related to repossessed vehicles is as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2008	2007	2008	2007
(in millions)				
Repossessed vehicles, at beginning of period	**31**	10	**25**	6
Repossessions	**42**	15	**62**	23
Liquidations	**(25)**	(8)	**(39)**	(12)
Repossessed vehicles, at end of period	**$ 48**	$ 17	**$ 48**	$ 17

4. Sales of receivables

The primary business of our financial services operations is to provide wholesale, retail, and lease financing for new and used trucks sold by us and our dealers and, as a result, our finance receivables and leases have a significant concentration in the trucking industry. On a geographic basis, there is not a disproportionate concentration of credit risk in any area of the U.S. or other countries where we have financial service operations. We retain as collateral an ownership interest in the equipment associated with leases and, on behalf of the various trusts we maintain, a security interest in equipment associated with wholesale notes and retail notes.

NFC finances receivables through Navistar Financial Retail Receivables Corporation (NFRRC), Navistar Financial Securities Corporation (NFSC), Truck Retail Accounts Corporation (TRAC), Truck Retail Instalment Paper Corporation (TRIP), and International Truck Leasing Corporation (ITLC), which are all special purpose, wholly-owned subsidiaries (SPEs) of NFC. In accordance with FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, these transactions are accounted for either as a sale with gain or loss recorded at the date of sale and a retained interest recorded, or as secured borrowings. We provide limited recourse for all subordinated receivables. The recourse is limited to our retained interest and relates to credit risk only.

Off-Balance Sheet Securitizations

The NFSC trust owned $956 million of wholesale notes and $35 million of marketable securities as of April 30, 2008 and $1.1 billion of wholesale notes and $85 million of marketable securities as of October 31, 2007.

Components of available wholesale note trust funding certificates related to NFSC were as follows:

		As of	
	Maturity	April 30, 2008	October 31, 2007
(in millions)			
Investor certificate	July 2008	**$ 200**	$ 200
Investor certificate	February 2010	**212**	212
Variable funding certificate	November 2008	**800**	800
Total funding available		**1,212**	1,212
Funding utilized		**(832)**	(982)

Unutilized funding	**$ 380**	$ 230

Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

All of the unutilized funding is related to the variable funding certificate (VFC). Our retained interest was $164 million and $200 million as of April 30, 2008 and October 31, 2007, respectively.

The TRAC trust owned $111 million of retail accounts and $9 million of marketable securities as of April 30, 2008, and $155 million of retail accounts and $26 million of marketable securities as of October 31, 2007.

The amount of available retail accounts funding related to TRAC was as follows:

(in millions)	Maturity	As of April 30, 2008	As of October 31, 2007
Funding conduit	August 2008	**$ 100**	$ 100
Funding utilized		**(43)**	(60)
Unutilized funding		**$ 57**	$ 40

Our retained interest was $76 million and $119 million as of April 30, 2008 and October 31, 2007, respectively.

For the three months ended April 30, 2008 and 2007, proceeds from the sale of finance receivables with off balance sheet treatment were $1.0 billion and $1.2 billion, respectively. For the six months ended April 30, 2008 and 2007, proceeds from the sale of finance receivables with off balance sheet treatment were $1.8 billion and $2.8 billion, respectively.

Retained Interests

The SPEs assets are available to satisfy their creditors claims prior to such assets becoming available for the SPEs own uses or to NFC or affiliated companies. NFC is under no obligation to repurchase any sold receivable that becomes delinquent in payment or otherwise is in default. The terms of receivable sales generally require NFC to provide credit enhancements in the form of excess seller s interest and/or cash reserves with the trusts and conduits. The use of such cash reserves by NFC is restricted under the terms of the securitized sales agreements. The maximum exposure under all receivable sale recourse provisions was $240 million and $319 million as of April 30, 2008 and October 31, 2007, respectively.

The following is a summary of amounts due from sales of receivables (retained interest):

(in millions)	As of April 30, 2008	As of October 31, 2007
Excess seller s interest	**$ 222**	$ 296
Interest only strip	**8**	11
Restricted cash reserves	**10**	12
Total amounts due from sales of receivables	**$ 240**	$ 319

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Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

The key economic assumptions used in valuing our retained interests are as follows:

	As of	
	April 30, 2008	**October 31, 2007**
Discount rate (annual)	**10.5 to 16.5%**	10.3 to 18.8%
Estimated credit losses	**0 to 0.18%**	0 to 0.18%
Payment speed (percent of portfolio per month)	**10.0 to 75.0%**	9.9 to 69.2%

The lower end of the discount rate assumption range and the upper end of the payment speed assumption range were used to value the retained interests in the TRAC retail account securitization. No percentage for estimated credit losses were assumed for TRAC as no losses have been incurred to date. The upper end of the discount rate assumption range and the lower end of the payment speed assumption range were used to value the retained interests in the wholesale note securitization facility.

The following tables reconcile the total serviced portfolio to NFC s on-balance sheet portfolio, net of unearned income:

(in millions)	Retail Notes	Finance Leases	Wholesale Notes	Accounts Receivable	Total
As of April 30, 2008					
Total portfolio	**$2,735**	**$132**	**$1,113**	**$354**	**$4,334**
Less: Sold receivables			**(820)**	**(111)**	**(931)**
Total on balance sheet	**$2,735**	**$132**	**$293**	**$243**	**$3,403**
As of October 31, 2007					
Total portfolio	$ 3,012	$ 157	$ 1,025	$ 424	$ 4,618
Less: Sold receivables			(919)	(155)	(1,074)
Total on balance sheet	$ 3,012	$ 157	$ 106	$ 269	$ 3,544

Securitization Income

The following table sets forth the activity related to off-balance sheet securitizations, which are reported in *Finance revenues*:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions)	**2008**	**2007**	**2008**	**2007**
Fair value adjustments	**$ 2**	$ (1)	**$ 5**	$ 6
Excess spread income	**6**	12	**11**	31
Servicing fees revenue	**3**	4	**6**	8
Losses on sales of receivables	**(4)**	(2)	**(7)**	(5)

Investment revenue	**1**	1	**3**	3
Securitization income	**$ 8**	$ 14	**$ 18**	$ 43

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Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

5. Inventories

The components of inventories are as follows:

	As of	
(in millions)	**April 30, 2008**	**October 31, 2007**
Finished products	**$ 835**	$ 851
Work in process	**118**	210
Raw materials	**353**	293
Supplies	**58**	58
Total inventories	**$ 1,364**	$ 1,412

6. Investments in and advances to non-consolidated affiliates

Investments in and advances to non-consolidated affiliates is comprised of a 49 percent ownership interest in Blue Diamond Parts (BDP), a 51 percent ownership interest in Blue Diamond Truck (BDT), and thirteen other partially-owned affiliates. We do not control these affiliates, but have the ability to exercise significant influence over their operating and financial policies. Our ownership percentages in the thirteen other affiliates range from 9.9 percent to 51 percent. Our investment in these affiliates is an integral part of our operations, and we account for them using the equity method of accounting.

Presented below is summarized financial information for BDP, which is considered a significant unconsolidated affiliate. BDP manages sourcing, merchandising, and distribution of various replacement parts. The following table summarizes results of operations information of BDP:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions)	**2008**	**2007**	**2008**	**2007**
Net service revenue	**$ 57**	$ 49	**$ 108**	$ 109
Net expenses	**7**	7	**16**	18
Income before tax expense	**50**	42	**92**	91
Net income	**50**	42	**91**	90

7. Debt

NFC s Revolving Credit Agreement (Credit Agreement), as amended in March 2007, has two primary components, a term loan of $620 million and a revolving bank loan of $800 million. The latter has a Mexican sub-revolver ($100 million), which may be used by NIC s Mexican financial services operations.

The Credit Agreement requires both NIC and NFC to file with the SEC and provide to NFC s lenders copies of their respective Annual Reports on Form 10-K