NAVISTAR INTERNATIONAL CORP
Form 424B5
October 26, 2009
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Title of Each Class of Securities to be Registered	Amount to be Registered	Offering Price per Note	Aggregate Offering Price	Amount of Registration Fee(1)
8.25% Senior Notes due 2021	$1,000,000,000	96.328%	$963,280,000	$53,751.02
Guarantees of 8.25% Senior Notes due 2021				(2)

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended (the Securities Act), and relates to the registration statement on Form S-3 (File No. 333-162588) filed by the Registrant.
(2) Pursuant to Rule 457(n) of the Securities Act, no separate registration fee is payable for such guarantees.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-162588

PROSPECTUS SUPPLEMENT

(To Prospectus dated October 20, 2009)

$1,000,000,000

Navistar International Corporation

8.25% Senior Notes Due 2021

We are offering $1,000,000,000 aggregate principal amount of our 8.25% Senior Notes due 2021.

We will pay interest on the notes on May 1 and November 1 of each year, beginning May 1, 2010. The notes will mature on November 1, 2021. At any time on or after November 1, 2014, we may redeem the notes, in whole or in part, at redemption prices described in this prospectus supplement under Description of the Notes Optional redemption. At any time prior to November 1, 2012, we may also redeem up to 35% of the principal amount the notes using the proceeds of certain public equity offerings at a redemption price of 108.25% of the principal amount of the notes, plus accrued and unpaid interest, if any. In addition, not more than once during each twelve-month period ending on November 1 of 2010, 2011, 2012, 2013 and 2014, we may redeem up to $50 million in principal amount of the notes in each such twelve-month period, at a redemption price equal to 103% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any. We may also redeem some or all of the notes at any time prior to November 1, 2014 at a redemption price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest, if any. If we sell certain of our assets or experience specific kinds of changes in control, we must offer to repurchase the notes.

The notes will be our senior unsecured obligations and rank equally with our existing and future unsecured senior indebtedness. The notes will be guaranteed on a senior unsecured basis by our principal operating subsidiary, Navistar, Inc. The notes will be structurally subordinated to all of the liabilities of our subsidiaries that will not guarantee the notes.

Concurrently with this offering of notes, under a separate prospectus supplement, we are offering $550.0 million in aggregate principal amount of convertible senior subordinated notes due 2014 (plus up to an additional $75.0 million, if the underwriters exercise in full their over-allotment option). This offering is conditioned upon the completion of the concurrent convertible notes offering such that we have sufficient net proceeds to repay all amounts outstanding under our existing credit facilities. The completion of our concurrent convertible notes offering is not conditioned upon the completion of this offering.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-19 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total

Price to Public(1)	96.328%	$963,280,000
Underwriting Discount	1.650%	$ 16,500,000
Proceeds to Navistar International Corporation (Before Expenses)	94.678%	$946,780,000

(1) Plus accrued interest, if any, from October 28, 2009.

The notes will not be listed on any securities exchange. Currently there is no public market for the notes.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about October 28, 2009.

Joint Book-Running Managers

Credit Suisse

BofA Merrill Lynch

J.P. Morgan

Citi

Deutsche Bank Securities

Goldman, Sachs & Co.

Co-Managers

RBC Capital Markets **Scotia Capital** **UBS Investment Bank**

The date of this prospectus supplement is October 22, 2009.

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Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the headings Where You Can Find More Information and Incorporation of Certain Documents by Reference.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. See Incorporation of Certain Documents By Reference.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus together with any free writing prospectus used in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which this information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

CERTAIN DEFINED TERMS

Unless otherwise indicated or the context otherwise requires, as used in this prospectus supplement:

- the Company, us, we, our and Navistar refer collectively to Navistar International Corporation and its consolidated subsidiaries and their respective predecessors;
- NIC refers to Navistar International Corporation, exclusive of its consolidated subsidiaries;
- Guarantor refers to Navistar, Inc., a direct, wholly-owned subsidiary of NIC through which it conducts most of its manufacturing operations;
- NFC refers to Navistar Financial Corporation, a wholly-owned subsidiary of Navistar, Inc., which, together with NIC s Mexican financial services subsidiaries that provide financial services to its dealers and customers in Mexico, comprise substantially all of our financial services operations;
- mid-range diesel engines refers to 160-325 horsepower diesel fuel-powered engines;
- North America refers to the United States and Canada; and
- OEMs refer to original equipment manufacturers.

MARKET AND INDUSTRY DATA

Market data and other statistical information used throughout this prospectus supplement and in the documents incorporated by reference into this prospectus supplement are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data is also based on good faith estimates by our management, which are derived from their review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

WHERE YOU CAN FIND MORE INFORMATION

Navistar is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act) and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (SEC). The reports and other information filed by it with the SEC in accordance with the Exchange Act may be inspected and copied at the Public Reference Room maintained by the SEC at Room 1024, Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549. Copies of such material or parts thereof may also be accessed electronically by means of the SEC s home page on the Internet at *http://www.sec.gov*. Information on the operations of the Public Reference Room maintained by the SEC may be obtained by calling the SEC at 1-800-SEC-0330.

This prospectus supplement and the accompanying prospectus, which forms a part of the registration statement, do not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement. Any statements made in this prospectus supplement or the accompanying prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

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SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and related notes in the documents incorporated by reference in this prospectus supplement, including our Quarterly Report on Form 10-Q for the quarter ended July 31, 2009 (Third Quarter 10-Q) and our 2008 Annual Report on Form 10-K for the fiscal year ended October 31, 2008 (2008 Annual Report). Our fiscal year ends on October 31. Our fiscal years are identified in this prospectus supplement according to the calendar year in which they end. For example, our fiscal year ended October 31, 2008 is referred to as fiscal 2008. All references to a particular year that is not preceded with the word fiscal refers to the calendar year.

Our Business

Overview

We are a leading international manufacturer of *International* brand commercial and military trucks, *MaxxForce* brand diesel engines, *IC Bus* brand school and commercial busses, *Monaco RV* brands of recreational vehicles, *Workhorse Custom Chassis (WCC)* brand chassis for motor homes and step vans, and a provider of service parts for diesel engines and all makes of trucks and trailers. Additionally, we are a private-label designer and manufacturer of diesel engines for the pickup truck, van, and sport utility vehicles (SUV) markets. Through our financial services operations, we also provide retail, wholesale, and lease financing of our trucks, and financing for our wholesale and retail accounts. For the nine months ended July 31, 2009 and fiscal 2008, our manufacturing operations had net sales of manufactured products to third parties of approximately $8,069 million and $14,399 million, respectively, EBITDA (as defined below) of approximately $516 million and $697 million, respectively, and net income of approximately $211 million and $147 million, respectively. See Supplemental Financial and Operating Data and Note (5) thereto for a reconciliation of net income (loss) to EBITDA for these periods and Selected Consolidating Financial Data.

We market our truck products, parts and services through the industry s largest independent dealer network in North America, specializing in medium and heavy trucks and school buses. As of October 31, 2008, our dealer network was comprised of 820 locations in North America. In addition, as of October 31, 2008, we had 85 dealer locations in Mexico. Our dealer network offers a comprehensive range of service, financing and other support functions to our customers. We also operate seven North American regional parts distribution centers that provide 24-hour availability. We provide certain financial services to our customers and dealers through NFC and our foreign finance subsidiaries.

We operate in four industry segments: Truck, Engine, Parts and Financial Services. For accounting purposes, we also have a Corporate segment, which contains those items that are not included in our four other segments. For ease of reference, we collectively refer to our Truck, Engine and Parts segments and corporate items as our manufacturing operations, and our Financial Services segment as our financial services operations.

Set forth below is certain information regarding our industry segments based on our results for fiscal 2008:

Industry Segment	Fiscal 2008 Revenues ($ in millions)	% of Fiscal 2008 Revenues, Net	Fiscal 2008 Chargeouts(A)
Truck	$ 10,314	70%	102,200
Engine	2,499	17	345,500
Parts	1,586	11	N/A
Financial Services	325	2	N/A
Total	$ 14,724	100%	N/A

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(A) Chargeouts are defined by management as trucks or engines, as applicable, that have been invoiced to customers, with units held in dealer inventory primarily representing the principal difference between retail deliveries and chargeouts with respect to trucks.

Truck Segment

Our Truck segment manufactures and distributes a full line of class 4 through 8 trucks and buses in the common carrier, private carrier, government/service, leasing, construction, energy/petroleum, military vehicles, and student and commercial transportation markets under the *International* and *IC Bus* brands. This segment also produces chassis for motor homes and commercial step-van vehicles under the *WCC* brand and recreational vehicles under the *Monaco RV* brands. Additionally, we design, produce, and market a brand of light commercial vehicles for the truck market in India under the *Mahindra International* (Mahindra) brand through a 49% owned joint venture.

Set forth below is certain information regarding our truck products:

Description	Fiscal 2008 Chargeouts(A)	Estimated Market Share(B)
School Bus	13,500	55%
Medium Trucks	20,300	36
Heavy Trucks	18,800	19
Severe Service Trucks (excl. U.S. Military)	12,800	27
Total U.S. and Canada (excl. U.S. Military)	65,400	29
U.S. Military	7,500	N/A
Expansion Markets(C)	29,300	N/A
Total Truck	102,200	N/A

(A) Chargeouts are defined by management as trucks that have been invoiced to customers, with units held in dealer inventory primarily representing the principal difference between retail deliveries and chargeouts.

(B) Based on chargeouts made by us in fiscal 2008.

(C) Expansion Markets include all markets outside the U.S. and Canada, and include chargeouts of all of our truck products on an aggregate basis.

We recently established a joint venture with Caterpillar Inc. (known as NC^2 Global LLC) for the purpose of developing, designing, testing, manufacturing, assembling, branding, marketing and selling, and distributing and providing product support for, heavy and certain medium duty trucks outside of North America and the Indian subcontinent. In addition to this joint venture, we also entered into a strategic alliance with Caterpillar involving the development, design, manufacture and sale of *Caterpillar*-branded heavy duty severe service trucks in North America.

Engine Segment

Our Engine segment designs and manufactures diesel engines across the 50 through 475 horsepower range for use primarily in our class 6 and 7 medium trucks, military vehicles, buses, and selected class 8 heavy truck models, and for sale to OEMs in North and South America for SUVs and pick-ups. This segment also sells engines for industrial and agricultural applications, and supplies engines for WCC, Low-Cab Forward (LCF), class 5 vehicles, and began producing our new *MaxxForce* 11 and 13 Big-Bore engines in 2008. Our Engine segment, together with the Ford Motor Company (Ford), has made a substantial investment in the Blue Diamond Parts (BDP) joint venture, which is responsible for the sale of service parts to Ford.

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Parts Segment

Our Parts segment supports our brands of *International* commercial and military trucks, *IC Bus* school and commercial buses, *WCC* chassis and *MaxxForce* engines by providing customers with proprietary products together with a wide selection of other standard truck, trailer, and engine service parts. We distribute service parts in North America and the rest of the world through the dealer network that supports our Truck and Engine segments.

Financial Services Segment

Our Financial Services segment provides retail, wholesale, and lease financing of products sold by our Truck segment and its dealers within the U.S. and Mexico. Our Financial Services segment also finances wholesale and retail accounts receivable. In addition, the segment will finance sales of new products (including trailers) of other manufacturers, regardless of whether designed or customarily sold for use with our truck products. Our Mexican financial services operations primary business is providing wholesale, retail, and lease financing to our Mexican operations dealers and retail customers.

Our Business Strategy

Our long term strategy is focused on three pillars:

- Great Products
  - Growing our Class 8 tractor line, including an expanded line of *ProStar* and *LoneStar* trucks
  - Focusing engine research and development in order to have a competitive advantage in meeting the 2010 emissions standards
  - Introducing our advanced engine technology in new markets
- Competitive Cost Structure
  - Increasing our seamless integration of *MaxxForce* branded engine lines in our products, including the establishment of our new *MaxxForce* 11 and 13 engines
  - Reducing materials cost by increasing global sourcing, leveraging scale benefits, locating synergies among strategic partnerships and making product design improvements
- Profitable Growth
  - Working in cooperation with the U.S. military to provide an extensive line of defense vehicles and product support, including vehicles derived from our existing truck platforms
  - Minimizing the impact of our traditional markets cyclicality by growing our Parts segment and expansion markets sales, such as Mexico, international export, military export, recreational vehicle, commercial bus, and commercial step van

- Broadening our Engine segment customer base
- Entering foreign military sales markets

We believe the two key enablers to the above strategy are as follows:

- Leverage the resources we have and those of our partners
  - Grow in our traditional markets and globally through partnerships and joint ventures to reduce investment, increase speed to market, and reduce risk
  - Maintain product and plant flexibility to fully utilize our existing facilities, people and technologies

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Combine global purchasing relationships to achieve scale and sourcing anywhere in the world to contain costs

Control our destiny

Control the development process and associated intellectual property of our products

Leverage key supplier competencies to reduce costs of components and improve quality

Ensure the health and growth of our distribution network to provide our products to key markets

Recent Developments

Proposed SEC Settlement

As previously disclosed, we are currently subject to an investigation by the SEC with respect to our restatement of our financial results for 2002 and 2003 and the first three quarters of 2004 and the subsequent restatement of our financial results for 2002 through 2004 and for the first three quarters of 2005. The events underlying the subsequent restatement were the subject of an internal investigation completed by a Special Committee of the Board of Directors in December 2007. We have been providing information to and fully cooperating with the SEC on this investigation. To resolve this matter we, along with our chief executive officer, have made offers of settlement to the investigative staff of the SEC and the investigative staff has decided to recommend those offers of settlement to the SEC. As a result of the proposed settlement, in each case without admitting or denying wrongdoing, we would consent to the entry of an administrative settlement and would not pay a civil penalty and our chief executive officer would consent to the entry of an administrative settlement regarding our system of internal accounting controls and return to us a portion of his bonus for 2004. These proposed settlements are subject to mutual agreement on the specific language of the orders and to final approval by the SEC.

Chinese Joint Venture

On September 28, 2009, we announced that our recently established joint venture with Caterpillar (known as NC^2 Global LLC) had signed a framework agreement with Anhui Jianghuai Automobile Co., Ltd., a Chinese manufacturer of automobiles and trucks, to potentially establish a joint venture in China to develop, manufacture and sell trucks and truck parts primarily in China and certain export markets. The framework agreement contemplates that we will work to finalize the joint venture by mid-2010.

NFC Refinancing Plan

Our financial services operations rely upon the asset-backed securitization and commercial paper markets as an important part of their funding sources. Pricing and liquidity in these markets were negatively impacted due to market volatility in capital and credit markets. Although the credit markets have stabilized recently and pricing within the asset-backed securitization and commercial paper markets has improved, pricing remains higher than historical norms. Over the last several months, our financial services operations have been able to access credit markets and we continue to believe that we will have sufficient liquidity to fund our financial services operations for the foreseeable future. Nevertheless, we expect that borrowings could be more costly than in the past. In addition, NFC s senior credit facility is currently scheduled to mature in July 2010, and any refinancing of NFC s outstanding borrowings thereunder is likely to be at higher interest rates. In light of the foregoing, we have engaged in discussions with multiple parties regarding a strategic alliance involving NFC that would ensure funding and liquidity, reduce the need for capital, lower our funding costs, expand the products and services we can offer to our customers and reduce overall leverage at NFC. Various types of transactions are currently being considered and we expect our discussion on these strategic arrangements to continue through the end of 2009 with an agreement on terms of any such alliance to be completed by the spring of 2010.

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In addition, NFC has completed and is actively pursuing a number of financing transactions to improve its liquidity position and extend near-term maturities. For example, on August 26, 2009 NFC renewed a $650 million conduit-based dealer floor plan funding facility for a period of one year. NFC also extended its retail receivables securitization facility (known as TRAC) in August 2009 and expects to renew the TRAC securitization facility again in November 2009. NFC expects to complete an additional wholesale bank conduit facility and/or a capital markets transaction by the end of 2009. Finally, NFC has begun work with its relationship banks to refinance NFC s bank facilities by the end of 2009, likely at a reduced level. As part of this refinancing, NFC expects to complete a retail securitization or asset sale in excess of $300 million. Once the above-described strategic alliance is completed, NFC believes that it would most likely not be necessary to refinance its revolving retail warehouse facility for its retail receivables (known as TRIP) that is currently scheduled to mature on June 15, 2010.

Concurrent Convertible Notes Offering

Concurrently with this offering, under a separate prospectus supplement, dated as of the date hereof, we are offering $550 million in aggregate principal amount (plus up to an additional $75 million in aggregate principal amount, if the underwriters exercise in full their over-allotment option) of 3.00% senior subordinated convertible notes due 2014. We estimate that the net proceeds from our concurrent convertible notes offering will be approximately $532.5 million (or approximately $605.25 million if the underwriters exercise in full their over-allotment option), after deducting underwriters discounts and commissions and estimated offering expenses payable by us.

We expect to use a portion of the net proceeds from the concurrent convertible notes offering and the net proceeds from this offering to repay all amounts outstanding under our existing term loan facility and synthetic revolving facility (collectively, the Credit Facilities), together with any accrued and unpaid interest thereon, and to cash collaterize approximately $19 million of outstanding letters of credit. The remaining proceeds from the offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives. We entered into convertible notes hedge and warrant transactions in connection with the convertible notes offering.

The foregoing description and other information in this prospectus supplement regarding the concurrent convertible notes offering is included solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or a solicitation of an offer to buy, any convertible notes. We cannot assure you that we will complete the concurrent convertible notes offering for the full amount contemplated. This offering is conditioned upon the completion of the concurrent convertible notes offering such that we have sufficient net proceeds to repay all amounts outstanding under the Credit Facilities.

Unless otherwise noted, all references in this prospectus supplement to the expected net proceeds from the concurrent convertible notes offering assumes no exercise by the underwriters of their option to purchase up to an additional $75 million of convertible notes.

Corporate Structure

NIC is a holding company that conducts its manufacturing operations principally through Navistar, Inc. and, to a lesser extent, certain other wholly-owned foreign and domestic subsidiaries and joint ventures, including its Blue Diamond joint ventures with Ford. We also have majority-owned subsidiaries whose principal business is owning an *International* dealership. These subsidiaries are acquired and disposed of by us from time to time in order to facilitate the transition of *International* dealerships from one independent owner to another. Our manufacturing operations are supported by our financial services operations, including NFC. Our financial services operations provide wholesale, retail and lease financing for sales of our new and used trucks, truck chassis, buses and trailers, service parts and engines and retail and lease financing for sales of such products by *International* dealers to their customers.

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Except as noted below, our financial services operations generally fund their operations on an independent basis. Our financial services operations obtain funds to provide financing to our dealers and retail customers from sales of receivables, medium- and long-term debt securities and short- and long-term bank borrowings. As of July 31, 2009, NFC had $1,023 million of combined funding availability from its bank credit facility and other on- and off-balance sheet funding conduits.

We provide credit support to NFC under NFC s bank credit facility through an agreement whereby Navistar, Inc. has agreed not to permit NFC s consolidated income before income taxes, interest expense and dividends on preferred stock, if any, to be less than 125% of NFC s consolidated interest expense and dividends on preferred stock, if any, for any period of four fiscal quarters immediately preceding the date of measurement. Due to the recent challenging conditions within the U.S. financial markets, Navistar, Inc. made capital contributions to NFC under this arrangement of $20 million and $60 million in the nine months ended July 31, 2009 and fiscal 2008, respectively. Navistar, Inc. had not previously made any payments to NFC under this arrangement since 1984. In addition, NIC has guaranteed an aggregate of $88 million of outstanding borrowings by its Mexican financial services subsidiaries under various bank credit facilities as of July 31, 2009.

In general, we sell to NFC on a regular basis for cash a majority of the wholesale and retail notes and wholesale accounts that we generate in the regular course of our business from the sale of trucks and related equipment to our dealers and retail customers. As a result, such sales to NFC provide us with significant working capital during periods of increasing unit sales volume.

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The following chart summarizes our principal operating structure as discussed above:

NIC s principal operating subsidiary, Navistar, Inc., will unconditionally guarantee on a senior unsecured basis all of NIC s obligations under the notes offered hereby and the related indenture. For the most part, substantially all of NIC s foreign and domestic manufacturing subsidiaries will be considered Restricted Subsidiaries under the indenture governing the notes. For the nine months ended July 31, 2009 and fiscal 2008, NIC and its Restricted Subsidiaries (including Navistar, Inc.) generated 89% and 92%, respectively, of our net sales of manufactured products to third parties and approximately 84% and 90%, respectively, of our manufacturing operations EBITDA. See Supplemental Financial and Operating Data.

NFC, its subsidiaries, and NIC s foreign finance and *International* truck dealership subsidiaries and the Blue Diamond joint venture entities will be considered Unrestricted Subsidiaries under the indenture governing the notes. As a result, these Unrestricted Subsidiaries will not be bound by any of the covenants and operating restrictions contained in the indenture and their outstanding indebtedness will not affect, among other things, the amount of indebtedness that NIC and its Restricted Subsidiaries may incur under the indenture. For more information relating to the Navistar, Inc. guarantee, NFC s financing arrangements and the relationship between Navistar, Inc. and NFC, see Capitalization, Description of the Notes Guarantee, Description of Other Financing Arrangements and Certain Arrangements with NFC.

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THE OFFERING

The following is a brief summary of some of the terms of the notes offered hereby. For a more complete description of the terms of the notes, see Description of the Notes in this prospectus supplement.

Issuer	Navistar International Corporation.
Notes offered	$1,000,000,000 aggregate principal amount of 8.25% Senior Notes due 2021.
Maturity date	The notes will mature on November 1, 2021.
Interest	8.25% per annum, payable semi-annually in arrears.
Interest payment dates	May 1 and November 1 of each year, beginning May 1, 2010. Interest will accrue from the issue date of the notes.
Subsidiary guarantees	The notes will be initially guaranteed on a senior unsecured basis, by Navistar, Inc., who we sometimes refer to as the Guarantor. Guarantees of the notes will rank equally in right of payment with any and all of such guarantor s existing and future indebtedness that is not subordinated in right of payment to its guarantee, senior in right of payment to any and all of such guarantor s future indebtedness that is subordinated in right of payment to its guarantee and, to the extent not otherwise secured by assets of such guarantor, effectively subordinated to all existing and future secured indebtedness of such guarantor to the extent of the assets securing such indebtedness.
Ranking	The notes will be NIC s senior unsecured obligations and will rank equally in right of payment with any and all of NIC s existing and future indebtedness that is not subordinated in right of payment to the notes and senior in right of payment to any and all of our future indebtedness that is subordinated in right of payment to the notes, including the convertible notes being offered in a separate offering. The notes will be effectively subordinated to all NIC s existing and future secured indebtedness to the extent of the assets securing such indebtedness and will be structurally junior to all existing and future indebtedness and other liabilities of NIC s subsidiaries that do not guarantee the notes. The notes will be effectively junior to the third party equity interests in our majority-owned dealerships and joint ventures, to the extent of those interests.

As of July 31, 2009, after giving effect to the completion of this offering, the concurrent offering of convertible notes and the application of the proceeds therefrom as set forth in Use of Proceeds, and after excluding intercompany balances and intercompany guarantees:

NIC and the Guarantor would have had on a combined basis approximately $1,939 million of outstanding indebtedness, comprised of (i) $1,000 million of indebtedness represented by the notes (excluding the original issue discount), (ii) approximately

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$270 million of senior secured indebtedness, which would have ranked ahead of the notes to the extent of the value of assets securing such indebtedness, (iii) approximately $119 million of indebtedness ranking pari passu with the notes, (iv) $550 million of indebtedness represented by the convertible notes, which is subordinated in right of payment to the notes, and total assets of approximately $1,869 million;

NIC s Restricted Subsidiaries (other than the Guarantor) would have had (i) approximately $13 million of outstanding indebtedness, (ii) approximately $1,805 million of total liabilities, including trade payables and accrued expenses, and (iii) approximately $2,781 million of total assets; and

NIC s Unrestricted Subsidiaries would have had (i) approximately $3,563 million of outstanding indebtedness, of which $3,401 million was indebtedness of our financial services operations and $162 million was indebtedness of our majority-owned dealership subsidiaries, (ii) approximately $4,007 million of total liabilities, of which $3,627 million were liabilities of our financial services operations and $191 million were total liabilities of our majority-owned dealership subsidiaries, and (iii) approximately $4,788 million of assets, of which $3,940 million constituted assets of our financial services operations and $364 million constituted assets of our majority-owned dealership subsidiaries.

For the nine months ended July 31, 2009 and fiscal 2008, NIC and its Restricted Subsidiaries (including the Guarantor) generated 89% and 92%, respectively, of our net sales of manufactured products to third parties and approximately 84% and 90%, respectively, of our manufacturing operations EBITDA. See Supplemental Financial and Operating Data.

Optional redemption

At any time on or after November 1, 2014, we may redeem the notes, in whole or in part, at the redemption prices listed in Description of the Notes Optional Redemption. At any time prior to November 1, 2012, we may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds from certain public equity offerings at the redemption price described in Description of the Notes Optional redemption. In addition, not more than once during each twelve-month period ending on November 1 of 2010, 2011, 2012, 2013 and 2014, we may redeem up to $50 million in principal amount of the notes in each such twelve-month period, at a redemption price equal to 103% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any. We may also redeem some or all of the notes at any time prior to November 1, 2014 at a redemption price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest, if any.

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Change of control	Upon occurrence of a change of control, as described under Description of the Notes Certain covenants Change of Control, we will be required to commence and consummate an offer to purchase all of the notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued interest (if any) to the payment date (subject to the right of the holders of record on the relevant record date to receive interest due on the relevant interest payment date). We may not have sufficient funds available at the time of a change of control to repurchase the notes. See Risk Factors Risks Related to the Notes We may be unable to repurchase notes in the event of a change of control as required by the indenture.
Certain covenants	The indenture governing the notes will limit our ability and the ability of our restricted subsidiaries to, among other things: make restricted payments; incur additional debt and issue preferred or disqualified stock; create liens; create or permit to exist restrictions on our ability or the ability of our restricted subsidiaries to make certain payments or distributions; engage in sale-leaseback transactions; engage in mergers or consolidations or transfer all or substantially all of our assets; designate restricted and unrestricted subsidiaries; make certain dispositions and transfers of assets; place limitations on the ability of our restricted subsidiaries to make distributions; enter into transactions with affiliates; and guarantee indebtedness.

These covenants are subject to a number of important exceptions and qualifications, which are described under Description of the Notes Certain covenants.

If the notes are assigned an investment grade rating by Standard & Poor s Rating Services and Moody s Investors Service, Inc. and no default has occurred or is continuing, certain covenants will be suspended. If either rating on the notes should subsequently decline to below investment grade, the suspended covenants will be reinstated.

Use of proceeds	We expect to use a portion of the net proceeds from this offering and the concurrent convertible notes offering, to repay all amounts outstanding under our Credit Facilities, together with any accrued and unpaid interest thereon, and to cash collaterize approximately $19 million of outstanding letters of credit. The remaining proceeds from these offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives.

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This offering is conditioned upon the completion of the concurrent convertible notes offering such that we have sufficient net proceeds to repay all amounts outstanding under the Credit Facilities. See Use of Proceeds.