

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

NORTHWEST AIRLINES CORP

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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 0-23642

NORTHWEST AIRLINES CORPORATION

(Debtor-in-Possession)

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-1905580

(I.R.S. Employer Identification No.)

2700 Lone Oak Parkway, Eagan, Minnesota

(Address of principal executive offices)

55121

(Zip Code)

Registrant's telephone number, including area code **(612) 726-2111**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2005 was \$387 million.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of January 31, 2006, there were 87,262,242 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required to be included in Part III of this Form 10-K will be provided in accordance with General Instruction G3 no later than April 30, 2006.

PART I

Item 1. BUSINESS

Northwest Airlines Corporation ("NWA Corp." and, together with its subsidiaries, the "Company") is the indirect parent corporation of Northwest Airlines, Inc. ("Northwest"). Northwest operates the world's fifth largest airline, as measured by 2005 revenue passenger miles ("RPMs"), and is engaged in the business of transporting passengers and cargo. Northwest began operations in 1926. Northwest's business focuses on the development of a global airline network through its strategic assets that include:

- domestic hubs at Detroit, Minneapolis/St. Paul and Memphis;
- an extensive Pacific route system with a hub in Tokyo;
- a transatlantic joint venture with KLM Royal Dutch Airlines ("KLM"), which operates through a hub in Amsterdam;
- a domestic and international alliance with Continental Airlines, Inc. ("Continental") and Delta Air Lines, Inc. ("Delta");
- membership in SkyTeam, a global airline alliance with KLM, Continental, Delta, Air France, Alitalia, Aeroméxico, CSA Czech Airlines and Korean Air;
- exclusive marketing agreements with two domestic regional carriers, Pinnacle Airlines, Inc. ("Pinnacle Airlines") and Mesaba Aviation, Inc. ("Mesaba"), both of which operate as Northwest Airlink ("Airlink"); and
- a cargo business that operates 14 dedicated freighter aircraft through hubs in Anchorage and Tokyo.

Northwest's business strategies are designed to utilize these assets to the Company's competitive advantage.

The Company maintains a Web site at <http://www.nwa.com>. Information contained on the Company's website is not incorporated into this annual report on Form 10-K. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports and other information about the Company are available free of charge through its Web site at <http://ir.nwa.com> as soon as

reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”). Additional information concerning the Company’s Chapter 11 restructuring is at: <http://www.nwa-restructuring.com>.

See “Item 1. Business - Risk Factors Related to Northwest and the Airline Industry” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview” for a discussion of trends and factors affecting the Company and the airline industry. The Company is managed as one cohesive business unit, but employs various strategies specific to the geographic regions in which it operates. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 20 - Geographic Regions” for a discussion of Northwest’s operations by geographic region.

Chapter 11 Proceedings

On September 14, 2005 (the “Petition Date”), NWA Corp. and 12 of its direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). Subsequently, on September 30, 2005, NWA Aircraft Finance, Inc., an indirect subsidiary of NWA Corp., also filed a voluntary petition for relief under Chapter 11. The Bankruptcy Court is jointly administering these cases under the caption “In re Northwest Airlines Corporation, et al., Case No. 05-17930 (ALG)” (the “Chapter 11 case”). Accordingly, the accompanying consolidated financial statements have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code* (“SOP 90-7”), and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of post-petition liabilities in the ordinary course of business. In accordance with SOP 90-7, the financial statements for the periods presented distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company. The consolidated financial statements shown herein include certain subsidiaries that did not file to reorganize under Chapter 11. The assets and liabilities of these subsidiaries are not considered material to the consolidated financial statements.

Our consolidated financial statements have been prepared in accordance with GAAP on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, our consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern.

However, as a result of the matters discussed under “Item 1. Business - Risk Factors Related to Northwest and the Airline Industry,” including the Company’s Chapter 11 proceedings, realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainties. Given these uncertainties, there is substantial doubt about the Company’s ability to continue as a going concern.

The Company intends to use the provisions of Chapter 11 to reorganize its business in order to return to profitability on a sustained basis. The Chapter 11 process will allow the Company to realize three major elements essential to its transformation including:

- Resizing and optimization of the Company’s fleet to better serve Northwest’s markets;
- Realizing a competitive cost structure, including \$2.2 billion in annual reductions in both labor and non-labor costs, \$1.7 billion of which is incremental to year-end 2005 results;
- Restructuring and recapitalization of the Company’s balance sheet, including a targeted reduction in debt and lease obligations of approximately \$4.2 - \$4.4 billion, providing debt and equity levels consistent with long-term profitability.

The Company has taken a number of actions necessary to achieve these objectives. These actions are outlined below and in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Chapter 11 Proceedings.” In addition, any business plan that forms the basis for a plan of reorganization will have to produce sufficient returns to permit the Company to have adequate access to the capital markets. Any plan will likely require profit improvements and/or cost reductions beyond those elements identified above. The Company will continue to refine its Chapter 11 related goals and objectives in response to market conditions.

As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed on September 30, 2005, an Official Committee of Unsecured Creditors (the “Creditors’ Committee”). The Creditors’ Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court concerning the reorganization. There can be no assurance that the Creditors’ Committee will support the Company’s positions or plan of reorganization.

With the exception of the Company’s non-debtor subsidiaries, the Company continues to operate the business as “debtor-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and applicable court orders. In general, as debtor-in-possession, the Company is authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. In conjunction with the commencement of the Chapter 11 case, the Debtors sought and obtained several orders from the Bankruptcy Court that were intended to enable the Debtors to operate in the normal course of business during the Chapter 11 case. The most significant of these orders (i) authorize the Company to honor pre-petition obligations to customers, (ii) authorize the Company to honor obligations to employees for pre-petition employee salaries, wages, incentive compensation, and benefits, and (iii) permit the Debtors to operate their consolidated cash management system during the Chapter 11 case in substantially the same manner as it was operated prior to the commencement of the Chapter 11 case.

The bankruptcy filing triggered defaults on substantially all the Company’s debt and lease obligations. Under Section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of a debtor’s estate. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities are subject to settlement under the plan of reorganization.

The Debtors’ rights to possess and operate certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract are governed by Section 1110 of the Bankruptcy Code (“Section 1110”). Section 1110 provides that unless the Debtors take certain action within 60 days after the Petition Date or such later date as is agreed by the applicable lessor, secured party, or conditional vendor, the contractual rights of such financier to take possession of such equipment and to enforce any of its other rights or remedies under the applicable agreement are not limited or otherwise affected by the automatic stay or any other provision of the Bankruptcy Code.

The Section 1110 deadline for the Debtors was November 14, 2005. The Debtor has targeted to restructure approximately 50% of its fleet count and is currently on track to realize a projected reduction of approximately \$2.6 billion in balance sheet debt and present value of operating lease payments related to these assets. Agreements are in place or have been tentatively reached for the majority of the targeted savings; manufacturer agreements have also been reached with certain aircraft, aircraft engine, and aircraft-related equipment manufacturers. The Company is currently in negotiations with the other parties.

The Debtors’ balance sheet debt as of December 31, 2005 included \$1.7 billion in unsecured pre-petition debt obligations. These obligations are reflected in the Debtors’ liabilities subject to compromise. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 6 - Liabilities Subject to Compromise” for additional information.

Under Section 365 of the Bankruptcy Code, debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft, and aircraft engines, subject to the approval of the Bankruptcy Court and other conditions. In general, rejection of an unexpired lease or executory contract is treated as a pre-petition breach of the lease or contract in question. Subject to certain exceptions, this rejection relieves debtors

of performing their future obligations under that lease or contract but entitles the lessor or contract counterparty to a pre-petition general unsecured claim for damages caused by the deemed breach. These pre-petition general unsecured claims for damages, where appropriate, are reflected in the Debtors’ liabilities subject to compromise. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 6 - Liabilities Subject to Compromise” for additional information. The Company expects that additional liabilities subject to compromise will

arise in the future as a result of damage claims resulting from the rejection of certain executory contracts and unexpired leases by the Debtors. However, the Company expects that the assumption of certain executory contracts and unexpired leases may convert liabilities subject to compromise to liabilities not subject to compromise. Due to the uncertain nature of many of the potential rejection and abandonment related claims, the Company is unable to project the magnitude of these overall claims with any degree of certainty at this time.

The Bankruptcy Code provides special treatment for collective bargaining agreements (“CBAs”). In particular, Section 1113(c) of the Bankruptcy Code permits the Company to move to reject its CBAs if the Company first satisfies a number of statutorily prescribed substantive and procedural prerequisites and obtains the Bankruptcy Court’s approval of the rejection. After bargaining in good faith and sharing relevant information with its unions, a debtor must make proposals to modify its existing CBAs based on the most complete and reliable information available at the time. The proposed modifications must be necessary to permit the reorganization of a debtor and must provide that all the affected parties are treated fairly and equitably. Ultimately, rejection of the CBAs is appropriate if the unions refuse to agree to a debtor’s necessary proposal “without good cause” and the Bankruptcy Court determines that the balance of the equities favors rejection. The Company has commenced Section 1113(c) proceedings with three of its unions, and has completed the Section 1113(c) hearings with the Professional Flight Attendants Association (“PFAA”) and the Air Line Pilots Association (“ALPA”), although the judge has not yet ruled.

On January 13, 2006, the International Association of Machinists and Aerospace Workers (“IAM”), which represents the Company’s ground employees, agreed to submit the Company’s contract settlement proposal to its members for ratification. As a result of the IAM’s agreement, the Company did not begin the Section 1113(c) hearing related to the IAM collective bargaining agreements. On March 7, 2006, the IAM announced that the contract proposal, covering the Company’s customer service and reservations employees, was ratified by a majority of its members. However, the Company’s contract proposal was not ratified by the IAM-represented equipment service employees (“ESEs”). As a consequence of the ESE ratification vote results, the Company will request that the Bankruptcy Court proceed with the motion for a Section 1113(c) hearing related to the ESE members of the IAM.

On March 1, 2006, the Company reached a tentative consensual agreement on a new contract with its flight attendants represented by the PFAA. The flight attendant agreement is subject to ratification by the Company’s PFAA-represented employees. On March 3, 2006, the Company reached a tentative consensual agreement on a new contract with its pilots, represented by ALPA. The pilot agreement is subject to approval by Northwest’s ALPA-represented employees. Currently, all of the tentative agreements, and the IAM contract proposal, are conditioned on the other agreements becoming effective or on the Company’s obtaining the contemplated savings through implementation of new contract terms.

In November 2005, the Company obtained interim wage reductions either consensually or through Section 1113(e), which will remain in place until the resolution of the Section 1113(c) process.

The Company has also commenced proceedings under Section 1114 of the Bankruptcy Code in conjunction with its Section 1113(c) hearings pursuant to which the Company is seeking reductions in the costs it incurs to provide medical benefits to retirees.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Chapter 11 Proceedings” for further information on the Company’s labor cost restructuring.

On October 28, 2005, the Bankruptcy Court entered an order that restricts the trading of the common stock and debt interests in the Company. The purpose of the order is to ensure that the Company does not lose the benefit of its net operating loss carryforwards (“NOLs”) for tax purposes. Under federal and state income tax law, NOLs can be used to offset future taxable income, and thus are a valuable asset of the Debtors’ estate. Certain trading in the Company’s stock (or debt when the Company is in bankruptcy) could adversely affect the Company’s ability to use the NOLs. Thus, the Company obtained an order that enables it to closely monitor certain transfers of stock and claims and restrict those transfers that may compromise the Company’s ability to use its NOLs. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 13 - Income Taxes” for further information related to the Company’s NOLs.

The Company’s common stock ceased trading on the NASDAQ stock market on September 26, 2005 and now trades in the “over-the-counter” market under the symbol NWACQ.PK. However, the Company currently believes that no value will be ascribed to the Company’s outstanding common stock, preferred redeemable stock, or other equity securities in any plan of reorganization.

The New York Stock Exchange advised the Company on September 15, 2005 that trading in Northwest's 10.5% Class D Pass Through Certificates, Series 2003-1 due April 1, 2009, ticker symbol NWB RP09, as well as the 9.5% Senior Quarterly Interest Bonds due August 15, 2039 (QUIBS), ticker symbol NWB, was suspended. The QUIBS can still be traded on the "over-the-counter" market under the symbol NWBBQ.PK; however, the Company is no longer accruing or paying interest.

In order to exit Chapter 11 successfully, the Company must propose, and obtain confirmation by the Bankruptcy Court of, a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would resolve, among other things, the Debtors' pre-petition obligations and set forth the revised capital structure of the newly reorganized entity. The Debtors have the exclusive right for 120 days from the Petition Date to file a plan of reorganization and, if they do so, 60 additional days to obtain necessary acceptance of the plan. On January 10, 2006, pursuant to Section 1121(d) of the Bankruptcy Code, the Bankruptcy Court approved a motion filed by the Debtors to extend the deadline of the Debtors' exclusive right to file a plan of reorganization and the deadline to obtain necessary acceptance of the plan to July 13, 2006 and September 12, 2006, respectively.

A plan of reorganization must be voted on by holders of impaired claims and equity interests, and must satisfy certain requirements of the Bankruptcy Code and, as noted above, be confirmed by the Bankruptcy Court. A plan has been accepted by holders of claims against and equity interests in a Debtor if (1) at least one-half in number and two-thirds in dollar amount of claims actually voting in each impaired class of claims have voted to accept the plan and (2) at least two-thirds in amount of equity interests actually voting in each impaired class of equity interests have voted to accept the plan. Under certain circumstances set forth in the provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a plan even if such plan has not been accepted by all impaired classes of claims and equity interests. A class of claims or an equity interest that does not receive or retain any property under the plan on account of such claims or interests is deemed to have voted to reject the plan. The precise requirements and evidentiary showing for confirming a plan, notwithstanding its rejection by one or more impaired classes of claims or equity interests, depends upon a number of factors, including the status and seniority of the claims or equity interests in rejecting class, i.e., secured claims or unsecured claims, subordinated or senior claims, preferred or common stock.

Although the Debtors expect to develop a reorganization plan during 2006 for emergence from Chapter 11, or obtain additional extensions to its exclusivity period, there can be no assurance that a reorganization plan will be proposed by the Debtors within the required timeframe or that additional extensions, if required, will be approved. Also, there is no assurance that the proposed plan will be approved by claim holders or confirmed by the Bankruptcy Court.

Operations and Route Network

Northwest and its Airlink partners operate substantial domestic and international route networks and directly serve more than 248 destinations in 23 countries in North America, Asia and Europe.

Domestic System

Northwest operates its domestic system through its hubs at Detroit, Minneapolis/St. Paul and Memphis.

Detroit. Detroit is the ninth largest origination/destination hub in the U.S. Northwest and its Airlink carriers together serve over 150 destinations from Detroit. For the six months ended June 30, 2005, they enplaned 59% of originating passengers from Detroit, while the next largest competitor enplaned 12%.

Minneapolis/St. Paul. Minneapolis/St. Paul is the eighth largest origination/destination hub in the U.S. Northwest and its Airlink carriers together serve over 161 destinations from Minneapolis/St. Paul. For the six months ended June 30, 2005, they enplaned 62% of originating passengers from Minneapolis/St. Paul, while the next largest competitor enplaned 13%.

Memphis. Memphis is the seventeenth largest origination/destination hub in the U.S. Northwest and its Airlink carriers together serve 88 destinations from Memphis. For the six months ended June 30, 2005, they enplaned 57% of originating passengers from Memphis, while the next largest competitor enplaned 14%.

Other Domestic System Operations. Domestic “non-hub” operations include service to as many as 18 destinations from Indianapolis, seven destinations from Milwaukee, service from several heartland cities to Las Vegas, Washington D.C. and Florida destinations, and service from several west coast gateway cities to Hawaii.

International System

Northwest operates international flights to the Pacific and/or the Atlantic regions from its Detroit, Minneapolis/St. Paul and Memphis hubs, as well as from gateway cities such as Boston, Honolulu, Los Angeles, San Francisco, Seattle and Portland.

Pacific. Northwest has served the Pacific market since 1947 and has one of the world’s largest Pacific route networks. Northwest’s Pacific operations are concentrated at Narita International Airport in Tokyo, where it has 362 permanent weekly takeoffs and landings (“slots”) as of December 31, 2005, the most for any non-Japanese carrier. As a result of a 1952 U.S. – Japan bilateral aviation agreement, Northwest has the right to operate unlimited frequencies between any point in the U.S. and Japan as well as extensive “fifth freedom” rights. Fifth freedom rights allow Northwest

to operate service from any gateway in Japan to points beyond Japan and to carry Japanese originating passengers. Northwest and United Airlines, Inc. (“United”) are the only U.S. passenger carriers that have fifth freedom rights from Japan. Northwest uses these slots and rights to operate a network linking seven U.S. gateways and twelve Asian destinations via Tokyo. The Asian destinations served via Tokyo are Bangkok, Beijing, Busan, Guam, Guangzhou, Hong Kong, Manila, Nagoya, Saipan, Seoul, Shanghai, and Singapore. Additionally, Northwest flies nonstop between Detroit and Osaka and Nagoya, and beyond both cities to Saipan and Guam, and uses its fifth freedom rights to fly beyond Osaka to Taipei and beyond Nagoya to Manila.

On June 18, 2004, the United States and the People’s Republic of China agreed to a series of amendments to the 1980 U.S. – China Air Transport Agreement that provides for a significant expansion of air services between the two countries. On July 23, 2004, the U.S. Department of Transportation (“DOT”) gave Northwest the authorization for seven additional combination (passenger and cargo) service frequencies that became available to the Company on August 1, 2004. On October 31, 2004, the Company began using these frequencies to provide new daily roundtrip service between Detroit and Guangzhou, via Tokyo. As a result of these new frequencies, Northwest is currently the only U.S. carrier operating combination service to Guangzhou.

Atlantic. Northwest and KLM operate an extensive transatlantic network pursuant to a commercial and operational joint venture. This joint venture benefits from having antitrust immunity, which allows for coordinated pricing, scheduling, product development and marketing. In 1992, the U.S. and the Netherlands entered into an “open-skies” bilateral aviation treaty, which authorizes the airlines of each country to provide international air transportation between any U.S.-Netherlands city pair and to operate connecting service to destinations in other countries. Northwest and KLM operate joint service between Amsterdam and 17 cities in the U.S., Canada and Mexico, as well as between Amsterdam and India. Codesharing between Northwest and KLM has been implemented on flights to 59 European, six Middle Eastern, ten African, three Asian and 169 U.S. cities. Codesharing is an agreement whereby an airline’s flights can be marketed under the two-letter designator code of another airline, thereby allowing the two carriers to provide joint service with one aircraft. After September 2007, the joint venture can be terminated on three years’ notice. In May 2004, Air France acquired KLM, and KLM and Air France became wholly-owned subsidiaries of a new holding company.

See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 20 – Geographic Regions” for a discussion of Northwest’s operations by geographic region.

Alliances

In addition to its transatlantic joint venture with KLM, Northwest has strengthened its network through other alliance partnerships. Long-term alliances are an effective way for Northwest to enter markets that it would not be able to serve alone. Alliance relationships can include codesharing, reciprocal frequent flyer programs, “through” luggage check-in, reciprocal airport lounge access, joint marketing, sharing of airport facilities and joint procurement of certain goods and services.

Since 1998, Northwest and Continental have been in a domestic and international strategic commercial alliance that connects the two carriers’ networks and includes extensive codesharing, frequent flyer program reciprocity and other cooperative marketing programs. The alliance agreement has a term through 2025.

In August 2002, the Company entered into a strategic commercial alliance agreement with Continental and Delta. This agreement is designed to connect the three carriers’ domestic and international networks and provide for codesharing, reciprocity of frequent flyer programs, airport club use and other cooperative marketing programs. The combined network has increased Northwest’ s presence in the South, East and Mountain West regions of the U.S., as well as in Latin America.

In September 2004, Northwest, together with KLM and Continental Airlines, joined the global SkyTeam Alliance. The addition of Northwest, KLM and Continental made SkyTeam the world’ s second largest airline alliance. The nine members of the SkyTeam alliance, including Northwest, KLM, Continental, Delta, Air France, Alitalia, Aeroméxico, CSA Czech Airlines and Korean Air, currently serve over 343 million passengers annually with more than 15,000 daily departures to 684 destinations in 133 countries. Northwest customers are now able to accrue and redeem frequent flyer miles in their WorldPerks accounts and enjoy travel on any flight operated by a SkyTeam Alliance member carrier. This alliance affords customers the benefits and service options when traveling on multiple airlines while being treated similarly to a customer traveling on a single airline.

Northwest also has domestic frequent flyer and codesharing agreements with several other airlines including Alaska Airlines, Horizon Air, Hawaiian Airlines, American Eagle, Gulfstream International Airlines, and Big Sky Airlines.

In Central America, Northwest has a frequent flyer agreement with Copa Airlines.

In the Pacific, Northwest has frequent flyer agreements with Malaysia Airlines, Japan Airlines, Jet Airways of India, Garuda Indonesia, Cebu Pacific Airlines, Air Tahiti Nui, and China Southern.

In the Atlantic, in addition to its extensive relationship with KLM, Northwest has frequent flyer agreements with KLM cityhopper, Air Europa, Kenya Airways and Malev Hungarian Airlines.

Northwest, together with the SkyTeam Alliance and its other travel partners, currently provide a global network to over 900 cities in more than 160 countries on six continents.

Regional Partnerships

Northwest has exclusive airline services agreements with two regional carriers: Pinnacle Airlines and Mesaba. Under the agreements, these regional carriers operate their flights under the Northwest “NW” code and operate as Northwest AirlinK. The purpose of these airline services agreements is to provide service to small cities and more frequent service to larger cities, increasing connecting traffic at Northwest’ s domestic hubs. The business terms of these agreements involve capacity purchase arrangements. Under these arrangements, Northwest controls the scheduling, pricing, reservations, ticketing and seat inventories for Pinnacle Airlines and Mesaba flights. Northwest is generally entitled to all ticket, cargo and mail revenues associated with these flights. The regional carriers are paid based on operations for certain expenses and receive reimbursement for other expenses. As part of its overall restructuring efforts, the Company is evaluating its service agreements with its regional carriers and has initiated a request for proposal from its existing and other regional carrier operators. The results of the request for proposal are under review. In addition, the Company has obtained the right, under the tentative agreement with ALPA, to contract with operators that utilize 51-76 seat regional jets, including an operator that can be a subsidiary of the Company.

Pinnacle Airlines. Prior to 2003, Pinnacle Airlines Corp., the holding company of Pinnacle Airlines, was a wholly-owned subsidiary of Northwest. As of September 30, 2003, Northwest had contributed 88.6% of the common stock of Pinnacle Airlines Corp. to the Company's pension plans in lieu of required cash contributions pursuant to an exemption granted by the U.S. Department of Labor ("DOL"). On November 24, 2003, the Pinnacle Airlines Corp. shares held by the plans were sold in an initial public offering, with the proceeds retained by the plans. The Company continues to own 11.4% of the common stock of Pinnacle Airlines Corp., and accounts for this investment under the equity method of accounting. The Pinnacle Airlines Corp. common stock had a market value of \$16.6 million and a book value of \$3.0 million as of December 31, 2005. Pinnacle Airlines is scheduled to provide passenger service for up to 128 cities.

Mesaba. On October 13, 2005, Mesaba, a wholly-owned subsidiary of MAIR Holdings, Inc. ("MAIR"), filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the District of Minnesota (Case No. 05-39258 (GFK)). In accordance with the provisions of the Bankruptcy Code, Mesaba will continue to operate its business as a debtor-in-possession. The Company is currently unable to determine the impact of Mesaba's bankruptcy on its operations or financial condition with any certainty. The Company owns 27.5% of MAIR's common stock and accounts for this investment under the equity method of accounting. The book value and market value of this investment as of December 31, 2005, was \$26.6 million. Mesaba is scheduled to provide passenger service for up to 125 cities.

See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 19 - Related Party Transactions" regarding the Company's transactions with Pinnacle Airlines and Mesaba.

Cargo

The Company is the largest cargo carrier among U.S. passenger airlines based on revenue, and the only one to operate a dedicated freighter fleet. In 2005, cargo accounted for 7.7% of the Company's operating revenues, with approximately 78% of its cargo revenues resulting from cargo originating in or destined for Asia. Through its cargo hubs in Anchorage and Tokyo, the Company serves most major air freight markets between the U.S. and Asia with a fleet of 14 Boeing 747-200 freighter aircraft, the last of which was added to the freighter fleet in January 2006. In addition to revenues earned from the dedicated freighter fleet, the Company also generates cargo revenues in domestic and international markets through the use of cargo space on its passenger aircraft.

Northwest is able to participate in the high yield, small package "express" business by providing airlift for cargo integrators using its extensive network across the Pacific. In September 2005, the Company extended and expanded its agreement with DHL Worldwide Express ("DHL") until 2008, to provide DHL with a specified amount of cargo capacity on Northwest's flights from DHL's U.S. hub operation in Wilmington, Ohio to various points in Asia. Northwest has a cargo alliance with Japan Airlines under which the two airlines codeshare on certain routes between the U.S. and Japan. In October 2004, the Company and Korean Airlines entered into an agreement to codeshare on certain routes between the U.S. and Asia. Under this agreement, implemented in February 2005, the two airlines transfer freight between their respective flights at Northwest's cargo hub in Anchorage.

In 2004, the United States and the People's Republic of China agreed to a series of amendments to the 1980 U.S. - China Air Transport Agreement. The amendments provide for a significant expansion of air services between the two countries. On September 3, 2004, the DOT awarded Northwest six additional U.S. - China all-cargo frequencies, which the Company is using for freighter service to Shanghai, via its cargo hubs in Anchorage and Tokyo. Additionally, on February 22, 2005, the DOT awarded Northwest three additional U.S. - China all-cargo frequencies that will become available on March 25, 2006. The Company intends to use these frequencies to expand cargo service to Guangzhou via the Tokyo hub.

Effective September 30, 2005, Northwest Airlines Cargo joined SkyTeam Cargo. SkyTeam Cargo is the largest global airline cargo alliance. The eight members of SkyTeam Cargo, Northwest Airlines Cargo, Aeroméxico Cargo, Air France Cargo, Delta Air Logistics, Korean Air Cargo, Alitalia Cargo, CSA Cargo, and KLM Cargo, currently operate approximately 8,700 daily flights, to 540 destinations in 127 countries. This alliance offers customers a consistent standard of performance, quality and detailed attention to service.

Other Travel Related Activities

MLT Inc. MLT Inc. (“MLT”), an indirect wholly-owned subsidiary of NWA Corp., is among the largest vacation wholesale companies in the United States. MLT develops and markets Worry-Free Vacations that include air transportation, hotel accommodations and car rentals. In addition to its Worry-Free Vacations charter programs, MLT markets and supports Northwest’s WorldVacations travel packages to destinations throughout the U.S., Canada, Mexico, the Caribbean, Europe and Asia, primarily on Northwest. These vacation programs, in addition to providing a competitive and quality tour product, increase the sale of Northwest services and promote and support new and existing Northwest destinations. In 2005, MLT had \$499 million in operating revenues.

Frequent Flyer Program. Northwest operates a frequent flyer loyalty program known as “WorldPerks.” WorldPerks is designed to retain and increase traveler loyalty by offering incentives for their continued patronage. Under the WorldPerks program, miles are earned by flying on Northwest or its alliance partners and by using the services of program partners for such things as credit card use, hotel stays, car rentals and other activities. Northwest sells mileage credits to the program partners. WorldPerks members accumulate mileage in their accounts and later redeem mileage for free or upgraded travel on Northwest and other participating airlines. WorldPerks members that achieve certain mileage thresholds also receive enhanced service benefits from Northwest like special service lines, advance flight boarding and upgrades.

Regulation

General. The Airline Deregulation Act of 1978, as amended, eliminated domestic economic regulation of passenger and freight air transportation in many regards. Nevertheless, the industry remains regulated in a number of areas. The DOT has jurisdiction over international route authorities and various consumer protection matters, such as advertising, denied boarding compensation, baggage liability and access for persons with disabilities. Northwest is subject to regulations of the DOT and the Federal Aviation Administration (“FAA”) because it holds certificates of public convenience and necessity, air carrier operating certificates and other authority granted by those agencies. The FAA regulates flight operations, including air space control and aircraft standards, maintenance, ground facilities, transportation of hazardous materials and other technical matters. The Department of Justice (“DOJ”) has jurisdiction over airline competition matters, including mergers and acquisitions, under federal antitrust laws. The Transportation Security Administration (“TSA”) regulates airline and airport security. Other federal agencies have jurisdiction over postal operations, use of radio facilities by aircraft and certain other aspects of Northwest’s operations.

International Service. Northwest operates its international routes under route certificates and other authorities issued by the DOT. Many of Northwest’s international route certificates are permanent and do not require renewal by the DOT. Certain other international route certificates and other authorities are temporary and subject to periodic renewal. Northwest requests renewals of these certificates and other authorities when and as appropriate. The DOT typically renews temporary authorities on routes when the authorized carrier is providing a reasonable level of service. With respect to foreign air transportation, the DOT must approve agreements between air carriers, including codesharing agreements, and may grant antitrust immunity for those agreements in some situations.

Northwest’s right to operate to foreign countries, including Japan, China and other countries in Asia and Europe, is governed by aviation agreements between the U.S. and the respective foreign countries. Many aviation agreements permit an unlimited number of carriers to operate between the U.S. and a specific foreign country, while others limit the number of carriers and flights on a given international route. From time to time, the U.S. or its foreign country counterpart may seek to renegotiate or cancel an aviation agreement. In the event an aviation agreement is amended or canceled, such a change could adversely affect Northwest’s ability to maintain or expand air service to the relevant foreign country.

Operations to and from foreign countries are subject to the applicable laws and regulations of those countries. There are restrictions on the number and timing of operations at certain international airports served by Northwest, including Tokyo. Additionally, slots for international flights are subject to certain restrictions on use and transfer.

Aviation Security. The TSA regulates civil aviation security under the Aviation and Transportation Security Act (“Aviation Security Act”). This law federalized substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Since the events of September 11, 2001, Congress has mandated, and the TSA has implemented, numerous security procedures that have imposed and will continue to impose additional compliance responsibilities and costs on airlines. Funding for airline and airport security under the law is provided in part by a \$2.50 per segment passenger security fee, subject to a limit of \$10 per roundtrip. In addition, the law authorizes the TSA to impose an air carrier fee, capped by the aggregate of costs paid by all air carriers in calendar year 2000 for screening passengers and property. The per-carrier limit is capped at the amount expended by that individual air carrier in calendar year 2000. This cap will remain in effect until the TSA revises the per-carrier limit by market share or any other appropriate method. In the fiscal year 2005 Department of

Homeland Security Appropriations Act, Congress required the Government Accountability Office (“GAO”) to conduct a review of the carrier reported costs; as a result of this review, the GAO concluded that the industry-wide aviation security cost were underreported, leaving an uncollected air carrier fee. Using various criteria, the TSA has assessed this underreported amount on certain air carriers, including a \$4.8 million assessment on Northwest. The Company has asked for an administrative review of this assessment.

On November 10, 2004, the TSA proposed to implement regulations addressing security of cargo on passenger and all-cargo aircraft. Also in November 2004, the TSA implemented a test of a passenger pre-screening program, named “Secure Flight,” utilizing passenger data provided to the TSA by U.S. airlines. On December 17, 2004, the President signed into law the Intelligence Reform and Terrorism Prevention Act of 2004, which requires the TSA to take additional actions regarding passenger and air cargo security.

On April 7, 2005, the Bureau of Customs and Border Protection (“CBP”) issued a rule requiring airlines, for security screening purposes, to electronically transmit passenger and crew data to the CBP before flights arrive in or depart from the U.S.

Distribution. On January 31, 2004, most DOT rules governing the conduct of computer reservations systems (“CRSs”) terminated; all remaining rules terminated on July 31, 2004. Among other things, these rules - most of which had been in effect since 1984 - restricted the ability of CRSs to charge discriminatory fees to different airlines for CRS services and to provide travel agency subscribers with schedule displays that give preference to the flights of one airline over those of other airlines. Although these rules have been terminated, DOT continues to assert statutory jurisdiction over the conduct of CRSs, and in November 2005 a federal appeals court upheld DOT’s assertion of jurisdiction.

Airport Access. Four of the nation’s airports, Chicago O’ Hare, New York (La Guardia and Kennedy International) and Washington, D.C. (Ronald Reagan National), have been designated by the FAA as “high density traffic airports.” The number of takeoffs and landings slots at three of these airports - La Guardia, Kennedy International and Reagan National - presently are limited during certain peak demand time periods. Currently, the FAA permits the buying, selling, trading or leasing of these slots subject to certain restrictions. Legislation passed in March 2000 resulted in the elimination of slot restrictions at Chicago O’ Hare on July 1, 2002 and will do so at LaGuardia and Kennedy International on July 1, 2007.

The FAA has implemented voluntary arrangements with the largest operators at Chicago O’ Hare, which currently restrict their operations there until April 2006. The FAA also has proposed to impose more broadly-applicable restrictions at Chicago O’ Hare until April 2008.

Labor. The Railway Labor Act (“RLA”) governs the labor relations of employers and employees engaged in the airline industry. Comprehensive provisions are set forth in the RLA establishing the right of airline employees to organize and bargain collectively along craft or class lines and imposing a duty upon air carriers and their employees to exert every reasonable effort to make and maintain collective bargaining agreements. The RLA contains detailed procedures that must be exhausted before a lawful work stoppage may occur. Pursuant to the RLA, Northwest has collective bargaining agreements with six domestic unions representing nine separate employee groups. In addition, Northwest has agreements with four unions representing its employees in countries throughout Asia. These agreements are not subject to the RLA, although Northwest is subject to local labor laws.

Under the RLA, an amendable labor contract continues in effect while the parties negotiate a new contract. In addition to direct contract negotiations, the RLA also provides for mediation, potential arbitration of unresolved issues and a 30-day “cooling-off” period after the end of which either party can resort to self-help. The self-help remedies include, but are not limited to, a strike by the members of the labor union and the imposition of proposed contract amendments and, in the event of a strike, the hiring of replacement workers by the Company.

See “Item 1. Business - Risk Factors Related to Northwest and the Airline Industry” for additional labor discussion.

Noise Abatement. The Airport Noise and Capacity Act of 1990 (“ANCA”) recognizes the right of airport operators with special noise problems to implement local noise abatement procedures as long as such procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system. As a result of litigation and pressure from airport area residents, airport operators have taken local actions over the years to reduce aircraft noise. These actions include restrictions on night operations, frequency of aircraft operations and various other procedures for noise abatement. While Northwest has sufficient operational and scheduling flexibility to accommodate current local noise restrictions, its operations could be adversely affected if locally imposed regulations become more restrictive or widespread.

Under the direction of the United Nations International Civil Aviation Organization (the “ICAO”), world governments, including the U.S., are considering a more stringent aircraft noise certification standard than that contained in the ANCA. A new ICAO noise standard was adopted in 2001 that established more stringent noise requirements for newly manufactured aircraft after January 1, 2006. As adopted, the new rule is not accompanied by a mandatory phase-out of in-service Chapter 3 aircraft, including certain aircraft operated by Northwest. FAA reauthorization legislation, known as “Vision 100 - Century of Aviation Reauthorization Act” and signed into law by the President on December 12, 2003, required the FAA, by April 1, 2005, to issue regulations implementing Chapter 4 noise standards consistent with ICAO recommendations. In July 2005, the FAA issued a rule adopting Chapter 4 standards.

Safety. The FAA has jurisdiction over aircraft maintenance and operations, including equipment, dispatch, communications, training, flight personnel and other matters affecting air safety. To ensure compliance with its regulations, the FAA requires all U.S. airlines to obtain operating, airworthiness and other certificates, which are subject to suspension or revocation for cause.

Under FAA regulations, the Company has established, and the FAA has approved, maintenance programs for all aircraft operated by the Company. These programs provide for the ongoing maintenance of the Company’s aircraft, ranging from frequent routine inspections to major overhauls. The Company’s aircraft require various levels of maintenance or “checks” and periodically undergo complete overhauls. Maintenance programs are monitored closely by the FAA, with FAA representatives routinely present at the Company’s maintenance facilities. The FAA issues Airworthiness Directives (“ADs”), which mandate changes to an air carrier’s maintenance program. These ADs (which include requirements for structural modifications to certain aircraft) are issued to ensure that the nation’s transport aircraft fleet remains airworthy. The Company is currently, and expects to remain, in compliance with all applicable requirements under all ADs and the FAA approved maintenance programs.

A combination of FAA and Occupational Safety and Health Administration regulations on both the federal and state levels apply to all of Northwest’s ground-based operations in the United States.

Environmental. The Company is subject to regulation under various environmental laws and regulations, including the Clean Air Act, the Clean Water Act and Comprehensive Environmental Response, Compensation and Liability Act of 1980. In addition, many state and local governments have adopted environmental laws and regulations to which the Company’s operations are subject. Environmental laws and regulations are administered by numerous federal and state agencies.

In November 2005, the Environmental Protection Agency (the “EPA”) issued a rule implementing the aircraft emissions standards previously approved by the ICAO, of which the United States is a member. Following issuance of the EPA rule, a lawsuit was filed in the U.S. Court of Appeals for the District of Columbia Circuit on behalf of state and local air regulators against the EPA challenging its rule regulating aircraft emissions on the grounds that the international emissions standards codified by the EPA rule are not stringent enough. Northwest believes it is in compliance with the emissions standards that were codified by the EPA rule.

Northwest, along with other airlines, has been identified as a potentially responsible party at various environmental sites. Management believes that Northwest’s share of liability for the cost of the remediation of these sites, if any, will not have a material adverse effect on the Company’s financial statements.

Civil Reserve Air Fleet Program. Northwest renewed its participation in the Civil Reserve Air Fleet Program (“CRAF”), pursuant to which Northwest has agreed to make available, during the period beginning October 1, 2005 and ending September 30, 2006, 19 Boeing 747-200/400 passenger aircraft, 16 Boeing 757-300 passenger aircraft, 15 DC10-30 passenger aircraft, 11 Airbus A330-300 passenger aircraft, seven Airbus A330-200 passenger aircraft and 14 Boeing 747-200 freighter aircraft for use by the U.S. military under certain stages of readiness related to national emergencies. The program is a standby arrangement that allows the U.S. Department of Defense U.S. Air Force Air Mobility Command to call on some or all of these 82 contractually committed Northwest aircraft and their crews to supplement military airlift capabilities.

Risk Factors Related to Northwest and the Airline Industry

Attempts to reduce labor costs may not be successful.

Labor has always been a critical issue for major airlines, including the Company. Approximately 90% of our employees are represented by unions. Salary and benefit costs are our largest operating expense and reducing these expenses by approximately \$1.35 billion is a major goal of our restructuring plan.

The Company commenced 1113(c) proceedings with three of its largest unions. Before the judge ruled on the Company's motions, the Company reached tentative agreements with the Air Line Pilots Association ("ALPA") and the Professional Flight Attendants Association ("PFAA"), representing the Company's pilot and flight attendant employees, respectively. These tentative agreements are now subject to ratification by the respective employee groups. There can be no assurance that these tentative agreements will be ratified. In addition, all of the tentative agreements, and the IAM contract proposal, are conditioned on the other agreements becoming effective or on the Company's obtaining the contemplated savings through implementation of new contract terms.

Prior to the commencement of the Company's Section 1113(c) hearing, the International Association of Machinists and Aerospace Workers ("IAM"), which represents the Company's ground employees, agreed to submit the Company's contract settlement proposal to its members for ratification. On March 7, 2006, the IAM announced that the contract proposal, covering the Company's customer service and reservations employees, was ratified by a majority of its members. However, the Company's contract proposal was not ratified by the IAM-represented equipment service employees ("ESEs"). As a result of the ESE ratification vote, the Company will ask the Bankruptcy Court to commence the hearing on the Company's Section 1113(c) application relating to the ESE members of the IAM.

If a tentative agreement is not ratified, the Company would seek to impose new contract terms pursuant to the Section 1113(c) process. Certain of the Company's unions have threatened to strike were new contract terms to be imposed. The Company believes that the impacted employee groups are not permitted to strike or engage in self-help remedies under the RLA. In the event the Company were to impose new contract terms under Section 1113(c) and the impacted union sought to strike or engage in self-help, the Company would attempt to obtain an injunction against such activities, although there is no controlling judicial authority that specifically addresses this issue. Failure to obtain such an injunction could lead to a strike or other form of self-help which could have a material adverse effect on the Company.

See the Labor discussion above and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Chapter 11 Proceedings" for additional information related to labor unions.

Employee Group	Approximate Number of Full-time Equivalent Employees Covered	Union	Amendable Date (1)
Pilots	5,000	Air Line Pilots Association, International ("ALPA")	12/31/06
Agents and Clerks	7,300	International Association of Machinists & Aerospace Workers ("IAM")	2/25/03
Equipment Service Employees and Stock Clerks	5,600	International Association of Machinists & Aerospace Workers ("IAM")	2/25/03
Flight Attendants	7,700	Professional Flight Attendants Association ("PFAA")	5/30/05
Mechanics and Related Employees	1,000	Aircraft Mechanics Fraternal Association ("AMFA")	N/A - Imposed Terms

(1) The following are amendable dates for proposed collective bargaining agreements:

- ALPA - *tentative agreement* - December 31, 2010 if the Company emerges from bankruptcy in 2006;
December 31, 2011 if the Company emerges from bankruptcy post 2006.
- IAM - *final contract proposal* - December 31, 2010 if the Company emerges from bankruptcy in 2006;
December 31, 2011 if the Company emerges from bankruptcy post 2006.
- PFAA - *tentative agreement* - December 31, 2011.

In addition to the groups described above, as of December 31, 2005, we had approximately 1,900 foreign national employees, working primarily in Asia. Collective bargaining agreements are also in place for the majority of those foreign national employees.

The Company is currently operating under a voluntary reorganization under Chapter 11.

The Company and 13 of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. Risks and uncertainties associated with the Company's Chapter 11 proceedings include the following:

- Significant costs have been incurred and will continue to be incurred throughout our process of reorganization;
- Garnering support from the Creditors' Committee for critical bankruptcy proceedings;
- Our ability to obtain court approval of specific motions filed in the bankruptcy proceedings;
- Access to capital markets and our ability to secure debtor-in-possession financing if and when needed;
- The potential negative impact of the bankruptcy proceedings on customer and employee relations;
- Maintaining or renegotiating business terms with our vendors; and
- Our ability to propose and obtain approval for a plan of reorganization.

In order to exit Chapter 11 successfully, the Company must propose, and obtain confirmation by the Bankruptcy Court of, a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization must be voted on by holders of impaired claims, and must satisfy certain requirements of the Bankruptcy Code and, as noted above, be confirmed by the Bankruptcy Court. Although the Debtors expect to develop a reorganization plan during 2006 for emergence from Chapter 11, or obtain additional extensions to its exclusivity period, there can be no assurance that a reorganization plan will be proposed by the Debtors within the required timeframe or that additional extensions, if required, will be approved. Also, there is no assurance that the proposed plan will be approved by claim holders or confirmed by the Bankruptcy Court.

The Company's stock has ceased trading on the NASDAQ stock market.

Effective September 26, 2005, our stock ceased trading on the NASDAQ stock market. We believe that no value will be ascribed to our outstanding common stock, preferred redeemable stock, or other equity securities in any plan of reorganization.

The airline industry is intensely competitive.

The airline industry is intensely competitive. Our competitors include other major domestic airlines as well as foreign, regional and new entrant airlines, some of which have more financial resources and/or lower cost structures than ours. In most of our markets we compete with at least one of these carriers. Our revenues are sensitive to numerous factors, and the actions of other carriers in the areas of pricing, scheduling and promotions can have a substantial adverse impact on our revenues. Such factors may become even more significant in periods

when the industry experiences large losses, as airlines under financial stress, or in bankruptcy, may institute pricing structures intended to protect market share, or raise cash quickly, irrespective of the impact to long-term profitability.

Industry revenues have declined substantially and we continue to experience significant operating losses.

Since 2001, the U.S. airline industry has suffered a substantial reduction in revenues, both on an absolute basis and relative to historical trends. We do not anticipate that the revenue environment will materially improve in 2006 and, as a result of various fare actions taken by our competitors, may be worse. Due to the discretionary nature of business and personal travel spending, U.S. airline revenues are heavily influenced by the strength of the U.S. economy, economies in other regions of the world and corporate profitability. While these and other factors may have temporal effects, permanent structural differences in the industry revenue environment have also taken place that have contributed to the decline. These differences are the result of a number of factors.

The rapid growth of low cost airlines has had a profound impact on industry revenues. Using the advantage of low unit costs, driven in large part by lower labor costs, these carriers and carriers who have achieved lower labor costs are able to operate profitably while offering substantially lower fares. By targeting such fares at business passengers in particular, these carriers are shifting demand among those travelers, historically our most profitable customers, away from the larger, more established airlines. Moreover, as a result of their better financial performance, low cost carriers possess the resources necessary to continue to increase their market share and currently have large numbers of aircraft on order to continue their expansion.

Internet travel Web sites have driven significant distribution cost savings for airlines, but have also allowed consumers to become more efficient at finding lower fare alternatives than in the past by providing them with more powerful pricing information. The increased price consciousness of both business and leisure travelers, as well as the growth in new distribution channels, has further motivated airlines to price aggressively to gain market share

advantages. These factors could increase over time as internet ticket sales increase, driving the airline ticketing environment further toward commodity pricing.

The attacks of September 11, 2001 materially impacted air travel and concerns about further terrorist attacks continue to have a negative effect on travel demand. Additionally, security procedures introduced at airports since the attacks have increased the inconvenience of flying, both in reality and in perception, and thus have further reduced demand. Any future terrorist attack might also have a material effect on industry revenues.

Global events exacerbated the decline in airline industry revenue in 2003, and had ongoing effects thereafter. The aftermath of the war in Iraq depressed air travel, particularly on international routes. The outbreak of Severe Acute Respiratory Syndrome (“SARS”) sensitized passengers to the potential for air travel to facilitate the spread of contagious diseases. Another war, expanded hostilities in Iraq, or another outbreak of SARS, Avian flu, or other influenza-type illness, if it were to persist for an extended period, could again materially affect the airline industry by reducing revenues and impacting travel behavior.

Airlines are among the most heavily taxed of all U.S. companies. According to the Air Transport Association, taxes and fees can add up to approximately 25% of what a passenger pays for an average roundtrip domestic airline ticket. These taxes and fees have grown significantly in the past decade. We believe that nearly every dollar of tax or fee increase imposed on airline passengers translates into approximately the equivalent amount of reduced airline revenue.

Our indebtedness, including pension funding liabilities, is substantial.

We have substantial levels of indebtedness. As of December 31, 2005, we had long-term debt and capital lease obligations, including current maturities, not subject to compromise, of \$1.2 billion. This obligation excludes \$7.7 billion of debt and capital lease obligations classified as subject to compromise. We are currently in negotiations with certain creditors related to these obligations. See “Item 8.

We operate in a capital-intensive industry. Periodically, we are required to make significant capital expenditures for new aircraft, related equipment and facilities. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures.

We also have defined benefit pension plans covering our pilots, other contract employees and salaried employees. Funding requirements for defined pension plans are governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). As of December 31, 2005, our pension plans were underfunded by \$3.7 billion, as calculated in accordance with SFAS No. 87, *Employers’ Accounting for Pensions* (“SFAS No. 87”). Absent a distressed plan termination or future asset returns substantially in excess of plan assumptions, we will have to satisfy the underfunded amounts through cash contributions over time. The timing and amount of funding requirements are also dependent upon a number of other factors, including asset returns, interest rates, changes in pension legislation related to funding requirements, the Company’s Chapter 11 proceedings and labor negotiations, applications for and receipt of waivers to reschedule contributions, and changes to pension plan benefits. The funding requirement to meet the normal cost component of the qualified plans’ minimum funding requirements related to post-petition service is currently estimated at approximately \$75 million for calendar year 2006. Due to the extent of the uncertainties, including the amount and timing of asset returns, interest rate levels, the Company’s Chapter 11 proceedings, and in particular, the impact of proposed pension funding legislation, the Company is not able to reasonably estimate its future required contributions beyond 2006. If the Company is unable to obtain sufficient legislative pension relief, termination of the defined benefit plans would become inevitable. Moreover, termination of the pilot defined benefit pension plan would become more likely should the tentative new collective bargaining agreement reached between ALPA and the Company not be ratified.

Changes in government regulations could increase our operating costs and limit our ability to conduct our business.

Airlines are subject to extensive regulatory requirements in the U.S. and internationally. In the last several years, Congress has passed laws, and the FAA has issued a number of maintenance directives and other operating regulations, that impose substantial costs on airlines. Additional laws, regulations, taxes and airport charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time, or because appropriate landing slots or facilities may not be available. We cannot give assurance that laws or regulations enacted in the future will not adversely affect the industry.

We are vulnerable to increases in aircraft fuel costs.

Because fuel costs are a significant portion of our operating costs, substantial changes in fuel costs would materially affect our operating results. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries (“OPEC”) policy, the rapid growth of economies in China and India, the levels of inventory carried by industries, the amounts of reserves built by governments, disruptions to production and refining facilities and weather. In 2005 Hurricane Katrina and Hurricane Rita caused widespread disruption to oil production, refinery operations and pipeline capacity in portions of the U.S. Gulf Coast. As a result of these disruptions, the price of jet fuel increased significantly and the availability of jet fuel supplies were diminished during the fall of 2005. These and other factors that impact the global supply and demand for aircraft fuel may affect our financial performance due to its high sensitivity to fuel prices. A one-cent change in the cost of each gallon of fuel would impact operating expenses by approximately \$1.6 million per month (based on our 2005 mainline and regional aircraft fuel consumption). The Company’s mainline fuel expense per available seat mile increased from \$2.14 per gallon to \$2.99 per gallon, on average, from 2004 to 2005. Changes in fuel prices may have a greater impact on us than some of our competitors because of the composition of our fleet. From time to time, we hedge some of our future fuel purchases to protect against potential spikes in price. However, these hedging strategies may not always be effective and can result in losses depending on price changes. In addition, the Company’s financial condition limits its ability to engage in hedging strategies. As of December 31, 2005, and up until the date of this filing, we had no fuel hedges in place.

Our insurance costs have increased substantially and further increases could harm our business.

Following September 11, 2001, aviation insurers significantly increased airline insurance premiums and reduced the maximum amount of coverage available to airlines for certain types of claims. Our total aviation and property insurance expenses were \$52 million higher in 2005 than in 2000. As a result of the Air Transportation Safety and System Stabilization Act (“Airline Stabilization Act”), the U.S. Homeland Security Act and the U.S. Emergency Wartime Supplemental Appropriations Act, the U.S. federal government assumes most war risk coverage. However, following multiple extensions, this coverage is scheduled to expire on August 31, 2006. While the government may again extend the period that it provides excess war risk coverage, there is no assurance that this will occur, or if it does, how long the extension will last or at what cost the coverage will be provided. Should the government stop providing excess war risk coverage to the airline industry, it is expected that the premiums charged by aviation insurers for this coverage would be substantially higher than the premiums currently charged by the government and the maximum amount of coverage available would be reduced from that currently made available by the government. Aviation insurers could further increase insurance premiums, and the availability of coverage could be reduced, in the event of a new terrorist attack or other events adversely affecting the airline industry. Significant increases in insurance premiums could negatively impact our financial condition and results of operations.

We are exposed to foreign currency exchange rate fluctuations.

We conduct a significant portion of our operations in foreign locations. As a result, we have operating revenues and, to a lesser extent, operating expenses, as well as assets and liabilities, denominated in foreign currencies, principally the Japanese yen. Fluctuations in foreign currencies can significantly affect our operating performance and the value of our assets and liabilities located outside of the United States. From time to time, we use financial instruments to hedge our exposure to the Japanese yen. However, these hedging strategies may not always be effective. As of December 31, 2005, the Company had entered into forward contracts to hedge approximately 5% of its anticipated 2006 yen-denominated sales at an average rate of 101 yen per U.S. dollar.

We are exposed to changes in interest rates.

We had \$6.4 billion of debt and capital lease obligations that were accruing interest as of December 31, 2005 and \$1.9 billion of total balance sheet cash, cash equivalents, and short term investments as of December 31, 2005. Of this indebtedness, 66% bears interest at floating rates. An increase in interest rates would have an overall negative impact on our earnings as increased interest expense would only be partially offset by increased interest income.

Due to industry seasonality, operating results for any interim periods are not necessarily indicative of those for the entire year.

The airline industry is seasonal in nature. Due to seasonal fluctuations, operating results for any interim period are not necessarily indicative of those for the entire year. Our second and third quarter operating results have historically been more favorable due to increased leisure travel on domestic and international routes during the summer months.

Forward-Looking Statements

Certain of the statements made in “Item 1. Business,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this annual report are forward-looking and are based upon information available to the Company on the date hereof. The Company, through its management, may also from time to time make oral forward-looking statements. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. Any such statement is qualified by reference to the following cautionary statements.

The Company believes that the material risks and uncertainties that could affect the outlook of an airline operating in the global economy include, among others, the ability of the Company to continue as a going concern, the ability of the Company to obtain and maintain any necessary financing for operations and other purposes, whether debtor-in-possession financing or other financing, the ability of the Company to maintain adequate liquidity, the ability of the Company to absorb escalating fuel costs, the Company's ability to obtain court approval with respect to motions in the Chapter 11 proceedings prosecuted by it from time to time, the ability of the Company to develop, confirm and consummate a plan of reorganization with respect to the Chapter 11 proceedings, risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for the Company to propose and confirm a plan of reorganization, to appoint a Chapter 11 trustee or to convert the cases to Chapter 7 cases, the ability of the Company to obtain and maintain normal terms with vendors and service providers, the Company's ability to maintain contracts that are critical to its operations, the ability of the Company to realize assets and satisfy liabilities without substantial adjustments and/or changes in ownership, the potential adverse impact of the Chapter 11 proceedings on the Company's liquidity or results of operations, the ability of the Company to operate pursuant to the terms of its financing facilities (particularly the related financial covenants), the ability of the Company to attract, motivate and/or retain key executives and associates, the future level of air travel demand, the Company's future passenger traffic and yields, the airline industry pricing environment, increased costs for security, the cost and availability of aviation insurance coverage and war risk coverage, the general economic condition of the United States and other regions of the world, the price and availability of jet fuel, the aftermath of the war in Iraq, the possibility of additional terrorist attacks or the fear of such attacks, concerns about SARS, Avian flu or other influenza or contagious illnesses, work disruptions, labor negotiations both at other carriers and the Company, low cost carrier expansion, capacity decisions of other carriers, actions of the U.S. and foreign governments, foreign currency exchange rate fluctuation, inflation and other factors discussed herein. Additional information with respect to these factors and these and other events that could cause differences between forward-looking statements and future actual results is contained in "Risk Factors Related to Northwest and the Airline Industry" above.

Developments in any of these areas, as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings, could cause the Company's results to differ from results that have been or may be projected by or on behalf of the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements deal with the Company's expectations about the future and are subject to a number of factors that could cause actual results to differ materially from the Company's expectations. All subsequent written or oral forward-looking statements attributable to the Company, or persons acting on behalf of the Company, are expressly qualified in their entirety by the factors described above.

Item 2. PROPERTIES

Flight Equipment

As shown in the following table, Northwest operated a fleet of 379 aircraft at December 31, 2005, consisting of 314 narrow-body and 65 wide-body aircraft. Northwest's purchase commitments for aircraft as of December 31, 2005 are also provided.

Aircraft Type	Seating Capacity	In Service				Average Age (Years)	Aircraft on Firm Order
		Owned	Capital Lease	Operating Lease	Total		
Passenger Aircraft							
Airbus:							
A319	124	64	–	2	66	3.5	5
A320	148	43	2	30	75	11.1	2
A330-200	243	7	–	–	7	1.3	5
A330-300	298	11	–	–	11	1.7	9
Boeing:							

787-800	221	–	–	–	–	–	18 (1)
757-200	180-184	30	4	8	42	14.6	–
757-300	224	16	–	–	16	2.8	–
747-200	353-430	2	–	2	4	23.1	–
747-400	403	4	–	11	15	11.8	–
McDonnell Douglas:							
DC9	100-125	115	–	–	115	34.5	–
DC10	273	13	–	2	15	25.5	–
		305	6	55	366		39
Freighter Aircraft							
Boeing 747F		8	–	5	13	23.8	–
Total Northwest Operated Aircraft		313	6	60	379	17.6(2)	39
Regional Aircraft							
Avro RJ85	69	10	–	16	26	7.2	–
CRJ-200/440	44-50	–	–	126	126	2.7	13 (1)
Saab 340	30-34	–	–	49	49	8.1	–
Total Airlink Operated Aircraft		10	–	191	201		13
Total Aircraft		323	6	251	580		52

(1) The Company entered into these aircraft commitments prior to its Chapter 11 filing; the applicable agreements have not yet been affirmed as part of the Company's overall plan of reorganization.

(2) Excluding DC9 aircraft, the average age of Northwest-operated aircraft is 9.6 years.

In total, the Company took delivery of six Airbus A319 aircraft, three Airbus A330-300 aircraft, and 24 Bombardier CRJ aircraft during the twelve months ended December 31, 2005. The Company entered into debt agreements on the nine Airbus aircraft with an aggregate amount of debt incurred of \$425 million. The Company entered into long-term operating leases on 23 CRJ aircraft with aggregate minimum lease payments from inception through lease expiration totaling \$568 million. One CRJ aircraft was acquired in 2005 as a substitute for a similar CRJ aircraft that was under a lease and was subject to an event of loss in 2004. Subsequent to the Company's bankruptcy filing, seven out of the 24 CRJ leases signed in 2005 were rejected with total aggregate minimum lease payments from inception of the leases totaling \$179 million. The Company subleased 15 of the remaining Bombardier CRJ aircraft to Pinnacle Airlines, and the other two were subleased to Mesaba.

See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 8 - Leases and Note 14 - Commitments" for further information related to the Company's aircraft leases and commitments.

Airport Facilities

Northwest leases the majority of its airport facilities. The associated lease terms cover periods up to 30 years and contain provisions for periodic adjustment of lease payments. At most airports that it serves, Northwest has entered into agreements that provide for the non-exclusive use of runways, taxiways, terminals and other facilities. Landing fees under these agreements normally are based on the number of landings and weight of the aircraft.

In certain cases, the Company has constructed facilities on leased land that revert to the lessor upon expiration of the lease. These facilities include cargo buildings in Boston, Los Angeles, Seattle and Honolulu; support buildings at the Minneapolis/St. Paul International Airport; a line maintenance hangar in Seattle; and several hangars in Detroit.

The Company was responsible for managing and supervising the design and construction of the \$1.2 billion McNamara terminal at Detroit Metropolitan Wayne County Airport that was completed in February 2002. The terminal complex features 97 gates, 106 ticket-counter positions, 22 security check points, nearly 85 shops and restaurants, four WorldClubs, an 11,500-space parking facility, covered curbside drop-off areas, 18 luggage carousels and a 404 room hotel. The Company is also managing and supervising the design and construction of a \$190 million expansion of the McNamara terminal's west concourse, scheduled for completion in mid-2006, providing 25 additional gates and an expanded west concourse WorldClub.

Minneapolis/St. Paul International Airport is nearing completion of a \$2.9 billion construction program that began in 1998. The major components completed include a new north/south runway, an additional 15 mainline jet gates, 30 commuter gates, a 50% increase in vehicle parking and new automated people movers. Northwest currently has 66 mainline and 35 commuter gates at the airport. The airport is also considering a three-phase \$860 million plan to expand terminal facilities to meet air service demand through the year 2020.

Other Property and Equipment

Northwest's primary offices are located at or near the Minneapolis/St. Paul International Airport. The Company's corporate offices are located on a 160-acre site east of the airport. Owned facilities include reservations centers in Baltimore, Tampa and Chisholm, Minnesota, and a data processing center in Eagan, Minnesota. The Company owns property in Tokyo, including a 1.3-acre site in downtown Tokyo and a 33-acre land parcel, 512-room hotel and flight kitchen located near Tokyo's Narita International Airport.

The Company leases reservations centers in or near Minneapolis/St. Paul and Seattle. Maintenance bases under operating leases are located in Minneapolis/St. Paul and Duluth, Minnesota. During 2004, the Company closed its 26 remaining city ticket offices in North America.

In January 2005, the Company sold its Livonia, Michigan reservation center property, which the Company had closed in 2003.

Item 3. LEGAL PROCEEDINGS

On September 14, 2005, NWA Corp. and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York. Subsequently, on September 30, 2005, NWA Aircraft Finance, Inc., an indirect subsidiary of NWA Corp., also filed a voluntary petition for relief under Chapter 11. The Bankruptcy Court is jointly administering these cases under the caption "In re Northwest Airlines Corporation, et al., Case No. 05-17930 (ALG)". Each of the Debtors continues to operate its business and manage its property as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. As a result of the current Chapter 11 filings, attempts to collect, secure or enforce remedies with respect to pre-petition claims against the Debtors are subject to the automatic stay provisions of Section 362(a) of the Bankruptcy Code, including the litigation described below.

Chase v. Northwest Airlines and Airline Reporting Corporation (U.S. D.C. Eastern District of Michigan, Civ. Action No. 96-74711). Northwest is a defendant in an antitrust class action filed in U.S. District Court for the Eastern District of Michigan in October 1996. The action purports to be brought on behalf of a class defined as all persons who purchased tickets on certain routes into Northwest's hubs at Detroit, Minneapolis/St. Paul and Memphis from October 11, 1992 to the present. The complaint alleges that Northwest's imposition of restrictions prohibiting the sale of "hidden city" tickets constitutes monopolization in violation of the Sherman Act. The complaint seeks injunctive relief, unspecified damages for the class, and costs and attorneys' fees. The attorneys for the plaintiff in *Chase* have also filed three additional class actions in the same court against other airlines and Northwest with parallel allegations similar to those in *Chase*, including allegations that the defendant airlines conspired to deter hidden city ticketing. These cases are: *Keystone Business Machines, Inc. v. U.S. Airways and Northwest Airlines* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72474), *BLT Contracting, Inc. v. U.S. Airways, Northwest Airlines and the Airline Reporting Corporation* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72988), and *Volk and Nitrogenous Industries Corp. v. U.S. Airways*,

Northwest Airlines, Delta Air Lines, and the Airline Reporting Corporation (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72987). All have been assigned to the judge in the *Chase* case. Northwest believes these cases are without merit and intends to defend against them. In November 2000, the plaintiffs filed their class certification motion and defendants filed their summary judgment motion. On May 16, 2002, the Court entered an Order granting plaintiffs' motion for class certification and denying defendants' motion for summary judgment. The Court has not yet set a trial date.

Spirit Airlines v. Northwest Airlines (U.S. D.C. Eastern District of Michigan, Civ. Action No. 00-71535). In March 2000, Spirit Airlines filed a Sherman Act monopolization complaint against Northwest in the U.S. District Court for the Eastern District of Michigan alleging that Northwest had monopolized, or attempted to monopolize, air transportation service between Detroit and Philadelphia and between Detroit and Boston in 1996 by engaging in predatory pricing and other actions to exclude Spirit from those markets. Northwest believes the case to be without merit and intends to defend against the claim. On March 31, 2003, the Court granted Northwest's motion for summary judgment. In October 2005, the Bankruptcy Court approved a stipulation to lift the stay for the limited purpose of permitting the Sixth Circuit to issue its opinion. On November 9, 2005, the Sixth Circuit issued a decision in which it reversed the trial court's grant of summary judgment in favor of Northwest. Northwest has filed a petition for reconsideration which is pending.

Series C Preferred Stock Litigation. In June 2003, the IBT and certain related parties commenced litigation against Northwest Airlines Corporation in New York state court, *International Brotherhood of Teamsters, Local 2000 et al. v. Northwest Airlines Corporation* (New York Sup. Ct., Case No. 601742/03). In August 2003, the IAM and a related party also commenced litigation against Northwest Airlines Corporation in New York state court, *International Association of Machinists and Aerospace Workers et al. v. Northwest Airlines Corporation* (New York Sup. Ct., Case No. 602476/03). Both lawsuits challenge the Company's decision not to purchase its Series C Preferred Stock and seek to compel the Company to repurchase the Series C Preferred Stock that had been put to the Company. The Company announced on August 1, 2003, that the Board of Directors had determined that the Company could not legally repurchase the outstanding Series C Preferred Stock at that time because the Board was unable to determine that the Company had adequate surplus to repurchase the outstanding Series C Preferred Stock. Before discovery was complete, plaintiffs filed motions for summary judgment. On March 24, 2005, the judge ruled that the Company had breached the arrangements related to the Series C Preferred Stock, and indicated that a trial on damages would be necessary. On August 24, 2005, Northwest and the plaintiffs reached an agreement, among other things, to cancel the trial and to establish the amount of damages owed to employees represented by the plaintiffs should the trial court's liability determination be upheld (nearly \$277 million). The agreement also established the procedural process for Northwest to appeal the trial court's liability judgment and to seek a stay of enforcement of the judgment. The plaintiffs also agreed not to take any action to enforce the judgment unless and until the New York State Appellate Division denies Northwest's motion to stay enforcement of the judgment.

In re Northwest Airlines Privacy Litigation (U.S.D.C. District of Minnesota, Civ. File No. 04-126). In 2004, several purported class actions were filed, and subsequently consolidated, in federal court in Minnesota alleging violations by Northwest of the Electronic Communications Privacy Act, the Fair Credit Reporting Act and various state laws in connection with the release by Northwest of certain passenger records to the National Aeronautics and Space Administration in late 2001. Similar purported class actions were filed in federal court in North Dakota, *Dyer v. Northwest Airlines Corp.* (U.S.D.C. District of North Dakota, Case No. A1-04-033), and in federal court in Tennessee, *Copeland v. Northwest Airlines Corp.* (U.S.D.C. Western District of Tennessee, Civil File No. 04-CV-2156). On June 6, 2004, the District Court in the Minnesota action granted Northwest's motion for summary judgment on all claims and that decision is on appeal before the U.S. Court of Appeals for the Eighth Circuit. On September 8, 2004, the District Court in the North Dakota action granted Northwest's motion for summary judgment on all claims and the plaintiffs did not seek appellate review. On February 28, 2005, the Tennessee District Court dismissed the Tennessee case and plaintiffs did not appeal.

In addition, in the ordinary course of its business, the Company is party to various other legal actions which the Company believes are incidental to the operation of its business. The Company believes that the outcome of the proceedings to which it is currently a party (including those described above) will not have a material adverse effect on the Company's consolidated financial statements taken as a whole.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 2005.

MANAGEMENT

Executive Officers of the Registrant

Douglas M. Steenland, age 54, has served as President and Chief Executive Officer of NWA Corp. and Northwest since October 2004 and was elected a director of both companies in September 2001. He has served in a number of executive positions since joining Northwest in 1991, including President from April 2001 to October 2004, Executive Vice President and Chief Corporate Officer from September 1999 to April 2001, Executive Vice President-Alliances, General Counsel and Secretary from January 1999 to September 1999, Executive Vice President, General Counsel and Secretary from June 1998 to January 1999, and Senior Vice President, General Counsel and Secretary from July 1994 to June 1998. Prior to joining Northwest, Mr. Steenland was a senior partner at the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson and Hand.

Neal S. Cohen, age 45, has served as Executive Vice President and Chief Financial Officer of the Company since May 2005. Prior to rejoining the Company, Mr. Cohen served at US Airways as Executive Vice President and Chief Financial Officer from April 2002 to April 2004, and served as Chief Financial Officer for Conseco Finance from April 2001 to March 2002. Prior to his position at Conseco Finance, Mr. Cohen served as Chief Financial Officer for Sylvan Learning Systems. From 1991 to 2000, Mr. Cohen held a number of senior marketing and finance positions at Northwest Airlines, including Senior Vice President and Treasurer and Vice President Market Planning.

J. Timothy Griffin, age 54, has served as Executive Vice President-Marketing and Distribution of Northwest since January 1999. From June 1993 to January 1999, he served as Senior Vice President-Market Planning and Systems. Prior to joining Northwest in 1993, Mr. Griffin held senior positions with Continental Airlines and American Airlines.

Philip C. Haan, age 50, has served as Executive Vice President-International, Alliances and Information Technology of Northwest since October 2004. From January 1999 to October 2004, he served as Executive Vice President-International, Sales and Information Services. Mr. Haan formerly held positions of Senior Vice President-International Services, Vice President-Pricing and Area Marketing, Vice President-Inventory Sales and Systems and Vice President-Revenue Management. Prior to joining Northwest in 1991 he was with American Airlines for nine years.

Andrew C. Roberts, age 45, has served as Executive Vice President - Operations since November 2004. He has served in a number of executive positions since joining Northwest in 1997, including Senior Vice President - Technical Operations from August 2001 to November 2004, Vice President - Materials Management from April 1999 to August 2001, and Managing Director - Minneapolis/St. Paul Engine Operations from September 1997 to April 1999. Prior to joining Northwest, Mr. Roberts held senior positions with Pratt & Whitney and Aviall, Inc.

Barry P. Simon, age 63, joined Northwest in October 2004 as Executive Vice President and General Counsel. Prior to joining Northwest, he served as Managing Director of the Seabury Group, an investment bank and consulting firm, from September 2003 to October 2004. From 1982 to 2003, Mr. Simon held a number of senior executive positions with Continental Airlines and its affiliated companies, including Senior Vice President - International of Continental Airlines from 1991 to 2003. Prior to 1991, he also served as Senior Vice President and General Counsel of Continental Airlines and Senior Vice President, General Counsel and Secretary of Eastern Airlines. Mr. Simon also serves on the board of directors of National Energy and Gas Transmission, Inc.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock ceased trading on the NASDAQ stock market on September 26, 2005 and now trades in the "over-the-counter" market under the symbol NWACQ.PK. However, the Company currently believes that no value will be ascribed to the Company's outstanding common stock, preferred redeemable stock, or other equity securities in any plan of reorganization.

The table below shows the high and low sales prices for the Company's common stock during 2005 and 2004:

Quarter	2005		2004	
	High	Low	High	Low
1st	10.95	6.61	14.33	8.30

2nd	6.95	4.41	11.42	8.60
3rd	5.66	0.63	11.20	7.50
4th	0.72	0.35	11.83	7.09

As of January 31, 2006, there were 3,390 stockholders of record.

The following table summarizes information as of December 31, 2005, relating to equity compensation plans of the Company pursuant to which options, restricted stock units or other rights to acquire shares may be granted in the future.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders (1)	2,478,982	\$ 10.28	5,636,074
Equity Compensation Plans Not Approved by Security Holders (2)	5,400,066	\$ 11.19	3,655,245
Total	7,879,048	\$ 10.90	9,291,319

(1) Comprised of the Company's 2001 Stock Incentive Plan.

(2) Comprised of the Company's 1999 Stock Incentive Plan and the 1998 Pilots Stock Option Plan.

See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 11- Stock Based Compensation" for additional information regarding the Company's equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA NORTHWEST AIRLINES CORPORATION (DEBTOR-IN-POSSESSION)

	Year Ended December 31				
	2005	2004	2003	2002	2001
Statements of Operations (In millions, except per share data)					
Operating revenues					
Passenger	\$ 8,902	\$ 8,432	\$ 7,632	\$ 7,823	\$ 8,207
Regional carrier	1,335	1,083	860	689	691
Cargo	947	830	752	735	720
Other	1,102	934	833	729	768
	<u>12,286</u>	<u>11,279</u>	<u>10,077</u>	<u>9,976</u>	<u>10,386</u>
Operating expenses	<u>13,205</u>	<u>11,784</u>	<u>10,342</u>	<u>10,822</u>	<u>11,254</u>
Operating income (loss)	(919)	(505)	(265)	(846)	(868)

<i>Operating margin</i>	(7.5)%	(4.5)%	(2.6)%	(8.5)%	(8.4)%
Net income (loss) before cumulative effect of accounting change	(2,464)	(862)	248	(798)	(423)
Cumulative effect of accounting change	(69)	–	–	–	–
Net income (loss)	\$ (2,533)	\$ (862)	\$ 248	\$ (798)	\$ (423)
Earnings (loss) per common share:					
<i>Basic</i>	\$ (29.36)	\$ (10.32)	\$ 2.75	\$ (9.32)	\$ (5.03)
<i>Diluted</i>	\$ (29.36)	\$ (10.32)	\$ 2.62	\$ (9.32)	\$ (5.03)

Balance Sheets (In millions)

Cash, cash equivalents and unrestricted short-term investments	\$ 1,262	\$ 2,459	\$ 2,757	\$ 2,097	\$ 2,512
Total assets	13,083	14,042	14,008	13,289	12,975
Long-term debt, including current maturities	1,159	8,411	7,866	6,531	5,051
Long-term obligations under capital leases, including current obligations	11	361	419	451	586
Long-term pension and postretirement health care benefits	292	3,593	3,228	3,050	1,749
Liabilities subject to compromise	14,162	–	–	–	–
Mandatorily redeemable security	–	–	–	553	492
Preferred redeemable stock	280	263	236	226	227
Common stockholders' equity (deficit)	(5,628)	(3,087)	(2,011)	(2,262)	(431)

“Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Consolidated Financial Statements and Supplementary Data” are integral to understanding the selected financial data presented in the table above.

**NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)**

	Year Ended December 31				
	2005	2004	2003	2002	2001
Operating Statistics (1)					
Scheduled service:					
Available seat miles (ASM) (millions)	91,775	91,378	88,593	93,417	98,356
Revenue passenger miles (RPM) (millions)	75,820	73,312	68,476	72,027	73,126
Passenger load factor	82.6%	80.2%	77.3%	77.1%	74.3%
Revenue passengers (millions)	56.5	55.4	51.9	52.7	54.1
Passenger revenue per RPM (yield)	11.74¢	11.50¢	11.15¢	10.86¢	11.22¢
Passenger revenue per scheduled ASM (RASM)	9.70¢	9.23¢	8.61¢	8.37¢	8.34¢
Total available seat miles (ASM) (millions)	91,937	91,531	89,158	93,583	98,544
Passenger Service operating expense per total ASM (2)(3)(4)	11.53¢	10.62¢	9.87¢	9.96¢	9.95¢
Aircraft impairment, curtailment charge, severance expense and other per total ASM (4)	0.14¢	0.31¢	0.11¢	0.46¢	0.28¢
Mainline fuel expense per ASM	2.99¢	2.14¢	1.53¢	1.38¢	1.61¢
Cargo ton miles (millions)	2,397	2,338	2,184	2,221	2,161

Cargo revenue per ton mile	39.51¢	35.48¢	34.42¢	33.08¢	33.28¢
Fuel gallons consumed (millions)	1,745	1,766	1,752	1,896	2,029
Average fuel cost per gallon, excluding taxes	170.73¢	118.17¢	80.68¢	69.33¢	79.26¢
Number of operating aircraft at year end	379	435	430	439	428
Full-time equivalent employees at year end	32,460	39,342	39,100	44,323	45,708

- (1) All statistics exclude Northwest Airlink regional carriers, which is consistent with how the Company reports statistics to the DOT.
- (2) This financial measure excludes non-passenger service expenses. The Company believes that providing financial measures directly related to passenger service operations allows investors to evaluate and compare the Company's core operating results to those of the industry.
- (3) Passenger service operating expense excludes the following items unrelated to passenger service operations:

(In millions)	2005	2004	2003	2002	2001
747 Freighter operations	\$ 791	\$ 608	\$ 497	\$ 486	\$ 474
MLT Inc. - net of intercompany eliminations	193	192	197	260	281
Regional carriers	1,576	1,210	567	487	480
Pinnacle Airlines, Inc. - net of intercompany eliminations					
(a)	-	-	255	230	183
Other	43	56	26	35	32

- (a) Pinnacle Airlines' results were consolidated with the Company's financial statements prior to the initial public offering of Pinnacle Airlines Corp. on November 24, 2003.

- (4) Passenger service operating expense per ASM includes the following items:

(In millions)	2005	2004	2003	2002	2001
Aircraft and aircraft related write-downs	\$ 48	\$ 203	\$ 21	\$ 366	\$ 161
Curtailed charges	82	-	58	16	-
Severance expenses	-	-	20	17	116
Other	-	77	-	36	-

"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Consolidated Financial Statements and Supplementary Data" are integral to understanding the selected financial data presented in the table above.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

NWA Corp. is a holding company whose principal indirect operating subsidiary is Northwest. The Consolidated Financial Statements include the accounts of NWA Corp. and all consolidated subsidiaries. Substantially all of the Company's results of operations are attributable to its principal indirect operating subsidiary, Northwest, which accounted for approximately 98% of the Company's 2005 consolidated operating revenues and expenses. The Company's results of operations also include other subsidiaries, of which MLT is the most significant. The following discussion pertains primarily to Northwest and, where indicated, MLT.

The Company reported a net loss applicable to common stockholders of \$2.6 billion for the year ended December 31, 2005, compared to a net loss applicable to common stockholders of \$891 million in 2004. The basic and diluted loss per common share was \$29.36 in 2005

compared with the basic and diluted loss per common share of \$10.32 in 2004. In 2005, the Company reported an operating loss of \$919 million, compared with an operating loss of \$505 million in 2004.

Full year 2005 results included \$1.20 billion of net unusual and reorganization related losses. Operating expenses included \$130 million of unusual items related to pension curtailment charges and aircraft and aircraft related write-downs. Unusual non-operating items consisted of an \$18 million loss on the sale of the Company's Pinnacle Airlines note to Pinnacle Airlines Corp. and a gain of \$102 million from the sale of the Prudential Financial Inc. common stock received in conjunction with Prudential's demutualization. Reorganization expenses recorded during 2005 totaled \$1.08 billion. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 5 - Reorganization Related Items" for further information related to the Company's reorganization items. The Company also recorded a cumulative effect of accounting change in the amount of \$69 million during 2005.

Full year 2004 results included \$165 million of net unusual charges, principally comprised of \$104 million attributable to write-downs associated with a revised Boeing 747-200 aircraft fleet plan, write-downs of \$99 million related to certain DC9-10 and DC10-30 aircraft and a \$77 million charge resulting from an increase in frequent flyer liability, partially offset by a \$115 million gain from the sale of the Company's investment in Orbitz.

Full year 2003 results included \$801 million of net unusual gains. Operating expenses included \$99 million of unusual items related to employee severance, a pension curtailment charge and aircraft write-downs. Net unusual non-operating gains totaling \$900 million were comprised of a \$299 million gain from the initial public offering of 88.6% of the Company's investment in Pinnacle Airlines Corp., \$209 million received under the Emergency Wartime Supplemental Appropriations Act as reimbursement for security fees previously paid to the TSA, a \$199 million gain from the sale of the Company's investment in WorldSpan, a \$148 million gain related to the acquisition of the corporation which held the Company's Mandatorily Redeemable Preferred Security, a \$39 million gain from the sale of its investment in Hotwire.com ("Hotwire"), an \$11 million gain from the sale of a portion of its investment in Orbitz and a \$5 million loss on the Company's debt exchange.

Chapter 11 Proceedings

On September 14, 2005, NWA Corp. and 12 of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York. Subsequently, on September 30, 2005, NWA Aircraft Finance, Inc., an indirect subsidiary of NWA Corp., also filed a voluntary petition for relief under Chapter 11. The Bankruptcy Court is jointly administering these cases under the caption "In re Northwest Airlines Corporation, et al., Case No. 05-17930 (ALG)". The consolidated financial statements shown herein include certain subsidiaries that did not file to reorganize under Chapter 11. The assets and liabilities of these subsidiaries are not considered material to the consolidated financial statements. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 1 - Voluntary Reorganization Under Chapter 11" for additional information related to the Company's rights, risks and obligations under the Chapter 11 filing.

Our consolidated financial statements have been prepared in accordance with GAAP on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, our consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern.

However, as a result of the matters discussed under "Item 1. Business - Risk Factors Related to Northwest and the Airline Industry," including the Company's Chapter 11 proceedings, realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainties. Given these uncertainties, there is substantial doubt about the Company's ability to continue as a going concern.

The bankruptcy filing triggered defaults on substantially all the Company's debt and lease obligations. Under Section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-

petition indebtedness or to exercise control over the property of a debtor's estate. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities are subject to settlement under the plan of reorganization.

Notwithstanding the preceding general discussion of the automatic stay, the Debtors' rights to possess and operate certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract are governed by a particular provision of the Bankruptcy Code that specifies different treatment. Section 1110 provides that unless the Debtors take certain action within 60 days after the Petition Date or such later date as is agreed by the applicable lessor, secured party, or conditional lender, the contractual rights of such financier to take possession of such equipment and to enforce any of its other rights or remedies under the applicable agreement are not limited or otherwise affected by the automatic stay or any other provision of the Bankruptcy Code. This applies to substantially all of the Company's encumbered aircraft.

The Section 1110 deadline for the Debtors was November 14, 2005. The Debtor has targeted to restructure approximately 50% of its fleet count and is on track to realize a projected reduction of approximately \$2.6 billion in balance sheet debt and present value of operating lease payments related to these assets. Agreements are in place or have been tentatively reached for the majority of the targeted savings; manufacturer agreements have also been reached with certain aircraft, aircraft engine, and aircraft-related equipment manufacturers. The Company is currently in negotiations with the other parties.

In order to exit Chapter 11 successfully, the Company must propose, and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would resolve, among other things, the Debtors' pre-petition obligations and set forth the revised capital structure of the newly reorganized entity. The Debtors have the exclusive right for 120 days from the Petition Date to file a plan of reorganization and, if they do so, 60 additional days to obtain necessary acceptance of the plan. On January 10, 2006, pursuant to Section 1121(d) of the Bankruptcy Code, the Bankruptcy Court approved a motion filed by the Debtors to extend the deadline of the Debtors' exclusive right to file a plan of reorganization and the deadline to obtain necessary acceptance of the plan to July 13, 2006 and September 12, 2006, respectively.

The Company intends to use the provisions of Chapter 11 to reorganize its business in order to return to profitability on a sustained basis. The Chapter 11 process will allow the Company to realize three major elements essential to its transformation including:

- Resizing and optimization of the Company's fleet to better serve Northwest's markets;

- Realizing a competitive cost structure, including \$2.2 billion in annual reductions in both labor and non-labor costs, \$1.7 billion of which is incremental to year-end 2005 results;

- Restructuring and recapitalization of the Company's balance sheet, including a targeted reduction in debt and lease obligations of approximately \$4.2 - \$4.4 billion, providing debt and equity levels consistent with long-term profitability.

In addition, any business plan that forms the basis for a plan of reorganization will have to produce sufficient returns to permit the Company to have adequate access to the capital markets. Any plan will likely require profit improvements and/or cost reductions beyond those elements identified above. The Company will continue to refine its Chapter 11 related goals and objectives in response to market conditions.

Labor Cost Restructuring. The Company is making progress in achieving its target of approximately \$1.35 billion (target excluding pension savings) in annual labor cost savings through a combination of agreements negotiated with its employee labor groups, savings generated by the imposed AMFA contract, reductions in retiree medical benefit costs, and pay and benefit reductions from its management employees.

In 2004, as a first step toward achieving labor savings, the Company reached a bridge agreement with its pilots. The bridge agreement, effective December 1, 2004, generated \$285 million in annual labor cost savings from the Company's pilot and management employees.

On August 19, 2005, the AMFA, which represents mechanics, cleaners and custodians at Northwest, declined to send the terms of the Company's final contract offer to its membership for ratification and called a strike against the Company. As a result, the Company implemented its previously developed contingency plans. Since August 19, the Company has held multiple negotiations with AMFA, but no resolution has been reached. The Company has subsequently replaced the aircraft mechanics and cleaners who went on strike with a combination of newly hired personnel, AMFA members who crossed the picket lines to reclaim their jobs, and third party contractors.

The Company reached consensual agreements on permanent wage and benefit reductions with employees represented by three of its union groups, the Aircraft Technical Support Association (“ATSA”), the Northwest Airlines

Meteorology Association (“NAMA”) and the Transport Workers Union of America (“TWU”), in November 2005. The Company implemented management and salaried pay and benefit reductions on December 1, 2005.

On January 13, 2006, the IAM, which represents the Company’s ground employees, agreed to submit the Company’s contract settlement proposal to its members for ratification. As a result of the IAM’s agreement, the Company did not begin the Section 1113(c) hearing related to the IAM collective bargaining agreements. On March 7, 2006, the IAM announced that the contract proposal, covering the Company’s customer service and reservations employees, was ratified by a majority of its members. However, the Company’s contract proposal was not ratified by the IAM-represented ESEs. As a consequence of the ESE ratification vote results, the Company will request that the Bankruptcy Court proceed with the motion for a Section 1113(c) hearing related to the ESE members of the IAM.

On March 1, 2006, the Company reached a tentative consensual agreement on a new contract with its flight attendants represented by the PFAA. The flight attendant agreement is subject to ratification by the Company’s PFAA-represented employees. On March 3, 2006, the Company reached a tentative consensual agreement on a new contract with its pilots, represented by ALPA. The pilot agreement is subject to approval by Northwest’s ALPA-represented employees. Currently, all of the tentative agreements, and the IAM contract proposal, are conditioned on the other agreements becoming effective or on the Company’s obtaining the contemplated savings through implementation of new contract terms.

In November 2005, the Company obtained interim wage reductions either consensually or through Section 1113(e), which will remain in place until the resolution of the Section 1113(c) process.

The Company has also commenced proceedings under Section 1114 of the Bankruptcy Code in conjunction with its Section 1113(c) hearings pursuant to which the Company is seeking reductions in the costs it incurs to provide medical benefits to retirees.

Non-labor Cost Restructuring. Since 2001, the Company has achieved approximately \$1.4 billion of operating improvements through cost reductions and revenue enhancement initiatives. The Company intends to obtain additional savings of \$150 million annually through further reductions in non-labor costs. Areas targeted for reduction include technology related costs, distribution expenses, procurement costs and other items. Additionally, cost reductions through restructuring of the Company’s agreements with its regional carriers will be pursued.

Balance Sheet Restructuring. In the face of mounting losses and prior to its bankruptcy filing, the Company sustained its operations largely through a strategy that included borrowing cash and selling assets. This had the consequence of leaving the Company with a debt burden of \$14 billion, which includes \$5 billion of aircraft-related operating lease present value commitments. To successfully restructure and exit bankruptcy, the Company must eliminate excess debt and recapitalize its balance sheet. With respect to its aircraft-related debt, the Company intends to use the authority provided by its Chapter 11 proceedings to negotiate reductions in above-market aircraft leases or, in cases where this is not possible, to return the affected aircraft. The Company will reduce unprofitable flying and re-optimize its network as part of any capacity reduction. The Company is targeting annual cost reductions of \$400 million related to reductions in aircraft ownership costs (interest, rent and depreciation expense) and \$150 million in unsecured debt restructuring savings (primarily interest expense) as part of its overall balance sheet restructuring.

Results of Operations—2005 Compared to 2004

Operating Revenues. Operating revenues increased 8.9% (\$1.0 billion), the result of higher system passenger, regional carrier, cargo and other revenue.

System passenger revenues increased 5.6% (\$470 million). The increase in system passenger revenues was primarily attributable to a 3.4% increase in traffic and a 2.1% increase in yields. The following analysis by region is based on information reported to the DOT and excludes regional carriers:

	System	Domestic	Pacific	Atlantic
2005				
Passenger revenues (in millions)	\$ 8,902	\$ 5,774	\$ 1,987	\$ 1,141
Increase (Decrease) from 2004:				
Passenger revenues (in millions)	470	108	210	152
Percent	5.6%	1.9%	11.8%	15.4%
Scheduled service ASMs (capacity)	0.4%	(1.7)%	2.2%	6.7%
Scheduled service RPMs (traffic)	3.4%	2.6%	2.7%	8.4%
Passenger load factor	2.4 pts.	3.3pts.	0.4pts.	1.3pts.
Yield	2.1%	(0.6)%	8.9%	6.4%
Passenger RASM	5.1%	3.7%	9.5%	8.0%

As indicated in the above table:

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Domestic passenger revenues increased primarily due to improved traffic. Year over year decrease in capacity was driven by a 9.2% capacity reduction in the fourth quarter of 2005.

Pacific passenger revenues increased as a result of stronger traffic and substantially improved yields.

Atlantic passenger revenues increased significantly primarily due to improved traffic and yields.

Regional carrier revenues increased 23.3% (\$252 million) to \$1.3 billion, due primarily to the increased capacity from Bombardier CRJ aircraft deliveries.

Cargo revenues increased 14.1% (\$117 million) to \$947 million due to a 2.5% increase in cargo ton miles and an 11.4% increase in yield. Cargo revenues consist of freight and mail carried on passenger aircraft and the Company's 13 Boeing 747-200F dedicated freighters.

Other revenues, the principal components of which are MLT, other transportation fees, charter and rental revenues, increased 18.0% (\$168 million). This increase was primarily due to the higher rental revenues and other transportation related revenues.

Operating Expenses. Operating expenses increased 12.1% (\$1.4 billion) for 2005. The following table and notes present operating expenses for the years ended December 31, 2005 and 2004 and describe significant year-over-year variances (in millions):

	Year Ended		Increase (Decrease)	Percent Change	Note
	December 31				
	2005	2004	from 2004		
Operating Expenses					
Salaries, wages and benefits	\$ 3,721	\$ 3,796	\$ (75)	(2.0)%	A
Aircraft fuel and taxes	3,132	2,203	929	42.2	B
Selling and marketing	811	847	(36)	(4.3)	C
Aircraft maintenance materials and repairs	703	463	240	51.8	D
Other rentals and landing fees	627	596	31	5.2	E
Depreciation and amortization	552	731	(179)	(24.5)	F
Aircraft rentals	429	446	(17)	(3.8)	G
Regional carrier expenses	1,576	1,210	366	30.2	H
Other	1,654	1,492	162	10.9	I
Total operating expenses	\$ 13,205	\$ 11,784	\$ 1,421	12.1%	

- A. Salaries, wages and benefits decreased primarily due to pilot and management wage reductions implemented in December 2004, reduced AMFA mechanic pay and headcount, and interim wage reductions, partially offset by higher pension related expense including an \$82 million pension curtailment.
- B. Aircraft fuel and taxes were higher due to a 44.5% increase in the average fuel cost per gallon to \$1.71, net of hedging transactions. Fuel hedge transactions reduced fuel costs by \$21 million in 2005 and \$29 million in 2004.
- C. Selling and marketing expenses decreased, primarily due to the one-time \$77 million frequent flyer liability adjustment recorded in 2004, partially offset by transaction costs on year over year higher revenue.
- D. The increase in aircraft maintenance materials and repairs expense was largely due to the shift to third party maintenance vendors versus internally completed maintenance work and higher maintenance volume compared to 2004.
- E. Other rentals and landing fees increased due to higher rates and increased capacity.
- F. Depreciation and amortization expense decreased in 2005, primarily due to the level of aircraft impairments recorded in 2004 versus 2005. In 2005 the Company recorded \$8 million in impairments associated with certain Boeing DC10-30 and DC9-30 aircraft; in 2004, the Company recorded \$203 million in write-downs on certain Boeing 747-200, Boeing DC10-30 and DC9-10 aircraft. Additional aircraft impairments in 2005 were recorded as reorganization items. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 5 - Reorganization Related Items."
- G. Aircraft rentals expense decreased due to the purchase of four aircraft off lease in 2004 and the rejection of aircraft leases in 2005.
- H. The increase in regional carrier expenses was primarily driven by the increase in fuel costs (\$181 million) and the increase in regional carrier capacity (\$185 million).

- I. Other expenses (which include MLT operating expenses, outside services, insurance, passenger food, personnel expenses, communication expenses and supplies) increased principally due to contingency planning related expenses, vendor training and transition related expense, and wet-leased freighter flying.

Other Income and Expense. Non-operating expense increased 332% (\$1.18 billion) primarily due to reorganization expenses that totaled \$1.08 billion. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 5 - Reorganization Related Items" for additional information related to the Company's reorganization items.

Tax Expense (Benefit). Given recent loss experience, the Company provides a valuation allowance against tax benefits, principally for net operating losses in excess of its deferred tax liability. It is more likely than not that future deferred tax assets will require a valuation allowance to be recorded to fully reserve against the uncertainty that those assets would be realized. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 13 - Income Taxes" for additional discussion of the Company's tax accounts.

Results of Operations—2004 Compared to 2003

Operating Revenues. Operating revenues increased 11.9% (\$1.2 billion), the result of higher system passenger, regional carrier, cargo and other revenue.

System passenger revenues increased 10.5% (\$800 million). The increase in system passenger revenues was primarily attributable to a 7.1% increase in traffic and a 3.1% increase in yields. The following analysis by region is based on information reported to the DOT and excludes regional carriers:

	System	Domestic	Pacific	Atlantic
2004				
Passenger revenues (in millions)	\$ 8,432	\$ 5,666	\$ 1,777	\$ 989

Increase (Decrease) from 2003:

Passenger revenues (in millions)	800	326	357	117
Percent	10.5%	6.1%	25.1%	13.5%
Scheduled service ASMs (capacity)	3.1%	3.0%	2.9%	4.1%
Scheduled service RPMs (traffic)	7.1%	6.0%	9.9%	6.3%
Passenger load factor	2.9pts.	2.1pts.	5.5pts.	1.7pts.
Yield	3.1%	0.2%	13.8%	6.8%
Passenger RASM	7.2%	3.0%	21.6%	9.0%

As indicated in the above table:

Domestic passenger revenues increased primarily due to improved traffic.

Pacific passenger revenues increased significantly as a result of stronger traffic and substantially improved yields.

Atlantic passenger revenues increased primarily due to improved traffic and yields.

Regional carrier revenues increased 25.9% (\$233 million) to \$1.1 billion, due primarily to the increased capacity from 38 additional Bombardier CRJ aircraft that have entered service since December 31, 2003.

Cargo revenues increased 10.4% (\$7.8 million) to \$830 million due to a 7.1% increase in cargo ton miles and a 3.1% increase in yield. Cargo revenues consist of freight and mail carried on passenger aircraft and the Company's 12 Boeing 747-200F dedicated freighters. Freight revenue increased 15.4% (\$107 million) while mail revenue decreased 50.9% (\$29 million). In the last half of 2003, the Company decided to stop carrying U.S. domestic mail. Lower volumes and yields, partially due to restrictions imposed by the U.S. Government following September 11, 2001, and caused this business to become unprofitable.

Other revenues, the principal components of which are MLT, other transportation fees, charter and rental revenues, increased 12.1% (\$101 million). This increase was primarily due to rental revenue from the additional CRJ aircraft leased to Pinnacle Airlines from Northwest, and the 2003 elimination of intercompany transactions.

Operating Expenses. Operating expenses increased 13.9% (\$1.4 billion) for 2004. The following table and notes present operating expenses for the year ended December 31, 2004 and describes significant variances from the year ended December 31, 2003 (in millions):

	Year Ended		Increase (Decrease)	Percent Change	Note
	December 31				
	2004	2003	from 2003		
Operating Expenses					
Salaries, wages and benefits	\$ 3,796	\$ 3,905	\$ (109)	(2.8)%	A
Aircraft fuel and taxes	2,203	1,554	649	41.8	B
Selling and marketing	847	709	138	19.5	C
Depreciation and amortization	731	586	145	24.7	D
Other rentals and landing fees	596	569	27	4.7	E
Aircraft maintenance materials and repairs	463	474	(11)	(2.3)	F
Aircraft rentals	446	481	(35)	(7.3)	G
Regional carrier expenses	1,210	567	643	113.4	H
Other	1,492	1,497	(5)	(0.3)	I
Total operating expenses	\$ 11,784	\$ 10,342	\$ 1,442	13.9%	

- A. Salaries, wages and benefits decreased primarily due to \$20 million of severance expenses and a \$58 million pension curtailment charge both recorded in 2003, the consolidation of Pinnacle Airlines in 2003 (prior to the initial public offering of Pinnacle Airlines Corp. in November 2003) and the labor cost reductions obtained by the pilot bridge agreement ratified November 5, 2004. These were partially offset by annual wage rate increases in 2004.
- B. Aircraft fuel and taxes were higher due to a 46.5% increase in the average fuel cost per gallon to \$1.18, net of hedging transactions, partially offset by the consolidation of Pinnacle Airlines in 2003. Fuel hedge transactions reduced fuel costs by \$29 million in 2004 and \$105 million in 2003.
- C. Selling and marketing expenses were higher, primarily due to a 10.5% increase in passenger revenue and a \$77 million charge due to an increase in frequent flyer liability.
- D. Depreciation and amortization expense increased in 2004, primarily due to \$203 million of write-downs on certain Boeing 747-200, Boeing DC10-30 and DC9-10 aircraft, partially offset by a 2003 write-down of \$21 million recorded on Boeing 727-200 aircraft.
- E. Other rentals and landing fees were higher due primarily to increased capacity.
- F. Aircraft maintenance materials and repairs expense was slightly lower year over year due to a significant number of new aircraft in the fleet and reduced maintenance volume.
- G. Aircraft rentals expense decreased primarily due to the consolidation of Pinnacle Airlines in 2003, partially offset by the recognition of guaranteed residual values on leased aircraft.
- H. The increase in regional carrier expenses was largely due to the 2003 consolidation of Pinnacle Airlines operating expenses (\$255 million), which were previously recorded on other line items, and the 2003 elimination of intercompany transactions (\$145 million). The remaining increase of \$243 million was primarily driven by the addition of 42 CRJ aircraft leased by Pinnacle Airlines from Northwest and higher fuel costs.
- I. Other expenses (which include MLT operating expenses, outside services, insurance, passenger food, personnel expenses, communication expenses and supplies) decreased principally due to lower MLT operating expenses and the consolidation of Pinnacle Airlines in 2003.

Other Income and Expense. Non-operating income decreased \$839 million, primarily due to the recognition in 2003 of several unusual items: a \$299 million gain from the sale of 88.6% of the Company's investment in Pinnacle Airlines Corp.; \$209 million received under the Emergency Wartime Supplemental Appropriations Act as reimbursement for security fees previously paid to the TSA; a \$199 million gain from the sale of the Company's investment in WorldSpan; a \$361 million gain related to the repurchase of the Company's Mandatorily Redeemable Preferred Security accompanied by an impairment charge of \$213 million related to the property securing this obligation; a \$39 million gain from the sale of the Company's investment in Hotwire; and an \$11 million gain from the sale of a portion of the Company's investment in Orbitz, partially offset by a \$115 million gain from the sale of the Company's remaining investment in Orbitz in October 2004. The Company also generated a higher return on short-term investments, which partially offset higher interest expense related to increased debt levels.

Tax Expense (Benefit). During 2003, the Company recognized a \$30 million tax benefit related to losses recorded in the first quarter that fully offset its remaining \$30 million net deferred tax liability. Given recent loss experience, the Company provides a valuation allowance against tax benefits, principally for net operating losses in excess of its deferred tax liability. It is more likely than not that future deferred tax assets will require a valuation allowance to be recorded to fully reserve against the uncertainty that those assets would be realized. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 13 - Income Taxes" for additional discussion of the Company's tax accounts.

Liquidity and Capital Resources

As of December 31, 2005, the Company's total liquidity, consisting of unrestricted balance sheet cash, cash equivalents and short-term investments, was \$1.26 billion. This amount excludes \$600 million of restricted short-term investments (which may include amounts held as cash). Liquidity decreased by \$1.2 billion during the year ended December 31, 2005.

Significant Liquidity Events

Bank Term Loan. On November 23, 2004, the Company completed the restructuring of its \$975 million revolving bank credit facility, which was scheduled to mature in October 2005, by entering into an Amended and Restated Credit and Guarantee Agreement with a consortium of lenders that amended and restructured the revolving credit facility into a term loan. The term loan had an initial principal amount of \$975 million and was comprised of two tranches bearing different interest rates and with different principal amortization periods.

On April 15, 2005, the Company refinanced the first principal repayment of \$148 million due in November 2005 under the \$975 million term loan facility by creating a third tranche of debt.

On December 22, 2005, the Bankruptcy Court approved a stipulation permitting the Company to pay interest at the non-default contract interest rate and stay current on interest going forward on its \$975 million term loan, as well as requiring the Company to comply with certain reporting covenants. This stipulation allows the Company during bankruptcy proceedings to avoid repaying principal and to continue paying interest based on LIBOR while allowing the Company and the lenders to reserve their rights and remedies under the existing agreement. Additionally, the stipulation did not remove the automatic stay the Company is entitled to with respect to requirements to meet financial covenants and collateral tests under the term loan. The term loan has an outstanding principal amount of \$975 million and currently bears interest at a blended rate of LIBOR plus 6.01%. The term loan is secured by the Company's Pacific route system and certain aircraft.

Credit Card Processing Agreements. In September 2005, Northwest executed an agreement that amended and restated its Credit Card Processing Agreement with U.S. Bank. The new agreement extends the term until December 31, 2008, includes a provision that will allow a certain level of funds to be withheld by U.S. Bank from credit card sales, and secures all obligations under the agreement as well as those under the Co-Branded Credit Card Agreement and the letter of credit facility with U.S. Bank referred to below. Such amounts withheld by U.S. Bank would be released in part or in whole upon Northwest meeting certain financial requirements. As part of this agreement, U.S. Bank is currently holding certain amounts, which are reflected as components of Other assets on the Company's Consolidated Balance Sheets.

The agreement also provides for certain amendments to the Co-Branded Credit Card Agreement, which was also extended until December 31, 2008. In addition, the agreement includes an extension of Northwest's \$98 million standby letter of credit facility through April 30, 2006, which allows for letters of credit to be outstanding through April 30, 2007.

The Bankruptcy Court entered a final order in October 2005 that authorized Northwest to assume the Credit Card Processing Agreement, to continue to perform under the Co-Branded Credit Card Agreement, and to continue the \$98 million standby letter of credit facility.

In October 2005, Northwest executed an addendum to its airline card services agreement with American Express Travel Related Services Company, Inc., ("American Express"), that provides for the retention of certain funds by American Express from credit card sales. The initial reserve will increase or decrease based on Northwest achieving certain financial requirements. As part of this agreement, American Express is currently holding certain amounts, which are reflected as components of Other assets on the Company's Consolidated Balance Sheets. The Bankruptcy Court entered a final order in November 2005, which authorized Northwest to assume certain agreements, as modified, with American Express.

Cash Flow Activities

Operating Activities. Net cash used in operating activities for the year ended December 31, 2005 totaled \$437 million, a \$713 million decrease from the \$276 million of cash provided by operating activities for the year ended December 31, 2004. This decrease was driven primarily by an increase in net loss in 2005 versus 2004 and a \$290 million increase in vendor deposits and holdbacks.

Investing Activities. Investing activities during 2005 consisted primarily of the sale of short-term investments, aircraft capital expenditures and other related costs. Other related costs include engine purchases, costs to commission aircraft before entering revenue service, deposits on ordered aircraft, facility improvements and ground equipment purchases.

Investing activities during 2005 also included \$277 million of additional funding to the Company's irrevocable tax trust, which increased the Company's restricted cash, cash equivalents and short-term investment balance. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 2 - Summary of Significant Accounting Policies" for additional information regarding the Company's irrevocable tax trust. Additionally, investing activities during 2005 included proceeds of \$102 million from the sale of the Company's note receivable from Pinnacle Airlines and \$102 million in proceeds from the sale of the Prudential Financial Inc. common stock received in conjunction with Prudential's demutualization.

Financing Activities. Financing activities during 2005 included financing one Airbus A330-300 aircraft with long-term debt, debt proceeds of \$227 million from three secured financing agreements, debt proceeds of \$101 million from the financing of certain of the Company's properties in Tokyo, repayment of \$188 million unsecured notes due in March 2005, plus payment of other debt and capital lease obligations.

Non-Cash Flow Transactions and Leasing Activities. In addition to the one Airbus A330-300 aircraft financed with debt proceeds discussed above, the Company also took delivery of six Airbus A319, two Airbus A330-300 and 24 Bombardier CRJ aircraft during 2005. The six Airbus A319 and two Airbus A330 aircraft were acquired largely through non-cash transactions with the manufacturer, which are not classified as cash flow activities. The Company entered into long-term operating leases on 23 CRJ aircraft. One CRJ aircraft was acquired in 2005 as a substitute for a similar CRJ aircraft that was under a lease and was subject to an event of loss in 2004. Subsequent to the Company's bankruptcy filing, seven out of the 24 CRJ leases signed in 2005 were rejected. The Company subleased 15 of the remaining Bombardier CRJ aircraft to Pinnacle Airlines, and the other two were subleased to Mesaba.

Investing activities affecting cash flows and non-cash flow transactions and leasing activities related to the initial acquisition of aircraft consisted of the following for the year ended December 31, 2005:

	<u>Investing Activities Affecting Cash Flows</u>	<u>Non-cash Transactions and Leasing Activities</u>
Airbus A319	-	6
Airbus A330-300	1	2
Bombardier CRJ - 440	-	12
Bombardier CRJ - 200	-	12
	<u>1</u>	<u>32</u>

The bankruptcy filing triggered defaults on substantially all the Company's debt and lease obligations. For further discussion related to the Company's long-term pre-petition debt and capital lease obligations that are classified as liabilities subject to compromise, refer to "Item 8. Consolidated Financial Statements and Supplementary Data, Note 6 - Liabilities Subject to Compromise." Additionally, see "Item 8. Consolidated Financial Statements and Supplementary Data, Note 7 - Long-Term Debt and Short-Term Borrowings, and Note 8 - Leases," for additional information related to the Company's debt and lease obligations that are not classified as subject to compromise.

Prior Years' Cash Flow Activities

As of December 31, 2004, the Company's total liquidity, consisting of unrestricted balance sheet cash, cash equivalents and short-term investments, was \$2.46 billion. This amount excludes \$156 million of restricted short-term investments (which may include amounts held as cash). As of December 31, 2003, the Company had total liquidity of \$2.76 billion.

Operating Activities. Net cash provided by operating activities for the year ended December 31, 2004 totaled \$276 million, a \$99 million decrease from the \$375 million of cash provided by operating activities for the year ended December 31, 2003.

Investing Activities. Investing activities in 2004, other than aircraft and related purchases and short-term investments, included proceeds of \$136 million from the sale of the Company's remaining interest in Orbitz. Investing activities in 2003, other than aircraft and related purchases and short-term investments, included proceeds of \$278 million from the sale of the Company's interest in WorldSpan, \$255 million from the sale of 88.6% of the Company's interest in Pinnacle Airlines Corp. (proceeds of which were included in the Company's 2003 cash contributions to its pension plans), \$40 million for the sale of the Company's interest in Hotwire and \$13 million from the sale of a portion of its investment in Orbitz.

Financing Activities. Financing activities in 2004 consisted primarily of the issuance of \$300 million of unsecured notes due in 2009, repayment of \$138 million of 8.375% unsecured notes in March 2004, repayment of \$195 million of 8.52% unsecured notes in April 2004, the restructuring of the Company's \$975 million revolving bank credit facility, the payment of debt and capital lease obligations, and the financing of one Airbus A330-200 and one Airbus A330-300 aircraft with long-term debt.

Financing activities in 2003 consisted primarily of the issuance of \$150 million of 6.625% convertible senior notes due in 2023, the issuance of \$225 million of 7.625% convertible senior notes due in 2023, the payment of debt and capital lease obligations, and the financing of: (i) 11 Airbus A319, four Boeing 757-300 and three Airbus A330-300 aircraft with escrowed funds from an offering of pass-through trust certificates completed in 2002; and (ii) two Boeing 757-300, one Airbus A330-300, one Airbus A320 and one Airbus A319 aircraft with long-term debt.

Contractual Obligations. The following table summarizes the Company's commitments to make long-term debt and minimum lease payments, aircraft purchases, and certain other obligations for the years ending December 31 that were entered into by the Company post-petition. The Company is evaluating all its commitments as part of its overall plan of reorganization. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 6 - Liabilities Subject to Compromise" for additional information on liabilities stayed as part of the Company's Chapter 11 filing.

(in millions)	2006	2007	2008	2009	2010	Thereafter	Total
Long-term debt (1)	\$ 74	\$ 78	\$ 233	\$ 142	\$ 84	\$ 548	\$ 1,159
Capital leases (2)	11	-	-	-	-	-	11
Operating leases: (3)							
Aircraft	79	86	84	78	74	309	710
Non-aircraft	2	2	1	1	1	12	19
Aircraft commitments (4)	595	831	-	93	109	73	1,701
Other purchase obligations (5)	-	-	-	-	-	-	-
Total (6)	<u>\$ 761</u>	<u>\$ 997</u>	<u>\$ 318</u>	<u>\$ 314</u>	<u>\$ 268</u>	<u>\$ 942</u>	<u>\$ 3,600</u>

- (1) Amounts represent principal payments only for long-term debt that is not subject to compromise.
- (2) Amounts represent principal payments only for capital leases that are not subject to compromise. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 8 - Leases" for information related to interest on these amounts.
- (3) Amounts represent minimum lease payments for noncancelable operating leases that are not subject to compromise with initial or remaining terms of more than one year. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 8 - Leases" for information related to these amounts and the Company's overall lease commitments.
- (4) The amounts presented represent contractual commitments for firm-order aircraft which have been assumed post-petition. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 14 - Commitments" for a discussion of these purchase commitments.
- (5) The Company is reviewing its executory contracts under Section 365 of the Bankruptcy Code. No non-cancelable commitments related to Other Purchase Obligations have been entered by the Company subsequent to its Chapter 11 filing.
- (6) Purchase orders made in the ordinary course of business are excluded from the table. Any amounts for which the Company is liable under purchase orders are reflected in the consolidated balance sheets as accounts payable and accrued liabilities.

Off-Balance Sheet Arrangements. The SEC requires registrants to disclose “off-balance sheet arrangements.” As defined by the SEC, an off-balance sheet arrangement includes any contractual obligation, agreement or transaction involving an unconsolidated entity under which a company 1) has made guarantees, 2) has retained a contingent interest in transferred assets, 3) has an obligation under derivative instruments classified as equity, or 4) has any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company, or that engages in leasing, hedging or research and development services with the Company.

The Company has examined the structures of its contractual obligations potentially impacted by this disclosure requirement and has concluded that no arrangements of the types described above in categories 1, 2 or 3 exist that the Company believes may have a material current or future effect on its financial condition, liquidity or results of operations. With respect to category 4, the Company has obligations arising out of variable interests in unconsolidated entities. The Company has adopted the provisions of the Financial Accounting Standards Board Interpretation No. 46 as of July 1, 2003 for certain variable interests based on the current guidance provided by the FASB.

Pension Funding Obligations. The Company has several defined benefit plans covering substantially all of its employees. As of December 31, 2005, the Company’s pension plans were substantially underfunded as measured under the provisions of SFAS No. 87. Projected benefit obligations under the plans totaled \$9.5 billion, approximately \$3.7 billion in excess of the fair value of plan assets. Absent a distressed plan termination or future asset returns substantially in excess of plan assumptions, we will have to satisfy the underfunded amounts through cash contributions over time. The timing and amount of funding requirements are also dependent upon a number of other factors, including asset returns, interest rates, changes in pension legislation related to funding requirements, the Company’s Chapter 11 proceedings and labor negotiations, applications for and receipt of waivers to reschedule contributions, and changes to pension plan benefits. Effective August 31, 2005 and January 31, 2006 the Company froze future benefit accruals under the Northwest Airlines Pension Plans for Salaried and Pilot Employees, respectively. Replacement pension coverage will be provided for these employees through a 401(k)-type defined contribution plan. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 16 – Pension and Other Postretirement Health Care Benefits” for additional discussion of actuarial assumptions used in determining pension liability and expense.

On April 15, 2003, the IRS approved the application submitted by the Company to reschedule, over a five year period beginning in April 2004, the \$454 million in 2003 plan year contributions under the pension plans for contract and salaried employees. The Company satisfied the conditions for rescheduling plan year 2003 contributions by granting the plans liens on certain assets of the Company (including domestic and foreign slots, international routes, aircraft and engines).

On April 10, 2004, the President signed into law the Pension Funding Equity Act (“Pension Act”), which reduced the Company’s required 2004 and 2005 plan year contributions through two mechanisms: (1) certain companies were permitted to elect partial relief from the deficit reduction contribution requirements that otherwise would have applied, an election the Company made; and (2) the applicable discount rate used to determine funding was increased to reflect yields on indices of high quality corporate bonds instead of 30-year U.S. Treasury rates. Including the effect of the Pension Act, the Company’s 2005 calendar year cash contributions to qualified defined benefit pension plans were expected to approximate \$411 million. Through September 14, 2005, the Company had contributed \$268 million to these plans. As a result of the Company’s voluntarily filing for Chapter 11 on September 14, 2005, the Company did not make scheduled minimum cash contributions to its qualified defined benefit pension plans for September and October, 2005 in the amounts of \$59 million and \$83 million, respectively. The Company currently intends, however, to continue timely to pay the normal cost component of the plans’ minimum funding requirements relating to service rendered post-petition. The Company has appointed an independent fiduciary for all of its tax-qualified defined benefit pension plans, who is charged with pursuing, on behalf of the plans, claims to recover minimum funding contributions due under federal law, to the extent that the Debtors are not continuing to fund the plans due to bankruptcy prohibitions. The plans’ level of underfunding is expected to increase during the Chapter 11 cases.

The U.S. Senate approved a pension reform bill in November 2005 that would give airlines the option of amortizing pension liabilities over a twenty-year period. The pension reform bill passed by the U.S. House of Representatives in December 2005 does not include a similar provision. The bills are expected to go to conference committee in early 2006 and it is currently not possible to predict the outcome.

The funding requirement to meet the normal cost component of the qualified plans’ minimum funding requirements related to post-petition service is currently estimated at approximately \$75 million for calendar year 2006. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as the amount and timing of asset returns, interest rate levels, the Company’s Chapter 11 proceedings, and in particular, the impact of proposed pension legislation related to funding requirements, the Company is not able to reasonably estimate its future required contributions beyond 2006. If the Company is

unable to obtain sufficient legislative pension relief, termination of the defined benefit plans would become inevitable. Moreover, termination of the pilot defined benefit pension plan would become more likely should the tentative new collective bargaining agreement reached between ALPA and the Company not be ratified.

Critical Accounting Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon the Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of the Consolidated Financial Statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

The accompanying consolidated financial statements have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code ("SOP 90-7"), and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of post-petition liabilities in the ordinary course of business. In accordance with SOP 90-7, the financial statements for the periods presented distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and subject to approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, the Debtors may sell or otherwise dispose of assets, or liquidate and settle liabilities, for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications in the historical financial statements.

Critical accounting estimates are defined as those that are reflective of significant judgments and uncertainties, and could potentially reflect materially different results under different assumptions and conditions. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 2 - Summary of Significant Accounting Policies" for additional discussion of the application of these estimates and other accounting policies. The Company's management discussed the development of the estimates and disclosures related to each of these matters with the audit committee of the Company's board of directors.

Revenue Recognition. Passenger ticket revenues are recognized when the transportation is provided, or when the ticket expires, or is expected to expire, unused. The air traffic liability account is increased at the time of sale and represents an obligation of the Company to provide air travel in the future. Revenue is recognized, and the air traffic liability is reduced, as passengers use these tickets for transportation. The Company regularly performs evaluations of unused tickets. Unused tickets are recognized in passenger revenue based on current estimates, along with adjustments resulting from revisions of previous estimates. These adjustments relate primarily to ticket usage patterns, refunds, exchanges, inter-airline transactions, and other travel obligations for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price. While these factors generally follow predictable patterns that provide a reliable basis for estimating the air traffic liability, and the Company uses historical trends and averages in its estimates, significant changes in business conditions and/or passenger behavior that affect these estimates could have a significant impact on the Consolidated Financial Statements.

Asset Valuation and Impairments. The Company evaluates long-lived assets for potential impairments in compliance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"). These impairment evaluations are primarily initiated by fleet plan changes and therefore predominantly performed on fleet-related assets. The Company records impairment losses on long-lived assets when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Impairment losses are measured by comparing the fair value of the assets to their carrying amounts. In determining the need to record impairment charges, the Company is required to make certain estimates regarding such things as the current fair market value of the assets and future net cash flows to be generated by the assets. The current fair market value is determined by independent appraisal or published sales values of similar assets, and the future net cash flows are based on assumptions such as asset utilization, expected remaining useful lives, future market trends and projected salvage values. Impairment charges are recorded in depreciation and amortization expense on the Company's Consolidated Statements of Operations. If there are subsequent changes in these estimates, or if actual results differ from these estimates, additional impairment charges may be required.

Intangible Assets. The Company accounts for intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS No. 142”). SFAS No. 142 requires that companies test goodwill and indefinite lived intangible assets for impairment on an annual basis rather than amortize such assets. The Company adopted SFAS No. 142 as of January 1, 2002, and as a result no longer amortizes its indefinite lived intangible assets and goodwill, but instead tests the balance for impairment annually and/or when an impairment indicator exists.

The Company’s indefinite lived intangible asset derives from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S., and extensive “fifth freedom” rights between Japan and India, the South Pacific and other Asian destinations. Fifth freedom rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and carry Japanese originating passengers. These rights have no termination date, and the Company has the supporting infrastructure (airport gates, slots and terminal facility leases) in place to

operate air service to Japan and beyond from its U.S. hub airports indefinitely. Governmental policy and bilateral agreements between nations regulate international operating route authorities and alliances. The Company’s carrying value of international route authorities was \$634 million at December 31, 2005. Should any changes occur in policies, agreements, infrastructure or economic feasibility of air service to Japan, the Company will assess this asset for impairment and re-evaluate the economic life of these international routes. If the life is then determined to be finite, the Company would begin amortizing the asset.

Pension Liability and Expense. The Company has several defined benefit pension plans covering substantially all of its employees. The Company accounts for its defined benefit pension plans in accordance with SFAS No. 87, which requires that amounts recognized in financial statements be determined on an actuarial basis that includes estimates relating to expected return on plan assets, discount rate, and employee compensation. Effective August 31, 2005 and January 31, 2006 the Company froze future benefit accruals under the Northwest Airlines Pension Plans for Salaried and Pilot Employees, respectively. Replacement pension coverage will be provided for these employees through a 401(k)-type defined contribution plan. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 16 - Pension and Other Postretirement Health Care Benefits” for additional discussion of actuarial assumptions used in determining pension liability and expense.

During the second quarter of 2005, the Company changed its method of recognizing certain pension plan administrative expenses associated with the Company’s defined benefit pension plans and now includes them as a service cost component of net periodic pension cost. These expenses include trustee fees, other administrative expenses and insurance premiums paid to the PBGC, all of which were previously reflected as a reduction in the market value of plan assets and therefore amortized with other asset gains and losses. The Company believes the change is preferable because it more appropriately ascribes the expenses to the period in which they are incurred. The cumulative effect of applying this change to net periodic pension expense in prior years is \$69.1 million, which has been retroactively recorded as of January 1, 2005, and is included in the Company’s Consolidated Statements of Operations for the twelve months ended December 31, 2005.

A significant element in determining the Company’s pension expense is the expected return on plan assets, which is based in part on historical results for similar allocations among asset classes. The difference between the expected return and the actual return on plan assets is deferred and, under certain circumstances, amortized over future years of service. Therefore, the net deferral of past asset gains (losses) ultimately affects future pension expense.

In developing the expected long-term rate of return assumption, the Company examines projected returns by asset category with its pension investment advisors. Projected returns are based primarily on broad, publicly traded equity and fixed-income indices, with minor adjustments to account for the value of active management the funds have provided historically. The advisors’ asset category return assumptions are based in part on a review of historical asset returns, but also emphasize current market conditions to develop estimates of future risk and return. Current market conditions include the yield-to-maturity and credit spreads on a broad bond market benchmark in the case of fixed income asset classes, and current prices as well as earnings and dividend growth rates in the case of equity asset classes. The assumptions are also adjusted to account for the value of active management the funds have provided historically. The Company’s expected long-term rate of return for 2006 is based on target asset allocations of 45% domestic equities with an expected rate of return of 8.75%; 25% international equities with an expected rate of return of 8.75%; 10% private markets with an expected rate of return of 12.25%; 15% long-

duration bonds with an expected rate of return of 5.75%; and 5% high yield bonds with an expected rate of return of 7%. These assumptions result in a weighted geometric average rate of return of 9% on an annual basis. The Company has historically weighted these assumptions based on an arithmetic average. Beginning in 2006, the Company will weight the above category rate-of-return assumptions based on a geometric average. The Company believes this change in estimate is preferable to its prior method in that it incorporates the underlying volatility of various asset category rate-of-return trends. The Company's expected long-term rate of return on plan assets for calendar year 2005 and 2004 was 9.5%.

Plan assets for the Company's pension plans are managed by external investment management organizations. These investment management firms are prohibited by the investment policies of the plan from investing in Company securities, other than as part of a market index fund that could have a diminutive proportion of such securities.

The Company also determines the discount rate used to measure plan liabilities. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company looks to rates of return on fixed-income investments of similar duration to the liabilities in the plans that hold high, investment grade ratings by recognized ratings agencies. By applying this methodology, the Company determined a discount rate of 5.71% to be appropriate at December 31, 2005, versus the 5.90% discount rate used at December 31, 2004.

For the year ended December 31, 2005, accounting for the changes related to the Company's pension plans resulted in a net decrease to accumulated other comprehensive income of \$16 million on a pre-tax basis. The negative impact on accumulated other comprehensive income was principally due to a 5.1% rise in benefit obligations driven by a .19% decrease in the discount rate from 5.90% to 5.71%, offset by a 6.8% increase in the fair value of the plan assets.

Holding all other factors constant, a change in the discount rate used to measure plan liabilities by 0.25% would have changed accumulated other comprehensive income by \$317 million on a pre-tax basis.

As of February 1, 2006 the majority of the Company's qualified pension plans whose benefits were in part impacted by projected rate of future compensation increases were frozen. Compensation increases assumption for remaining plans does not materially impact the Company's pension expense.

For the year ended December 31, 2005, the Company recognized consolidated pre-tax pension expense of \$567 million, including replacement defined contribution requirements, up from \$444 million in 2004. Holding all other factors constant, an increase/decrease in the expected long-term rate of return on plan assets by 0.5% would decrease/increase pension expense by approximately \$29 million in 2006. Holding all other factors constant, an increase/decrease in the discount rate used to measure plan liabilities by 0.25% would decrease/increase pension expense by approximately \$23 million in 2006.

SEC Inquiry. In October 2004, the Company received an informal request for information from the SEC in connection with an inquiry related to accounting for pension and other post-retirement benefit plans. The SEC has stated that the inquiry is not an indication that any violation of laws has occurred. The Company believes its accounting practices in this area are appropriate and is cooperating with the inquiry, which also involves several other companies.

Frequent Flyer Accounting. The Company utilizes a number of estimates in accounting for its WorldPerks frequent flyer program. The Company accounts for the frequent flyer program obligations by recording a liability for the estimated incremental cost of flight awards expected to be redeemed on Northwest and other airline partners. Customers are expected to redeem their mileage, and a liability is recorded, when their accounts accumulate the minimum number of miles needed to obtain one flight award. Additional assumptions are made, based on past customer behavior, regarding the likelihood of customers using the miles for first-class upgrades or other premiums instead of flight awards, the expected use on other airline partners, as well as the likelihood of customers never redeeming the miles. Estimated incremental costs of carrying a passenger flying on redeemed miles on Northwest are based on the system average cost per passenger for food and beverage, fuel, insurance, security, miscellaneous claims and WorldPerks distribution and administration expenses. Estimated incremental cost for carriage on airline partners is based on contractual rates.

The estimated liability excludes accounts that have never attained the minimum travel award level, awards that are expected to be redeemed for upgrades, and the proportion not expected to be redeemed at all, but includes an estimate for partially earned awards on accounts that previously earned an award. In December 2004, Northwest revised its estimates associated with (i) the future mix of redemptions involving reciprocal frequent flyer programs with other airlines; (ii) incremental costs per type of award redemption; and (iii) the likelihood of customers never redeeming their award miles. For certain reciprocal frequent flyer programs, Northwest does not record a liability for the gross payments it expects to make to other airlines for WorldPerks members' redemption travel on those carriers until the Company meets certain contractual thresholds that are required prior to making cash payments. For other reciprocal frequent flyer arrangements with no such contractual thresholds, Northwest records a liability for the gross payments it expects to make for WorldPerks members' redemption travel on the other airlines without regard to the payments the Company expects to receive for their frequent flyer members' redemption travel on Northwest. Northwest recorded a liability for these estimated awards of \$248 million, \$215 million, and \$119 million at December 31, 2005, 2004 and 2003, respectively.

The Company defers a portion of the revenue from the sale of mileage credits to participating partners such as credit card issuers, hotels, long-distance companies, car rental firms, partner airlines, and other partners. The deferred revenue is recognized over the period in which the credits are expected to be redeemed for travel. The portion of revenue that is recognized at the time of sale represents marketing services in excess of the fair value of the tickets expected to be redeemed.

Deferred Tax Asset: The Company accounts for income taxes utilizing the liability method. Deferred income taxes are primarily recorded to reflect the tax consequences of differences between the tax and financial reporting bases of assets and liabilities. Under the provisions of SFAS No. 109, *Accounting for Income Taxes* ("SFAS No. 109"), the realization of the future tax benefits of a deferred tax asset is dependent on future taxable income against which such tax benefits can be applied. All available evidence must be considered in the determination of whether sufficient future taxable income will exist. Such evidence includes, but is not limited to, the company's financial performance, the market environment in which the company operates, the utilization of past tax credits, and the length of relevant carryback and carryforward periods. Sufficient negative evidence, such as cumulative net losses during a three-year period that includes the current year and the prior two years, may require that a valuation allowance be established with respect to existing and future deferred tax assets. As a result, it is more likely than not that future deferred tax assets will require a valuation allowance to be recorded to fully reserve against the uncertainty that those assets would be realized.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* ("SFAS No. 154"). This Statement, which replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, requires that a voluntary change in accounting principle be applied retroactively to all prior period financial statements presented, unless it is impractical to do so. SFAS No. 154 also provides that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate effected by a change in accounting principle, and also provides that correction of errors in previously issued financial statements should be termed a "restatement." SFAS No. 154 is effective for the fiscal year beginning January 1, 2006.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), *Share-Based Payment* ("SFAS No. 123R"). In addition to requiring supplemental disclosures, SFAS No. 123R eliminates the option to apply the intrinsic value measurement provisions of APB No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), to stock compensation awards issued to employees. Furthermore, the Company is required to recognize compensation cost for the portion of outstanding awards previously accounted for under the provisions of APB No. 25 for which the requisite service had not been rendered as of the adoption date for this Statement. The Statement also requires companies to estimate forfeitures of stock compensation awards as of the grant date of the award. Since the Company's current policy is to recognize forfeitures as they occur, a cumulative effect of a change in accounting principle will be recognized in income based on the estimate of remaining forfeitures for awards outstanding as of the date SFAS No. 123R is adopted. Because the Company voluntarily adopted the fair value method prescribed by SFAS No. 123 effective January 1, 2003, the unvested awards still accounted for under the provisions of APB No. 25, and therefore subject to the provisions of SFAS No. 123R, are minimal. Additionally, the overall impact of estimating the remaining forfeitures for awards outstanding as of the adoption date is insignificant. Therefore, the impact of adopting SFAS No. 123R will be immaterial. The Company will adopt SFAS No. 123R, using the modified-prospective transition method, effective January 1, 2006.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risks inherent in the Company's market-sensitive instruments and positions are the potential losses arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates, as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions management may take to mitigate its exposure to such changes. Actual results may differ from the outcomes estimated in the analyses due to factors beyond the Company's control. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 17 - Risk Management and Financial Instruments" for related accounting policies and additional information.

Aircraft Fuel. The Company's earnings are affected by changes in the price and availability of aircraft fuel. From time to time, the Company manages the price risk of fuel costs by utilizing futures contracts traded on regulated futures exchanges, swap agreements and options. A hypothetical 10% increase in the December 31, 2005 cost per gallon of fuel, assuming projected 2006 mainline and regional aircraft fuel usage, would result in an increase to aircraft fuel expense of approximately \$323 million in 2006, compared to an estimated \$243 million for 2005 measured at December 31, 2004. As of December 31, 2005, the Company had no fuel hedges in place for 2006. As of December 31, 2004, the Company had hedged approximately 25% and 6% of 2005 first quarter and full year mainline fuel requirements, respectively.

Foreign Currency. The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Japanese yen. From time to time, the Company uses financial instruments to hedge its exposure to the Japanese yen. The result of a uniform 10% strengthening in the value of the U.S. dollar from December 31, 2005 levels relative to each of the currencies in which the Company's revenues and expenses are denominated would result in a decrease in operating income of approximately \$126 million for the year ending December 31, 2006, compared to an estimated decrease of \$99 million for 2005 measured at December 31, 2004. This sensitivity analysis was prepared based upon projected foreign currency-denominated revenues and expenses as of December 31, 2005 and 2004. The variance is due to the Company's foreign currency-denominated revenues exceeding its foreign currency-denominated expenses.

The Company also has foreign currency exposure as a result of changes to balance sheet items. The Company is currently in a net liability position, as its foreign currency-denominated liabilities exceed its foreign currency-denominated assets. The result of a 10% weakening in the value of the U.S. dollar would result in a decrease to other income of an estimated \$1 million in 2006, caused by the remeasurement of net foreign currency-denominated liabilities as of December 31, 2005. In comparison, the Company was in a net asset position in 2004, as its foreign currency-denominated assets exceeded its foreign currency-denominated liabilities. The result of a 10% strengthening in the value of the U.S. dollar would have resulted in a decrease to other income of an estimated \$12 million, caused by the remeasurement of net foreign currency denominated assets at December 31, 2004. This sensitivity analysis was prepared based upon foreign currency-denominated assets and liabilities as of December 31, 2005 and 2004, respectively.

In 2005, the Company's yen-denominated net cash inflow was approximately 66 billion yen (approximately \$610 million) and its yen-denominated assets exceeded its yen-denominated liabilities by an average of 7 billion yen (approximately \$64 million), compared with 54 billion yen (approximately \$487 million) and 15 billion yen (approximately \$143 million), respectively, in 2004. In general, each time the yen strengthens (weakens), the Company's operating income is favorably (unfavorably) impacted due to net yen-denominated revenues exceeding expenses and a non-operating foreign currency gain (loss) is recognized due to the remeasurement of net yen-denominated assets. The Company's operating income in 2005 was favorably impacted by approximately \$1 million due to the average yen being stronger in 2005 compared to 2004 and favorably impacted in 2004 by approximately \$88 million due to the average yen being stronger in 2004 compared to 2003. Excluding the impact of hedging activities, the average yen to U.S. dollar exchange rate for the years ending December 31, 2005, 2004 and 2003 was 110, 108 and 117, respectively. Including the impact of hedge activities, the average yen to U.S. dollar exchange rate for the years ending December 31, 2005, 2004 and 2003 was 108, 110 and 117, respectively. The Japanese yen financial instruments utilized to hedge net yen-denominated cash flows resulted in a gain of \$10.9 million and a loss of \$7.8 million in 2005 and 2004, respectively. As of December 31, 2005, the Company had entered into forward contracts to hedge approximately 5% of its anticipated 2006 yen-denominated sales at an average rate of 101 yen per U.S. dollar. This compares to 12% of its anticipated 2005 yen-denominated sales hedged as of December 31, 2004.

Interest Rates. The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash equivalents and short-term investments and its interest expense from floating rate debt instruments. If short-term interest rates were to increase by 100 basis points for a full year, based on the Company's cash balance at December 31, 2005 and December 31, 2004, the Company's interest income from cash equivalents and short-term investments would increase by approximately \$19 million and \$26 million, respectively.

Subsequent to its Chapter 11 filing, the Company records or accrues post-petition interest expense on pre-petition obligations only to the extent it believes the interest will be paid during the bankruptcy proceeding or that it is probable that the interest will be an allowed claim. The Company's floating rate indebtedness was approximately 66% and 48% of its total long-term debt and capital lease obligations that were accruing interest as of December 31, 2005 and 2004, respectively. If short-term interest rates were to increase by 100 basis points throughout 2006 as measured at December 31, 2005, the Company's interest expense would increase by approximately \$42 million, compared to an estimated \$42 million for 2005 measured at December 31, 2004. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's floating rate indebtedness including debt obligations subject to compromise that continue to accrue interest, cash equivalent and short-term investment balances at December 31, 2005 and 2004.

Market risk for fixed-rate indebtedness that was not classified as subject to compromise as of December 31, 2005 is estimated as the potential decrease in fair value resulting from a hypothetical 100 basis point increase in interest rates and amounts to approximately \$10 million measured at December 31, 2005. This compares to an estimated \$137 million measured at December 31, 2004. The fair values of the Company's indebtedness were estimated using estimated or quoted market prices and discounted future cash flows based on the Company's incremental borrowing rates for similar types of arrangements.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Northwest Airlines Corporation (Debtor-in-Possession)

We have audited the accompanying consolidated balance sheets of Northwest Airlines Corporation (Debtor-in-Possession) as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwest Airlines Corporation (Debtor-in-Possession) at December 31, 2005 and 2004, and the consolidated results of its operations and its

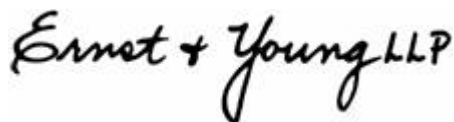
cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1 and 2, Northwest Airlines Corporation (Debtor-in-Possession) filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, all amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that Northwest Airlines Corporation (Debtor-in-Possession) will continue as a going concern. As more fully described in Notes 1 and 2, as a result of the bankruptcy filing, realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty and raise substantial doubt about the Company's ability to continue as a going concern. Management's plan concerning these matters is also discussed in Notes 1 and 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Northwest Airlines Corporation's (Debtor-in-Possession) internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2006 expressed an unqualified opinion thereon.

As discussed in Note 3 to the financial statements, in 2005 the Company changed its method of recognizing certain pension plan administrative expenses associated with the Company's defined benefit pension plans.



Minneapolis, Minnesota
March 13, 2006

**NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)**

**CONSOLIDATED BALANCE SHEETS
(In millions)**

	December 31	
	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 684	\$ 707
Unrestricted short-term investments	578	1,752
Restricted cash, cash equivalents and short-term investments	600	156
Accounts receivable, less allowance (2005-\$12; 2004-\$12)	592	460
Flight equipment spare parts, less allowance (2005-\$243; 2004-\$240)	136	125

Maintenance and operating supplies	128	92
Prepaid expenses and other	275	286
Total current assets	2,993	3,578
PROPERTY AND EQUIPMENT		
Flight equipment	10,055	9,890
Less accumulated depreciation	2,661	2,535
	7,394	7,355
Other property and equipment	1,792	1,783
Less accumulated depreciation	1,039	1,014
	753	769
Total property and equipment	8,147	8,124
FLIGHT EQUIPMENT UNDER CAPITAL LEASES		
Flight equipment	180	257
Less accumulated amortization	80	111
Total flight equipment under capital leases	100	146
OTHER ASSETS		
Intangible pension asset	363	671
International routes	634	634
Investments in affiliated companies	41	55
Other	805	834
Total other assets	1,843	2,194
Total Assets	\$ 13,083	14,042

The accompanying notes are an integral part of these consolidated financial statements.

**NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)**

**CONSOLIDATED BALANCE SHEETS
(In millions, except share data)**

	December 31	
	2005	2004
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Air traffic liability	\$ 1,586	\$ 1,422
Accrued compensation and benefits	303	895
Accounts payable	342	612
Collections as agent	116	135
Accrued aircraft rent	74	267
Other accrued liabilities	284	417

Current maturities of long-term debt	74	696
Current obligations under capital leases	11	53
Total current liabilities	2,790	4,497
LONG-TERM DEBT	1,085	7,715
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASES	-	308
DEFERRED CREDITS AND OTHER LIABILITIES		
Long-term pension and postretirement health care benefits	292	3,593
Other	102	753
Total deferred credits and other liabilities	394	4,346
LIABILITIES SUBJECT TO COMPROMISE	14,162	-
PREFERRED REDEEMABLE STOCK SUBJECT TO COMPROMISE	280	263
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$.01 par value; shares authorized- 315,000,000; shares issued (2005- 111,280,322; 2004- 111,124,304)	1	1
Additional paid-in capital	1,500	1,471
Accumulated deficit	(4,548)	(1,999)
Accumulated other comprehensive income (loss)	(1,568)	(1,547)
Treasury stock (2005- 24,024,989 shares; 2004- 24,018,221 shares)	(1,013)	(1,013)
Total common stockholders' equity (deficit)	(5,628)	(3,087)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 13,083	\$ 14,042

The accompanying notes are an integral part of these consolidated financial statements.

**NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)**

**CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)**

	Year Ended December 31		
	2005	2004	2003
OPERATING REVENUES			
Passenger	\$ 8,902	\$ 8,432	\$ 7,632
Regional carrier revenues	1,335	1,083	860
Cargo	947	830	752
Other	1,102	934	833
Total operating revenues	12,286	11,279	10,077
OPERATING EXPENSES			
Salaries, wages and benefits	3,721	3,796	3,905

Aircraft fuel and taxes	3,132	2,203	1,554
Selling and marketing	811	847	709
Aircraft maintenance materials and repairs	703	463	474
Other rentals and landing fees	627	596	569
Depreciation and amortization	552	731	586
Aircraft rentals	429	446	481
Regional carrier expenses	1,576	1,210	567
Other	1,654	1,492	1,497
Total operating expenses	13,205	11,784	10,342
OPERATING INCOME (LOSS)	(919)	(505)	(265)
OTHER INCOME (EXPENSE)			
U.S. Government appropriations	–	–	209
Interest expense	(610)	(543)	(475)
Interest capitalized	10	8	10
Interest of mandatorily redeemable security holder	–	–	(25)
Investment income	80	51	43
Earnings of affiliated companies	(14)	8	18
Reorganization items, net	(1,081)	–	–
Other, net	77	120	703
Total other income (expense)	(1,538)	(356)	483
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(2,457)	(861)	218
Income tax expense (benefit)	7	1	(30)
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(2,464)	(862)	248
Cumulative effect of accounting change	(69)	–	–
NET INCOME (LOSS)	(2,533)	(862)	248
Preferred stock requirements	(22)	(29)	(12)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	\$ (2,555)	\$ (891)	\$ 236
EARNINGS (LOSS) PER COMMON SHARE:			
Basic			
Income (loss) applicable to common stockholders before cumulative effect of accounting change	\$ (28.57)	\$ (10.32)	\$ 2.75
Cumulative effect of accounting change	(0.79)	–	–
Net Income (loss) applicable to common stockholders	<u>\$ (29.36)</u>	<u>\$ (10.32)</u>	<u>\$ 2.75</u>
Diluted			
Income (loss) applicable to common stockholders before cumulative effect of accounting change	\$ (28.57)	\$ (10.32)	\$ 2.62
Cumulative effect of accounting change	(0.79)	–	–
Net Income (loss) applicable to common stockholders	<u>\$ (29.36)</u>	<u>\$ (10.32)</u>	<u>\$ 2.62</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)**

	Year Ended December 31		
	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (2,533)	\$ (862)	\$ 248
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Reorganization items, net	1,081	-	-
Depreciation and amortization	552	731	586
Income tax expense (benefit)	7	1	(30)
Net receipts (payments) of income taxes	(3)	(3)	215
Pension and other postretirement benefit contributions less than expense	457	190	90
Net loss (earnings) of affiliates	14	(8)	(18)
Net loss (gain) on disposition of property, equipment and other	(80)	(95)	(702)
Other, net	20	78	14
Changes in certain assets and liabilities:			
Decrease (increase) in accounts receivable	(102)	46	(20)
Decrease (increase) in supplies, prepaid expenses and other	(37)	(50)	53
Decrease (increase) in vendor deposits/holdbacks	(290)	-	-
Increase (decrease) in air traffic liability	144	186	36
Increase (decrease) in accounts payable	206	33	(89)
Increase (decrease) in other liabilities	127	29	(8)
Net cash provided by (used in) operating activities	(437)	276	375
NET CASH PROVIDED BY (USED IN) REORGANIZATION ACTIVITIES			
	1	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(359)	(480)	(1,123)
Purchases of short-term investments	(301)	(241)	(1,377)
Proceeds from sales of short-term investments	1,606	128	-
Decrease (increase) in restricted cash, cash equivalents and short-term investments	(444)	(34)	1
Proceeds from sale of property, equipment and other assets	6	160	615
Proceeds from sale of Pinnacle note receivable	102	-	-
Investments in affiliated companies and other, net	(1)	(6)	(117)
Net cash provided by (used in) investing activities	609	(473)	(2,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term debt	(606)	(1,664)	(301)
Payment of capital lease obligations	(16)	(70)	(49)
Payment of short-term borrowings	(14)	(13)	(34)
Proceeds from long-term debt	448	1,512	1,359
Other, net	(8)	(7)	(72)
Net cash provided by (used in) financing activities	(196)	(242)	903
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(23)	(439)	(723)
Cash and cash equivalents at beginning of period	707	1,146	1,869
Cash and cash equivalents at end of period	\$ 684	\$ 707	\$ 1,146
Available to be borrowed under credit facilities	\$ -	\$ -	\$ 1
Cash and cash equivalents and unrestricted short-term investments at end of period	\$ 1,262	\$ 2,459	\$ 2,757
Supplemental Cash Flow Information:			
Interest paid	\$ 529	\$ 505	\$ 448
Investing and Financing Activities Not Affecting Cash:			
Manufacturer financing of aircraft and other non-cash transactions	\$ 344	\$ 705	\$ 290

NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)
(In millions)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
Balance January 1, 2003	110.8	\$ 1	\$ 1,455	\$ (1,316)	\$ (1,347)	\$ (1,055)	\$ (2,262)
Net income (loss)	-	-	-	248	-	-	248
Other comprehensive income (loss)							
Foreign Currency (net of \$17 million of tax)	-	-	-	-	30	-	30
Deferred gain/loss from hedging activities (net of \$20 million of tax)	-	-	-	-	(35)	-	(35)
Unrealized gain/loss on investments	-	-	-	-	(1)	-	(1)
Minimum pension liability adjustments (net of \$7 million of tax)	-	-	-	-	13	-	13
Total							255
Preferred Series C dividends accrued	-	-	-	(12)	-	-	(12)
Series C Preferred Stock converted to Common Stock	-	-	2	-	-	-	2
Step-up in basis of Orbitz Investment	-	-	11	-	-	-	11
\$ 225 million Convertible Debt call spread	-	-	(10)	-	-	-	(10)
Other	0.1	-	2	(3)	-	6	5
Balance December 31, 2003	110.9	1	1,460	(1,083)	(1,340)	(1,049)	(2,011)
Net income (loss)	-	-	-	(862)	-	-	(862)
Other comprehensive income (loss)							
Foreign Currency	-	-	-	-	3	-	3
Deferred gain/loss from hedging activities	-	-	-	-	8	-	8
Unrealized gain/loss on investments	-	-	-	-	4	-	4
Minimum pension liability adjustments	-	-	-	-	(222)	-	(222)
Total							(1,069)
Preferred Series C dividends accrued	-	-	-	(29)	-	-	(29)
Series C Preferred Stock converted to Common Stock	0.1	-	2	-	-	-	2
Stock options expensing	0.1	-	7	-	-	-	7
Issuance of Treasury Stock	-	-	-	(25)	-	36	11
Other	-	-	2	-	-	-	2
Balance December 31, 2004	111.1	1	1,471	(1,999)	(1,547)	(1,013)	(3,087)
Net income (loss)	-	-	-	(2,533)	-	-	(2,533)
Other comprehensive income (loss)							
Foreign Currency	-	-	-	-	(7)	-	(7)
Deferred gain/loss from hedging activities	-	-	-	-	11	-	11
Unrealized gain/loss on investments	-	-	-	-	(9)	-	(9)
Minimum pension liability adjustments	-	-	-	-	(16)	-	(16)
Total							(2,554)
Preferred Series C dividends accrued	-	-	-	(22)	-	-	(22)

Series C Preferred Stock converted to Common Stock	0.2	-	16	-	-	-	16
Stock options expensing	-	-	13	-	-	-	13
Issuance of Treasury Stock	-	-	-	6	-	-	6
Other	-	-	-	-	-	-	-
Balance December 31, 2005	<u>111.3</u>	<u>\$ 1</u>	<u>\$ 1,500</u>	<u>\$ (4,548)</u>	<u>\$ (1,568)</u>	<u>\$ (1,013)</u>	<u>\$ (5,628)</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Voluntary Reorganization Under Chapter 11 Proceedings

Bankruptcy Proceedings. On September 14, 2005 (the “Petition Date”), NWA Corp. and 12 of its direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). Subsequently, on September 30, 2005, NWA Aircraft Finance, Inc., an indirect subsidiary of NWA Corp., also filed a voluntary petition for relief under Chapter 11. The Bankruptcy Court is jointly administering these cases under the caption “In re Northwest Airlines Corporation, et al., Case No. 05-17930 (ALG)” (the “Chapter 11 case”). The consolidated financial statements shown herein include certain subsidiaries that did not file to reorganize under Chapter 11. The assets and liabilities of these subsidiaries are not considered material to the consolidated financial statements.

The Company intends to use the provisions of Chapter 11 to reorganize its business in order to return to profitability on a sustained basis. The Chapter 11 process will allow the Company to realize three major elements essential to its transformation including:

- Resizing and optimization of the Company’s fleet to better serve Northwest’s markets;
- Realizing a competitive cost structure, including \$2.2 billion in annual reductions in both labor and non-labor costs, \$1.7 billion of which is incremental to year-end 2005 results;
- Restructuring and recapitalization of the Company’s balance sheet, including a targeted reduction in debt and lease obligations of approximately \$4.2 - \$4.4 billion, providing debt and equity levels consistent with long-term profitability.

In addition, any business plan that forms the basis for a plan of reorganization will have to produce sufficient returns to permit the Company to have adequate access to the capital markets. Any plan will likely require profit improvements and/or cost reductions beyond those elements identified above. The Company will continue to refine its Chapter 11 related goals and objectives in response to market conditions.

As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed on September 30, 2005, an Official Committee of Unsecured Creditors (the “Creditors’ Committee”). The Creditors’ Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court concerning the reorganization. There can be no assurance that the Creditors’ Committee will support the Company’s positions or plan of reorganization.

With the exception of the Company’s non-debtor subsidiaries, the Company continues to operate the business as “debtor-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable court orders. In general, as debtor-in-possession, the Company is authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. In conjunction with the commencement of the Chapter 11 case, the Debtors sought and obtained several orders from the Bankruptcy Court that were intended to enable the Debtors to operate in the normal course of business during the Chapter 11 case. The most significant of these orders (i) authorize the Company to honor pre-petition obligations to customers, (ii) authorize the Company to honor obligations to employees for pre-petition employee salaries, wages, incentive compensation, and benefits and (iii) permit the Debtors to operate their consolidated cash management system during the Chapter 11 case in substantially the same manner as it was operated prior to the commencement of the Chapter 11 case.

The bankruptcy filing triggered defaults on substantially all the Company's debt and lease obligations. Under Section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against a debtor, including most actions to collect pre-petition indebtedness or to exercise control over the property of a debtor's estate. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities are subject to settlement under the plan of reorganization.

The Debtors' rights to possess and operate certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract are governed by Section 1110 of the Bankruptcy Code ("Section 1110"). Section 1110 provides that unless the Debtors take certain action within 60 days after the Petition Date or such later date as is agreed by the applicable lessor, secured party, or conditional vendor, the contractual rights of such financier to take possession of such equipment and to enforce any of its other rights or remedies under the applicable agreement are not limited or otherwise affected by the automatic stay or any other provision of the Bankruptcy Code.

The Debtors' balance sheet debt as of December 31, 2005 included \$1.7 billion in unsecured pre-petition debt obligations. These obligations are reflected in the Debtors' liabilities subject to compromise. See "Note 6 - Liabilities Subject to Compromise" for additional information.

Under Section 365 of the Bankruptcy Code, debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft and aircraft engines, subject to the approval of the Bankruptcy Court and other conditions. In general, rejection of an unexpired lease or executory contract is treated as a pre-petition breach of the lease or contract in question. Subject to certain exceptions, this rejection relieves debtors of performing their future obligations under that lease or contract but entitles the lessor or contract counterparty to a pre-petition general unsecured claim for damages caused by the deemed breach. These pre-petition general unsecured claims for damages, where appropriate, are reflected in the Debtors' liabilities subject to compromise - See "Note 6 - Liabilities Subject to Compromise." The Company expects that liabilities subject to compromise will arise in the future as a result of damage claims resulting from the rejection of certain executory contracts and unexpired leases by the Debtors. However, the Company expects that the assumption of certain executory contracts and unexpired leases may convert liabilities subject to compromise to liabilities not subject to compromise. Due to the uncertain nature of many of the potential rejection and abandonment related claims, the Company is unable to project the magnitude of these overall claims with any degree of certainty at this time.

The Bankruptcy Code provides special treatment for collective bargaining agreements ("CBAs"), which covers approximately 90% of the Company's employees. In particular, Section 1113(c) of the Bankruptcy Code permits the Company to move to reject its CBAs if the Company first satisfies a number of statutorily prescribed substantive and procedural prerequisites and obtains the Bankruptcy Court's approval of the rejection. After bargaining in good faith and sharing relevant information with its unions, a debtor must make proposals to modify its existing CBAs based on the most complete and reliable information available at the time. The proposed modifications must be necessary to permit the reorganization of a debtor and must provide that all the affected parties are treated fairly and equitably. Ultimately, rejection of the CBAs is appropriate if the unions refuse to agree to a debtor's necessary proposal "without good cause" and the Bankruptcy Court determines that the balance of the equities favors rejection.

On January 13, 2006, the International Association of Machinists and Aerospace Workers ("IAM"), which represents the Company's ground employees, agreed to submit the Company's contract settlement proposal to its members for ratification. On March 7, 2006, the IAM announced that the contract proposal, covering the Company's customer service and reservations employees, was ratified by a majority of its members. However, the Company's contract proposal was not ratified by the IAM-represented equipment service employees ("ESEs"). As a consequence of the ESE ratification vote results, the Company will request that the Bankruptcy Court proceed with the motion for a Section 1113(c) hearing related to the ESE members of the IAM.

On March 1, 2006, the Company reached a tentative consensual agreement on a new contract with its flight attendants represented by the Professional Flight Attendants Association ("PFAA"). The flight attendant agreement is subject to ratification by the Company's PFAA-represented employees. On March 3, 2006, the Company reached a tentative consensual agreement on a new contract with its pilots,

represented by the Air Line Pilots Association (“ALPA”). The pilot agreement is subject to approval by Northwest’s ALPA-represented employees.

On October 28, 2005, the Bankruptcy Court entered an order that restricts the trading of the common stock and debt interests in the Company. The purpose of the order is to ensure that the Company does not lose the benefit of its net operating loss carryforwards (“NOLs”) for tax purposes. Under federal and state income tax law, NOLs can be used to offset future taxable income, and thus are a valuable asset of the Debtors’ estate. Certain trading in the Company’s stock (or debt when the Company is in bankruptcy) could adversely affect the Company’s ability to use the NOLs. Thus, the Company obtained an order that enables it to closely monitor certain transfers of stock and claims and restrict those transfers that may compromise the Company’s ability to use its NOLs. See “Note 13 – Income Taxes” for further information on the Company’s NOLs.

The Company’s common stock ceased trading on the NASDAQ stock market on September 26, 2005 and now trades in the “over-the-counter” market under the symbol NWACQ.PK. However, the Company currently believes that no value will be ascribed to the Company’s outstanding common stock, preferred redeemable stock, or other equity securities in any plan of reorganization.

The New York Stock Exchange advised the Company on September 15, 2005 that trading in Northwest’s 10.5% Class D Pass Through Certificates, Series 2003-1 due April, 1, 2009, ticker symbol NWB RP09, as well as the 9.5% Senior Quarterly Interest Bonds due August 15, 2039 (QUIBS), ticker symbol NWB, was suspended. The QUIBS can still be traded on the “over-the-counter” market under the symbol NWBBQ.PK, however, the Company is no longer accruing or paying interest.

In order to exit Chapter 11 successfully, the Company must propose, and obtain confirmation by the Bankruptcy Court of, a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would resolve, among other things, the Debtors’ pre-petition obligations and set forth the revised capital structure of the newly reorganized entity. The Debtors have the exclusive right for 120 days from the Petition Date to file a plan of reorganization and, if they do so, 60 additional days to obtain necessary acceptance of the plan. On January 10, 2006, pursuant to Section 1121(d) of the Bankruptcy Code, the Bankruptcy Court approved a motion filed by the Debtors to

extend the deadline of the Debtors’ exclusive right to file a plan of reorganization and the deadline to obtain necessary acceptance of the plan to July 13, 2006 and September 12, 2006, respectively.

A plan of reorganization must be voted on by holders of impaired claims and equity interests, and must satisfy certain requirements of the Bankruptcy Code and, as noted above, be confirmed by the Bankruptcy Court. A plan has been accepted by holders of claims against and equity interests in a Debtor if (1) at least one-half in number and two-thirds in dollar amount of claims actually voting in each impaired class of claims have voted to accept the plan and (2) at least two-thirds in amount of equity interests actually voting in each impaired class of equity interests have voted to accept the plan. Under certain circumstances set forth in the provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a plan even if such plan has not been accepted by all impaired classes of claims and equity interests. A class of claims or an equity interest that does not receive or retain any property under the plan on account of such claims or interests is deemed to have voted to reject the plan. The precise requirements and evidentiary showing for confirming a plan, notwithstanding its rejection by one or more impaired classes of claims or equity interests, depends upon a number of factors, including the status and seniority of the claims or equity interests in rejecting class, i.e., secured claims or unsecured claims, subordinated or senior claims, preferred or common stock.

Although the Debtors expect to develop a reorganization plan during 2006 for emergence from Chapter 11, or obtain additional extensions to its exclusivity period, there can be no assurance that a reorganization plan will be proposed by the Debtors within the required timeframe or that additional extensions, if required, will be approved. Also, there is no assurance that the proposed plan will be approved by claim holders or confirmed by the Bankruptcy Court.

Note 2–Summary of Significant Accounting Policies

Financial Statement Presentation: The accompanying consolidated financial statements have been prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code* (“SOP 90-7”), and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of post-petition liabilities in the ordinary course of business. In accordance with SOP 90-7, the financial statements for the periods presented distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company. While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code and subject to approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, the Debtors may sell or otherwise dispose of assets, or liquidate and settle liabilities, for some amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications in the historical financial statements.

The Company’s consolidated financial statements have been prepared in accordance with GAAP on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, our consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern. There are, however, significant risks facing the Company in this regard, including the following:

- The Company is currently operating under a voluntary reorganization under Chapter 11;
- Attempts to reduce labor cuts may not be successful; and
- The airline industry is intensely competitive.

Given these uncertainties, there is substantial doubt about the Company’s ability to continue as a going concern.

Business: Northwest’s operations account for approximately 98% of the Company’s consolidated operating revenues and expenses. Northwest is a major air carrier engaged principally in the commercial transportation of passengers and cargo, directly serving more than 248 cities in 23 countries in North America, Asia and Europe. Northwest’s global airline network includes domestic hubs at Detroit, Minneapolis/St. Paul and Memphis, an extensive Pacific route system with a hub in Tokyo, a transatlantic joint venture with KLM, which operates through a hub in Amsterdam, a domestic and international alliance with Continental and Delta, membership in SkyTeam, a global airlines alliance with KLM, Continental, Delta, Air France, Alitalia, Aeroméxico, CSA Czech Airlines and Korean Air, exclusive marketing agreements with two domestic regional carriers, Pinnacle Airlines and Mesaba, both of which operate as Northwest Airlink, and a cargo business that includes a dedicated fleet of 14 freighter aircraft that operate through hubs in Anchorage and Tokyo.

Basis of Consolidation: NWA Corp. is a holding company whose principal indirect operating subsidiary is Northwest. The consolidated financial statements include the accounts of NWA Corp. and all consolidated subsidiaries. All significant intercompany transactions have been eliminated. Investments in 20% to 50% owned companies, as well as Pinnacle Airlines, are accounted for by the equity method. Other investments are accounted for by the cost method.

Increase in Restricted Cash: The Company, in the ordinary course of business, collects funds from passengers and withholdings from employees that are required to be paid to various taxing authorities, in addition to certain taxes that

are self assessed. These include U.S. transportation taxes, passenger facility charges, fuel taxes and the employee portion of payroll taxes, among others. The Company established an irrevocable trust in 2002 and since then has made regular deposits to the trust from which payments are issued to the taxing authorities. The increase in the irrevocable trust balance from \$5 million as of December 31, 2004, to \$282 million as of December 31, 2005, represents the Company’s decision in the first quarter of 2005 to increase its trust funding. Additionally, as a result of the Company filing for bankruptcy, a receivables financing required the Company to establish a cash collateral account, the balance of which was \$153 million as of December 31, 2005. These balances are included in restricted cash, cash equivalents and short-term investments on the Company’s Consolidated Balance Sheets.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Operating Revenues: Passenger and cargo revenues are recognized when the transportation is provided, or when the ticket expires, or is expected to expire, unused. The main component of air traffic liability represents the estimated value of sold but unused tickets. The Company regularly performs evaluations of unused tickets. Unused tickets are recognized in passenger revenue based on current estimates, along with adjustments resulting from revisions of previous estimates. These adjustments relate primarily to ticket usage patterns, refunds, exchanges, inter-airline transactions, and other travel obligations for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price. While these factors generally follow predictable patterns that provide a reliable basis for estimating the air traffic liability, and the Company uses historical trends and averages in its estimates, significant changes in business conditions and/or passenger behavior that affect these estimates could have a significant impact on the consolidated financial statements. Other revenues include MLT, transportation fees and charter revenues, and are recognized when the service or transportation is provided.

Property, Equipment and Depreciation: Owned property and equipment are stated at cost. Property and equipment acquired under capital leases are stated at the lower of the present value of minimum lease payments or fair market value at the inception of the lease. Property and equipment are depreciated to residual values using the straight-line method over the estimated useful lives of the assets, which generally range from four to 25 years for flight equipment and three to 32 years for other property and equipment. Leasehold improvements are generally amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Property and equipment under capital leases are amortized over the lease terms or the estimated useful lives of the assets.

The Company accounts for certain airport leases under the EITF Issue No. 99-13, *Application of EITF Issue No. 97-10, The Effect of Lessee Involvement in Asset Construction, and FASB Interpretation No. 23, Leases of Certain Property Owned by a Governmental Unit or Authority to Entities that Enter into Leases with Governmental Entities*, which requires the financing related to certain guaranteed airport construction projects committed to after September 23, 1999, be recorded on the balance sheet. Capitalized expenditures of \$357 million at December 31, 2005 that relate to airport improvements at Minneapolis/St. Paul, Memphis, Detroit, Knoxville and Seattle are recorded in other property and equipment, with the corresponding obligations included in long-term obligations under capital leases, liabilities subject to compromise, and other liabilities. During the construction of the Detroit airport project, capital expenditures are reflected in other property and equipment with a corresponding liability on the balance sheet. This amount totaled \$133 million as of December 31, 2005. Upon project completion, the corresponding asset and obligation will be removed from the balance sheet and will be accounted for as an operating lease.

Impairment of Long-Lived Assets: The Company evaluates long-lived assets for potential impairments in compliance with SFAS No. 144. These impairment evaluations are primarily initiated by fleet plan changes and therefore predominantly performed on fleet-related assets. The Company records impairment losses on long-lived assets when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Impairment losses are measured by comparing the fair value of the assets to their carrying amounts. In determining the need to record impairment charges, the Company is required to make certain estimates regarding such things as the current fair market value of the assets and future net cash flows to be generated by the assets. The current fair market value is determined by independent appraisal or published sales values of similar assets, and the future net cash flows are based on assumptions such as asset utilization, expected remaining useful lives, future market trends and projected salvage values. Impairment charges are recorded in depreciation and amortization or restructuring expense on the Company's Consolidated Statements of Operations. If there are subsequent changes in these estimates, or if actual results differ from these estimates, additional impairment charges may be recognized.

In December 2005, as part of the implementation of its restructuring driven fleet plan, the Company removed 18 DC9-30 aircraft from operations and determined that the Avro RJ85 fleet would be removed from service by the end of 2006. As a result, the Company recorded, as restructuring expense, impairment charges of \$153 million for the DC9-30 aircraft and the 10 owned Avro RJ85 aircraft in the fourth quarter of 2005.

In June 2005, the Company recorded \$48 million for the impairment and other charges related to nine owned and two leased aircraft of various types that it does not intend to return to service. Of the \$48 million recorded, approximately \$40 million related to acceleration of aircraft rent expense and other charges on the two leased aircraft and \$8 million was attributable to aircraft impairments on the nine owned aircraft.

In June 2004, as part of a revised fleet plan, the Company determined that it did not intend to return to service 10 Boeing 747-200 passenger aircraft that had been temporarily removed from operations. As a result, the Company recorded, as additional depreciation expense, impairment charges of \$104 million associated with these aircraft and related inventory in the second quarter of 2004. In December 2004,

additional impairment charges of \$99 million were recorded in conjunction with a new aircraft order and the related early retirement of certain DC10-30 aircraft, and the accelerated retirement of the Company's DC9-10 fleet, as part of a revised fleet plan.

In June 2003, the Company recorded an aircraft impairment of \$21 million as additional depreciation expense, primarily for Boeing 727-200 aircraft used in charter operations. In December 2003, the Company recorded an impairment charge of \$213 million as other expense, which related to foreign real property that no longer secures certain debt obligations. See "Note 9 - Mandatorily Redeemable Security" for additional information regarding impairment of foreign real property.

Flight Equipment Spare Parts: Flight equipment spare parts are carried at lower of average cost or market and are expensed when consumed in operations. An allowance for depreciation is provided at rates that depreciate cost, less residual value, over the estimated useful lives of the related aircraft. Inventory sales at amounts greater or less than their carried values are recorded as an adjustment to the allowance for depreciation and therefore do not generate gain or loss recognition for income statement purposes.

Airframe and Engine Maintenance: Routine maintenance, airframe and engine overhauls are charged to expense as incurred or when the asset is inducted at the vendor for service, except engine overhaul costs covered by power-by-the-hour type agreements, which are accrued on the basis of hours flown. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized and amortized over the remaining estimated useful life of the asset.

International Routes: Certain of the Company's international routes result from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S., and extensive "fifth freedom" rights from Japan to India, the South Pacific and other Asian destinations. Fifth freedom rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and carry Japanese originating passengers. These rights have no termination date, and the Company has the supporting infrastructure (airport gates, slots and terminal facility leases) in place to operate air service to Japan from its U.S. hub and gateway airports indefinitely. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, the Company does not amortize these intangible assets, but instead tests the balance for impairment annually and/or when an impairment indicator exists.

Frequent Flyer Program: Northwest operates a frequent flyer loyalty program known as "WorldPerks." WorldPerks is designed to retain and increase traveler loyalty by offering incentives for their continued patronage. Under the WorldPerks program, miles are earned by flying on Northwest or its alliance partners and by using the services of program partners for such things as credit card use, hotel stays, car rentals and other activities. Northwest sells mileage credits to the program partners. WorldPerks members accumulate mileage in their accounts and later redeem mileage for free or upgraded travel on Northwest and other participating airlines. WorldPerks members that achieve certain mileage thresholds also receive enhanced service benefits from Northwest like special service lines, advance flight boarding and upgrades.

The Company utilizes a number of estimates in accounting for its WorldPerks frequent flyer program. The Company accounts for the frequent flyer program obligations by recording a liability for the estimated incremental cost of flight awards expected to be redeemed on Northwest and other airline partners. Customers are expected to redeem their mileage, and a liability is recorded, when their accounts accumulate the minimum number of miles needed to obtain one flight award. Additional assumptions are made, based on past customer behavior, regarding the likelihood of customers using the miles for first-class upgrades or other premiums instead of flight awards, the expected use on other airline partners, as well as the likelihood of customers never redeeming the miles. Estimated incremental costs of carrying a passenger flying on redeemed miles on Northwest are based on the system average cost per passenger for food and beverage, fuel, insurance, security, miscellaneous claims and WorldPerks distribution and administration expenses. Estimated incremental cost for carriage on airline partners is based on contractual rates.

The estimated liability excludes accounts that have never attained the minimum travel award level, awards that are expected to be redeemed for upgrades, and the proportion not expected to be redeemed at all, but includes an estimate for partially earned awards on accounts that previously earned an award. In December 2004, Northwest revised its estimates associated with (i) the future mix of redemptions involving reciprocal frequent flyer programs with other airlines; (ii) incremental costs per type of award redemption; and (iii) the likelihood of customers never redeeming their award miles. For certain reciprocal frequent flyer programs, Northwest does not record a liability for the gross payments

to other airlines for WorldPerks members' redemption travel until the Company meets certain contractual thresholds that are required prior to making cash payments. For other reciprocal frequent flyer arrangements with no such contractual thresholds, Northwest records a liability for the gross payments it expects to make for WorldPerks members' redemption travel on the other airlines, without regard to the payments the Company expects to receive for their frequent flyer members' redemption travel on Northwest. These changes in estimates resulted in a liability increase of \$77 million, due primarily to the higher cost of awards redeemed on reciprocal frequent flyer programs versus Northwest's incremental cost for carriage, partially offset by a higher projection of unused award miles. While the average cost of an award increased as a result of these revised estimates, the total number of awards expected to be redeemed declined substantially. The number of estimated travel awards outstanding and expected to be redeemed at December 31, 2005, 2004, and 2003 was approximately 3.6, 3.8, and 7.2 million, respectively. Northwest recorded a liability for these estimated awards of \$248 million, \$215 million, and \$119 million at December 31, 2005, 2004 and 2003, respectively.

The number of travel awards used for travel on Northwest during the years ended December 31, 2005, 2004 and 2003 was approximately 1,492,000, 1,380,000 and 1,408,000, representing an estimated 7.3%, 6.9%, and 7.5% of Northwest's total RPMs for each such year, respectively. Including travel allowed on Northwest and travel on partner airlines, travel awards represented an estimated 8.9%, 8.5%, and 8.6% of Northwest's total RPMs for December 31, 2005, 2004 and 2003 respectively. Northwest believes displacement of revenue passengers is minimal based on the low ratio of WorldPerks award usage to revenue passenger miles and the Company's ability to manage frequent flyer inventory through seat allocations.

The Company defers a portion of the revenue from the sale of mileage credits to participating partners such as credit card issuers, hotels, long-distance companies, car rental firms, partner airlines, and other partners. The deferred revenue is recognized over the period in which the credits are expected to be redeemed for travel. The portion of revenue that is recognized at the time of sale represents marketing services in excess of the fair value of the tickets expected to be redeemed.

Advertising: Advertising costs, included in selling and marketing expenses, are expensed as incurred and were \$63 million, \$72 million, and \$82 million in 2005, 2004, and 2003, respectively.

Stock Based Compensation: As of December 31, 2005, the Company maintains stock incentive plans for officers and key employees of the Company and a stock option plan for pilot employees. See "Note 11 - Stock Based Compensation" for additional discussion of stock based compensation. Effective January 1, 2003, the Company adopted the fair value method of recording stock-based employee compensation prescribed by SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") and accounted for this change in accounting principle using the "prospective method" as described by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123* ("SFAS No. 148").

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment* ("SFAS No. 123R"). In addition to requiring supplemental disclosures, SFAS No. 123R eliminates the option to apply the intrinsic value measurement provisions of APB No. 25 to stock compensation awards issued to employees. Furthermore, the Company is required to recognize compensation cost for the portion of outstanding awards previously accounted for under the provisions of APB No. 25 for which the requisite service had not been rendered as of the adoption date for this Statement. The Statement also requires companies to estimate forfeitures of stock compensation awards as of the grant date of the award. Since the Company's current policy is to recognize forfeitures as they occur, a cumulative effect of a change in accounting principle should be recognized in income based on the estimate of remaining forfeitures for awards outstanding as of the date SFAS No. 123R is adopted. Because the Company voluntarily adopted the fair value method prescribed by SFAS No. 123 effective January 1, 2003, the unvested awards still accounted for under the provisions of APB No. 25, and therefore subject to the provisions of SFAS No. 123R, are minimal. Additionally, the overall impact of estimating the remaining forfeitures for awards outstanding as of the adoption date is insignificant. Therefore, the impact of adopting SFAS No. 123R will be immaterial. The Company will adopt SFAS No. 123R, using the modified-prospective transition method, effective January 1, 2006.

Foreign Currency: Assets and liabilities denominated in foreign currency are remeasured at current exchange rates with resulting gains and losses generally included in net income.

Deferred Tax Assets: The Company accounts for income taxes utilizing the liability method. Deferred income taxes are primarily recorded to reflect the tax consequences of differences between the tax and financial reporting bases of assets and liabilities. Under the provisions of SFAS No. 109, *Accounting for Income Taxes* (“SFAS No. 109”), the realization of the future tax benefits of a deferred tax asset is dependent on future taxable income against which such tax benefits can be applied. All available evidence must be considered in the determination of whether sufficient future taxable income will exist. Such evidence includes, but is not limited to, the company’s financial performance, the market environment in which the company operates, the utilization of past tax credits, and the length of relevant carryback and carryforward periods. Sufficient negative evidence, such as cumulative net losses during a three-year period that includes the current year and the prior two years, may require that a valuation allowance be established with respect to existing and future deferred tax assets. As a result, it is more likely than not that future deferred tax assets will require a valuation allowance to be recorded to fully reserve against the uncertainty that those assets would be realized.

Note 3—Change in Accounting for Certain Pension Plan Administrative Expenses

During the second quarter of 2005, the Company changed its method of recognizing certain pension plan administrative expenses associated with the Company’s defined benefit pension plans and now includes them as a service cost component of net periodic pension cost. These expenses include trustee fees, other administrative expenses and insurance premiums paid to the Pension Benefit Guaranty Corporation (“PBGC”), all of which previously were reflected as a reduction in the market value of plan assets and therefore amortized with other asset gains and losses. The Company believes this change is preferable because it more appropriately ascribes the expenses to the period in which they are incurred. The cumulative effect of applying this change to net periodic pension expense in prior years is \$69.1 million, which has been retroactively recorded as of January 1, 2005, and is included in the Company’s Consolidated Statements of Operations for the year ended December 31, 2005. The impact of this change on the year ended December 31, 2005, was an increase in net periodic benefit cost of \$37.7 million.

The following table illustrates pro forma amounts as of December 31, assuming the new accounting method is applied retroactively:

(In millions, except per share amounts)	2005	2004	2003
Net Income (Loss) Applicable to Common Stockholders			
<i>Basic</i>	\$ (2,486)	\$ (929)	\$ 219
<i>Diluted</i>	(2,486)	(929)	228
Earnings (loss) per common share:			
<i>Basic</i>	\$ (28.57)	\$ (10.75)	\$ 2.55
<i>Diluted</i>	(28.57)	(10.75)	2.44

Note 4—Earnings (Loss) Per Share Data

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the years ended December 31:

(In millions, except share data)	2005	2004	2003
Numerator:			
Net income (loss) before cumulative effect of accounting change	\$ (2,464)	\$ (862)	\$ 248
Cumulative effect of accounting change	(69)		
Preferred stock requirements	(22)	(29)	(12)
Net income (loss) applicable to common stockholders	\$ (2,555)	\$ (891)	\$ 236
Effect of dilutive securities:			

Interest on contingently convertible debt	-	-	9
Adjusted net Income for diluted earnings (loss) per share	<u>\$ (2,555)</u>	<u>\$ (891)</u>	<u>\$ 245</u>

Denominator:

Weighted-average shares outstanding for basic earnings (loss) per share	87,003,280	86,403,384	85,889,584
Effect of dilutive securities:			
Contingently convertible debt	-	-	7,281,552
Shares held in non-qualified rabbi trusts	-	-	3,033
Employee stock options and unvested restricted shares	-	-	471,192
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings (loss) per share	87,003,280	86,403,384	93,645,361
Basic earnings (loss) per common share:			
Net income (loss) before cumulative effect of accounting change	\$ (28.32)	\$ (9.98)	\$ 2.89
Cumulative effect of accounting change	(0.79)	-	-
Preferred stock requirements	(0.25)	(0.34)	(0.14)
Net income (loss) applicable to common stockholders	\$ (29.36)	\$ (10.32)	\$ 2.75
Diluted earnings (loss) per common share:			
Net income (loss) before cumulative effect of accounting change	\$ (28.32)	\$ (9.98)	\$ 2.65
Cumulative effect of accounting change	(0.79)	-	-
Interest on contingently convertible debt	-	-	0.09
Preferred stock requirements	(0.25)	(0.34)	(0.12)
Net income (loss) applicable to common stockholders	\$ (29.36)	\$ (10.32)	\$ 2.62

For the twelve months ended December 31, 2005 and 2004, 19,311,599 and 19,768,222 incremental shares related to dilutive securities, respectively, were not included in the diluted earnings per share calculation because the Company reported a net loss for these periods. Incremental shares related to dilutive securities have an anti-dilutive impact on earnings per share when a net loss is reported and therefore are not included in the calculation.

Additionally, 6,315,026 and 6,456,063 shares of Series C Preferred Stock were excluded from the effect of dilutive securities for the years ended December 31, 2005 and 2004, respectively, because the Company reported a net loss for these periods and the inclusion of these shares would have had an anti-dilutive effect on the earnings per share calculation. Due to the determination of the Company in 2003 to use cash to redeem the Series C Preferred Stock rather than issuing additional common stock, 6,521,300 shares of Series C Preferred Stock were excluded from the effect of dilutive securities for the year ended December 31, 2003. See "Note 10 - Redeemable Preferred Stock" for additional information regarding this security.

The dilutive securities described above do not include 7,879,048, 1,337,224 and 1,232,128 employee stock options and restricted shares for the years ended December 31, 2005, 2004 and 2003, respectively, because the exercise prices of these options were greater than the average market price of the common stock for the period or the amount of

assumed proceeds for the restricted shares did not result in incremental dilutive shares under the treasury method. Total employee stock options and restricted shares outstanding of 7,879,048 and 9,449,561 as of December 31, 2005 and 2004, respectively, were not included in diluted securities because the Company reported a net loss for the years ended December 31, 2005 and 2004.

Note 5–Reorganization Related Items

The consolidated financial statements have been prepared in accordance with SOP 90-7 and on a going concern basis that contemplates continuity of operations, realization of assets, and liquidation of post-petition liabilities in the ordinary course of business. In accordance with SOP 90-7, the financial statements for the periods presented distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company.

Reorganization items recorded from the commencement of the Chapter 11 case through December 31, 2005, largely consisted of aircraft restructuring, aircraft impairment and rejection charges, the write-off of debt and lease valuation adjustments, and pension plan curtailment charges. The charges for restructuring aircraft leases result from the recognition of anticipated damage claims associated with the renegotiation of aircraft lease terms. Aircraft impairment charges are the non-cash write-downs of owned aircraft that were rejected or permanently grounded as part of the Company's fleet restructuring. Aircraft rejection charges are non-cash costs that include the estimated claims resulting from the Company's rejection or renegotiation of certain aircraft leases and/or return of aircraft as part of the bankruptcy process. Debt and lease valuation adjustments represent one time non-cash charges related to the write-off of issuance costs, discounts and premiums related to the Company's debt and leases classified as liabilities subject to compromise. Pension plan curtailment charges are non-cash costs associated with the freezing of the pilot pension plan.

Net reorganization items, as shown on the Consolidated Statement of Operations, consist of the following:

(In millions)	2005
Restructured aircraft leases	\$ 498
Aircraft related impairment	153
Aircraft related rejection charges	128
Debt and lease valuation adjustments	144
Pension plan curtailment	127
Professional fees	23
Other	8
Reorganization items, net	<u>\$ 1,081</u>

Note 6–Liabilities Subject to Compromise

Liabilities subject to compromise refers to both secured and unsecured obligations that will be accounted for under a plan of reorganization, including claims incurred prior to the Petition Date. They represent the estimated amount expected to be allowed on known or potential claims to be resolved through the Chapter 11 process, and remain subject to future adjustments arising from negotiated settlements, actions of the Bankruptcy Court, rejection of executory contracts and unexpired leases, the determination as to the value of any collateral securing claims, proofs of claim, or other events.

The Debtors have endeavored to notify all of their known or potential creditors whose claims are subject to the Chapter 11 cases. Subject to certain exceptions under the Bankruptcy Code, the Chapter 11 filings automatically stayed the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the time of filing on September 14, 2005. The deadline for creditors to file proofs of claim with the Bankruptcy Court (the "Bar Date") has not yet been determined. A proof of claim arising from the rejection of an executory contract or an expired lease must be filed the later of the Bar Date or 30 days from the effective date of the authorized rejection.

Differences between liability amounts the Company has estimated and future claims to be filed by its creditors will be examined by the Debtors and if necessary will be subject to a final determination of the allowable claims by the Bankruptcy Court. The determination of how these liabilities will ultimately be treated will not be known until an approved plan of reorganization is confirmed by the Bankruptcy Court

and the claims resolution process is complete. Completion of the claims resolution process may occur well after confirmation of a plan of reorganization. The Company will continue to evaluate the amounts of these liabilities through the remainder of the Chapter 11 process. To the extent that the Company identifies additional amounts subject to compromise, they will be recognized accordingly. As a result, the amounts of liabilities subject to compromise are subject to change.

Subsequent to its Chapter 11 filing, the Company recorded post-petition interest expense on pre-petition obligations only to the extent it believes the interest will be paid during the bankruptcy proceeding or that it is probable that the interest will be an allowed claim. Had the Company recorded interest expense based on its pre-petition contractual obligations, interest expense would have increased by \$59.2 million during the year ended December 31, 2005.

At December 31, 2005, the Company had liabilities subject to compromise of \$14.2 billion consisting of the following:

(In millions)	2005
Long-term debt (1)	\$ 7,348
Accrued interest on long-term debt	63
Pension, postretirement and other employee related expenses	3,948
Aircraft-related accruals and deferrals (2)	1,455
Capital lease obligations, including accrued interest (3)	350
Accounts payable and other liabilities	998
Total Liabilities Subject to Compromise	\$ 14,162

In addition to the \$14.2 billion of liabilities subject to compromise itemized above, the Company's \$280 million of Preferred Redeemable Stock is also subject to compromise. This preferred security is not presented as a liability on the Company's Consolidated Balance Sheets due to its conversion features, as required by the provisions of SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*.

- 1) Long-term debt subject to compromise includes pre-petition and post-petition accrued interest and unpaid principal for financings that remain subject to negotiations that may ultimately result in a return of collateral, settlement or a renegotiated agreement. It also includes estimated unsecured damage claims to be resolved through the Company's Chapter 11 settlement process, resulting from debt agreements that have been restructured subsequent to the petition date. Refer to "Note 7 - Long-Term Debt and Short-Term Borrowings" for information related to the Company's debt not classified as subject to compromise. At December 31, 2005, the Company's long-term debt subject to compromise was as follows:

(In millions)	2005
Aircraft Enhanced Equipment Trust Certificates (a)(b)	\$ 1,987
Aircraft Secured Loans (a)(c)	2,156
Term Loan (a)(d)	975
Other Secured Notes (a)(e)	528
Other Secured Debt (a)	1
Unsecured Notes	1,313
Convertible Unsecured Notes	375
Unsecured Debt	2
Pre-Petition Claims (f)	11
Total Debt Liabilities Subject to Compromise (g)	\$ 7,348

- (a) On certain secured financings that are classified as subject to compromise, the Company continues to make principal and interest payments, either through Bankruptcy Court approval or interim payment agreements negotiated with the related creditors.

- (b) At December 31, 2005, the \$1.99 billion of equipment notes underlying the pass-through trust certificates issued for 78 aircraft are direct obligations of Northwest.
- (c) The Company took delivery of four Airbus A319-100 aircraft during 2005 prior to the Chapter 11 filing date that were financed in the amount of \$113 million. Since these aircraft were delivered and financed prior to the filing date, they are considered subject to compromise. At December 31, 2005, the \$2.16 billion of equipment notes underlying the secured loans were secured by 69 aircraft.
- (d) The term loan had an initial principal amount of \$975 million and was comprised of two tranches. On April 15, 2005, the Company refinanced the first principal repayment of \$148 million due in November 2005 under the \$975 million term loan facility by creating a third tranche of debt. The term loan is secured by the Pacific routes and certain aircraft.

- (e) During the second quarter of 2005, Northwest entered into three separate secured loan agreements. The loan agreements include:
- A \$140 million Accounts Receivable Loan commitment secured by credit card, passenger and cargo receivables. The outstanding draw on this commitment is \$127 million.
 - A \$50 million Stock Loan secured by Northwest equity investments in its regional carriers.
 - A \$50 million Equipment Loan secured by various aircraft, spare engines and engine spare parts.
- (f) As a result of restructuring debt for two B757-300 aircraft subsequent to the filing date, the Company has recorded an unsecured pre-petition claim of \$11 million.
- (g) Assets having an aggregate book value of \$7.2 billion at December 31, 2005, consisting principally of aircraft and route authorities, were pledged under various loan agreements. See “Note 7 - Long-Term Debt and Short-Term Borrowings” for further information on debt obligations not classified as subject to compromise.
- (2) Includes estimated unsecured creditor claims of \$814 million related to post-petition restructured operating and capital leases. This amount also includes accrued rent for leases still in the process of being renegotiated. Refer to “Note 8 - Leases” for information related to the Company’s leases not subject to compromise.
- (3) Capital lease obligations subject to compromise includes accrued interest and unpaid principal for financings that remain subject to negotiations that may ultimately result in a return of collateral, settlement or a renegotiated agreement.

Note 7—Long-Term Debt and Short-Term Borrowings

Long-term debt not classified as subject to compromise as of December 31 consisted of the following (with interest rates as of December 31, 2005):

(In millions)	2005 (1)	2004
Aircraft enhanced equipment trust certificates due through 2012, 9.8% weighted-average rate (2)	\$ 182	\$ 2,406
Aircraft secured loans due through 2025, 7.5% weighted-average rate (3)	671	2,526
Bank Term Loan due 2006 through 2010,	–	975
Other secured notes due through 2010, 6.4% weighted-average rate	195	531
Other secured debt through 2031, 4.5% weighted-average rate (4)	111	102
Total secured debt	1,159	6,540
Unsecured notes due 2006 through 2039	–	1,494
Convertible unsecured notes due through 2023	–	375

Other unsecured debt	–	2
Total unsecured debt	–	1,871
Total debt	1,159	8,411
Less current maturities	74	696
Total Long-term debt	\$ 1,085	\$ 7,715

- (1) The financings listed in the table above are considered “not subject to compromise” either due to Bankruptcy Court-approved post-petition negotiated agreements or due to the fact that the debt represents obligations of Non-Debtor consolidated subsidiaries. Assets having an aggregate book value of \$1.5 billion at December 31, 2005, consisting principally of aircraft, were pledged under various loan agreements. Refer to “Note 6 - Liabilities Subject to Compromise” for information related to long-term debt and short-term borrowings that are classified as liabilities subject to compromise.
- (2) At December 31, 2005, the \$182 million of equipment notes underlying the pass-through trust certificates issued for 13 aircraft are direct obligations of Northwest. Interest on the pass-through trust certificates is payable semi-annually.
- (3) The Company took delivery of and financed three Airbus A330-300 and two Airbus A319-100 aircraft during the twelve months ended December 31, 2005, resulting in an increase of \$312 million aircraft secured loans. On December 31, 2005, the \$671 million of equipment notes underlying the secured loans issued for 14 aircraft are direct obligations of Northwest.

- (4) On April 1, 2005, the Company completed an 8.5 billion yen (approximately \$72 million) financing with Shinsei Bank, Limited, maturing on June 20, 2006 (“Shinsei” loan). The loan proceeds were reduced by fees and expenses, pre-paid interest and a liquidity reserve. This financing bears interest at the rate of 2.878% per annum. The financing is secured by certain Company properties in Tokyo. On April 20, 2005, the Company completed a 2.5 billion yen (approximately \$21 million) financing with Airline Funding, LLC (“Airline Funding” loan), which will remain outstanding concurrently with the Shinsei loan until maturity on June 20, 2006. This financing bears interest at the rate of 5.0% per annum with interest payable semi-annually. The Airline Funding loan financing is secured by a second lien on properties in Tokyo, with the first lien being held by Shinsei Bank, Limited. As a result of a binding commitment outstanding at December 31, 2005 from Airline Funding, LLC to refinance the Shinsei and Airline Funding loans into one 25-year mortgage, both loans maturing on June 20, 2006 are classified as long-term debt and are therefore included in the “Thereafter” column in the Debt Maturity Table below.

Debt Maturity Table:

Maturities of long-term debt classified as not subject to compromise for the five years subsequent to December 31, 2005 are as follows:

(In millions)	2006	2007	2008	2009	2010	Thereafter	Total
Aircraft enhanced equipment trust certificates	\$ 15	\$ 24	\$ 24	\$ 25	\$ 25	\$ 69	\$ 182
Aircraft secured loans	18	31	188	21	23	390	671
Bank Term Loan	–	–	–	–	–	–	–
Other secured notes	21	21	21	96	36	–	195
Other secured debt	20	2	–	–	–	89	111
Total secured debt	74	78	233	142	84	548	1,159
Total unsecured debt	–	–	–	–	–	–	–
Total long-term debt	\$ 74	\$ 78	\$ 233	\$ 142	\$ 84	\$ 548	\$ 1,159

The weighted-average interest rates on short-term borrowings outstanding at December 31 were 3.73% and 3.97% for 2004 and 2003, respectively. As of December 31, 2005 there were no short-term borrowings.

Note 8—Leases

The Company leases aircraft, space in airport terminals, land and buildings at airports, ticket, sales and reservations offices, and other property and equipment, which expire in various years through 2032. As allowed under Section 365 of the Bankruptcy Code, the Company may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft and aircraft engines, subject to the approval of the Bankruptcy Court and certain other conditions. Consequently, the majority of the Company's operating leases and all of the Company's capital leases are currently classified as subject to compromise. See "Note 6 - Liabilities Subject to Compromise" for information related to operating leases and capital leases that are classified as liabilities subject to compromise.

At December 31, 2005, future minimum lease payments for noncancelable operating leases that are not subject to compromise, primarily due to post-petition Bankruptcy Court approved agreements, with initial or remaining terms of more than one year are as follows:

(In millions)	Aircraft	Non-aircraft
2006	\$ 79	\$ 2
2007	86	2
2008	84	1
2009	78	1
2010	74	1
Thereafter	309	12
Total minimum operating lease payments (1)	\$ 710	\$ 19

(1) As of December 31, 2005, the Company had future minimum lease payments for noncancelable operating leases classified as subject to compromise in the amount of \$4.2 billion, net of sublease rental income of \$3.3 billion.

Rental expense for all operating leases for the years ended December 31 consisted of the following (in millions):

(In millions)	2005	2004	2003
Gross rental expense	\$ 991	\$ 928	\$ 908
Sublease rental income	(371)	(314)	(172)
Net rental expense	\$ 620	\$ 614	\$ 736

At December 31, 2005 Northwest leased 66 of the 379 aircraft it operates; of these 66 leases, six were capital leases and 60 were operating leases.

Note 9—Mandatorily Redeemable Security

In October 1995, the Company completed a restructuring of its yen-denominated non-recourse obligation secured by land and buildings the Company owns in Tokyo. A newly formed consolidated subsidiary of the Company (the "Subsidiary") entered into a Japanese business arrangement designated under Japanese law as a tokumei kumiai ("TK"). Pursuant to the TK arrangement, the holder of the non-recourse obligation restructured and assigned such obligation to the Subsidiary as operator in exchange for a preferred interest in the profits and returns of capital from the business of the Subsidiary (the "Preferred Security"). The restructured non-recourse obligation is the sole asset of the Subsidiary, and the Company had the ability to transfer the land and buildings in full satisfaction of the Company's obligation. As a result of this restructuring, the original holder of such non-recourse obligation ceased to be a direct creditor of the Company and the Company's obligation was reflected in the Company's Consolidated Balance Sheets as a Mandatorily Redeemable Security.

In December 2003, the Company acquired the holder of the Preferred Security, thereby eliminating the obligation on the Company's Consolidated Balance Sheets. This acquisition resulted in a net non-cash gain of \$148 million, consisting of a gain related to the

extinguishment of the non-recourse obligation of \$361 million and a corresponding impairment of the land that then secured the obligation by \$213 million. The gain on debt extinguishment and the land impairment charge include recognition of currency translation adjustments previously recorded in other comprehensive income of \$168 million and \$96 million, respectively.

Note 10—Redeemable Preferred Stock

Series C Preferred Stock: As part of labor agreements reached in 1993, NWA Corp. issued to trusts for the benefit of participating employees 9.1 million shares of a new class of Series C cumulative, voting, convertible, redeemable preferred stock, par value of \$.01 per share (the “Series C Preferred Stock”), and 17.5 million shares of Common Stock and provided the union groups with three positions on the Board of Directors. NWA Corp. has authorized 25 million shares of Series C Preferred Stock. The Series C Preferred Stock ranks senior to Common Stock with respect to liquidation and certain dividend rights. Each share of the Series C Preferred Stock is convertible at any time into 1.364 shares of Common Stock. As of December 31, 2005, 4.4 million shares of Series C Preferred Stock have been converted into Common Stock and the remaining 4.7 million shares outstanding are convertible into 6.3 million shares of Common Stock. During 2005, 103,399 shares of Series C Preferred Stock were converted into 141,036 shares of Common Stock.

During the 60-day period ending on August 1, 2003 (the “Put Date”), holders of the Series C Preferred Stock had the right to put their shares of the Series C Preferred Stock to NWA Corp. Under the terms of the Series C Preferred Stock, NWA Corp. was required to elect, prior to the commencement of such 60-day period, the form of payment it would use for repurchasing such shares of the Series C Preferred Stock. On May 30, 2003, NWA Corp. elected to repurchase such shares of the Series C Preferred Stock for cash equal to the Put Price. The “Put Price” of the Series C Preferred Stock is equal to a pro rata portion of the actual savings resulting from labor cost savings agreements entered into in 1993 (approximately \$226 million as of August 1, 2003, the Put Date) plus any accrued and unpaid dividends on the Series C Preferred Stock.

On August 1, 2003, the Company announced that its Board of Directors had determined that the Company could not legally repurchase the outstanding Series C Preferred Stock at that time because the Board of Directors was unable to determine that the Company had adequate legally available surplus to repurchase the outstanding Series C Preferred Stock. As a result, quarterly dividends began accruing August 1, 2003, at 12% per annum and the employee unions are entitled to three additional Board of Directors positions. Effective with the petition date, the Company discontinued accruing additional unpaid dividends.

In June 2003, the IBT and certain related parties commenced litigation against NWA Corp. in New York state court. In August 2003, the IAM and a related party also commenced litigation against Northwest Airlines Corporation in New York state court. Both lawsuits challenge the Company’s decision not to purchase its Series C Preferred Stock during 2003 and seek to compel the Company to repurchase the Series C Preferred Stock that had been put to the Company. On March 24, 2005, the judge ruled that the Company had breached the arrangements related to the Series C Preferred Stock, and indicated that a trial on damages would be necessary. On August 24, 2005, Northwest and the plaintiffs reached an agreement, among other things, to cancel the trial and to establish the amount of damages owed to employees represented by the plaintiffs should the trial court’s liability determination be upheld (nearly \$277 million). The agreement also established the procedural process for Northwest to appeal the trial court’s liability judgment and to seek a stay of enforcement of the judgment. The plaintiffs also agreed not to take any action to enforce the judgment unless and until the New York State Appellate Division denies Northwest’s motion to stay enforcement of the judgment. Further proceedings in this litigation have been stayed following the Company’s Chapter 11 filing.

The financial statement carrying value of the Series C Preferred Stock that accreted over 10 years commencing August 1993 to the ultimate put price, was \$280 million at December 31, 2005, including approximately \$62 million of unpaid dividends accrued from August 1, 2003 through September 14, 2005 (the petition date). This balance was considered subject to compromise as of December 31, 2005. The Company currently believes that no value will be ascribed to the Company’s outstanding common stock, preferred redeemable stock, or other equity securities in any plan of reorganization.

Note 11—Stock Based Compensation

As of December 31, 2005, the Company maintains stock incentive plans for officers and key employees of the Company (the “Management Plans”) and a stock option plan for pilot employees (the “Pilot Plan”). Effective January 1, 2003, the Company adopted the fair value method of recording stock-based employee compensation contained in SFAS No. 123 and accounted for this change in accounting principle using the “prospective method” as described by SFAS No. 148. All employee stock option grants made on or after January 1, 2003 are recorded as compensation expense over the vesting period based on the fair value at the date the stock-based compensation is granted. See “Note 2 - Summary of Significant Accounting Policies” for additional disclosure of the Company’s stock options, including a table that illustrates the effect on net income and earnings per share. Prior to January 1, 2003, no stock-based employee compensation expense related to options was reflected in the consolidated statement of operations, as all options granted in 2002 or in prior years had an exercise price equal to the market value of the underlying common stock on the date of grant and under the accounting principles used by the Company at that time, no compensation expense attributable to fair market value options was required to be recognized.

Stock Incentive Plans for Officers and Key Employees: Following is a summary of information regarding awards made under the Management Plans for the years ended December 31:

(shares in thousands)	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	2,948	\$ 12.64	3,507	\$ 12.06	7,923	\$ 25.27
Granted	185	4.71	–	–	2,965	8.31
Forfeited	(303)	8.79	(343)	9.40	(7,357)	24.81
Exercised	(15)	5.71	(216)	8.31	(24)	4.74
Outstanding at end of year	2,815	12.59	2,948	12.64	3,507	12.06
Exercisable at end of year	1,690	15.80	1,154	19.18	599	27.73
Reserved for issuance	21,802		21,802		21,802	
Available for future grants	9,291		8,392		11,367	

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At December 31, 2005:

(shares in thousands)	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Range of Exercise Prices					
\$4.61 to \$24.59 (1)	2,489	6.8 years	\$ 9.56	1,363	\$ 11.02
26.16 to 39.31	300	2.2 years	34.52	300	34.53
43.56 to 51.97	26	3.1 years	50.49	26	50.49

- (1) 1.8 million of the 2.5 million shares outstanding had an exercise price of \$8.31, and approximately 931,000 of these shares were exercisable.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2005	2004	2003
Weighted average risk-free interest rate	4.0%	N/A	3.2%
Stock price volatility	50.0%	N/A	40%
Expected lives in years	6	N/A	6

The weighted-average fair value of options granted during 2005 and 2003 was \$2.63 and \$3.62 per option, respectively. There were no options granted under the Management Plans in 2004.

Management Stock Option Exchange Program: On January 14, 2003, the Company completed an option exchange program, pursuant to which participants were able to exchange their stock options at a ratio of two old options for one newly issued option. The replacement options have a strike price of \$8.31, the average of the high and low price of the Company's common stock on the award date of January 15, 2003. The compensation expense related to these replacement options will be amortized over a four-year vesting period using the fair value method of recording stock-based employee compensation. Certain participants were able to exchange outstanding stock options for phantom units at a ratio of three old options for one replacement phantom unit. The compensation expense related to these phantom units will be recognized over the four-year vesting period, adjusted for the current period stock price, consistent with how phantom units have been expensed in the past.

Stock Option Plan for Pilots: The Pilot Plan was established in September 1998, in conjunction with the labor agreement reached between Northwest and the Air Line Pilots Association, International. In addition, in October 2004, in conjunction with the agreement with ALPA providing for labor cost restructuring, the Company granted 3.5 million additional stock options to pilot employees. Since at the time this agreement was reached there were no shares that remained available for grant under the Pilot Plan, the 3.5 million additional options were granted under the Management Plans.

Following is a summary of information regarding awards made under the Pilot Plan and the additional awards made to pilot employees under the Management Plans for the years ended December 31:

(shares in thousands)	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
		Price		Price		Price
Outstanding at beginning of year	5,064	\$ 9.96	1,564	\$ 15.85	2,486	\$ 25.58
Granted	-	-	3,500	7.33	926	9.18
Cancelled	-	-	-	-	(1,848)	25.60
Exercised	-	-	-	-	-	-
Outstanding at end of year	5,064	9.96	5,064	9.96	1,564	15.85

At December 31, 2005:

Options Outstanding

(shares in thousands)	Shares	Weighted-Average	
		Remaining Contractual Life	Options Exercisable Shares
Exercise Prices			
\$ 7.325	3,500	8.8 years	1,751
9.185	926	7.6 years	465
19.62	134	5.7 years	134
24.688	123	3.7 years	123
27.875	381	3.4 years	381

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2005	2004	2003
Weighted average risk-free interest rate	N/A	3.5%	3.5%
Stock price volatility	N/A	50%	40%
Expected lives in years	N/A	6	6

There were no options granted under the Pilot Plan in 2005. The weighted-average fair value of options granted during 2004 and 2003 was \$3.78 and \$4.04 per option, respectively.

Pilot Stock Option Exchange Program: On July 30, 2003, the Company completed an option exchange program for its pilots holding stock options or stock appreciation rights (“SARs”) granted pursuant to the Pilot Plan. This exchange program was adopted as part of a letter of agreement with ALPA entered into in connection with obtaining approval from ALPA for a codeshare agreement with Delta. Eligible participants were allowed to exchange their outstanding stock options or SARs for a designated number of replacement options or replacement SARs, respectively at a ratio of two shares subject to an old award for one share subject to a replacement award. The exercise price of the replacement awards is the average of the high and low sales prices of the Company’s common stock on the award date of July 31, 2003, or \$9.185 per share.

Restricted Stock: Shares of restricted stock were awarded at no cost to certain officers and key employees in 2005, 2004 and 2003. These shares are subject to forfeiture until vested and the shares are issued or released upon vesting. Unearned compensation, representing the fair market value of the stock on the measurement date, is amortized over the applicable vesting period. Outstanding shares of restricted stock were cancelled during the fourth quarter of 2005. As a result of these cancellations, the remaining \$8.4 million of unamortized compensation expense related to these awards was expensed in November 2005. The related non-cash charge is reflected as a reorganization item. As of December 31, 2005, there were no remaining restricted shares outstanding under any of the Company’s stock plans.

Phantom Stock Awards: Phantom stock awards were granted pursuant to the Management Plans to certain officers and other key employees. In 2005, 2004 and 2003, a total of 709,467, 2,076,350 and 1,683,414 phantom stock units, respectively, were granted. The phantom stock vests over either a three or four year period based on continued employment of the participant during such periods, and in some cases, upon satisfaction of certain established performance standards. Each unit represents the right to receive a cash payment equal to the market value of the Company’s common stock as defined in the plan.

Total stock based compensation recognized for the years ended December 31, 2005, 2004, and 2003 was \$18.1 million, \$18.9 million, and \$19.3 million, respectively. This expense was primarily recognized on a straight-line basis.

Note 12 – Accumulated Other Comprehensive Income (Loss)

The following table sets forth information with respect to accumulated other comprehensive income (loss) (“OCI”):

(In millions)	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Minimum Pension Liability Adjustment	Unrealized Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
<i>Balance at January 1, 2003</i>	\$ (37)	\$ 22	\$ (1,332)	\$ -	\$ (1,347)
Before tax amount	47	(55)	20	(1)	11
Tax effect	(17)	20	(7)	-	(4)
Net-of-tax amount	30	(35)	13	(1)	7
<i>Balance at December 31, 2003</i>	(7)	(13)	(1,319)	(1)	(1,340)
Before tax amount	3	8	(222)	4	(207)
Tax effect	-	-	-	-	-
Net-of-tax amount	3	8	(222)	4	(207)
<i>Balance at December 31, 2004</i>	(4)	(5)	(1,541)	3	(1,547)
Before tax amount	(7)	11	(16)	(9)	(21)
Tax Effect	-	-	-	-	-
Net-of-tax amount	(7)	11	(16)	(9)	(21)
<i>Balance at December 31, 2005</i>	<u>\$ (11)</u>	<u>\$ 6</u>	<u>\$ (1,557)</u>	<u>\$ (6)</u>	<u>\$ (1,568)</u>

Note 13- Income Taxes

Income tax expense (benefit) consisted of the following for the years ended December 31:

(In millions)	2005	2004	2003
Current:			
Federal	\$ 6	\$ (3)	\$ 1
Foreign	-	4	2
State	1	-	1
	7	1	4
Deferred:			
Federal		-	(29)
Foreign	-	-	(2)
State	-	-	(3)
	-	-	(34)
Total income tax expense (benefit)	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ (30)</u>

Reconciliations of the statutory rate to the Company's income tax expense (benefit) for the years ended December 31 are as follows:

(In millions)	2005	2004	2003
---------------	------	------	------

Statutory rate applied to income (loss) before income taxes	\$ (860)	\$ (301)	\$ 76
Add (deduct):			
Mandatorily Redeemable Preferred Security	–	8	(219)
State income tax expense (benefit) net of federal benefit	(39)	(14)	4
Non-deductible expenses	13	6	7
Increase to Minimum Tax Credit Carryforward	–	–	(54)
Adjustment to valuation allowance and other income tax accruals	883	297	156
Other	10	5	–
Total income tax expense (benefit)	\$ 7	\$ 1	\$ (30)

Under the provisions of SFAS No. 109, *Accounting for Income Taxes* (“SFAS No. 109”), the realization of the future tax benefits of a deferred tax asset is dependent on future taxable income against which such tax benefits can be applied. All available evidence must be considered in the determination of whether sufficient future taxable income will exist. Such evidence includes, but is not limited to, the company’s financial performance, the market environment in which the company operates, the utilization of past tax credits, and the length of relevant carryback and carryforward periods. Sufficient negative evidence, such as cumulative net losses during a three-year period that includes the current year and the prior two years, may require that a valuation allowance be established with respect to existing and future deferred tax assets. As a result, it is more likely than not that future deferred tax assets will require a valuation allowance to be recorded to fully reserve against the uncertainty that those assets would be realized.

Significant components of the Company’s deferred tax assets and liabilities as of December 31 were as follows:

(In millions)	2005	2004
Deferred tax liabilities:		
Accounting basis of assets in excess of tax basis	\$ 2,169	\$ 2,081
Expenses other than accelerated depreciation and amortization	16	131
Other	23	16
Total deferred tax liabilities	<u>2,208</u>	<u>2,228</u>
Deferred tax assets:		
Expenses not yet deducted for tax purposes	284	309
Reorganization charges not yet deducted for tax purposes	384	–
Pension and postretirement benefits	1,320	1,194
Gains from the sale-leaseback of aircraft	99	116
Rent expense	101	101
Travel award programs	95	84
Net operating loss carryforward	1,213	784
Alternative minimum tax credit carryforward	134	134
Other	25	44
Total deferred tax assets	<u>3,655</u>	<u>2,766</u>
Valuation allowance for deferred tax assets	<u>(1,447)</u>	<u>(538)</u>
Net deferred tax assets	<u>2,208</u>	<u>2,228</u>
Net deferred tax liability	\$ –	\$ –

The Company has certain federal deferred tax assets available for use in the regular tax system or the alternative minimum tax (“AMT”) system. The deferred tax assets available for utilization in the regular system include: AMT credits of \$134 million, net operating loss carryforwards of \$3.3 billion, general business credits of \$6 million and foreign tax credits of \$9 million. The deferred tax assets available for utilization in the AMT system are: net operating loss carryforwards of \$3.1 billion and foreign tax credits of \$6 million. AMT credits available

for use in the regular system have an unlimited carryforward period and all other deferred tax assets in both systems are available for carryforward to years beyond 2005, expiring in 2006 through 2025.

The Company also has the following deferred tax assets available at December 31, 2005 for use in certain states: net operating losses with tax benefit value of approximately \$88 million and state job credits of \$7 million available for carryforward to years beyond 2005, expiring in 2008 through 2025.

The Company's valuation allowance increased by \$909 million during 2005. In addition to the valuation allowance recorded through continuing operations, a portion of this valuation allowance was recorded to Other Comprehensive Income, primarily as a result of an increase in minimum pension liabilities.

The Company's effective tax rate is impacted by income tax reserves and changes thereto that it considers appropriate. Significant judgment is required to evaluate and adjust the reserves in light of changing facts and circumstances, such as the progress of a tax audit. Further, a number of years may lapse before a particular matter for which the Company has established a reserve is audited and finally resolved. While it is difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes that its reserves reflect the probable outcome of known tax contingencies.

On October 28, 2005, the Bankruptcy Court entered an order that restricts the trading of the common stock and debt interests in the Company. The purpose of the order is to ensure that the Company does not lose the benefit of its net operating loss carryforwards ("NOLs") for tax purposes. Under federal and state income tax law, NOLs can be used to offset future taxable income, and thus are a valuable asset of the Debtors' estate. Certain trading in the Company's stock (or debt when the Company is in bankruptcy) could adversely affect the Company's ability to use the NOLs. Thus, the Company obtained an order that enables it to closely monitor certain transfers of stock and claims and restrict those transfers that may compromise the Company's ability to use its NOLs.

Note 14 – Commitments

The Company's firm orders for 39 new aircraft to be operated by Northwest consist of scheduled deliveries for nine Airbus A330-300 aircraft and five Airbus A330-200 aircraft from 2006 through 2007, 18 Boeing 787-800 aircraft from 2008 through 2010, two Airbus A320 aircraft in 2009 and five Airbus A319 aircraft from 2010 through 2011. As of December 31, 2005, the Company also had firm orders for five Bombardier CRJ-200 aircraft in 2006 and was scheduled to take delivery of eight CRJ-200 aircraft in 2005.

Committed expenditures for aircraft and related equipment confirmed post Chapter 11 filing, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$595 million in 2006, \$831 million in 2007, \$93 million in 2009, \$109 million in 2010, and \$73 million in 2011. Consistent with prior practice, the Company intends to finance its aircraft deliveries through a combination of internally generated funds, debt and long-term lease financings. The Company had firm financing commitments for all aircraft on order prior to filing for bankruptcy, and is in the process of determining which of these commitments will be available in the future. During the fourth quarter, the Company concluded agreements with Airbus and Pratt & Whitney that permit continued delivery and financing of the remaining 14 A330-300 and A330-200 wide body aircraft that Northwest had on order. Airbus agreed to finance 10 of the 14 A330s, and Pratt & Whitney will finance the remainder.

Note 15 – Contingencies

The Company is involved in a variety of legal actions relating to antitrust, contract, trade practice, environmental and other legal matters pertaining to the Company's business. While the Company is unable to predict the ultimate outcome of these legal actions, it is the opinion of management that the disposition of these matters will not have a material adverse effect on the Company's Consolidated Financial Statements taken as a whole.

Guarantees and Indemnifications: Northwest is the lessee under many aircraft financing agreements and real estate leases. It is common in such transactions for the Company as the lessee to agree to indemnify the lessor and other related third parties for the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft, and for tort liabilities that arise from or relate to the Company's use or occupancy of the leased asset. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. The Company expects that it would be covered by insurance (subject to deductibles) for most tort liabilities and most related indemnities described above with respect to operated aircraft.

The Company is the guarantor of approximately \$267.9 million of obligations related to facilities bonds issued by airports and/or airport commissions in Minneapolis/St. Paul, Detroit, Memphis, New York (Kennedy International) and Duluth. See "Note 8 - Leases" for further information related to the Company's operating lease commitments classified as subject to compromise. The lease terms end between 2011 and 2029.

The Company obtains letters of credit (LOCs) from commercial banks in favor of various parties to secure obligations of the Company to such parties. As of December 31, 2005, the total outstanding amount of these LOCs was \$93.0 million (excluding an additional \$143.9 million of LOCs that were fully secured by the Company's pledge of cash collateral). The obligations of the Company with respect to this \$93.0 million of LOCs, together with certain other obligations of the Company, are secured by the Company's routes, certain aircraft and cash collateral.

Note 16 – Pension and Other Postretirement Health Care Benefits

The Company has several defined benefit pension plans or defined contribution 401(k)-type plans covering substantially all of its employees. The benefits for these plans are based primarily on years of service and, in some cases, employee compensation. Effective August 31, 2005 and January 31, 2006 the Company froze future benefit accruals under the Northwest Airlines Pension Plans for Salaried and Pilot Employees, respectively. Replacement pension coverage will be provided for these employees through a 401(k)-type defined contribution plan. It is the Company's policy to annually fund at least the minimum contribution as required by the ERISA. However, as a result of the Company's voluntary filing for Chapter 11 on September 14, 2005, the Company did not make minimum cash contributions to its defined benefit pension plans that were due in 2005 subsequent to September 14, 2005.

The Company sponsors various contributory and noncontributory medical, dental and life insurance benefit plans covering certain eligible retirees and their dependents. The expected future cost of providing such postretirement benefits is accrued over the service lives of active employees. Retired employees are not offered Company-paid medical and dental benefits after age 64, with the exception of certain employees who retired prior to 1987 and receive lifetime Company-paid medical and dental benefits. Prior to age 65, the retiree share of the cost of medical and dental coverage is based on a combination of years of service and age at retirement. Medical and dental benefit plans are unfunded and costs are paid as incurred. The pilot group is provided Company-paid life insurance coverage in amounts that decrease based on age at retirement and age at time of death.

The following is a reconciliation of the beginning and ending balances of the benefit obligations and the fair value of plan assets:

(In millions)	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Change in benefit obligations:				
Benefit obligations at beginning of year	\$ 9,245	\$ 8,554	\$ 926	\$ 820
Service cost	278	239	34	30
Interest cost	553	534	56	51
Plan amendments	(106)	–	–	(17)
Actuarial loss and other	110	284	89	91

Transfer of liability out of plan (1)	(162)	–	–	–
Benefits paid	(446)	(366)	(54)	(49)
Benefit obligations at end of year	<u>9,472</u>	<u>9,245</u>	<u>1,051</u>	<u>926</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	5,425	4,806	5	5
Actual return on plan assets	507	679	–	1
Employer contributions	308	306	54	48
Benefits paid	(446)	(366)	(54)	(49)
Fair value of plan assets at end of year	<u>5,794</u>	<u>5,425</u>	<u>5</u>	<u>5</u>
Funded Status - underfunded	(3,678)	(3,820)	(1,046)	(921)
Unrecognized net actuarial loss (income)	2,363	2,591	566	510
Unrecognized prior service cost	320	627	(84)	(97)
Net amount recognized	<u>\$ (995)</u>	<u>\$ (602)</u>	<u>\$ (564)</u>	<u>\$ (508)</u>

- (1) The Company transferred the liability associated with certain long-term disability benefits previously provided in the Northwest Airlines Pension Plan for Pilots to a self-funded long-term disability plan that provides substantially similar benefits.

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Amounts recognized in the Consolidated Balance Sheets as of December 31:

(In millions)	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Prepaid benefit costs	\$ 6	\$ 6	\$ –	\$ –
Intangible asset	362	671	–	–
Accrued benefit liability	(3,686)	(3,586)	(564)	(508)
Accumulated other comprehensive loss (income)	2,323	2,307	–	–
Net amount recognized	<u>\$ (995)</u>	<u>\$ (602)</u>	<u>\$ (564)</u>	<u>\$ (508)</u>

The accumulated benefit obligations for all defined benefit pension plans were \$9.45 billion and \$8.99 billion at December 31, 2005 and 2004, respectively. The Company's pension plans with accumulated benefit obligations in excess of plan assets as of December 31 were as follows:

(In millions)	2005	2004
Projected benefit obligations	\$ 9,451	\$ 9,226
Accumulated benefit obligations	9,437	8,971
Fair value of plan assets	5,769	5,401

Weighted average assumptions used to determine benefit obligations for pension and other benefits at December 31:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.71%	5.90%	5.71%	5.90%
Rate of future compensation increase	3.50% (1)	2.15%	N/A	N/A

- (1) Not applicable to frozen plans.

Minimum liability recorded in other comprehensive loss for the year ended December 31:

(In millions)	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
(Increase) decrease in other comprehensive loss due to change in minimum pension liability	\$ (16)	\$ (222)	N/A	N/A

Components of net periodic benefit cost of defined benefit plans and defined contribution plan costs:

(In millions)	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Defined benefit plans						
Service cost	\$ 278	\$ 239	\$ 248	\$ 34	\$ 30	\$ 26
Interest cost	553	534	531	56	51	46
Expected return on plan assets	(518)	(503)	(476)	–	–	–
Amortization of prior service cost	73	75	77	(10)	(8)	(8)
Recognized net actuarial loss and other events	170	99	111	31	25	19
Net periodic benefit cost	556	444	491	111	98	83
Defined contribution plan costs	11	–	–	–	–	–
Total benefit cost	\$ 567	\$ 444	\$ 491	\$ 111	\$ 98	\$ 83

Weighted-average assumptions used to determine net periodic pension and other benefit costs for the years ended December 31:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.90 %	6.25 %	5.90 %	6.25 %
Expected long-term return on plan assets	9.50 %	9.50 %	5.00 %	7.00 %
Rate of future compensation increase	2.15 %	1.93 %	N/A	N/A

For the year ended December 31, 2005 the Company recorded \$209 million in pension curtailment charges. Pension curtailment charges of \$54 million were recorded for the Northwest Airlines Pension Plan for Contract Employees (“Contract Plan”) as a result of contract employee headcount reductions that occurred in conjunction with the Aircraft Mechanics Fraternal Association (“AMFA”) strike. The Company recorded \$28 million in pension curtailment charges for the Northwest Airlines Pension Plan for Salaried Employees (“Salaried Plan”) as a result of freezing future benefit accruals effective August 31, 2005. In conjunction with the curtailment charges related to the Contract Plan and Salaried Plan, the liabilities for these plans were remeasured using a 5.71% discount rate. Additionally, \$127 million in pension curtailment charges were recorded for the Northwest Airlines Pension Plan for Pilots as a result of the Company and Airline Pilots Association (“ALPA”) agreeing to a freeze of future benefit accruals effective January 31, 2006; this charge was recorded as a reorganization related item.

For the year end December 31, 2003 the Company recorded \$58 million in pension curtailment charges due to reductions in anticipated future service, as a result of layoffs of approximately 9.6% of Contract plan employees.

The Company has adopted and implemented an investment policy for the defined benefit pension plans that incorporates a strategic asset allocation mix designed to best meet the Company's long-term pension obligations. This asset allocation policy mix is reviewed every 2-3 years and, on a regular basis, actual allocations are rebalanced toward the prevailing targets. The following table summarizes actual allocations as of December 31, 2005 and 2004:

Asset Category	Target	Plan Assets	
		2005	2004
Domestic Stocks	45.0%	47.7%	46.2%
International Stocks	25.0%	27.5%	27.3%
Private Markets	10.0%	5.3%	6.7%
Long-Duration Bonds	15.0%	14.7%	14.7%
High Yield Bonds	5.0%	4.8%	5.1%
Total	100%	100.0%	100.0%

The investment policy also emphasizes the following key objectives: (1) maintain a diversified portfolio among asset classes and investment styles; (2) maintain an acceptable level of risk in pursuit of long-term economic benefit; (3) maximize the opportunity for value-added returns from active management; (4) capture return opportunities from inefficiencies in nontraditional capital markets; and (5) maintain adequate controls over administrative costs.

To meet these objectives, the Company's investment policy reflects the following major themes: (1) diversify holdings to achieve broad coverage of both stock and bond markets; (2) utilize market index funds as a core strategy, where appropriate, to ensure broad diversification, minimal fees, and reduced risk of relative underperformance of the portfolio; (3) use active investment managers with disciplined, clearly defined strategies, while establishing investment guidelines and monitoring procedures for each investment manager to ensure the characteristics of the portfolio are consistent with the original investment mandate; and (4) maintain an allocation to nontraditional investments, where market inefficiencies are greatest, and use these investments primarily to enhance the overall returns.

The Company reviews its rate of return on plan asset assumptions annually. These assumptions are largely based on the asset category rate-of-return assumptions developed annually with the Company's pension investment advisors. The advisors' asset category return assumptions are based in part on a review of historical asset returns, but also emphasize current market conditions to develop estimates of future risk and return. Current market conditions include the yield-to-maturity and credit spreads on a broad bond market benchmark in the case of fixed income asset classes, and current prices as well as earnings and dividend growth rates in the case of equity asset classes. The assumptions are also adjusted to account for the value of active management the funds have provided historically. The Company's expected long-term rate of return is based on target asset allocations of 45% domestic equities with an expected rate of return of 8.75%; 25% international equities with an expected rate of return of 8.75%; 10% private markets with an expected rate of return of 12.25%; 15% long-duration bonds with an expected rate of return of 5.75%; and 5% high yield bonds with an expected rate of return of 7%. These assumptions result in a weighted geometric average rate of return of 9% on an annual basis.

For measurement purposes, a 9.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2006. The rate was assumed to decrease 1.0% per year for four years to 5.0% in 2010 and remain at that level thereafter. Assumed health care cost trend rates have a significant impact on the amounts reported under other benefits, above, for the health care plans.

A one percent-change in assumed health care cost trend rates would have the following effects:

(In millions)	One Percentage- Point Increase	One Percentage- Point Decrease
Effect on total of service and interest cost components	\$ 11.3	\$ (9.7)
Effect on accumulated postretirement benefit obligations	98.5	(86.1)

The estimated future benefit payments expected to be made by the pension and other postretirement benefit plans are shown below:

(In millions)	Employer	
	Pension Benefits	Provided Other Postretirement Benefits
Estimated Future Benefit Payments:		
2006	\$ 408	\$ 62
2007	432	65
2008	466	69
2009	484	72
2010	515	75
Years 2011-2015	2,972	418

On April 10, 2004, the President signed into law the Pension Funding Equity Act, which reduced the Company's required 2004 and 2005 plan year contributions through two mechanisms: (1) certain companies were permitted to elect partial relief from the deficit reduction contribution requirements that otherwise would have applied, an election the Company made; and (2) the applicable discount rate used to determine funding was increased to reflect yields on indices of high quality corporate bonds instead of 30-year U.S. Treasury rates. Including the effect of the Pension Funding Equity Act, the Company's 2005 calendar year cash contributions to qualified defined benefit pension plans were expected to approximate \$411 million. Through September 14, 2005, the Company had contributed \$268 million to these plans. As a result of the Company's voluntarily filing for Chapter 11 on September 14, 2005, the Company did not make scheduled minimum cash contributions to its qualified defined benefit pension plans for September and October, 2005 in the amounts of \$59 million and \$83 million, respectively. The Company currently intends, however, to continue timely to pay the normal cost component of the plans' minimum funding requirements relating to service rendered post-petition. The Company has appointed an independent fiduciary for all of its tax-qualified defined benefit pension plans, who is charged with pursuing, on behalf of the plans, claims to recover minimum funding contributions due under federal law, to the extent that the Debtors are not continuing to fund the plans due to bankruptcy prohibitions. The plans' level of underfunding is expected to increase during the Chapter 11 cases.

The U.S. Senate approved a pension reform bill in November 2005 that would give airlines the option of amortizing pension liabilities over a twenty-year period. The pension reform bill passed by the U.S. House of Representatives in December 2005 does not include a similar provision. The bills are expected to go to conference committee in early 2006 and it is not possible to predict the outcome.

The funding requirement to meet the normal cost component of the qualified plans' minimum funding requirements related to post-petition service is currently estimated at approximately \$75 million for calendar year 2006. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as the amount and timing of asset returns, interest rate levels, the Company's Chapter 11 proceedings, and in particular, the impact of proposed pension legislation related to funding requirements, the Company is not able to reasonably estimate its future required contributions beyond 2006. If the Company is unable to obtain sufficient legislative pension relief, termination of the defined benefit plans would become inevitable. Moreover, termination of the pilot defined benefit pension plan would become more likely should the tentative new collective bargaining agreement reached between ALPA and the Company not be ratified.

Note 17 – Risk Management and Financial Instruments

The Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"), which requires the Company to recognize all derivatives on the balance sheet at fair value. The Company uses derivatives as cash flow hedges to manage the price risk of fuel and its exposure to foreign currency fluctuations. SFAS No. 133 requires that for cash flow hedges, which hedge the exposure to variable cash flows of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a

component of other comprehensive income (loss) in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any ineffective portion of the derivative's gain or loss is reported in earnings immediately.

Risk Management: The Company principally uses derivative financial instruments to manage specific risks and does not hold or issue them for trading purposes. The notional amounts of financial instruments summarized below did not represent amounts exchanged between parties and, therefore, are not a measure of the Company's exposure resulting from its use of derivatives.

Foreign Currency: The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Japanese yen. In 2005, the Company's yen-denominated net cash inflow was approximately 66 billion yen (\$610 million).

The Company uses forward contracts, collars or put options to hedge a portion of its anticipated yen-denominated sales. The changes in market value of such instruments have historically been highly effective at offsetting exchange rate fluctuations in yen-denominated sales. At December 31, 2005, the Company recorded \$7.25 million of unrealized gains in accumulated other comprehensive income (loss) as a result of forward contracts to sell 6.5 billion yen (\$64 million) at an average forward rate of 101 yen per dollar with various settlement dates through December 2006. These forward contracts hedge approximately 5% of the Company's 2006 yen-denominated sales. Hedging gains or losses are recorded in revenue when transportation is provided. The Japanese yen financial instruments utilized to hedge yen-denominated cash flows resulted in a realized gain of \$11 million in 2005, a realized loss of \$8 million in 2004, and realized gains of \$1 million in 2003.

Counterparties to these financial instruments expose the Company to credit loss in the event of nonperformance, but the Company does not expect any of the counterparties to fail to meet their obligations. The amount of such credit exposure is generally the unrealized gains, if any, in such contracts. To manage credit risks, the Company selects counterparties based on credit ratings, limits exposure to any single counterparty and monitors the market position with each counterparty. It is the Company's practice to participate in foreign currency hedging transactions with a maximum span of 24 months.

Aircraft Fuel: The Company is exposed to the effect of changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. To further manage the price risk of fuel costs, the Company primarily utilizes futures contracts traded on regulated futures exchanges, swap agreements and options. The changes in market value of such contracts have historically been highly effective at offsetting fuel price fluctuations. It is the Company's policy to participate in hedging transactions with a maximum span of 18 months.

As of December 31, 2005, the Company had no fuel hedges in place for future periods, and therefore had no related unrealized gains (losses) in accumulated other comprehensive income (loss). Fuel hedge contract effectiveness is evaluated on a monthly basis and any ineffective portion is recorded in fuel expense immediately. No amounts were recorded in fuel expense for ineffectiveness in 2005 and immaterial amounts were recorded in 2004 and 2003.

Fair Values of Financial Instruments: The financial statement carrying values equal the fair values of the Company's cash, cash equivalents and short-term investments. As of December 31, these amounts were:

(In millions)	Cash and		Short-term Investments			
	Cash Equivalents		Unrestricted		Restricted	
	2005	2004	2005	2004	2005	2004
Cash	\$ 121	\$ 62	\$ -	\$ -	\$ -	\$ -
Available for sale securities	563	645	578	1,752	600	156
Total	\$ 684	\$ 707	\$ 578	\$ 1,752	\$ 600	\$ 156

Cash equivalents are carried at cost and consisted primarily of unrestricted money market funds as of December 31, 2005. These instruments approximate fair value due to their short maturity. The Company classifies investments with a remaining maturity of more than three months on their acquisition date and those temporarily restricted as short-term investments.

The financial statement carrying values and estimated fair values of the Company's financial instruments, including current maturities, as of December 31 were:

(In millions)	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt	\$ 1,159	\$ 1,061	\$ 8,411	\$ 7,317
Series C Preferred Stock	280	n/a	263	263

The fair values of the Company's long-term debt classified as not subject to compromise were estimated using discounted cash flow analyses. The discount rates were based on internal estimates of market rates supported by restructuring efforts on similar types of instruments.

As a result of the Company's Chapter 11 filing and the related uncertainty as to the ultimate disposition of future payments to be made in connection with the Company's financial instruments classified as subject to compromise, the Company was unable to estimate the fair value of its long-term debt, classified as subject to compromise, and Series C Preferred Stock as of December 31, 2005.

Note 18 – Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of short-term investment securities classified as available-for-sale as of December 31 were as follows:

(In millions)	2005				2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale Securities (1)								
Mutual Funds	\$ 139	\$ –	\$ (2)	\$ 137	\$ 425	\$ 2	\$ –	\$ 427
U.S. Treasury securities	45	–	–	45	69	1	–	70
Corporate securities	65	–	(1)	64	147	1	(1)	147
Mortgage-backed securities	118	–	(2)	116	208	1	(1)	208
Asset-backed securities	213	–	(1)	212	894	2	(2)	894
Other securities and investments	4	–	–	4	6	–	–	6
Total available-for-sale securities	\$ 584	\$ –	\$ (6)	\$ 578	\$ 1,749	\$ 7	\$ (4)	\$ 1,752

(1) Available-for-sale securities are carried at fair value, with unrealized net gains or losses reported within other comprehensive income in stockholders' equity.

As of December 31, 2005, the fair value of available-for-sale securities includes investments totaling \$70 million, with unrealized losses of \$1.8 million, which have been in an unrealized loss position for greater than 12 months. The investments consist of 48 securities that are primarily high credit quality fixed income securities. All other available-for-sale securities, with unrealized losses of \$4.5 million, which have been in an unrealized loss position for less than 12 months, have an aggregate fair value of \$277 million. These securities primarily represent fixed income investments with temporary impairments resulting from increases in interest rates since the purchase of the investments.

The following table provides information as to the amount of gross gains and losses realized through the sale of available-for-sale investment securities for the years ending December 31:

(In millions)	2005	2004	2003
Realized gains (1)	\$ 24	\$ 6	\$ 1
Realized losses (1)	(27)	(10)	(1)
Net realized gains (losses)	\$ (3)	\$ (4)	\$ –

(1) Realized gains and losses are identified using the specific identification method.

The contractual maturities of debt securities available-for-sale at December 31, 2005 are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to recall or prepay obligations with or without call or prepayment penalties.

(In millions)	Amortized	
	Cost	Fair Value
Within one year	\$ 252	\$ 248
Between one and five years	148	147
Between five and ten years	22	22
After ten years	162	161
Total short-term investments	\$ 584	\$ 578

Note 19 – Related Party Transactions

MAIR Holdings, Inc.: On October 13, 2005, Mesaba, a wholly owned subsidiary of MAIR, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the District of Minnesota (Case No. 05-39258 (GFK)). In accordance with the provisions of the Bankruptcy Code, Mesaba will continue to operate its business as a debtor-in-possession.

The Company owns 5.7 million shares, or 27.5% of MAIR's common stock and accounts for this investment under the equity method of accounting. The book value and market value of this investment as of December 31, 2005, was \$26.6 million. Any losses incurred by Mesaba during its bankruptcy would negatively impact the Company's net earnings, as well as the book value of the Company's investment in MAIR, as Mesaba's financial results are fully consolidated into MAIR's net income (loss) applicable to common stockholders. Other than noted above, the Company is currently unable to determine the impact of Mesaba's bankruptcy on its operations or financial condition with any certainty.

Northwest and Mesaba have entered into an airline service agreement under which Northwest determines Mesaba's turboprop and Avro regional jet aircraft scheduling and fleet composition. This agreement is structured as a capacity purchase arrangement whereby Northwest pays Mesaba to operate the flights on Northwest's behalf and Northwest is entitled to all revenues associated with those flights. Northwest paid \$393 million, \$421 million and \$439 million for the years ended December 31, 2005, 2004 and 2003, respectively, to Mesaba for airline services. These payments are recorded on a gross basis as an operating expense. The Company had a payable to Mesaba of \$53 million and \$24 million as of December 31, 2005 and 2004, respectively. As of December 31, 2005, the Company has leased 49 Saab 340 aircraft and 2 CRJ aircraft which are in turn subleased to Mesaba. In addition, as of December 31, 2005, the Company has leased 10 owned and subleased 25 Avro regional jet aircraft to Mesaba. As part of its overall restructuring efforts, the Company is evaluating its service agreements with its regional carriers and has initiated a request for proposal from its existing and other regional carrier operators. The results of the request for proposal are under review.

Pinnacle: Prior to 2003, Pinnacle Airlines Corp., the holding company of Pinnacle Airlines, was a wholly-owned subsidiary of Northwest. As of September 30, 2003, Northwest had contributed 88.6% of the Common Stock of Pinnacle Airlines Corp. to the Company's pension plans in lieu of cash contributions totaling \$353 million pursuant to an exemption granted by the DOL. The Company completed a public offering of the Pinnacle Airlines Corp. stock held by the plans on November 24, 2003, for net proceeds of \$255 million, with the proceeds being retained by the Plans. An additional cash contribution of approximately \$98 million was therefore required to satisfy the difference between the original valuation of the shares at the time of their contribution and the realized value at the time of the public offering. The Company continues to own 11.4% of the common stock of Pinnacle Airlines Corp., and accounts for this investment under the equity method of accounting. The Pinnacle Airlines Corp. common stock had a market value of \$16.6 million and a book value of \$3.0 million as of December 31, 2005.

Northwest and Pinnacle Airlines have entered into an airline service agreement, under which Northwest determines Pinnacle Airlines' commuter aircraft scheduling and fleet composition. The agreement is structured as a capacity purchase agreement whereby Northwest pays

Pinnacle Airlines to operate the flights on Northwest's behalf and Northwest is entitled to all revenues associated with those flights. Under this agreement, Northwest paid \$572 million, \$493 million and \$357 million for the years ended December 31, 2005, 2004 and 2003, respectively. The Company had payables of \$81 million, \$23 million, and \$18 million to Pinnacle Airlines as of December 31, 2005, 2004, and 2003 respectively. As of December 31, 2005, the Company has leased 124 CRJ aircraft, which are in turn subleased to Pinnacle Airlines. As part of its overall restructuring efforts, the Company is evaluating its service agreements with its regional carriers and has initiated a request for proposal from its existing and other regional carrier operators. The results of the request for proposal are under review.

WorldSpan: On June 30, 2003, the Company, together with the other owners (American and Delta), sold WorldSpan to Travel Transaction Processing Corporation, an entity formed by Citigroup Venture Capital Equity Partners L.P. and Teachers' Merchant Bank. For its 33.7% partnership interest in WorldSpan, the Company received cash proceeds of \$278 million at the time of sale, plus \$125 million of credits for future services from WorldSpan to be applied over the next nine years. As a result of this transaction, the Company recorded a gain of \$199 million in other income. The Company recognizes the service credits as a reduction to the cost of purchased services expense in the periods the credits are utilized.

Orbitz: On December 16, 2003, Orbitz and its airline owners (Northwest, Continental, Delta, United and American) sold approximately 12 million Orbitz shares through an initial public offering, which included 9.7% of Northwest's total holdings. On September 29, 2004, Cendant Corporation, Orbitz and the airline owners of Orbitz entered into agreements that provided for the acquisition by Cendant of all shares of Orbitz for \$27.50 per share in cash. The sale passed regulatory and other approvals and the transaction closed in November 2004. As a result of the sale, Northwest sold all 4,949,201 of its remaining shares of class B common stock of Orbitz and the Company recognized a gain of approximately \$115 million in the fourth quarter of 2004.

Hotwire: On November 5, 2003, the Company sold its 6.7% interest in Hotwire to InterActive Corp. and received cash proceeds of \$40 million. Hotwire operates an online opaque travel site and was founded by Texas Pacific Group and six airlines, including the Company.

Note 20 – Geographic Regions

The Company is managed as one cohesive business unit, of which revenues are derived primarily from the commercial transportation of passengers and cargo. Operating revenues from flight segments serving a foreign destination are classified into the Pacific or Atlantic regions, as appropriate. The following table shows the operating revenues for each region for the years ended December 31:

(In millions)	2005	2004	2003
Domestic	\$ 8,274	\$ 7,787	\$ 7,011
Pacific, principally Japan	2,639	2,343	1,939
Atlantic	1,373	1,149	1,127
Total operating revenues	<u>\$ 12,286</u>	<u>\$ 11,279</u>	<u>\$ 10,077</u>

The Company's tangible assets consist primarily of flight equipment, which are utilized across geographic markets and therefore have not been allocated.

Note 21 – Quarterly Financial Data (Unaudited)

Unaudited quarterly results of operations for the years ended December 31 are summarized below:

(In millions, except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005:				
Operating revenues	\$ 2,798	\$ 3,195	\$ 3,378	\$ 2,915
Operating income (loss)	(301)	(190)	(167)	(261)
Net income (loss) applicable to common stockholders	<u>\$ (537)</u>	<u>\$ (234)</u>	<u>\$ (475)</u>	<u>\$ (1,309)</u>
Basic earnings (loss) per common share	<u>\$ (6.19)</u>	<u>\$ (2.69)</u>	<u>\$ (5.45)</u>	<u>\$ (15.01)</u>

<i>Diluted earnings (loss) per common share</i>	\$ (6.19)	\$ (2.69)	\$ (5.45)	\$ (15.01)
2004:				
Operating revenues	\$ 2,603	\$ 2,871	\$ 3,052	\$ 2,753
Operating income (loss)	(108)	(52)	79	(424)
Net income (loss) applicable to common stockholders	<u>\$ (230)</u>	<u>\$ (182)</u>	<u>\$ (46)</u>	<u>\$ (433)</u>
<i>Basic earnings (loss) per common share</i>	\$ (2.67)	\$ (2.11)	\$ (0.54)	\$ (5.00)
<i>Diluted earnings (loss) per common share</i>	\$ (2.67)	\$ (2.11)	\$ (0.54)	\$ (5.00)

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Unaudited quarterly net income (loss) applicable to common stockholders in the table above includes the following unusual items:

(In millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005:				
Aircraft and aircraft related write-downs	\$ -	\$ (48)	\$ -	\$ -
Gain (loss) on sale of assets	(18)	102	-	-
Pension Curtailment Charges	-	-	(82)	-
Reorganization Items	-	-	(159)	(922)
Cumulative Effect of Change in Accounting Principle	(69)	-	-	-
Impact on net income (loss) from unusual items	<u>\$ (87)</u>	<u>\$ 54</u>	<u>\$ (241)</u>	<u>\$ (922)</u>
2004:				
Aircraft impairments	\$ -	\$ (104)	\$ -	\$ (99)
Gain on sale of assets	-	-	-	115
Frequent flyer liability adjustment	-	-	-	(77)
Impact on net income (loss) from unusual items	<u>\$ -</u>	<u>\$ (104)</u>	<u>\$ -</u>	<u>\$ (61)</u>

In September 2004, the EITF issued EITF 04-8. EITF 04-8 requires companies to include certain convertible debt and equity instruments that were previously excluded from their calculation of diluted earnings per share, and to restate the diluted earnings per share calculation for all periods during which time the applicable convertible instruments were outstanding.

The sum of the quarterly earnings per share amounts may not equal the annual amount reported since per share amounts are computed independently for each quarter and for the full year are based on respective weighted-average common shares outstanding and other dilutive potential common shares.

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures - As of December 31, 2005, management performed an evaluation under the supervision and with the participation of the Company's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in the Company's periodic reports filed with the SEC.

Management's Report on Internal Control Over Financial Reporting - The Company's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control system is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements in accordance with generally accepted accounting principles. Management performed an evaluation under the supervision and with the participation of the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on this evaluation and those criteria, the Company's management concluded that the Company's internal control over financial reporting as of December 31, 2005 was effective. The Company's independent auditors have issued an attestation report on management's assessment of the Company's internal control over financial reporting. This report appears on page 75.

Changes in Internal Control - There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their most recent evaluation.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

To the Stockholders and Board of Directors
Northwest Airlines Corporation (Debtor-in-Possession)

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Northwest Airlines Corporation (Debtor-in-Possession) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

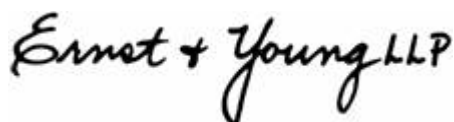
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Northwest Airlines Corporation (Debtor-in-Possession) maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Northwest Airlines Corporation (Debtor-in-Possession) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Northwest Airlines Corporation (Debtor-in-Possession) as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2004. Our report dated March 13, 2006 expressed an unqualified opinion thereon and included explanatory paragraphs related to (i) the Company's reorganization under Chapter 11 of the United States Bankruptcy Code, (ii) the Company's ability to continue as a going concern, and (iii) the change in method of recognizing certain pension plan administrative expenses associated with the Company's defined benefit pension plans.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Minneapolis, Minnesota
March 13, 2006

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item will be included in this Form 10-K in accordance with General Instruction G3 no later than April 30, 2006. Information about the Company's executive officers is included in Part I of this report under the caption "Executive Officers of the Registrant."

Item 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in this Form 10-K in accordance with General Instruction G3 no later than April 30, 2006.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item will be included in this Form 10-K in accordance with General Instruction G3 no later than April 30, 2006. The information about securities authorized for issuance under equity compensation plans is included in Part II of this report under the caption "Equity Compensation Plan Information."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will be included in this Form 10-K in accordance with General Instruction G3 no later than April 30, 2006.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be included in this Form 10-K in accordance with General Instruction G3 no later than April 30, 2006.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

15 (a)(1) Financial Statements. The following is an index of the financial statements, related notes, independent auditor' s report and supplementary data that are included in this Report

[Consolidated Balance Sheets- December 31, 2005 and December 31, 2004](#)

[Consolidated Statements of Operations- For the years ended December 31, 2005, 2004 and 2003](#)

[Consolidated Statements of Cash Flows- For the years ended December 31, 2005, 2004 and 2003](#)

[Consolidated Statements of Common Stockholders' Equity \(Deficit\)- For the years ended December 31, 2005, 2004 and 2003](#)

[Notes to Consolidated Financial Statements](#)

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15(a)(2) Financial Statement Schedules. The following is a list of the financial schedules that are included in this Report. Schedules not included have been omitted because they are not required or because the information is included in the consolidated financial statements or notes thereto.

[Schedule II-Valuation of Qualifying Accounts and Reserves-For the years ended December 31, 2005, 2004 and 2003](#)

15(a)(3) Exhibits. The following is an index of the exhibits to this Report. Nothing contained in this Report shall constitute an assumption by NWA Corp. or Northwest (as applicable) of any of these agreements.

- 3.1 Restated Certificate of Incorporation of Northwest Airlines Corporation (filed as Exhibit 4.1 to the Registration Statement on Form S-3, File No. 333-69655 and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws of Northwest Airlines Corporation (filed as Exhibit 3.2 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 3.3 Restated Certificate of Incorporation of Northwest Airlines, Inc. (filed as Exhibit 3.3 to Northwest' s Registration Statement on Form S-3, File No. 33-74772, and incorporated herein by reference).
- 3.4 Bylaws of Northwest Airlines, Inc. (filed as Exhibit 3.4 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 4.1 Certificate of Designation of Series C Preferred Stock of Northwest Airlines Corporation (included in Exhibit 3.1).
- 4.2 The registrant hereby agrees to furnish to the Commission, upon request, copies of certain instruments defining the rights of holders of long-term debt of the kind described in Item 601 (b) (4) of Regulation S-K.
- 10.1 Standstill Agreement dated as of November 15, 2000 among Continental Airlines, Inc., Northwest Airlines Corporation, Northwest Airlines Holdings Corporation and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).

- 10.2 Amended and Restated Standstill Agreement dated May 1, 1998 between Koninklijke Luchtvaart Maatschappij N.V. and Northwest Airlines Corporation (filed as Exhibit 10.2 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 10.3 Airport Use and Lease Agreement dated as of June 1, 2005 between Wayne County Airport Authority and Northwest Airlines, Inc.
- 10.4 Airline Operating Agreement and Terminal Building Lease Minneapolis-St. Paul International Airport dated as of January 1, 1999 between the Metropolitan Airports Commission and Northwest Airlines, Inc.
- 10.5 Second Amended and Restated Credit and Guarantee Agreement dated as of April 15, 2005 among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lenders and agents (filed as Exhibit 10.2 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.6 Route Security Agreement dated as of October 23, 2001 between Northwest Airlines, Inc. and The Chase Manhattan Bank, as Collateral Agent (filed as Exhibit 10.9 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 10.7 Route Security Agreement dated as of November 23, 2004 between Northwest Airlines, Inc. and JPMorgan Chase Bank, N.A., as Collateral Agent (filed as Exhibit 10.10 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 10.8 Aircraft Mortgage and Security Agreement dated as of October 23, 2001 between Northwest Airlines, Inc. and The Chase Manhattan Bank, as Collateral Agent (filed as Exhibit 10.11 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 10.9 A330 Purchase Agreement dated as of December 21, 2000 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.' s Form 10-Q for the quarter ended March 31, 2001 and

incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).

- 10.10 Amendment No. 1 to A330 Purchase Agreement dated as of November 26, 2001 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.14 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference; the Commission has granted confidential treatment as to certain portions of this document).
- 10.11 Amendment No. 2 to A330 Purchase Agreement dated as of December 20, 2002 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.15 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference; the Commission has granted confidential treatment as to certain portions of this document).
- 10.12 Amendment No. 3 to A330 Purchase Agreement dated as of April 30, 2003 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.13 Amendment No. 4 to A330 Purchase Agreement dated as of December 18, 2003 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.2 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.14 Amendment No. 7 to A330 Purchase Agreement dated as of January 21, 2005 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.15 Preliminary Confirmation and Master Agreement dated October 29, 2003 and January 15, 1997, respectively, between Citibank, N.A. and Northwest Airlines Corporation (filed as Exhibit 10.1 to NWA Corp.' s Form 10-Q for the quarter ended September 30, 2003 and incorporated herein by reference).

- 10.16 A330 Financing Letter Agreement No. 1 dated as of December 21, 2000 between Northwest Airlines, Inc. and AVSA S.A.R.L. (filed as Exhibit 10.19 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.17 Amendment No. 1 to the A330 Financing Letter Agreement No. 1 dated as of December 20, 2002 between Northwest Airlines, Inc. and AVSA S.A.R.L. (filed as Exhibit 10.20 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.18 Amendment No. 2 to the A330 Financing Letter Agreement No. 1 dated May 26, 2004, between Northwest Airlines, Inc. and AVSA S.A.R.L. (filed as Exhibit 10.21 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.19 New A330 Financing Letter Agreement No. 1 dated as of January 21, 2005 between Northwest Airlines, Inc. and AVSA S.A.R.L. (filed as Exhibit 10.22 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.20 Form of Credit Agreement to be entered into pursuant to Exhibits 10.16 and 10.19 (filed as Exhibit 10.23 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.21 Form of Mortgage to be entered into pursuant to Exhibits 10.16 and 10.19 (filed as Exhibit 10.24 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.22 Purchase Agreement No. 2924 dated May 5, 2005 between The Boeing Company and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference; NWA Corp. has filed a request with the Commission for confidential treatment as to certain portions of this document).

- 10.23 Agreement dated May 6, 2003 by and between the United States of America (acting through the Transportation Security Administration) and Northwest Airlines, Inc. pursuant to the Emergency Wartime Supplemental Appropriations Act of 2003 (filed as Exhibit 4.3 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- *10.24 Management Compensation Agreement dated as of September 14, 2005 between Northwest Airlines, Inc. and Douglas M. Steenland (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- *10.25 Management Compensation Agreement dated as of January 14, 2002 between Northwest Airlines, Inc. and J. Timothy Griffin (filed as Exhibit 10.20 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.26 Management Compensation Agreement dated as of January 14, 2002 between Northwest Airlines, Inc. and Philip C. Haan (filed as Exhibit 10.21 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.27 Management Compensation Agreement dated as of May 2, 2005 between Northwest Airlines, Inc. and Neal S. Cohen (filed as Exhibit 10.3 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- *10.28 Management Compensation Agreement dated as of April 17, 2002 between Northwest Airlines, Inc. and Andrew C. Roberts (filed as Exhibit 10.30 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).

- *10.29 Management Compensation Agreement dated as of December 3, 2004 between Northwest Airlines, Inc. and Barry P. Simon (filed as Exhibit 10.31 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- *10.30 Northwest Airlines, Inc. Key Employee Annual Cash Incentive Program (filed as Exhibit 10.42 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).
- *10.31 Northwest Airlines, Inc. Excess Pension Plan for Salaried Employees (2001 Restatement) (filed as Exhibit 10.23 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.32 First Amendment of Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement) (filed as Exhibit 10.3 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).
- *10.33 Northwest Airlines, Inc. Supplemental Executive Retirement Plan (2001 Restatement) (filed as Exhibit 10.24 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.34 Ancillary Agreement to the Northwest Airlines, Inc. Supplemental Executive Retirement Plan dated as of November 7, 2002 between Northwest Airlines, Inc. and Andrew C. Roberts (filed as Exhibit 10.35 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- *10.35 Ancillary Agreement to the Northwest Airlines, Inc. Supplemental Executive Retirement Plan dated as of December 7, 2004 between Northwest Airlines, Inc. and Barry P. Simon (filed as Exhibit 10.36 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- *10.36 Northwest Airlines Corporation 1999 Stock Incentive Plan, as amended (filed as Exhibit 10.26 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.37 Northwest Airlines Corporation 2004 Pilots' Bridge Stock Option Plan dated as of October 12, 2004, and Letter Agreement dated as of October 12, 2004 amending the 2004 Pilot' s Bridge Stock Option Plan (filed as Exhibit 10.38 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).

- *10.38 2001 Northwest Airlines Corporation Stock Incentive Plan, as amended (filed as Exhibit 10.43 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- *10.39 Northwest Airlines Corporation 1998 Pilots Stock Option Plan (filed as Exhibit 10.34 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- *10.40 Amendment to Northwest Airlines Corporation 1998 Pilots Stock Option Plan (filed as Exhibit 10.35 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- *10.41 Form of Non-Qualified Stock Option Agreement (filed as Exhibit 10.28 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- *10.42 Form of Deferred Stock Award Agreement (filed as Exhibit 10.1 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).
- *10.43 Form of Restricted Stock Award Agreement (filed as Exhibit 10.2 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).
- *10.44 Form of Phantom Stock Unit Award Agreement for executive officers under the 2001 Northwest Airlines Corporation Stock Incentive Plan (filed as Exhibit 10.3 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).

- *10.45 Northwest Airlines Corporation E-Commerce Incentive Compensation Program (as amended and restated), including form of Award Agreement (filed as Exhibit 10.4 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).
- *10.46 Letter Agreement dated as of July 1, 2005 between Northwest Airlines Corporation and J. Timothy Griffin amending an outstanding Award under the Northwest Airlines Corporation E-Commerce Incentive Compensation Program (filed as Exhibit 10.2 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- *10.47 Northwest Airlines, Inc. 2003 Long-Term Cash Incentive Plan, including form of Award Agreement (filed as Exhibit 10.41 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- *10.48 Ancillary Agreement to the Northwest Airlines, Inc. Supplemental Executive Retirement Plan dated as of April 29, 2005 between Northwest Airlines, Inc. and Neal S. Cohen.
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 12.2 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Requirements.
- 21.1 List of Subsidiaries.
- 23.1 Consent of Ernst & Young LLP.
- 24.1 Powers of Attorney (included in signature page).
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Section 1350 Certification of Chief Executive Officer.
- 32.2 Section 1350 Certification of Chief Financial Officer.

* Compensatory plans in which the directors and executive officers of Northwest participate.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTHWEST AIRLINES CORPORATION

Dated: March 16, 2006

By /s/ ANNA M. SCHAEFER

Anna M. Schaefer

*Vice President - Finance and Chief Accounting Officer
(principal accounting officer)*

Each of the undersigned directors and officers of Northwest Airlines Corporation whose signature appears below hereby constitutes and appoints Douglas M. Steenland, Neal S. Cohen and Anna M. Schaefer, and each of them individually, his or her true and lawful attorneys with full power of substitution and resubstitution, for such individual and in such individual' s name, place and stead, in any and all capacities, to act on, sign and file with the Securities and Exchange Commission any and all amendments to this report together with all schedules and

exhibits thereto and to take any and all actions which may be necessary or appropriate in connection therewith, and each such individual hereby approves, ratifies and confirms all that such agents, proxies and attorneys-in-fact, any of them or any of his or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 16th day of March, 2006 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ DOUGLAS M. STEENLAND

Douglas M. Steenland
President and Chief Executive
Officer (principal executive officer)
and Director

/s/ DORIS KEARNS GOODWIN

Doris Kearns Goodwin
Director

/s/ NEAL S. COHEN

Neal S. Cohen
Executive Vice President & Chief
Financial Officer (principal financial officer)

/s/ DENNIS F. HIGHTOWER

Dennis F. Hightower
Director

/s/ ANNA M. SCHAEFER

Anna M. Schaefer
Vice President-Finance and
Chief Accounting Officer (principal
accounting officer)

/s/ JEFFREY G. KATZ

Jeffrey G. Katz
Director

/s/ GARY L. WILSON

Gary L. Wilson
Chairman of the Board

/s/ GEORGE J. KOURPIAS

George J. Kourpias
Director

/s/ RAY W. BENNING, JR.

Ray W. Benning, Jr.
Director

/s/ FREDERIC V. MALEK

Frederic V. Malek
Director

/s/ ROY BOSTOCK

Roy Bostock
Director

/s/ MICHAEL G. RISTOW

Michael G. Ristow
Director

/s/ JOHN ENGLER

John Engler
Director

/s/ LEO M. VAN WIJK

Leo M. van Wijk
Director

/s/ ROBERT L. FRIEDMAN

Robert L. Friedman
Director

SCHEDULE II - VALUATION OF QUALIFYING ACCOUNTS AND RESERVES
(In millions)

Col. A	Col. B	Col. C		Col. D	Col. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts – Describe	Deductions – Describe	Balance at End of Period
Year Ended December 31, 2005					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 12	\$ 10	\$ –	\$ 10(1)	\$ 12
Accumulated allowance for depreciation of flight equipment spare parts	240	9	4(2)	10(3)	243
Year Ended December 31, 2004					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	19	6	–	13(1)	12
Accumulated allowance for depreciation of flight equipment spare parts	202	16	28(2)	6(3)	240
Year Ended December 31, 2003					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	19	11	–	11(1)	19
Accumulated allowance for depreciation of flight equipment spare parts	175	25	5(2)	3(3)	202

- (1) Uncollectible accounts written off, net of recoveries
(2) Interaccount transfers
(3) Dispositions and write-offs

AIRPORT USE AND LEASE AGREEMENT

BETWEEN

WAYNE COUNTY AIRPORT AUTHORITY

AND

NORTHWEST AIRLINES, INC.

DATED AS OF , 2005

[McNamara Terminal Agreement]

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EXHIBITS

Exhibit A	–	Airport
Exhibit B	–	[Intentionally omitted]
Exhibit C	–	Lessee' s Preferential South Terminal Space and Shared Use South Terminal Space
Exhibit D	–	Priorities for Use of International Gates

Exhibit E	-	Allocation of O&M Expenses and Bond Debt Service
Exhibit F	-	Airport Parcels to be Sold
Exhibit G	-	[Intentionally omitted]
Exhibit H	-	Required Use of PFCs
Exhibit I	-	Facilities Use Fees
Exhibit J	-	Terminal Cost Centers

AIRPORT USE AND LEASE AGREEMENT

This **AIRPORT USE AND LEASE AGREEMENT** (this “Agreement”) made and entered into this day of , 2005, by and between the **WAYNE COUNTY AIRPORT AUTHORITY**, a Michigan public body corporate, with principal offices located at the Detroit Metropolitan Wayne County Airport, hereinafter referred to as “Lessor”, and **NORTHWEST AIRLINES, INC.**, a Minnesota corporation, with principal offices located at 2700 Lone Oak Parkway, Eagan, Minnesota 55121, hereinafter referred to as “Lessee”. Unless defined elsewhere in this Agreement, capitalized terms shall have the meanings set forth in Article XXVIII hereof.

Witnesseth:

WHEREAS, pursuant to the provisions of the Aeronautics Code of the State of Michigan, Lessor, as successor in interest to the Charter County of Wayne, Michigan (the “County”), operates and maintains the Detroit Metropolitan Wayne County Airport (the “Airport”), said airport being more fully described in **Exhibit A** attached hereto and hereby made a part hereof, with the power to lease premises and facilities and to grant rights with respect thereto; and

WHEREAS, Lessee is engaged in the Air Transportation business; and

WHEREAS, Lessor, as successor in interest to the County, and Lessee are parties to an Airport Use and Lease Agreement dated as of June 21, 2002 (the “2002 Airport Agreement”), pursuant to which the County leased to Lessee certain premises, facilities, rights, licenses, services and privileges with and on the Airport; and

WHEREAS, Lessor and Lessee desire to amend certain provisions of the 2002 Airport Agreement by entering into this Agreement, which, upon approval by Lessor’ s

Board and execution by Lessor’ s Chief Executive Officer and a duly authorized officer of Lessee, shall supersede in all respects and replace the 2002 Airport Agreement;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements herein contained, and other valuable considerations, as of the effectiveness of this Agreement Lessor does hereby grant, demise and let unto Lessee and Lessee does hereby hire and take from Lessor, certain premises and facilities, rights, licenses, services and privileges hereinafter described in connection with and upon the Airport.

ARTICLE I

PREMISES

A. USE OF AIRPORT: In common with others so authorized, Lessee shall have the use of the common areas of the Airport and its appurtenances, together with all facilities, equipment, improvements and services which have been, or may hereafter be, provided at or in connection with the Airport from time to time, including, without limiting the generality hereof and subject to the rules and regulations of Lessor promulgated in accordance with Article XI hereof, the landing field and any extensions thereof or additions thereto, passenger and cargo ramp areas and facilities, aircraft parking areas and facilities, roadways, runways, aprons, taxiways, sewage and water facilities, floodlights, landing lights, beacons, control tower, signals, radio aids, and all other conveniences for flying, landings and take-offs of aircraft of Lessee, which use, without limiting the generality hereof, shall include:

1. The right to operate thereat and therefrom a transportation system by aircraft for the carriage of persons, property, cargo and mail;

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2. The right to repair, maintain, condition, service, test, park or store aircraft or other equipment of Lessee, or of any other scheduled air transportation company, or aircraft of the U.S. Armed Forces or the FAA within such areas as are designated by Lessor; provided, that such right shall not be construed as authorizing the conduct of a separate business by Lessee, but shall permit Lessee to perform such functions as an incident to its conduct of Air Transportation;

3. The right to train, subject to rules and regulations as promulgated under Article XI hereof, on the Airport, personnel in the employ of or to be employed by Lessee or any scheduled air transportation company, or of the U.S. Armed Forces, or of the FAA, provided, that such right shall not be construed as authorizing the conduct of a separate business by Lessee, but shall permit Lessee to perform such functions as an incident to its conduct of Air Transportation;

4. The right to sell, dispose of or exchange Lessee's aircraft, engines, accessories, supplies or other personal property; provided, that such right shall not be construed as authorizing the conduct of a separate business by Lessee, but shall permit such sales as an incident to its conduct of Air Transportation or accommodation to others engaged therein;

5. The right, subject to the terms and conditions hereof, to purchase or otherwise obtain personal property of any nature (including aircraft, engines, accessories, gasoline, oil, greases, lubricants, other fuel or propellant, food,

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beverages, other equipment and supplies and any articles or goods) reasonably necessary or convenient for its operations, from any supplier of its choice;

6. The right to service, by Lessee or others selected by Lessee, Lessee's aircraft or other equipment by truck or otherwise, with gasoline, oil, greases, lubricants, or any other fuel or propellant or other supplies, required by Lessee; such right to include, without limiting the generality thereof, the right to install and maintain on the Airport, separately or in common with others, appropriate pipes (including a pipeline or lines between Lessee's sources of supply and its storage facilities for gasoline, oil, greases, lubricants or other fuel or propellant and from such storage facilities to the point or points of servicing), pumps, motors, filters and other appurtenances incidental to the use thereof, either through construction and maintenance by Lessee or by a nominee of Lessee in accordance with plans and specifications therefor approved by Lessor; provided, however, that Lessor shall not be responsible for the cost of excavation, construction, installation and maintenance of any such storage facilities, pipes or pipelines, pumps, motors, filters or other appurtenances;

7. The right to land, take-off, fly, taxi, tow, park, load, and unload Lessee' s aircraft and other equipment used in the operation of schedule, shuttle, courtesy, test, training, inspection, emergency, special, charter, sightseeing and other flights;

8. The right to transfer, load and unload persons, cargo, property and mail to, from and at the Airport by such loading and unloading devices, motor cars, buses, trucks or other means of conveyance as Lessee may choose or require in

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the operation of its Air Transportation system; with the non-exclusive right to designate and enter into arrangements with any carrier or carriers of its choice to transport to and from the Airport, passengers and their baggage, cargo, property and mail carried or to be carried by air by Lessee provided that with respect to passengers, Lessee shall not enter into arrangements with a carrier for transportation to or from the Airport except for such period or periods during which there is no satisfactory ground transportation service provided by bus or limousine operator selected by the Lessor;

9. The right to install, maintain and operate, without cost to Lessor, by Lessee alone, or in conjunction with any other air transportation companies who are lessees at the Airport, or through a nominee, communication systems between suitable locations in the aircraft loading areas and suitable locations in or about Lessee' s hangar, and between any or all of said locations and Lessee' s offices;

10. The right to install, maintain and operate, without cost to Lessor, by Lessee alone, or in conjunction with any other air transportation companies that are lessees at the Airport, or through a nominee, suitable Lessee-owned aircraft air-conditioning equipment, including, but not limited to, trucks, or a suitable airplane air-conditioning system in the loading area.

11. The right to provide in any hangar or other non-public space leased by Lessee without cost to Lessor, by Lessee alone, a subsidiary of Lessee or by contract with a supplier or caterer, foods and beverages for consumption by employees and occasional invitees of Lessee on such premises for business

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purposes. Without limiting the generality of the foregoing, said right shall include the right to install, maintain, and operate, or cause to be installed, maintained and operated without cost to Lessor, in any hangar on premises leased to Lessee at the Airport, vending machines, a cafeteria, restaurant or other plant for the purpose of preparing, cooking, and dispensing of foods and beverages for consumption as aforesaid;

12. The right to provide, without cost to Lessor, by Lessee alone, a subsidiary of Lessee, or by contract with a supplier or caterer of its choice, food and beverages for consumption on aircraft of Lessee; provided, however, that if Lessee shall purchase such foods and beverages by contract with a supplier or caterer other than an Airport food concessionaire, Lessee shall require such supplier or caterer, other than its wholly-owned subsidiary, to pay to Lessor the same percentage commission as would be paid to Lessor by an Airport food concessionaire;

13. The right to install and operate, at Lessee' s expense, a reasonable number and type of company identification signs, subject to the right of Lessor to approve the same as to type and location;

14. The right to install, maintain and operate, at Lessee' s expense, by Lessee alone, or in conjunction with any other air transportation companies who are lessees at the Airport, or through a nominee, such radio communications, meteorological and aerial navigation equipment and facilities in or on premises preferentially leased to Lessee, and, subject to the approval of Lessor' s Chief Executive Officer with respect to location of installation, elsewhere on the Airport

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as may be necessary or convenient in the opinion of Lessee for its operations; provided, however, that such approval shall not be withheld unless such installation, maintenance and operation at the location selected by Lessee shall interfere with the reasonable use of the Airport by other authorized persons;

15. The right to conduct operations or activities other than those enumerated in Subparagraphs (1) to (14), inclusive, of this paragraph, reasonably related to the landing, taking off, flying, moving, loading, unloading, or servicing of aircraft which are reasonably necessary or convenient to the conduct by it of Air Transportation; provided, however, that all such other operations and activities shall be subject to the approval of Lessor.

B. LEASE OF SPACE:

1. PREFERENTIAL USE PREMISES.

(a) Lessor hereby grants to Lessee, its employees, agents, guests, patrons and invitees, the preferential use of space, improvements and facilities in the South Terminal consisting of the Preferential South Terminal Space identified on **Exhibit C** attached hereto (hereinafter referred to as "Lessee' s Preferential South Terminal Space"). Lessee shall have the right to permit its code share partners and commuter carriers to have access to Lessee' s Preferential South Terminal Space. **Exhibit C** shall be amended, effective as of the Date of Beneficial Occupancy of all of Lessee' s Preferential South Terminal Space resulting from the McNamara Terminal Phase II Project, to include all of such space not then reflected on **Exhibit C**, which amendment may be entered into by

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the Chief Executive Officer of Lessor without further approvals of Lessor' s Board.

(b) Lessee' s Preferential South Terminal Space shall be available to Lessee in accordance with the following preferential use provisions:

(i) Lessee shall have priority in using such space, subject to the provisions of subsection (iii) below. In addition, Lessor hereby grants to Lessee, and Lessee hereby accepts from Lessor, for so long as Lessee leases such space, the preferential right to use the aircraft parking positions adjacent to such space, as shown on **Exhibit C**, for the parking of aircraft and support vehicles and the loading and unloading of passengers and cargo.

(ii) Lessor intends to maintain a policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. To achieve that goal, Lessor reserves the right to require shared use of Preferential Use Premises as described in subsection (iii) below.

(iii) (A) If an airline, including any airline seeking to expand its service or an airline seeking entry into the Airport, is in need of space or facilities at the Airport, which need cannot be met by use of then unleased premises, if any, in the South Terminal or the North Terminal, Lessor shall direct such airline to request the use of leased space or facilities of all Signatory Airlines on a voluntary basis. Lessee and the other Signatory Airlines shall make

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reasonable efforts to accommodate such requests in a timely manner from any Preferential Use Premises leased to them.

(B) In the event (I) Lessor receives a written request from an airline requesting space or facilities of a type granted to Signatory Airlines on a preferential use basis, (II) the requesting airline demonstrates to Lessor that it has contacted all Signatory Airlines and has exhausted all reasonable efforts to find reasonable accommodation for its proposed operations and the space or facilities it needs, and (III) Lessor determines that (x) such requesting airline needs the requested space or facilities to accommodate passengers or aircraft and (y) Lessor cannot provide such space or facilities to such airline on a timely basis, then Lessor may grant such requesting airline the right of temporary or shared use of a designated portion of Lessee' s Preferential South Terminal Space, including, but not limited to, the use of passenger loading bridges and other appurtenant equipment which are reasonably necessary for the effective use of such space, whether owned by Lessee or Lessor, as well as the aircraft parking positions

adjacent to such space, but excluding Lessee' s member-only airline clubs within Lessee' s Preferential South Terminal Space.

(C) In the event Lessor determines that a requesting airline' s needs require granting such requesting airline the right to share or temporarily use Preferential Use Premises, Lessor shall

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serve written notice to all Signatory Airlines of that determination and notice of Lessor' s intention to make a further determination, in not less than 15 calendar days, as to how the requesting airline will be accommodated.

(D) In accordance with the rules and priorities set forth in subparagraph (F) below, Lessor may grant the requesting airline the right of shared or temporary use of a designated portion of Lessee' s Preferential South Terminal Space (excluding Lessee' s member-only airline clubs), as well as rights of ingress and egress, the right to use the aircraft parking positions adjacent thereto and the right to use passenger loading bridges and other appurtenant equipment which are reasonably necessary for the effective use of such space, provided, that:

(I) such proposed user provides Lessee with indemnification and proof of insurance satisfactory to Lessee; provided, however, that Lessee may not require any indemnification more favorable to it than that which Lessee provides to Lessor hereunder;

(II) such proposed user agrees to pay Lessee the sum of the following:

(x) an amount equal to a pro rata share of the sum of the terminal rentals and any other applicable payments, fees or taxes payable by

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Lessee hereunder with respect to such areas during such shared or temporary use period as calculated herein; and

(y) additional amounts sufficient to recover Lessee' s direct costs and operation and maintenance expenses, if any, of such shared or temporary use, including a reasonable allocation of any capital and equipment costs for property and equipment owned by Lessee;

(III) such proposed user enters into a written agreement with Lessee therefor, which agreement shall not be inconsistent with the terms and conditions stated herein and shall be submitted to Lessor for written approval prior to the effective date thereof.

(E) Lessee agrees to make reasonable efforts to facilitate the temporary or shared accommodation of the requesting airline' s scheduled operations, including the use of passenger loading bridges used or owned by Lessee and other portions of Lessee' s Preferential South Terminal Space (excluding Lessee' s member-only airline clubs) as may be reasonably necessary to accommodate the requesting airline in the event Lessor requires such use. In the event that the requesting airline and Lessee are not able to agree to a form of written agreement pursuant to

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subparagraph (D)(III) above after reasonable efforts by both parties, Lessor shall have the right, after consultation with both parties, to set the final terms of such written agreement, which shall provide no less protection of Lessee' s interests than Lessee provides for Lessor' s interest hereunder, and be binding on both the requesting airline and Lessee.

(F) In the event that, pursuant to subparagraph (B) above, Lessor determines that a requesting airline is in need of facilities to accommodate passengers or aircraft and such facilities should be made available from Preferential Use Premises, Lessor will follow the following rules and priorities in designating the specific premises for temporary or shared use by the requesting airline:

(I) Preferential Use Premises shall be designated for temporary or shared use in the reverse order of the magnitude of the then present utilization by Signatory Airlines.

(II) In assessing the degree of such utilization by Signatory Airlines, Lessor will consider all factors deemed relevant, which may include: (u) the average number of flight arrivals and departures per aircraft parking position per day; (v) flight scheduling considerations; (w) potential labor conflicts; (x) the number, availability and type (e.g.

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wide-body or narrow body) of aircraft parking position locations; (y) the preferences of the Signatory Airlines as to which of their specific premises are designated for temporary or shared use by the requesting airline and (z) other operational considerations.

(III) In the event Lessee is required to share Lessee' s Preferential South Terminal Space, Lessee shall have priority in all aspects of usage of such shared premises over all other airlines; provided that Lessee shall not change its scheduling or ordinary course usage of such premises for the purpose of interfering with the usage of such premises by a requesting airline sharing such premises.

(G) The foregoing provisions of this Article IB.1.(b)(iii) notwithstanding, Lessor may grant a requesting airline the right to temporarily use a designated portion of Lessee' s Preferential South Terminal Space (excluding Lessee' s member-only airline clubs) in non-recurring emergency or safety-related circumstances, so long as such use will not unreasonably adversely affect Lessee' s Air Transportation operations at the Airport.

(H) During the use of Lessee' s Preferential South Terminal Space or other related facilities by other airlines scheduled by Lessor pursuant to this Article IB.1., Lessee shall not be held liable by Lessor with regard to any claim for damages or

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personal injury arising out of or in connection with such requesting airline' s use of Lessee' s Preferential South Terminal Space or other related facilities, unless caused by the negligence of Lessee, its employees or agents.

2. **SHARED USE PREMISES.** Lessor hereby grants to Lessee, its employees, agents, guests, patrons and invitees, the shared use, along with all other air carriers operating Air Transportation businesses in the South Terminal to whom Lessor grants such shared use, of space, improvements and facilities in the South Terminal consisting of the Shared Use South Terminal Space identified on Exhibit C attached hereto. That portion of the Shared Use South Terminal Space consisting of the international gates in the South Terminal, together with related holdrooms, jet bridges, ramp access and baggage facilities, shall be allocated for use by the users thereof in accordance with the priorities described in Exhibit D attached hereto.

C. PUBLIC SPACE: Lessee, its employees, passengers, guests, patrons and invitees, in common with others, shall have the use of all public space in the terminals at the Airport, and all additional public space which may thereafter be made available therein and in any additions thereto, including, without limiting the generality thereof, common areas for passenger movement, concessions areas, entrances, exits, lobbies, public waiting areas, public restrooms, hallways and other premises for other public and passenger convenience.

D. PARKING SPACE: Vehicular parking spaces shall be provided near the terminal from which Lessee is operating (adequate in Lessor' s judgment, considering

the number of vehicles and traffic to be accommodated) for the use of Lessee, its employees, passengers and limousine operators, in common with any other scheduled air transportation companies, their employees, passengers and limousine operators. Lessor or its concessionaires may make a reasonable charge to passengers for the use of the parking space provided for them, but no charges shall be made for use of such adequate parking spaces as are designated by Lessor for the respective use of Lessee' s employees or limousine operators.

E. RIGHT OF INGRESS AND EGRESS: Subject to the reasonable rules and regulations promulgated by Lessor in accordance with Article XI hereof, Lessee shall have the right and privilege over the Airport of ingress to and egress from the premises and facilities described in this Article I for its employees, agents, passengers, guests, patrons and invitees, its or their suppliers of materials and furnishers of service, its or their aircraft, equipment, vehicles, machinery and other property, and, except as herein otherwise specifically provided, no charges, fees or tolls of any nature, direct or indirect, shall be imposed by Lessor upon Lessee, its employees, agents, passengers, guests, patrons and invitees, its or their suppliers of materials and furnishers of service for such right of ingress and egress, or for the privilege of purchasing, selling or using any materials, or services purchased or otherwise obtained by Lessee, or for transporting, loading, unloading or handling persons, property, cargo or mail in connection with Lessee' s business or exercising any right or privilege granted by Lessor hereunder. Nothing in this Article I shall limit Lessor' s right to impose, collect and use PFCs.

F. FUEL: Lessee shall have the right during the term of this Agreement to lease land in the common fuel storage area as shown in the Airport Master Plan, at a rental

rate of not to exceed five cents (\$.05) per square foot per year, together with the right to install thereon underground fuel storage tanks, pumps, piping, and appurtenances for the storage of aviation fuel; the location and amount of such land to be determined by written agreement of the parties hereto, a copy of which agreement, if entered into prior to the effective date of this Agreement, will be attached to this Agreement as an exhibit.

ARTICLE II

TERM

Lessee shall have full authority to use the premises and facilities and to exercise the rights, licenses and privileges set forth in Article I hereof for a term that began on February 26, 2002, and will end on September 30, 2032.

ARTICLE III

RENTALS, FEES AND CHARGES

Lessee agrees to pay to Lessor for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, the following rentals, fees and charges, all payable in monthly installments in accordance with paragraph H. below. In the event that the

commencement or termination of the term with respect to any of the particular premises, facilities, rights, licenses, services or privileges as herein provided falls on any date other than the first or last day of a calendar month, the applicable rentals, fees and charges for that month shall be paid for said month pro rata according to the number of days in that month during which the particular premises, facilities, rights, licenses, services or privileges were enjoyed. No rentals, fees, charges or tolls imposed by Lessor other than those specifically provided in this Agreement are payable by Lessee for the use of or access to the Airport, provided that the foregoing shall not be construed to prohibit Lessor from imposing and collecting charges and fees from

passengers for the use of the public auto parking areas on the Airport, from operators of ground transportation to, from and on the Airport or from any concessionaire at the Airport in accordance with the terms of a contract with Lessor for the operation of such concession; and provided, further, that Lessor reserves the right to impose and use PFCs; and provided, further, that the foregoing shall not preclude Lessor from imposing or levying any permit or license fee not inconsistent with the rights and privileges granted to Lessee hereunder.

A. COST CENTERS:

Lessor will create the following cost centers at the beginning of Fiscal Year 2009, for the purpose of allocating the cost of operating, maintaining and developing the Airport among the users thereof:

1. South Terminal Cost Center;
2. North Terminal Cost Center; and
3. Airport Cost Center.

B. ALLOCATION METHODOLOGY:

Commencing in Fiscal Year 2009, Lessor shall maintain accurate records identifying O&M Expenses for each Fiscal Year and allocating O&M Expenses, Bond Debt Service and Other Available Moneys for each Fiscal Year between (i) the South Terminal Cost Center, (ii) the North Terminal Cost Center, and (iii) the Airport Cost Center. Lessor will allocate O&M Expenses, Bond Debt Service and Other Available Moneys in accordance with **Exhibit E** attached hereto.

C. TERMINAL RENTALS:

1. SOUTH TERMINAL RENTALS.

(a) Lessee's Terminal Rentals for each Fiscal Year (or portion thereof on a pro rated basis) for its Preferential South Terminal Space shall be an aggregate amount equal to the product of the number of square feet of Lessee's Preferential South Terminal Space, multiplied by the South Terminal Rental Rate for such Fiscal Year.

(b) Until the Rental Rate Change Date, the South Terminal Rental Rate is as follows for the following Fiscal Years:

2005	\$	19.71
2006		19.71
2007		19.71
2008 and thereafter		20.04

(c) Commencing with the Rental Rate Change Date, the South Terminal Rental Rate for each Fiscal Year shall be determined by dividing the Cost of the South Terminal for such Fiscal Year, calculated pursuant to subparagraph (d) below,

by the sum of (i) the total number of square feet of Preferential South Terminal Space leased to all Signatory Airlines, and (ii) the total number of square feet of Shared Use South Terminal Space.

- (d) The Cost of the South Terminal for each Fiscal Year will be an amount equal to the sum of, for such Fiscal Year:
- (i) O&M Expenses allocated to the South Terminal Cost Center; and
 - (ii) Bond Debt Service allocated to the South Terminal Cost Center;

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minus, for such Fiscal Year:

- (iii) Other Available Moneys allocated to the South Terminal Cost Center and used by Lessor in such Fiscal Year to pay Bond Debt Service allocated to the South Terminal Cost Center;
- (iv) the total amount of South Terminal International Facilities Use Fees collected by Lessor for such Fiscal Year; and
- (v) the total amount of South Terminal Authority-Controlled Airline Space Revenue and South Terminal Rental Revenue for such Fiscal Year.

2. NORTH TERMINAL RENTALS.

- (a) Commencing with the Rental Rate Change Date, Lessor shall charge each Signatory Airline leasing Preferential North Terminal Space, Terminal Rentals for each Fiscal Year (or portion thereof on a pro rated basis) for such space in an aggregate amount equal to the product of the number of square feet of such Signatory Airline's Preferential North Terminal Space, multiplied by the North Terminal Rental Rate for such Fiscal Year.
- (b) Commencing with the Rental Rate Change Date, the North Terminal Rental Rate for each Fiscal Year shall be determined by dividing the Cost of the North Terminal for such Fiscal Year, calculated pursuant to subparagraph (c) below, by the sum of (i) the total number of square feet of Preferential North Terminal Space leased to all Signatory Airlines, and (ii) the total number of square feet of Shared Use North Terminal Space.

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- (c) The Cost of the North Terminal for each Fiscal Year will be an amount equal to the sum of, for such Fiscal Year:
- (i) O&M Expenses allocated to the North Terminal Cost Center; and
 - (ii) Bond Debt Service allocated to the North Terminal Cost Center;
- minus, for such Fiscal Year:
- (iii) Other Available Moneys allocated to the North Terminal Cost Center and used by Lessor in such Fiscal Year to pay Bond Debt Service allocated to the North Terminal Cost Center;
 - (iv) the total amount of North Terminal International Facilities Use Fees collected by Lessor for such Fiscal Year; and
 - (v) the total amount of North Terminal Authority-Controlled Airline Space Revenues for such Fiscal Year and North Terminal Rental Revenue.

D. TERMINAL USE CHARGES FOR SHARED USE PREMISES:

Lessee' s Terminal Use Charges for each Fiscal Year (or portion thereof on a pro rated basis) for the use of the Shared Use South Terminal Space shall be an aggregate amount equal to the sum of:

1. (a) the product of (i) the total number of square feet of Shared Use Domestic South Terminal Space multiplied by (ii) the South Terminal Rental Rate for such Fiscal Year (as set forth in Article III.C.1.(b) or as established pursuant to Article III.C.1.(c), as the case may be) times (b) a fraction the numerator of

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which is the number of Lessee' s domestic deplaned passengers that used the Shared Use Domestic South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' domestic deplaned passengers that used the Shared Use Domestic South Terminal Space during such Fiscal Year; plus

2. (a) the product of (i) the total number of square feet of Shared Use International South Terminal Space multiplied by (ii) the South Terminal Rental Rate for such Fiscal Year (as set forth in Article III.C.1.(b) or as established pursuant to Article III.C.1.(c), as the case may be) times (b) a fraction the numerator of which is the number of Lessee' s international deplaned passengers that used the Shared Use International South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' international deplaned passengers that used the Shared Use International South Terminal Space during such Fiscal Year; plus
3. (a) the product of (i) the total number of square feet of Shared Use Swing South Terminal Space multiplied by (ii) the South Terminal Rental Rate for such Fiscal Year (as set forth in Article III.C.1.(b) or as established pursuant to Article III.C.1.(c), as the case may be) times (b) a fraction the numerator of which is the number of Lessee' s deplaned passengers that used the Shared Use Swing South Terminal Space during such Fiscal Year, and the denominator of which is the total number of all Signatory Airlines' deplaned

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passengers that used the Shared Use Swing South Terminal Space during such Fiscal Year.

E. ACTIVITY FEES:

1. For each Fiscal Year, Lessee' s Activity Fee for the landing of aircraft operated by Lessee shall be an amount equal to the product of the number of thousand pounds of Approved Maximum Landing Weight of aircraft landed by Lessee at the Airport in such Fiscal Year, multiplied by the Activity Fee Rate for such Fiscal Year.

2. The Activity Fee Rate for each Fiscal Year shall be the quotient arrived at by dividing (a) the Revenue Requirement, as below defined, for such Fiscal Year by (b) the aggregate amount of Approved Maximum Landing Weight of aircraft, in units of one thousand pounds, of all Signatory Airlines, for such Fiscal Year. The unit thus arrived at shall be the Activity Fee Rate per thousand pounds of Approved Maximum Landing Weight payable by Lessee to Lessor for such of Lessee's aircraft, as have landed at the Airport during the Fiscal Year for which such calculation is made. The Activity Fee as herein established shall not be subject to further adjustment except by agreement of the parties hereto, or as provided in Article III.H.

3. The "Revenue Requirement" for any Fiscal Year as used herein shall mean that amount of Revenue required to produce total net Revenue equal to the sum of:

(a) O&M Expenses for such Fiscal Year; plus

(b) (i) one hundred twenty-five percent (125%) of the amount of principal and interest due (net of any capitalized interest) for such Fiscal Year on all then outstanding Bonds, less (ii) any unencumbered amounts

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on deposit in the Revenue Fund on the last day of the Fiscal Year preceding such Fiscal Year that are useable to satisfy the rate covenant requirements of any Bond Ordinance under which Bonds have been issued, and less (iii) Other Available Moneys used in such Fiscal Year to pay Bond Debt Service; plus

(c) deposits into the Bond Reserve Account, the Junior Lien Bond Reserve Account, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund required for such Fiscal Year pursuant to the provisions of all applicable Bond Ordinances; plus

(d) an amount equal to \$5 million (which amount has been and shall be escalated each Fiscal Year beginning in Fiscal Year 2002 to reflect percentage increases in the Producer Price Index during the most recently ended 12-month period for which such index is available); plus

(e) \$350,000;

minus

(f) an amount equal to the sum of (i) all Terminal Charges collected by Lessor for such Fiscal Year (taking into account all end-of-year payments by the Signatory Airlines or end-of-year refunds by Lessor, as the case may be, pursuant to Article III.H.4. and Article III.H.5. below of Terminal Charges for such Fiscal Year), (ii) all International Facilities Use Fees collected by Lessor during such Fiscal Year, (iii) all Authority-Controlled Airline Space Revenue, North Terminal Rental Revenue and South Terminal Rental Revenue, (iv) all concession and parking revenue, and (v)

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all other Revenue received (or receivable if Lessor is on an accrual accounting basis) during such Fiscal Year, except (A) up to but not exceeding \$2.5 million of Revenue attributable to an automated vehicle identification program for the entire Airport, and (B) all proceeds received by Lessor from the sale of certain parcels of Airport property located on the West side of the airfield and shown on **Exhibit F**.

F. INTERNATIONAL FACILITIES USE FEES - FIS FACILITIES:

Lessor will charge each air carrier operating at the Airport an International Facilities Use Fee per deplaned international passenger of such air carrier for the use of the FIS Facilities at the Airport. The Facilities Use Fees will be charged in accordance with the schedule attached as **Exhibit I**.

G. CONTINUING RENTAL OBLIGATION:

1. Should any scheduled air carrier, including Lessee, having an agreement with Lessor (or with Lessor in its capacity as successor of the County) substantially similar to this Agreement, terminate its operations at the Airport by reason of the loss of its operating authority to serve the Detroit Metropolitan Area and exercise the right of cancellation provided for in such case in Article XV of such agreement, its continued obligation to pay to Lessor charges thereafter due under such agreement, including space rentals and Activity Fees, shall, subject to the provisions of the paragraph next following, thereupon terminate. Payment of rentals and Activity Fees thereafter required shall be the responsibility of such of the other aforesaid scheduled air carriers which continue to provide air transportation service to the Detroit Metropolitan Area.

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2. Should (a) all such aforesaid air carriers lose their operating authority to serve the Detroit Metropolitan Area, or (b) should Lessor fail to maintain the necessary certifications required to permit scheduled air carrier operations at the Airport, and all of such air carriers exercise the right of cancellation provided for in either event in said Article XV, the obligation to pay such aforesaid charges shall terminate subject, however, to the following condition. Until Fiscal Year 2009, upon such termination all such aforesaid carriers then operating at the Airport (including Lessee if such be the case) shall be obligated, to the extent hereinafter required, to pay annually, or in such installments as Lessor may require, an amount not in excess of three hundred percent (300%) of their respective annual rentals (calculated in the manner set forth in paragraph 2 immediately below) payable at that time for terminal building space at the Airport (whether leased under an Airport Agreement, or otherwise) for the purpose of providing funds to be applied to Bond Debt Service (exclusive of any additional coverage) on the then outstanding issues of Bonds. Payments required of such carriers shall be assessed against each of them in a uniform manner per square foot leased and shall be diminished pro rata to the extent that Airport revenues or capital funds are realized from other sources and are available for application to the debt service on the said Bonds as provided for in Subparagraph 3 below.

3. For the purpose of calculating payments which such carriers may be obligated to make, Lessor shall first determine the average annual rental rate per square foot paid for such terminal building space by all such carriers by dividing their total annual rentals for such space by the total square footage of the space. The square footage leased by each carrier shall then be multiplied by such average rate in order to

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obtain an annual rental of each such carrier for the purpose of establishing the three hundred percent (300%) maximum annual limitation.

4. In the event Lessor fails to maintain the necessary certifications required to permit scheduled air carrier operations at the Airport and thereafter operates at the Airport for other purposes, any revenues earned as a result shall, after providing for necessary operating and maintenance expenses, be first applied each year to such debt service requirements before requiring payments by the carriers pursuant to paragraph 1 above. In the foregoing circumstances and as long as any of the aforesaid Bonds are outstanding, Lessor shall use its best efforts to operate or lease the Airport properties so as to produce sufficient revenues to satisfy the requirements of the aforesaid Bonds. If under such circumstances the Airport properties or portion thereof are sold by Lessor, the proceeds of such sale(s) shall first be used (or set aside) and be applied to current and future debt service requirements or to retire the aforesaid Bonds before requiring payments by the carriers pursuant to subparagraph 1 above.

H. PAYMENT OF TERMINAL CHARGES AND ACTIVITY FEES:

1. INFORMATION ON SIGNATORY AIRLINES' OPERATIONS.

(a) Not earlier than 120 days nor later than 90 days prior to the last day of each Fiscal Year, each Signatory Airline shall furnish Lessor with an estimate for the next ensuing Fiscal Year of (i) the total Approved Maximum Landing Weight of all aircraft to be landed at the Airport by such Signatory Airline, (ii) the total number of such Signatory Airline's domestic and international enplaned passengers, (iii) the number of domestic and the number of international deplaned passengers of such Signatory Airline

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that are estimated to use each of the Shared Use Domestic South Terminal Space, the Shared Use International South Terminal Space, the Shared Use Swing South Terminal Space, the Shared Use Domestic North Terminal Space, the Shared Use International North Terminal Space and the Shared Use Swing North Terminal Space, as the case may be, (iv) the total number of arriving and departing domestic and international flights of such Signatory Airline, and (v) in the case of Lessee only, the South Terminal O&M Expenses to be reimbursed to Lessee pursuant to Article VII.B.

(b) No later than the 20th day of each calendar month, each Signatory Airline shall transmit to Lessor a report, certified by such Signatory Airline, setting forth (i) the actual number of such Signatory Airline's enplaned passengers and the actual number of such Signatory Airline's deplaned passengers for the preceding calendar month that used each of the Shared Use Domestic South Terminal Space, the Shared Use International South Terminal Space, the Shared Use Swing South Terminal Space, the Shared Use Domestic North Terminal Space, the Shared Use International North Terminal Space and the Shared Use Swing North Terminal Space, as the case may be, (ii) the actual aggregate Approved Maximum Landing Weight for all aircraft operated by such Signatory Airline and landed at the Airport during the preceding calendar month, (iii) the actual number of such Signatory Airline's arriving and departing domestic and international flights for the preceding month,

and (iv) in the case of Lessee only, the South Terminal O&M Expenses actually paid by Lessee pursuant to Article VII.B. for the preceding calendar month.

2. PROJECTION OF RENTALS AND ACTIVITY FEES.

(a) Not later than 60 days prior to the end of each Fiscal Year, Lessor shall furnish each Signatory Airline with a projection and estimated calculation for the next ensuing Fiscal Year pursuant to Article III.C., D. and E. (the "Projection") of the South Terminal Rental Rate, the North Terminal Rental Rate, such Signatory Airline's Terminal Charges, the Activity Fee Rate per thousand pounds of Approved Maximum Landing Weight and such Signatory Airline's Activity Fees. The Projection shall be based on Lessor's estimates of O&M Expenses, Bond Debt Service, Other Available Moneys and Revenues for such Fiscal Year. Such Projection will include Lessor's proposed Airport budget (including all sources of revenue and all expenses) for the next ensuing Fiscal Year, together with other information relevant thereto reasonably requested by Lessee.

(b) The projected South Terminal Rental Rate shall be calculated in accordance with the provisions of Article III.C.3., and shall be an amount equal to the result of such calculation, rounded up to the nearest dollar.

(c) The projected North Terminal Rental Rate shall be calculated in accordance with the provisions of Article III.C.6., and shall be an amount equal to the result of such calculation, rounded up to the nearest dollar.

(d) Lessor shall give due consideration to any suggestions and comments made by Lessee with respect to the Projection. The Projection, as revised by Lessor after considering Lessee's suggestions and comments, shall be the basis for computing the Signatory Airlines' Terminal Charges and Activity Fees for the next ensuing Fiscal Year unless and until otherwise revised pursuant to paragraph 4 below.

3. PAYMENT OF TERMINAL CHARGES AND ACTIVITY FEES.

(a) Not later than the 20th day of each calendar month of each Fiscal Year, Lessee shall pay Lessor, without demand or invoice, an amount equal to (i) 1/12 of Lessee's aggregate Terminal Charges for such Fiscal Year, computed in accordance with Article III.C and Article III.D, and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below, plus (ii) Lessee's aggregate Activity Fees for the preceding calendar month, calculated by multiplying the total Approved Maximum Landing Weight for aircraft landed by Lessee at the Airport during the preceding calendar month by the Activity Fee Rate for such Fiscal Year, computed in accordance with Article III.E., and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below.

(b) Lessee may net from the payments to be made to Lessor pursuant to paragraph (a) above the amount of South Terminal O&M Expenses actually paid by Lessee pursuant to Article VII.B. for the preceding calendar month.

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4. ADJUSTMENT OF TERMINAL CHARGES AND ACTIVITY FEES. Not later than the 150th day of each Fiscal Year, Lessor shall furnish each Signatory Airline with a revised Projection (the "Mid-Year Projection"), which shall reflect the most recently available information with regard to the amounts actually incurred or realized during such Fiscal Year for Bond Debt Service, O&M Expenses and the Revenue Requirement, together with the most recently available information with regard to Terminal Charges, Activity Fees, Facilities Use Fees, Authority-Controlled Airline Space Revenues, North Terminal Rental Revenue and South Terminal Rental Revenue actually received by Lessor. Lessor shall give due consideration to any suggestions and comments made by Lessee with respect to the Mid-Year Projection. If the Mid-Year Projection, as revised by Lessor after considering Lessor's suggestions and comments, indicates that aggregate payments of Terminal Charges and Activity Fees at the then-existing rates would result in an overpayment or underpayment of the aggregate amount required to be generated by Lessor through Activity Fees, Lessor shall revise the Projection and adjust the rates set forth therein for such Fiscal Year to conform to the Mid-Year Projection.

5. PRELIMINARY ANNUAL SETTLEMENT AND FINAL AUDIT.

(a) Within 60 days after the end of each Fiscal Year, Lessor will furnish each Signatory Airline with a preliminary report, containing a preliminary calculation, based on actual data, in accordance with this Agreement, of the South Terminal Rental Rate, the North Terminal Rental Rate and the Activity Fee Rate, and the Terminal Charges and Activity Fees estimated

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to be chargeable to such Signatory Airline for the preceding Fiscal Year, and setting forth the amount of Terminal Charges and Activity Fees actually paid by such Signatory Airline for such period.

(b) If such report indicates that the aggregate of such rentals, fees and charges actually paid by Lessee were greater than the aggregate amounts chargeable to Lessee, then within 90 days after the end of such Fiscal Year Lessor shall refund, in cash, 80% of any such estimated excess to Lessee. If such report indicates that the aggregate of such fees and charges paid by Lessee was less than the amounts chargeable to Lessee, then within 90 days after the end of such Fiscal Year Lessee shall pay to Lessor 80% of the amount of any such estimated deficiency. Interest shall accrue at a rate of 7% per annum, and be payable by Lessee in cash, on any portion of any deficiency not paid by Lessee when due. Interest shall accrue at a rate of 7% per annum, and be payable by Lessor in cash, on any portion of any excess not refunded to Lessee when due.

(c) By the 180th day of each Fiscal Year, Lessor shall furnish to each Signatory Airline a copy of an annual audit report prepared by a nationally recognized accounting firm, covering the operation of the Airport for the preceding Fiscal Year (the "Final Audit"). Lessor shall prepare a calculation, based on the Final Audit, in accordance with this Agreement, of all

pursuant to paragraph 5.(b) above. If aggregate fees and charges actually paid by Lessee were greater than the aggregate amount chargeable to Lessee, then within 30 days after delivery of the Final Audit Lessor shall refund the amount of such overpayment to Lessee. If aggregate fees or charges actually paid by Lessee were less than the aggregate amount chargeable to Lessee, then within 30 days after receipt of the Final Audit Lessee shall pay to Lessor the amount of any such deficiency.

(d) The foregoing provisions of paragraphs 5.(b) and 5.(c) notwithstanding, for purposes of calculating the amount of end-of-year refunds by Lessor or end-of-year payments by the Signatory Airlines, as the case may be, for each Fiscal Year, (i) if the calculation of the South Terminal Rental Rate for such Fiscal Year would result in an increase or decrease to the projected South Terminal Rental Rate for such Fiscal Year of \$1.00 or less, the South Terminal Rental Rate used for purposes of determination of such refunds or payments, as the case may be, shall be the projected South Terminal Rental Rate, and (ii) if the calculation of the North Terminal Rental Rate for such Fiscal Year would result in an increase or decrease to the projected North Terminal Rental Rate for such Fiscal Year of \$1.00 or less, the North Terminal Rental Rate used for purposes of such refunds or payments, as the case may be, shall be the projected North Terminal Rental Rate.

(e) The payment by Lessee of any fees and charges hereunder and the acceptance by Lessor thereof for any Fiscal Year shall not preclude

either Lessee or Lessor from questioning, within a period of one (1) year from the date of receipt by Lessee of the Final Audit for such Fiscal Year, the accuracy of any report or statement on the basis of which such payment was made, or preclude Lessor from making any claim against Lessee for any additional amount payable by Lessee, or preclude Lessee from making any claim against Lessor for the return of any excess amount paid by Lessee.

I. SUPPLEMENTAL CAPITAL COST PAYMENTS: In addition to all other rentals and charges payable hereunder by Lessee, Lessee shall pay the following annual Bond Debt Service charges, which shall be billed on a monthly basis in advance each month, in respect of certain projects that were constructed for the benefit of Lessee in the Existing Terminal Facilities pursuant to that certain Airport Agreement dated February 26, 1959, as amended, to which Lessor and the County were at one time parties:

1. \$463,984.20 for the United Airlines relocation project;
2. \$12,015.00 for the Concourse G elevator project;
3. \$254,158.68 for the extension to Concourse C;
4. \$1,206,095.64 for the new Concourse G and related projects.

Lessee will pay the above annual Bond Debt Service on that portion of the Bonds issued by the County in 1996 and Bonds issued by Lessor in 2003 (which refunded Bonds issued by the County in 1993) even though the term of such debt service obligation extends beyond the term of the lease of such temporary facilities. The foregoing notwithstanding, the parties acknowledge that the aforesaid amounts will be

adjusted if and when the coverage requirements change and/or the Bonds to which such Bond Debt Service charges relate are refinanced or refunded.

ARTICLE IV

LESSOR COVENANTS; CAPITAL EXPENDITURES

A. Lessor covenants:

1. That it will provide efficient management and operation of the Airport on the basis of sound business principles and that it will not incur expense for Airport operation, maintenance and administration in excess of the amounts reasonably and necessarily required therefor.
2. That it shall operate the Airport in a manner so as to produce revenues from concessionaires, tenants, and users of a nature and amount which would be produced by a reasonably prudent operator of an airport.
3. That it will comply in all respects with the revenue retention requirement in § 511(a)(12) of the Airport and Airway Improvement Act of 1982, as amended, now codified at 49 U.S.C. § 47107(b).
4. That it will utilize competitive bidding procedures for the award of all maintenance and operation contracts and construction contracts for the Airport.
5. That all senior appointed Airport officials shall have professional qualifications commensurate with the responsibilities of the jobs to be performed by such officials.
6. That it will take all necessary actions to assure that the personnel of Lessor, whose wages and benefits are included in O&M Expenses, are actually performing work for the Airport as represented by such inclusion.

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7. That it will operate Willow Run Airport only as a reliever airport for the Airport with no scheduled air carrier or public charter passenger service.
8. That in each Fiscal Year it will use PFCs to pay PFC-eligible Bond Debt Service due during such Fiscal Year in accordance with the provisions of **Exhibit H**.
9. That in each Fiscal Year it will make the following deposits into the following funds and accounts in addition to or in furtherance of those fund deposits required by any Bond Ordinance:
 - (a) Three Hundred Fifty Thousand Dollars (\$350,000) shall be deposited annually into the Authority Discretionary Fund;
 - (b) Deposits shall be made into the Bond Reserve Account, the Junior Lien Bond Reserve Account, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund pursuant to the provisions of applicable Bond Ordinances; and
 - (c) (i) Amounts includible each Fiscal Year in the Revenue Requirement pursuant to item (d) of the definition thereof in Article III.E.3, (ii) up to \$2.5 million of revenue received by Lessor each Fiscal Year that is attributable to an

automated vehicle identification program for the entire Airport, and (iii) any proceeds received by Lessor during such Fiscal Year from the sale of the Airport property shown on **Exhibit F**, shall be deposited into the Airport Development Fund, to be established and held by Lessor for the purposes described in Article IVD.2 below.

10. That it will subject all sales by it of the Airport property shown on **Exhibit F** to noise easements in the form customarily used by Lessor as part of its noise mitigation program.

B. Lessor may issue Bonds to finance the costs (including all reasonable costs incidental to the issuance and sale of such bonds) of capital projects and may include the Bond Debt Service (including, among other things, coverage requirements) on such Bonds in Lessee' s fees hereunder only after first receiving approval of a Weighted Majority for such capital projects.

C. Lessor may assign, in accordance with any Bond Ordinance and the terms of this Agreement, certain of its interests in and pledge certain revenues and receipts of the Airport as security for payment of the principal of, premium, if any, and interest on Bonds. Except as set forth in the preceding sentence and except for residential property acquired by the Airport pursuant to the Airport' s noise mitigation program, Lessor shall not pledge, sell, convey, mortgage, encumber, assign or otherwise transfer the Airport or any portion thereof during the term of this Agreement.

D. The following limitations shall apply to expenditures from the below-described funds and accounts:

1. Expenditures to be made from the Authority Discretionary Fund. Lessor may make expenditures from the Authority Discretionary Fund without approval by the air carriers for any lawful Airport-system purpose, except that expenditures for Willow Run Airport shall only be made if Lessor is in compliance with its covenant in Article IV.A.7.

2. Expenditures to be made from Airport Development Fund. Lessor may make capital expenditures from the Airport Development Fund without approval by the air carriers for any lawful Airport-system related purpose, provided that Lessor shall not pledge the Airport Development Fund as security for any Bond or other debt of Lessor without approval of a Majority-in-Interest of the air carriers, and provided, further, that capital expenditures for Willow Run Airport shall only be made if Lessor is in compliance with its covenant in Article IV.A.7.

E. In order to permit Lessor to issue Bonds in compliance with applicable securities laws, Lessee agrees that, upon the request of Lessor, Lessee shall provide to Lessor such information with respect to Lessee as Lessor deems reasonably necessary in order for Lessor to issue Bonds in compliance with the requirements of Rule 15c-2(12) of the Securities and Exchange Commission.

ARTICLE V

CONSTRUCTION, MAINTENANCE AND REPAIR BY LESSEE

Lessee may construct or install at its own expense any equipment, improvements and facilities, and any additions thereto, upon all or any part of the premises hereunder leased to Lessee for its preferential use and may construct or install at its own expense, any equipment, improvements and facilities authorized under Article I hereof upon any Airport property not leased to Lessee for its preferential use at such locations as may be approved by Lessor. Plans and specifications of any proposed construction or installation of improvements and facilities (including any substantial alteration or addition thereto) shall be submitted to and receive the prior approval of Lessor. Lessor shall have the

right to refuse approval of such plans and specifications if the external appearance of such improvements and facilities does not meet Lessor' s reasonable

requirements for substantial uniformity of appearance of improvements and facilities on the Airport, or, if the type or time of construction or installation, or the location thereof does not meet Lessor' s reasonable requirements for safe use of the Airport and appurtenances by other authorized persons. Lessor may, at its own cost, inspect any such construction or installation.

Lessee shall keep and maintain all premises hereunder leased to Lessee for its preferential use and all such improvements and facilities and additions thereto, whether constructed or installed by it upon premises hereunder leased to it for its preferential use or upon Airport property not leased to it for its preferential use, in good condition and repair, reasonable wear and tear excepted, and damage by fire or other casualty excepted. Lessee shall not be liable for the repair or restoration of damage to premises hereunder leased where such damage results from fire, structural defect, or other casualty for which Lessor has obtained and there is in effect adequate insurance protection covering such fire or other casualty. No restriction shall be placed upon Lessee as to the architects, builders or contractors who may be employed by it in connection with any construction, installation, alteration, repair or maintenance of any such equipment, improvements, facilities and additions.

Lessee shall keep such premises leased to Lessee for its preferential use in a sanitary and slightly condition, and shall provide all necessary janitor services with respect thereto.

In the event that Lessee fails to perform for a period of thirty days after written notice from Lessor so to do, any obligation required by this Article V to be performed by Lessee at Lessee' s cost, or fails to correct any construction or installation by it of any

equipment, improvements or facilities not completed in accordance with the plans and specifications approved by Lessor within thirty days of Lessor' s notice to Lessee of a deviation from such plans and specifications and request for appropriate changes in such construction and installation, Lessor, upon the expiration of such thirty day period, may, but shall not be obligated to, enter upon the premises involved and perform such obligation of Lessee, charging Lessee the reasonable cost and expense thereof, and Lessee agrees to pay Lessor such charge in addition to any other amounts payable by Lessee hereunder; provided, however, that if Lessee' s failure to perform any such obligation adversely affects or endangers the health or safety of the public or of employees of Lessor, and if Lessor so states in its aforesaid notice to Lessee, Lessor may but shall not be obligated to perform such obligation of Lessee at any time after the giving of such notice and without awaiting the expiration of said thirty day period, and charge to Lessee, and Lessee shall pay, as aforesaid, the reasonable cost and expense of such performance. If Lessor shall perform any of Lessee' s obligations in accordance with the provisions of this section, Lessor shall not be liable to Lessee for any loss of revenues to Lessee resulting from such performance.

ARTICLE VI

RIGHT OF ENTRY BY LESSOR

Lessor may enter upon the premises now or hereafter leased exclusively or preferentially to Lessee hereunder at any reasonable time for any purpose necessary, incidental to, or connected with the performance of its obligations hereunder, in the exercise of its governmental functions, or in the event of any emergency.

ARTICLE VII**MAINTENANCE, OPERATION AND REPAIR BY LESSOR**

A. Lessor shall operate, maintain and keep in good repair the areas and facilities described in Article I hereof. Lessor shall keep the Airport free from obstruction, including, without limitation, the clearing and removal of snow, vegetation, stones and other foreign matter from the runways, taxiways, and loading areas and areas immediately adjacent to such runways, taxiways and loading areas, as may be reasonably necessary for the safe, convenient and proper use of the Airport by Lessee, and shall maintain and operate the Airport in all respects in a manner at least equal to the highest standards or ratings issued by the FAA for airports of similar size and character and in accordance with all rules and regulations of the FAA.

Lessor shall provide and supply adequate heat to and air conditioning for the premises hereunder leased to Lessee for its preferential or shared use, and shall provide reasonable illumination and drinking water in the public and passenger space in the South Terminal and the North Terminal and, except as otherwise provided herein, for the areas and facilities adjacent thereto. Lessor shall also provide adequate lighting for the vehicular parking spaces and adequate field lighting on and for the Airport, including, without limiting the generality hereof, boundary lights, landing lights, flood lights and beacons. Lessor shall also provide all janitor services and other cleaners necessary to keep the vehicular parking spaces and the landing field of the Airport at all times clean, neat, orderly, sanitary and presentable. The cost of the items required to be provided by Lessor in this paragraph shall be included in O& M Expenses.

Lessor shall provide adequate guards, at such times as may be required by the circumstances, at all parts of the Airport that Lessee is entitled to use jointly and in common with others.

In the event that Lessor fails to perform for a period of thirty days after written notice from Lessee so to do, any obligation required by this Article VII to be performed by Lessor at Lessor's cost, Lessee, upon the expiration of such thirty day period, may but shall not be obligated to perform such obligation of Lessor and deduct the reasonable cost to Lessee of performing such obligation from any rentals, fees or charges subsequently becoming due from Lessee to Lessor under this Agreement; provided, however, that if Lessor's failure to perform any such obligation adversely affects or endangers the health or safety of Lessee or of any of its employees, agents, passengers, guests, patrons, invitees, or its or their suppliers of materials or furnishers of service or any of its or their property, and if Lessee so states in its aforesaid notice to Lessor, Lessee may but shall not be obligated to perform such obligation of Lessor at any time after the giving of said notice and without awaiting the expiration of said thirty day period, and Lessee may deduct its reasonable costs of performance thereof from any rentals, fees or charges as aforesaid.

Lessor shall have the right to relocate at its cost any equipment, improvements and facilities constructed or installed by Lessee upon the Airport property not leased hereunder to Lessee for its exclusive use or preferential use pursuant to authorization therefor under Article I hereof; provided, however, that such relocation shall be performed in such a manner and at such times as are calculated to reduce to the minimum possible under the circumstances any interference with Lessee's operations at

the Airport, that the relocated equipment, improvements and facilities shall, when completed, be commensurate with the equipment, improvements and facilities existing prior to such relocation.

B. Notwithstanding the foregoing, Lessor hereby appoints Lessee as Lessor's agent for the performance of, and Lessee agrees to and undertakes to perform, the Assigned Operations and Maintenance Functions to be performed by Lessor pursuant to this Article VII with respect to the South Terminal, pursuant to the following agreements:

1. Lessee agrees to perform the Assigned Operations and Maintenance Functions in a manner and to the standards as are established for Lessor in this Article VII.
2. In the event that Lessee fails to perform, for a period of 30 days after written notice from Lessor so to do, any obligation required by this Article VII to be performed by Lessee at Lessee's cost, Lessor, upon expiration of such 30 day period, may, but shall not be obligated to, enter upon the premises involved and perform such obligation of Lessee, provided, however, that if Lessee's failure to perform any such obligation adversely affects, or endangers the health or safety of the public or of employees of Lessor, and if Lessor so states in its aforesaid notice to Lessee, Lessor may, but shall not be obligated to, perform such obligation of Lessee, at any time after the giving of such notice and without awaiting the expiration of said 30 day period.
3. As required by Article III.H.1.(b)(iv) above, Lessee shall render a detailed statement for reimbursement of the costs incurred by Lessee in connection with

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the Assigned Operations and Maintenance Functions undertaken by Lessee under this Article VII within 20 days after the end of each month. Lessee also shall be entitled to reimbursement from Lessor for any costs incurred by Lessee for salaries and benefits of Lessee's employees exclusively assigned to the Assigned Operations and Maintenance Functions and who are based at, and spend substantially all of their work time at, the Airport. Lessor shall be entitled to audit all monthly statements of costs rendered by Lessee, and Lessee will make available to Lessor all of the records supporting such statements. In lieu of reimbursement payments by Lessor to Lessee of Lessee's aforesaid costs, Lessee shall be entitled to net the reimbursement amounts against payments due Lessor pursuant to Article III.H.3 above. All such costs shall be deemed to be South Terminal O&M Expenses, and includible as such for all purposes under this Agreement.

4. In the performance of the functions undertaken pursuant to this Article VII by contractor or third party forces engaged by Lessee, Lessee shall require payment of wage rates and provision of benefits comparable to the wage rates and benefits paid and provided to workers engaged in similar skilled trades work for building maintenance projects in the Detroit Metropolitan Area.
5. Lessor shall obtain the concurrence of Lessee for all modifications to the South Terminal that will adversely affect South Terminal building-wide systems or interior building signage.

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ARTICLE VIII

UTILITY SERVICES

Lessor shall, directly or by arrangement with appropriate utility companies or suppliers, supply Lessee with electrical current, gas, water, telephone and sewerage facilities. Lessor shall also supply electrical current to the ramp areas to be used by Lessee in common with others.

ARTICLE IX

SPACE FOR UNITED STATES WEATHER BUREAU, POSTAL SERVICE, FEDERAL AVIATION ADMINISTRATION, AND EXPRESS AGENCIES

Lessor shall, upon request of such persons or governmental or express agencies make available reasonable and convenient space and facilities at the Airport for the use of the United States Postal Service, or any person required to use such space by regulations thereof, and for the use of an express agency or agencies at a reasonable rental charge to such persons, governmental agency and express agencies; and Lessor shall in like manner make available reasonable and convenient space and facilities at the Airport for the use of the United States Weather Bureau and FAA.

ARTICLE X

AIRLINE CLUBS

Any other provision of this Agreement to the contrary notwithstanding, Lessee shall have the right to operate directly or through a designee, assignee or sub-lessee, member-only club facilities within such appropriate space leased to it in the South Terminal for such purposes, which club facilities shall be authorized to serve food and beverages; provided, however, food and beverages served in such member-only club

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facilities will be obtained by Lessee from an Airport food concessionaire to the extent that same are available for purchase from an Airport food concessionaire.

ARTICLE XI

RULES AND REGULATIONS

Lessor shall adopt and enforce reasonable rules and regulations and any reasonable amendments thereto, with respect to the use of the Airport, which shall provide for the safety of those using the Airport, and Lessee agrees to observe and obey the same; provided, that such rules and regulations shall be consistent with safety and with rules, regulations and orders of the FAA with respect to aircraft operations at the Airport; and provided further, that such rules and regulations shall not be inconsistent with the procedures prescribed or approved from time to

time by the FAA with respect to the operation of Lessee' s aircraft at the Airport. Lessee shall be given notice of all amendments to rules and regulations as are from time to time adopted by Lessor and no such amendment shall be effective as to Lessee until thirty (30) days after the date of such notice unless Lessor states in said notice that the amendment is of an emergency nature, in which case the amendment shall be immediately effective.

ARTICLE XII

CONTROL OF RATES, FARES OR CHARGES

Lessor shall have no control whatsoever over the rates or charges that Lessee may prescribe for any of its services to, from, through or at the Airport, or between the Airport and Lessee' s ticket offices or other stopping places in the City of Detroit or the County of Wayne, or elsewhere, nor shall Lessor, except to the extent reasonably necessary to prevent physical damage or injuries to persons or property at the Airport, in any manner whatsoever, control the type, design, style, figuration, weight, allowable

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loads, specifications or means of propulsion of, or use of space on, the aircraft Lessee may operate to and from said Airport, or the point of origin or destination of flights operated by Lessee to or from the Airport.

ARTICLE XIII

DAMAGE OR DESTRUCTION OF PREMISES

Notwithstanding the provisions of Article V as to maintenance and repair of premises by Lessee, if any terminal at the Airport shall be partially damaged by fire, the elements, the public enemy or other casualty but not rendered untenable, the same shall be repaired with due diligence by Lessor at its own cost and expense. In case any such terminal is so damaged or destroyed by fire, the elements, the public enemy or other casualty, that it will or does become untenable, the said building shall be repaired, reconstructed or restored as the case may be, with due diligence by Lessor at its own cost and expense, and the rent payable hereunder with respect to said building shall be paid up to the time of such damage or destruction and shall thenceforth abate until such time as the said building shall be made tenable. Lessor shall maintain insurance sufficient to enable it to fulfill its obligations under this Article.

In the event that the Airport or any other premises herein leased are rendered untenable or unusable because of the condition thereof, there shall be a reasonable and proportionate abatement of the rentals, fees and charges provided for herein during the period that the same are so untenable or unusable.

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ARTICLE XIV

CANCELLATION BY LESSOR

Lessor may cancel this Agreement by giving Lessee sixty (60) days advance written notice to be served as hereinafter provided, upon or after the happening of any one of the following events:

- (a) The filing by Lessee of a voluntary petition in bankruptcy;
- (b) The institution of proceedings in bankruptcy against Lessee and the adjudication of Lessee as a bankrupt pursuant to such proceedings if such adjudication shall remain unvacated or unstayed for a period of at least sixty (60) days;
- (c) The taking by a court of competent jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal reorganization act if the judgment of such court shall remain unvacated or unstayed for a period of at least sixty (60) days;
- (d) The appointment of a receiver of Lessee' s assets if such appointment by a court of competent jurisdiction shall remain unvacated or unstayed for a period of at least sixty (60) days;
- (e) The divestiture of Lessee' s estate herein by other operation of law;
- (f) The abandonment by Lessee of its conduct of Air Transportation at the Airport;
- (g) If the Lessee shall be prevented for a period of sixty (60) days (after exhausting or abandoning all appeals) by any action of any governmental authority, board, agency or officer having jurisdiction thereof from conducting Air Transportation at the Airport unless it is so prevented from

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conducting Air Transportation, either (1) by reason of the United States or any agency thereof acting directly or indirectly, taking possession of and operating, in whole or in substantial part, the premises and space leased or operated by the Lessee, or premises required for the actual operation of Lessee' s aircraft to and from the Airport, or (2) if all or a substantial part of the premises and space leased by the Lessee shall be acquired in the manner described in Article XXIV hereof;

- (h) The default by Lessee in the performance of any covenant or agreement herein required to be performed by Lessee and the failure of Lessee to remedy such default for a period of sixty (60) days after receipt from Lessor of written notice to remedy the same; provided, however, that no notice of cancellation, as above provided, shall be of any force or effect if Lessee shall have remedied the default prior to receipt of Lessor' s notice of cancellation;

Notwithstanding anything to the contrary herein contained, Lessor shall not have the right to cancel, or give notice of cancellation of, this Agreement solely by reason of Lessee' s failure or refusal to pay any part of the rentals, fees or charges provided for in this Agreement if, within sixty (60) days after such failure or refusal, Lessee shall have given to Lessor a written notice stating that Lessee in good faith predicates such failure or refusal upon either or both of the following: (1) any provision of this Agreement granting to Lessee in specified events a reduction in or abatement of any rentals, fees

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or charges payable by Lessee to Lessor hereunder, or (2) any provision of this Agreement authorizing Lessee in specified events to deduct from any such rentals, fees or charges, the reasonable cost to Lessee of performing any obligation or obligations required by this Agreement to be performed by Lessor.

No waiver or default by Lessor of any of the terms, covenants or conditions hereof to be performed, kept and observed by Lessee shall be construed to be or act as a waiver of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessee. The acceptance of rental by Lessor for any period or periods after a default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessee, shall not be deemed a waiver of any right on the part of Lessor to cancel this Agreement for failure by Lessee to so perform, keep or observe any of the terms, covenants or conditions of this Agreement.

ARTICLE XV

CANCELLATION BY LESSEE

Lessee, in addition to any other right of cancellation herein given to Lessee or any other rights to which Lessee may be entitled by law or otherwise, may, so long as Lessee is not in default in any payments to Lessor hereunder, cancel this Agreement by giving Lessor sixty (60) days advance written notice to be served as hereinafter provided, upon or after the happening of any one of the following events:

(a) The failure or refusal, for reasons beyond the control of Lessee, of the FAA, at any time during the term of this Agreement or any renewal thereof, to permit Lessee to operate into or from the Airport with any type of aircraft which Lessee may be licensed to operate into or from other airports of like size and character and which Lessee may reasonably desire to operate into or from the Airport;

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(b) Issuance by any court of competent jurisdiction of an injunction in any way substantially preventing or restraining the use of the Airport or any part thereof necessary for Lessee's operations, and the remaining in force of such injunction for a period of at least sixty (60) days at least after Lessor has exhausted or abandoned all appeals;

(c) The inability of Lessee due to circumstances beyond its control to use, for a period in excess of ninety (90) days, the Airport or to exercise any rights and privileges granted to Lessee hereunder and necessary to its operations because of any law or ordinance, or because of any order, rule, regulation or other action or any non-action of the FAA or any other governmental authority, or, because of earthquake, other casualty (excepting fire) or because of Acts of God or the public enemy;

(d) The default by Lessor in the performance of any covenant or agreement herein required to be performed by Lessor and the failure of Lessor to remedy such default for a period of ninety (90) days after receipt from Lessee of written notice to remedy the same; provided, however, that no notice of cancellation, as above provided, shall be of any force or effect if Lessor shall have remedied the default prior to receipt of Lessee's notice of cancellation.

Lessee's performance of all or any part of this Agreement for or during any period or periods after a default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessor, shall not be deemed a waiver of any right on the part of Lessee to cancel this Agreement for failure by Lessor so to

perform, keep or otherwise observe any of the terms, covenants, or conditions hereof to be performed, kept and observed by Lessor, or be construed to be or act as a waiver by Lessee of any subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessor.

ARTICLE XVI

SUSPENSION AND ABATEMENT

In the event that Lessor' s operation of the Airport or Lessee' s operation at the Airport should be restricted substantially by action of any court of competent jurisdiction or by action of the federal government or any agency thereof, or by action of the State of Michigan or any agency thereof, then either party hereto shall have the right, upon written notice to the other, to a suspension of this Agreement and an abatement of a just proportion of the services and facilities to be afforded hereunder, or a just proportion of the payments to become due hereunder, from the time of such notice until such restriction shall have been remedied and normal operations restored. Ascertainment of all matters under this Article shall be determined by agreement or by arbitration as provided in Article XVII hereof.

ARTICLE XVII

ARBITRATION

If any controversy or claim should arise out of, under, or relating to, the provisions of Articles III or XVI of this Agreement, then either party may by notice in writing to the other, submit the controversy or claim to arbitration. The party desiring such arbitration shall give written notice to that effect to the other party, specifying in said notice the name and address of the person designated to act as arbitrator on its behalf. Within fifteen (15) days after the service of such notice, the other party shall

give written notice to the first party specifying the name and address of the person designated to act as arbitrator on its behalf. The arbitrators thus appointed shall appoint a third disinterested person of recognized competence in such field, and such three arbitrators shall as promptly as possible determine the controversy or claim.

If the two arbitrators appointed by the parties shall be unable to agree upon the appointment of a third arbitrator within fifteen (15) days after the appointment of the second arbitrator, then within fifteen (15) days thereafter either of the parties upon written notice to the other party, on behalf of both, may request the appointment of a disinterested person of recognized competence in the field involved as the third arbitrator by the then chief judge of the United States District Court for the Eastern District of Michigan, Southern Division, or upon his failure, refusal or inability to act, may request such appointment by the then miscellaneous presiding judge of the Circuit Court (Third Judicial Circuit) of the State of Michigan, County of Wayne, or, upon his failure, refusal or inability to act, may apply to the Circuit Court (Third Judicial Circuit) of the State of Michigan, County of Wayne for the appointment of such third arbitrator, and the other party shall not raise any question as to the court' s full power and jurisdiction to entertain the application and make the appointment. If none of the parties shall so

request such appointment of a third arbitrator within fifteen (15) days after the expiration of the period within which the two arbitrators are to appoint a third arbitrator as hereinabove provided, the rights of each party to arbitrate the matter shall be deemed to have been waived and either of the parties may proceed to enforce whatever remedies, legal or otherwise, it may otherwise have.

The decision in which any two of the three arbitrators so appointed and acting hereunder concur shall in all cases be binding and conclusive upon the parties. Each party shall pay the fees and expense of the arbitrator appointed by such party and one-half of the other expense of the arbitration properly incurred hereunder.

Each of the parties hereto agree that if, in the opinion of the other party, any separate agreement is required by law in order to effectuate or enforce the arbitration provisions hereinabove contained, it will execute such separate agreement provided that the same is not inconsistent with the terms and provisions of this Agreement.

ARTICLE XVIII

INDEMNITY

Lessee agrees to indemnify and hold Lessor harmless from and against all liability for injuries to persons or damage to property caused by Lessee' s use and occupancy of or operations at the Airport; provided, however, that Lessee shall not be liable for any injury, damage or loss caused by Lessor' s sole negligence or by the joint negligence of Lessor and any person other than Lessee; and provided further that Lessor shall give to the Lessee prompt and timely notice of any claim made or suit instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect Lessee, and Lessee shall have the right to compromise and defend the same to the extent of its own interest.

ARTICLE XIX

INSURANCE

Lessee, at its own expense and in its own name, and in Lessor' s name and in the name of the County as additional insureds, as their interests may appear, shall, at all times during the term of this Agreement, maintain and keep in effect the following

policies of insurance issued by a financially responsible insurance company or companies authorized to do business in the State of Michigan, insuring Lessee against all liabilities to the public for loss resulting from injury to persons or damage to property arising out of or caused by Lessee' s operations, acts or omissions or those of Lessee' s employees, agents or contractors, subject to the limitations set forth in Article XVIII hereof in respect of Lessor' s negligence:

1. Commercial General Liability Insurance, which includes coverage for premises and operations, and a contractual liability endorsement covering the obligations assumed by Lessee under Article XVIII, said policy not to include any exclusions from liability other than those exclusions which are a part of the standard, basic, unamended and unendorsed commercial general liability policy and, in addition, shall not contain any exclusion for bodily injury to or sickness, disease or death of any employee of Lessee which would conflict with or in any way impair coverage under the contractual liability endorsement. Said policy shall provide combined bodily injury and property damage liability insurance with limits of not less than \$5,000,000 per person and \$10,000,000 per occurrence.

2. Aviation Public Liability Insurance:

Bodily Injury Liability:

For injury or wrongful death per person	\$ 5,000,000
For injury or wrongful death from any one occurrence	\$ 50,000,000

Property Damage Liability:

For all damages arising out of injury to or destruction of property in any one occurrence	\$ 10,000,000
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3. Workers Compensation Insurance coverage as required by the laws of the State of Michigan and Employer's Liability Insurance in an amount of not less than \$500,000.

4. All Risk Physical Damage Insurance for 100% of the replacement cost of all insurable fixed improvements located in Lessee's Preferential South Terminal Space.

Each of the above policies shall provide for at least thirty (30) days advance written notice to Lessor prior to any cancellation, termination, or material modification of the policy or any part thereof. Promptly upon approval of this Agreement by Lessor's Board and by the expiration date of any expiring policy, Lessee must deliver to the Contract Compliance Division of Lessor at Detroit Metropolitan Wayne County Airport, L. C. Smith Terminal, Mezzanine Level, Detroit, Michigan 48242, either a certificated copy of each insurance policy required hereunder or a certificate of insurance as evidence of compliance with this section. If, at any time, any of the policies fail to comply with the provisions of this Section, Lessee shall promptly obtain new policies complying with this Section. Compliance with this Section is a continuing condition to Lessee's enjoyment of the rights and privileges granted under this Agreement. In the event Lessee fails to maintain and keep in force insurance as required herein, Lessee will be deemed in default and, at Lessor's election, shall forthwith cease all operations

from and at all terminal space at the Airport, without abatement of rental, until such default is remedied..

ARTICLE XX

QUIET ENJOYMENT

Lessor agrees that on payment of the rentals, fees and charges as herein provided and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably have and enjoy the leased premises and all the rights and privileges of the Airport, its appurtenances and facilities granted herein.

ARTICLE XXI

TITLE TO EQUIPMENT, IMPROVEMENTS

AND FACILITIES ERECTED BY LESSEE

It is agreed that title to any equipment, improvements, and facilities, and any additions thereto, irrespective of whether the same would otherwise become a fixture under Michigan law (including without limitation all buildings, hangars, structures, storage tanks, pipes, pumps, wires, poles, machinery and air-conditioning equipment), constructed or installed by Lessee upon the premises leased hereunder to Lessee for its exclusive or preferential use or upon other Airport property (other than equipment, improvements and facilities financed by Lessor, whether with the proceeds of Bonds, PFCs, Federal funds or otherwise), shall remain the property of Lessee, unless it has at any time during the term of this Agreement by written notice and election, vested title to all or any part thereof in Lessor. Lessee shall have the right at any time during the term of this agreement, or any renewal or extension hereof, to remove any or all of such equipment, improvements and facilities, provided Lessee is not at any such time in

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default in its payments to Lessor hereunder and subject further to Lessee' s obligation to repair all damage, if any, reasonable wear and tear excepted, resulting from such removal. If at any time during this Agreement, Lessee has exercised its right to vest title to such equipment, improvements and facilities in Lessor, it shall no longer have the right to remove such property. Lessee agrees to remove said equipment, improvements and facilities at the expiration or other termination of this Agreement irrespective of whether it has exercised its right of election to vest title to the same in Lessor, if so requested by Lessor, and, upon failure so to do, Lessor shall have the right to remove the same and charge to Lessee the actual cost of such removal and restoration of the site to its original condition, ordinary wear and tear excepted. Any such equipment, improvements or facilities not removed by Lessee prior to the expiration or other termination of this Agreement shall thereupon become the property of Lessor.

ARTICLE XXII

SURRENDER OF POSSESSION

Upon the expiration or earlier termination of this Agreement or any renewal hereof, Lessee shall forthwith surrender possession of the premises in as good condition as when received, reasonable wear and tear, damage by flood, fire, earthquake, other casualty, Acts of God or the public enemy, excepted.

ARTICLE XXIII

MINERAL RIGHTS

It is agreed and understood that all water, gas, oil and mineral rights in and under the soil are expressly reserved to Lessor.

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ARTICLE XXIV

CONDEMNATION

Upon the acquisition by condemnation or the exercise of the power of eminent domain under any Federal or state statute by the Federal Government, the State of Michigan, or any Federal or state agency or any other person vested with such power, of a temporary or permanent interest in all or any part of the Airport, Lessor and Lessee each shall have the right to appear and file claims for damages, to the extent of their respective interests, in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and to receive and retain such amount as they may lawfully be entitled to receive as damages or payment as a result of such acquisition.

ARTICLE XXV

ASSIGNMENT AND SUBLETTING

A. Lessee shall not at any time assign this Agreement or any part hereof, or sublet any premises now or hereafter leased to Lessee, without the consent in writing of Lessor, which consent will not be unreasonably withheld; provided, that the foregoing shall not prevent the assignment of this Agreement to any corporation with which Lessee may merge or consolidate, or which may succeed to the business of Lessee. No such subletting, however, shall release Lessee from its obligations to pay any and all of the rentals, charges, and fees provided or from any other obligation under this Agreement.

B. Except as provided in Article IIIB.2.(b), Lessor shall not at any time assign this Agreement or any part hereof, or pledge, sell, convey, mortgage, encumber, assign

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or otherwise transfer the Airport or any portion thereof during the term of this Agreement.

ARTICLE XXVI

SUBSIDIARY COMPANIES

The right to use the premises and facilities leased to Lessee under Article I hereof, or which it may subsequently be entitled to use in accordance with the exercise of options pursuant to this Agreement, in the manner specified in such Article and any other Articles of this Agreement, shall be extended to all of Lessee' s subsidiary companies at no additional cost.

ARTICLE XXVII

NOTICES

Notices to Lessor provided for herein shall be sufficient if sent by registered mail, postage prepaid, addressed to Chief Executive Officer, Wayne County Airport Authority, Detroit Metropolitan Wayne County Airport, Detroit, Michigan 48242; and notices to Lessee, if sent by registered mail, postage prepaid, addressed to Lessee at the address set forth on page 1 of this Agreement, Attention: Vice President–Facilities and Airport Affairs, or to such other respective addresses as the parties may designate to each other in writing from time to time.

ARTICLE XXVIII

DEFINITIONS

1. “**Activity Fee**” shall mean, with respect to each Signatory Airline, the Activity Fee calculated pursuant to its Airport Agreement.
2. “**Activity Fee Rate**” shall mean the rate established pursuant to Article III.E.2.

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3. “**Agreement**” shall mean this Airport Use and Lease Agreement.
4. “**Air Transportation**” shall mean the business of transporting natural persons, property, cargo and mail by aircraft.
5. “**Airport**” shall have the meaning set forth in the first “Whereas” clause of this Agreement.
6. “**Airport Agreement**” shall mean, collectively, (a) until the end of Fiscal Year 2008, this Agreement and each other airport use and lease agreement with respect to the Airport that is substantially the same as this Agreement, the 2002 Airport Agreement or the Amended and Restated Airport Agreements in effect as of the date of this Agreement with the other Signatory Airlines, except with respect to specific leased premises thereunder, and (b) commencing October 1, 2008, this Agreement and each other airport use and lease agreement with respect to the Airport that is substantially the same as this Agreement, except with respect to specific leased premises thereunder.

7. **“Airport Development Fund”** shall mean the fund of such name established under the Master Bond Ordinance.
8. **“Airport-system”** shall mean the Airport and Willow Run Airport.
9. **“Approved Maximum Landing Weight”** for any aircraft shall mean the maximum landing weight approved by the FAA for landing such aircraft at the Airport.
10. **“Assigned Operations and Maintenance Functions”** shall mean: (a) operation and maintenance for all of Lessee’s Preferential South Terminal Space, (b) operation and maintenance (including janitorial services, cleaning and minor repairs) of all of the Shared Use South Terminal Space and public space in the South Terminal and the mechanical equipment therein, (c) the operation and maintenance of all

building-wide services, such as heating, cooling, lighting, and electrical services and (d) the maintenance and repairs of the interior and exterior floors, walls, ceilings and roof of the South Terminal. The foregoing notwithstanding, Assigned Operations and Maintenance Functions shall not include: (i) operation of the Shared Use South Terminal Space (including gate allocation and utilization), and FIS Facilities in the South Terminal, (ii) the selection of concessionaires in the South Terminal and operations and maintenance functions to be performed by such concessionaires in the South Terminal, and (iii) police and building security functions in the South Terminal.

11. **“Authority Act”** shall mean the Public Airport Authority Act, Public Act 90, Michigan Public Acts of 2002.
12. **“Authority-Controlled Airline Space”** shall mean South Terminal Authority-Controlled Airline Space and North Terminal Authority-Controlled Airline Space.
13. **“Authority-Controlled Airline Space Revenues”** shall mean revenue received by Lessor for the use of Authority-Controlled Airline Space.
14. **“Authority Discretionary Fund”** shall mean the fund of such name established pursuant to the Master Bond Ordinance.
15. **“Bond Debt Service”** shall mean, for any Fiscal Year, all amounts of any nature whatsoever payable during such Fiscal Year under the Master Bond Ordinance into the Bond Fund (including, but not limited to, the Bond Reserve Account), the Junior Lien Bond Fund (including, but not limited to, the Junior Lien Bond Reserve Account), the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund, any other payment required by Section 604 of the Master Bond Ordinance

(including, but not limited to, amounts required to satisfy debt service coverage requirements), reduced in all cases by an amount equal to any interest payable on Bonds during such Fiscal Year from Bond proceeds.

16. **“Bond Fund”** shall mean the fund of such name established pursuant to the Master Bond Ordinance.
17. **“Bond Ordinance”** shall mean Ordinance 319, the Master Bond Ordinance and such ordinances enacted and amended from time to time under which Lessor is authorized to issue Bonds.
18. **“Bond Reserve Account”** shall mean the fund of such name established pursuant to the Master Bond Ordinance.
19. **“Bonds”** shall mean bonds issued by the County pursuant to Ordinance 319 prior to the Transfer, bonds, notes and other obligations issued by Lessor pursuant to the Master Bond Ordinance and such other bonds, notes and other obligations that are secured by a pledge of Revenues or net Revenues, on a senior or subordinate lien basis. The term “Bonds” does not include bonds, notes and other obligations secured other than by Revenues and issued under a separate indenture or ordinance the proceeds of which bonds, notes or other

obligations are used to finance capital projects at or related to the Airport, such as bonds issued to construct Special Facilities or bonds secured solely by PFC revenue.

20. **“Cost Centers”** shall mean the South Terminal Cost Center, the North Terminal Cost Center and the Airport Cost Center, which shall be certain areas of the Airport grouped together for the purpose of accounting for Revenues, O&M Expenses and Bond Debt Service. Each such area is a Cost Center.

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21. **“Cost of the North Terminal”** shall mean, for any Fiscal Year, the Cost of the North Terminal calculated for that Fiscal Year pursuant to Article IIIC.2.

22. **“Cost of the South Terminal”** shall mean, for any Fiscal Year, the Cost of the South Terminal calculated for that Fiscal Year pursuant to Article IIIC.1.

23. **“County”** shall mean the County of Wayne, Michigan.

24. **“Date of Beneficial Occupancy”** shall mean, with regard to any terminal facility, the date on which an air transportation company occupies such facility for the operation of its Air Transportation business.

25. **“Existing Terminal Facilities”** shall mean space, improvements and facilities in the terminals in operation at the Airport prior to February 26, 2002.

26. **“FAA”** shall mean the Federal Aviation Administration, or any successor agency.

27. **“Final Audit”** shall have the meaning set forth in Article III.H.5.

28. **“FIS Facilities”** shall mean that portion of the terminals at the Airport consisting of facilities for the United States Custom Service, the United States Immigration and Naturalization Service, the United States Department of Health and Human Services and the United States Department of Agriculture, and any successor departments or services thereto, for the processing of arriving international passengers.

29. **“Fiscal Year”** shall mean October 1 of any year through September 30 of the following year or such other fiscal year as Lessor may adopt for the Airport.

30. **“International Facilities Use Fees”** shall mean the fees for use of FIS Facilities charged pursuant to Article III.F.

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31. **“June 6, 2001 Weighted Majority Request”** shall have the meaning set forth in **Exhibit H**.

32. **“Junior Lien Bond Fund”** shall mean the fund of such name established pursuant to the Master Bond Ordinance.

33. **“Junior Lien Bond Reserve Account”** shall mean the fund of such name established pursuant to the Master Bond Ordinance.

34. **“Lessee’s Preferential South Terminal Space”** shall have the meaning set forth in Article IB.2.(a).

35. **“Majority-in-Interest of the air carriers”** shall mean either (i) seventy-five percent (75%) of the Signatory Airlines who together have landed fifty-one percent (51%) of the total landed weight of all such Signatory Airlines during the immediately preceding calendar year (as such weight is reflected by official Airport records), or (ii) fifty-one percent (51%) of the Signatory Airlines who have together landed seventy-five percent (75%) of the total landed weight of all such Signatory Airlines during the immediately preceding calendar year (as such weight is reflected by official Airport records).

36. “**Master Bond Ordinance**” shall mean that Master Revenue Bond Ordinance adopted by the Authority Board on September 26, 2003, which assumed, amended, restated and superseded Ordinance 319, as the Master Bond Ordinance shall be amended or supplemented from time to time by series ordinances or otherwise.

37. “**Mid-Year Projection**” shall have the meaning set forth in Article III.H.4.

38. “**New Bonds**” shall have the meaning set forth in **Exhibit H**.

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39. “**North Terminal**” shall mean the new north terminal facilities at the Airport planned to be constructed to replace the Smith Terminal and related concourses, provided that references herein to the North Terminal applicable with respect to the period of time prior to the Date of Beneficial Occupancy of such new north terminal facilities shall mean South Terminal and related concourses.

40. “**North Terminal Airline Premises**” shall mean collectively, the Preferential North Terminal Space and the Shared Use North Terminal Space.

41. “**North Terminal Authority-Controlled Airline Space**” means certain airline areas in the North Terminal, including but not limited to, holdrooms, ticket counters, baggage claim areas, outbound baggage rooms, international baggage pick-up, and recheck lobbies, which Lessor may from time to time retain under its exclusive control and possession and are not leased to an airline pursuant to an Airport Agreement.

42. “**North Terminal Authority-Controlled Airline Space Revenues**” shall mean, for any Fiscal Year, revenues received or receivable by Lessor for that Fiscal Year for the use of North Terminal Authority-Controlled Airline Space.

43. “**North Terminal Cost Center**” shall mean the Cost Center of the same name described in **Exhibit J**, which includes the land identified as the North Terminal on **Exhibit J**, and all facilities, equipment and improvements now or hereafter located thereon, including all passenger terminal buildings, connecting structures, passenger walkways and tunnels, concourses, hold areas and federal inspection service facilities, and any additions and improvements thereto, as that land, facilities, equipment and improvements may change from time to time.

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44. “**North Terminal International Facilities Use Fees**” shall mean International Facilities Use Fees for use of the FIS Facilities in the North Terminal.

45. “**North Terminal Rental Revenue**” shall mean, for any Fiscal Year, rental revenue received or receivable by Lessor for that Fiscal Year for the use of space in the North Terminal, not including Terminal Charges to Signatory Airlines and North Terminal Authority-Controlled Airline Space Revenues.

46. “**North Terminal Rentals**” shall mean the terminal rentals for Preferential North Terminal Space established pursuant to the Airport Agreements.

47. “**North Terminal Rental Rate**” shall mean, for any Fiscal Year, the terminal rental rate established as such pursuant to Article IIIC.2.

48. “**O&M Expenses**” shall mean, for any Fiscal Year, direct and indirect expenses of maintenance, operation and administration of the Airport (including, but not limited to, the South Terminal and the North Terminal) for such Fiscal Year.

49. “**Operation and Maintenance Reserve Fund**” shall mean the fund of such name established pursuant to the Master Bond Ordinance.

50. “**Ordinance 319**” shall mean that Amended and Restated Master Airport Revenue Bond Ordinance No. 319 adopted by the County Commission on April 14, 1998, as such ordinance was amended or supplemented from time to time, and which ordinance was assumed, amended, restated and superseded by the Master Bond Ordinance.

51. **“Other Available Moneys”** shall mean, for any Fiscal Year, the amount of money determined by Lessor’s Chief Financial Officer in concurrence with Lessor’s Chief Executive Officer to be transferred by Lessor for such Fiscal Year from PFCs or

other sources other than Revenues to the Bond Fund or the Junior Lien Bond Fund; provided that “Other Available Moneys” shall not include PFCs or other sources other than Revenues deposited in the Revenue Fund for debt service coverage.

52. **“Persons”** shall mean natural persons, firms, corporations, partnerships, limited liability companies and other legal entities.

53. **“PFCs”** shall mean passenger facility charges imposed by Lessor or the County pursuant to the Aviation and Safety Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 911, recodified as 49 U.S.C. 40117, as amended from time to time, and Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time.

54. **“Preferential North Terminal Space”** shall mean Preferential Use Premises in the North Terminal.

55. **“Preferential South Terminal Space”** shall mean Preferential Use Premises in the South Terminal.

56. **“Preferential Use Premises”** shall mean space, improvements and facilities at the Airport provided to an air carrier on a preferential, non-exclusive manner, e.g., in the manner provided in Article IB.2.(b).

57. **“Producer Price Index”** shall mean the Producer Price Index/All Commodities published by the United States Department of Labor, Bureau of Labor Statistics (January, 1996 = 100), or if such index is discontinued or otherwise becomes unavailable to the public, the most nearly comparable index published by a recognized financial institution, financial publication or university.

58. **“Projection”** shall have the meaning set forth in Article IIIH.2.

59. **“Renewal and Replacement Fund”** shall mean the fund of such name established pursuant to the Master Bond Ordinance.

60. **“Rental Rate Change Date”** shall mean the later of (a) October 1, 2008, or (b) the first day of the month following the month in which the Date of Beneficial Occupancy of the North Terminal occurs.

61. **“Revenues”** shall have the meaning for such term set forth in the Master Bond Ordinance.

62. **“Revenue Fund”** shall mean the fund of such name established under the Master Bond Ordinance.

63. **“Revenue Requirement”** shall have the meaning set forth in Article IIIE.3.

64. **“Series 1998A Bonds”** shall have the meaning set forth in **Exhibit H**.

65. **“Shared Use Domestic North Terminal Space”** shall mean Shared Use North Terminal Space that is used exclusively for domestic operations.

66. **“Shared Use Domestic South Terminal Space”** shall mean Shared Use South Terminal Space that is used exclusively for domestic operations.

67. **“Shared Use International North Terminal Space”** shall mean Shared Use North Terminal Space that is used exclusively for international operations.

68. **“Shared Use International South Terminal Space”** shall mean Shared Use South Terminal Space that is used exclusively for international operations.

69. **“Shared Use North Terminal Space”** shall mean Shared Use Premises in the North Terminal.

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70. **“Shared Use Premises”** shall mean space, improvements and facilities at the Airport to be used jointly or in common by air carriers, excluding Authority-Controlled Airline Space and FIS Facilities.

71. **“Shared Use South Terminal Space”** shall mean Shared Use Premises in the South Terminal.

72. **“Shared Use Swing North Terminal Space”** shall mean Shared Use North Terminal Space that is used for both domestic and international operations.

73. **“Shared Use Swing South Terminal Space”** shall mean Shared Use South Terminal Space that is used for both domestic and international operations.

74. **“Signatory Airlines”** shall mean Lessee and those air carriers who have executed an agreement substantially similar to this Agreement, the 2002 Airport Agreement or the Amended and Restated Airport Agreements with respect to the Airport in effect as of the date of this Agreement (except for the premises leased hereunder or thereunder). After October 1, 2008, in order to be a Signatory Airline, an air carrier must have executed an agreement substantially similar to this Agreement (except for the premises leased thereunder).

75. **“South Terminal”** shall mean the south terminal facilities at the Airport known as the Edward H. McNamara Terminal, as such facilities are modified from time to time.

76. **“South Terminal Airline Premises”** shall mean collectively, the Preferential South Terminal Space and the Shared Use South Terminal Space.

77. **“South Terminal Authority-Controlled Airline Space”** shall mean certain airline areas in the South Terminal, including, but not limited to, holdrooms,

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ticket counters, baggage claim areas, outbound baggage rooms, international baggage pick-up, and recheck lobbies, which Lessor may from time to time retain under its exclusive control and possession and are not leased to an airline pursuant to an Airport Agreement.

78. **“South Terminal Authority-Controlled Airline Space Revenues”** shall mean, for any Fiscal Year, revenues received or receivable by Lessor for that Fiscal Year for the use of South Terminal Authority-Controlled Airline Space.

79. **“South Terminal Cost Center”** shall mean the Cost Center of the same name described in **Exhibit J**, which includes the land identified as the South Terminal on **Exhibit J**, and all facilities, equipment and improvements now or hereafter located thereon, including all passenger terminal buildings, connecting structures, passenger walkways and tunnels, concourses, hold areas and federal inspection service facilities, and any additions and improvements thereto, as that land, facilities, equipment and improvements may change from time to time.

80. **“South Terminal International Facilities Use Fees”** shall mean International Facilities Use Fees for use of the FIS Facilities in the South Terminal.

81. **“South Terminal Rental Revenue”** shall mean, for any Fiscal Year, rental revenue received or receivable by Lessor for that Fiscal Year for the use of space in the South Terminal, not including Terminal Charges to Signatory Airlines and South Terminal Authority-Controlled Airline Space Revenues.

82. **“South Terminal Rentals”** shall mean the terminal rentals for Preferential South Terminal Space established pursuant to the Airport Agreements.

83. “**South Terminal Rental Rate**” shall mean, for any Fiscal Year, the terminal rental rate set forth for such Fiscal Year in Article IIIC.1.(b), or established as such pursuant to Article IIIC.1.(c), as the case may be.
84. “**Special Facilities**” shall have the meaning for such term set forth in the Master Bond Ordinance.
85. “**2002 Airport Agreement**” shall have the meaning set forth in the third “Whereas” clause of this Agreement.
86. “**Terminal Charges**” shall mean, collectively, Terminal Rentals and Terminal Use Charges.
87. “**Terminal Rentals**” shall mean, collectively, South Terminal Rentals and North Terminal Rentals.
88. “**Terminal Use Charges**” shall mean the terminal use charges established pursuant to Article III.D.
89. “**Transfer**” shall mean the transfer of operational jurisdiction and control of the Airport from the County to Lessor pursuant to the Authority Act.
90. “**Weighted Majority**” shall mean either (a) Signatory Airlines which, in the aggregate, landed eighty-five percent (85%) or more of the landed weight of all Signatory Airlines for the preceding twelve-month period for which records are available, or (b) all but one of the Signatory Airlines regardless of landed weight.

ARTICLE XXIX

PARAGRAPH HEADINGS

The paragraph headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provision of this Agreement.

ARTICLE XXX

INVALID PROVISION

In the event any covenant, condition or provision herein contained is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained; provided that the invalidity of any such covenant, condition or provision does not materially prejudice either Lessor or Lessee in its respective rights and obligations contained in the valid covenants, conditions or provisions of this Agreement.

ARTICLE XXXI

SUCCESSORS AND ASSIGNS BOUND BY COVENANTS

All the covenants, stipulations and agreements in this Agreement shall extend to and bind the legal representatives, successors and assigns of the respective parties hereto.

ARTICLE XXXII

RIGHT TO LEASE TO UNITED STATES GOVERNMENT

It is agreed that during time of war or national emergency Lessor shall have the right to lease the landing area or any part thereof to the United States Government for military or naval use, and, if any such lease is executed, the provisions of this instrument insofar as they are inconsistent with the provisions of the lease to the United States Government shall be suspended.

It is agreed that this lease shall be subordinate to the provisions of any existing or future agreement between Lessor and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a

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condition precedent to the expenditure of Federal funds for the development of the Airport.

ARTICLE XXXIII

COVENANTS AGAINST DISCRIMINATION

A. COVENANT PURSUANT TO REQUIREMENTS OF THE DEPARTMENT OF TRANSPORTATION: Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land, that (1) no person on the grounds of race, color, national origin or gender shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of facilities at the Airport, (2) that in the construction of any improvements on, over, or under land at the Airport and the furnishing of services thereon, no person on the grounds of race, color, national origin or gender shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended. In the event of a breach of any of the above non-discrimination covenants, Lessor shall have the right to terminate this agreement and to reenter and repossess said land and the facilities thereon, and hold the same as if said agreement had never been made or issued.

B. EMPLOYMENT: The parties hereto hereby covenant not to discriminate against an employee or applicant for employment with respect to his or her hire, tenure, terms,

conditions or privileges of employment, or any matter directly or indirectly related to employment because of his or her age or sex, except where based on a bona fide occupational qualification, or because of his or her race, color, religion, national origin or ancestry, and to require a similar covenant on the part of any sublessee hereunder and any subcontractor employed as a result, or in connection with the exercise of rights granted and/or the performance of obligations assumed under this Agreement.

C. AFFIRMATIVE ACTION PROGRAM: Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E to assure that no person shall, on the grounds of race, creed, color, national origin or sex, be excluded from participating in or receiving the services or benefits of any program or activity covered by this Subpart. Lessee assures that it will require that its covered suborganizations provide assurances to Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

D. DISADVANTAGED BUSINESS ENTERPRISE: Lessee agrees to comply with the following policy and requirements of the Department of Transportation:

1. POLICY. It is the policy of the Department of Transportation that disadvantaged business enterprises as defined in 49 CFR Part 23 shall have the maximum opportunity to participate in the performance of contracts financed in whole or in part with Federal funds under this Agreement. Consequently the disadvantaged business enterprise requirements of 49 CFR Part 23 and 49 CFR Part 26 apply to this Agreement.

2. DBE OBLIGATION. (i) The recipient or its contractor agrees to ensure that disadvantaged business enterprises as defined in 49 CFR Part 23 have the maximum opportunity to participate in the performance of contracts and subcontracts financed in whole or in part with Federal funds provided under this Agreement. In this regard all recipients or contractors shall take all necessary and reasonable steps in accordance with 49 CFR Part 23 and 49 CFR Part 26 to ensure that disadvantaged business enterprises have the maximum opportunity to compete for and perform contracts. Recipients and their contractors shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of Department of Transportation-assisted contracts.

Failure of a contractor or subcontractor to carry out the requirements set forth in 49 CFR Part 23 and 49 CFR Part 26 shall constitute a breach of contract and, after notification of the Department of Transportation, may result in termination of this Agreement or such contracts referenced above by the recipient or such remedy as the recipient deems appropriate.

The definitions set forth in paragraph 23.5 of 49 CFR Part 23 shall apply to the foregoing statements concerning disadvantaged business enterprises.

ARTICLE XXXIV

CONFORMITY OF AGREEMENT

In the event that Lessor shall hereafter enter into any lease, contract or agreement with any other scheduled air transport operator, with respect to the use of the Airport or terminal facilities, containing more favorable terms than this Agreement, or shall hereafter grant to any other scheduled air transport operator, rights or privileges with respect thereto which are not accorded to Lessee hereunder, then the same rights,

privileges and more favorable terms shall be concurrently and automatically made available to Lessee.

[Balance of page intentionally left blank. Signature page follows.]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

WAYNE COUNTY AIRPORT AUTHORITY

By: /s/ Lester W. Robinson
Its: CEO

NORTHWEST AIRLINES, INC.

By: /s/ James M. Greenwald
Its: V.P. Facilities & Airport Affairs

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EXHIBIT D-1

Protocol for Use of International Gates
McNamara Terminal

This **Exhibit D-1** sets forth the utilization procedures for the international gates at the McNamara Terminal, effective until the commencement of the operation of a Federal Inspection Service facility at the new North Terminal. These procedures will apply to any future international gates at the McNamara Terminal.

The international gates, together with related hold rooms, passenger loading bridges, ramp access and baggage facilities shall be made available for arrivals or departures based on the following priorities.

1. Regularly scheduled international airline service, with existing service having precedence over new service;
2. Regularly scheduled Northwest Airlines domestic service;
3. International charter arrivals, if and for so long as the Federal government prohibits FIS operations at the Berry International Terminal;
4. Irregular or Diversion international arrivals of scheduled airlines;
5. Delayed international charter arrivals when the expected delay for the flight to use the Berry International Terminal will exceed 90 minutes and use of a McNamara Terminal gate will not interfere with the scheduled international or domestic use of that gate.

6. Northwest Airlines domestic irregular and diversion aircraft.

In the event the FAA makes a determination in writing that the foregoing priority of regularly scheduled Northwest domestic service over international charter arrivals if and for so long as the Federal government prohibits FIS operations at the Berry International Terminal would cause the international gates at the McNamara Terminal to cease to be PFC-eligible or would be a non-competitive procedure, Lessor and Lessee shall negotiate in good faith a resolution permitting international charter arrivals to have access to FIS facilities on a basis sufficient to satisfy all applicable governmental requirements, provided that pending such resolution Lessee shall accommodate such international charter arrivals at the McNamara Terminal international gates on a reasonable basis considering the scheduled operations of Lessee.

The following criteria will be used to make the determination that an airline is offering scheduled service.

The international operation of the airline generally has passengers connecting at the Airport on-line, inter-line, or via code share, and the operational need for connecting facilities.

The airline operating the flight is a signatory under the use and lease agreement for the Airport.

The airline holds all necessary governmental approvals to operate international regularly scheduled service.

The airline's international service is scheduled on a year-round basis or is offered seasonally on an annual basis.

The airline's schedules are published in the Official Airline Guide and displayed in computer reservation systems, and the fares regularly published by the Airline Tariff Publishing Company.

The airline provides reservation services and creates PNRs (passenger name records) for the flights with its own employees.

International operations that meet these criteria overall shall be considered international regularly scheduled flights for purposes of this protocol. However, the failure to meet any one or more criteria shall not necessarily preclude the operation from being considered an international regularly scheduled flight. Lessor's goal of optimizing overall Airport operating efficiency shall be an important consideration.

Lessor will review with Northwest Airlines and other scheduled international carriers, on an annual (or more frequent) basis, the procedures for scheduling, gate occupancy times, ramp storage locations and penalties for non-compliance.

Exhibit D-2

Protocol for Use of International Facilities at the Airport

This **Exhibit D-2** sets forth the utilization procedures for the facilities at the Airport used for international arrivals and departures of aircraft, effective immediately upon the commencement of the operation of a Federal Inspection Service facility at the new North Terminal.

For the purposes of the priorities stated in this **Exhibit D-2**, Northwest Airlines, Mesaba Airlines, Pinnacle Airlines, KLM Royal Dutch Airlines, Air France, Delta Airlines and Continental Airlines will be deemed to be included in the term "Northwest and its alliance partners", provided that other airlines may be included in such term in the future if additional airlines become alliance partners of Northwest Airlines.

For the purposes of the priorities stated below, the following terms have the following meanings:

An arrival of an aircraft is a “delayed arrival” if such aircraft is scheduled and it has landed at the Airport and is waiting on the airfield for access to a gate.

An arrival of an aircraft is an “irregular arrival” if such aircraft is scheduled and it has landed at the Airport 60 minutes earlier or later than its scheduled arrival.

An arrival of an aircraft is a “diversion arrival” if such aircraft was planned to arrive at another airport, but for any reason is diverted to the Airport for arrival.

South Terminal

The following sets forth utilization procedures for the gates at the South Terminal that are usable for the international arrivals of aircraft (the “South International Gates”) and related facilities.

The South International Gates, together with related hold rooms, passenger loading bridges, ramp access and baggage facility, shall be available for aircraft arrivals and departures based on the following priorities:

1. Regularly scheduled international service of Northwest and its alliance partners, with existing service having precedence over new service.
2. Regularly scheduled international arrivals of all airlines operating at the Airport (other than the arrivals of Northwest and its alliance partners

and international charter arrivals) if and for so long as the Federal government prohibits the operation of the North Terminal FIS facility, with existing service having precedence over new service.

3. Regularly scheduled domestic service of Northwest and its alliance partners.
4. Delayed, irregular or diversion scheduled international arrivals of Northwest and its alliance partners.
5. Delayed regularly scheduled international arrivals of all airlines operating at the Airport (other than the arrivals of Northwest and its alliance partners and international charter arrivals), with existing service having precedence over new service, in each case when the expected delay for the arriving flight to use the North Terminal will exceed 90 minutes and the use of a South International Gate by such arriving flight will not interfere with the scheduled use of the gate for international or domestic service of Northwest and its alliance partners.
6. Delayed, irregular or diversion scheduled domestic arrivals of Northwest and its alliance partners.
7. Irregular or diversion scheduled international arrivals of all airlines operating at the Airport (other than the arrivals of Northwest and its alliance partners and international charter arrivals).
8. International charter arrivals, if and for so long as the Federal government prohibits the operation of the North Terminal FIS facility.
9. Delayed international charter arrivals, in each case when the expected delay for the arriving flight to use the North Terminal will exceed 90 minutes and the use of a South International Gate by such arriving flight will not interfere with the scheduled use of the gate for international or domestic service of Northwest and its alliance partners.

In the event the FAA makes a determination in writing that the foregoing priority of regularly scheduled Northwest domestic service over international charter arrivals if and for so long as the Federal government prohibits the operation of the North Terminal FIS facility would cause the South International Gates to cease to be PFC-eligible or would be a non-competitive procedure, Lessor and Lessee shall negotiate in good faith a resolution permitting international charter arrivals to have access to FIS facilities at the South Terminal on a basis sufficient to

satisfy all applicable government requirements, provided that pending such resolution such international charter arrivals shall be accommodated at the South International Gates on a reasonable basis considering the scheduled operations of Lessee.

North Terminal

The following sets forth utilization procedures for the gates at the North Terminal that are usable for international arrivals of aircraft (the "North Terminal International Gates") and related facilities.

The North Terminal International Gates, together with related hold rooms, passenger loading bridges, ramp access and baggage facility, shall be made available for aircraft arrivals and departures based on the following priorities:

1. Regularly scheduled international service of all airlines operating at the Airport (other than Northwest and its alliance partners), with existing service having precedence over new service.
2. Regularly scheduled international arrivals of Northwest and its alliance partners if and for so long as the Federal government prohibits the operation of the South Terminal FIS facility, with existing service having precedence over new service.
3. International charter arrivals.
4. Regularly scheduled domestic service of all airlines operating at the Airport (other than Northwest and its alliance partners).
5. Delayed, irregular or diversion scheduled international arrivals of all airlines operating at the Airport (other than Northwest and its alliance partners).
6. Delayed regularly scheduled international arrivals of Northwest and its alliance partners, with existing service having precedence over new service, in each case when the expected delay for the arriving flight to use the South Terminal will exceed 90 minutes and use of a North Terminal International Gate by such arriving flight will not interfere with the scheduled use of the gate for international or domestic service of any airline operating at the Airport (other than Northwest and its alliance partners).
7. Delayed, irregular or diversion scheduled domestic arrivals of all airlines operating at the Airport (other than Northwest and its alliance partners).
8. Irregular or diversion scheduled international arrivals of Northwest and its alliance partners.
9. Delayed, irregular or diversion international charter arrivals.

The following criteria will be used to make the determination that an airline is offering scheduled service.

The international operation of the airline generally has passengers connecting at the Airport on-line, inter-line, or via code share, and the operational need for connecting facilities.

The airline operating the flight is a signatory under the use and lease agreement for the Airport.

The airline holds all necessary government approvals to operate international regularly scheduled service.

The airline's international service is scheduled on a year-round basis or is offered seasonally on an annual basis.

The airline's schedules are published in the Official Airline Guide and displayed in a computer reservation system, and the fares regularly published by the Airline Tariff Publishing Company.

The airline provides reservation services and creates PNRs (passenger name records) for the flights with its own employees.

International operations that meet this criteria overall shall be considered international regularly scheduled flights for purposes of these protocols. However, the failure to meet any one or more criteria shall not necessarily preclude the operation from being considered an international regularly scheduled flight. The goal of optimizing overall Airport operating efficiency shall be an important consideration.

Lessor will review with Lessee and other scheduled international carriers, on an annual (or more frequent) basis, the procedures for scheduling, gate occupancy times, ramp storage locations and penalties for non-compliance.

Exhibit E

Allocation of O&M Expenses, Bond Debt Service and Other Available Moneys

O&M Expenses

Cost Center		
North Terminal	South Terminal	Rest of Airport
<p>O&M Expenses attributable to the operations and maintenance of the North Terminal (Preferential, Shared Use, public and Authority controlled airline space), including any passenger bridges and connectors to parking garages as well as immediate curbside. These expenses include, but are not limited to, the following:</p> <ul style="list-style-type: none"> Costs of janitorial services, cleaning and minor repairs of all North Terminal space and the mechanical equipment therein (including conveyance systems and baggage handling systems) Costs of operation and maintenance of all building-wide services such as heating, cooling, lighting, and electrical services Costs of maintenance and repairs of the interior and exterior floors, walls, ceilings and roof Costs of utilities (includes HVAC, water, sewage, 	<p>O&M Expenses attributable to the operations and maintenance of the South Terminal (Preferential, Shared Use and public space), including any passenger bridges and connectors to parking garages as well as immediate curbside. These expenses include, but are not limited to, the following:</p> <ul style="list-style-type: none"> Costs of janitorial services, cleaning and minor repairs of all South Terminal space and the mechanical equipment therein (including conveyance systems and baggage handling systems) Costs of operation and maintenance of all building-wide services such as heating, cooling, lighting, and electrical services Costs of maintenance and repairs of the interior and exterior floors, walls, ceilings and roof Costs of utilities (includes HVAC, water, sewage, electric, etc.) Property insurance costs 	<p>O&M Expenses not allocated to either the North Terminal Cost Center or the South Terminal Cost Center. These expenses include, but are not limited to, the following:</p> <ul style="list-style-type: none"> Payroll and fringe benefit costs of Authority employees Costs associated with all parking garages, lots and facilities All costs associated with Airport access roadways, including Airport signage Shuttle bus costs General Airport costs (i.e. landscaping, insurance not allocated to the North Terminal Cost Center or the South Terminal Cost Center, fire & rescue, etc.) Cost of utilities (including HVAC, water, sewage, electric, etc.) not allocated to the North Terminal Cost Center or the South Terminal Cost Center

electric, etc.)

County chargebacks

Property insurance costs

Cost of capital items procured from O&M budget

All airfield costs, including expenses attributable to the North Terminal and South Terminal aprons and taxiways

Professional services contracts and costs

Allocation of O&M Expenses, Bond Debt Service and Other Available Moneys

Bond Debt Service

Cost Center		
North Terminal	South Terminal	Rest of Airport
1) Bond Debt Service attributable to Series 1998A Bonds issued for:	1) Bond Debt Service attributable to New Bonds and Series 1998A Bonds issued to fund	1) All outstanding Bond Debt Service attributable to Bonds issued prior to 1998
Existing Terminal Projects	McNamara Terminal Project Phase I and II (excluding Bond Debt Service attributable to the South Employee Parking Lot and Taxiway Q)	2) All Bond Debt Service attributable to Series 1998A Bonds issued to fund projects other than the Existing Terminal Projects and the McNamara Terminal Project Phase I
2) Bond Debt Service attributable to New Bonds issued to fund:	McNamara Terminal In-Line Explosive Detection System (EDS)	3) All Bond Debt Service attributable to Series 1998B Bonds
North Terminal Redevelopment Project (including Bond Debt Service attributable to the North Terminal apron and taxiways, but excluding costs (if any) in connection with removal of abandoned fuel lines associated with the former Davey Terminal apron and any related work, including fuel contamination remediation, required to comply with environmental laws)	2) Bond Debt Service attributable to any Bonds issued in the future (other than New Bonds) to finance South Terminal improvements, additions or other modifications.	4) Bond Debt Service attributable to New Bonds issued to fund:
North Terminal In-Line Explosive Detection System (EDS)		North Terminal Redevelopment Project costs (if any) in connection with removal of abandoned fuel lines associated with the former Davey Terminal apron and any related work, including fuel contamination remediation, required to comply with environmental laws)
Smith Terminal Demolition Project		Taxiway Q Project
Berry Terminal Demolition Project if funded as part of North Terminal		South Employee Parking Lot Project
		Noise Mitigation Project
		Vehicles and Equipment

3) Bond Debt Service attributable to any Bonds issued in the future (other than New Bonds) to finance North Terminal improvements, additions or other modifications

Central Admin Building and Training Complex Project

West Airfield Improvements

Runway 3L-21R Shoulders Overburden Project

Perimeter Fencing and Other Security Enhancements

Preliminary Design of Runway 3R/21L Reconstruction and Pavement Management Study

Infill Island at Taxiway Y-10

Runway 3L/21R Planning

Part 150 Study Update

Master Plan Update

Automated Parking Revenue Management System

5) Bond Debt Service attributable to any Bonds issued in the future (other than New Bonds) to finance Airport capital projects other than improvements, additions or other modifications to the North Terminal or South Terminal.

Bond Debt Service attributable to future capital projects approved by a Weighted Majority shall be allocated as agreed upon in the Weighted Majority approval process.

Allocation of O&M Expenses, Bond Debt Service and Other Available Moneys

Other Available Moneys

Each Fiscal Year, PFCs required to be used during such Fiscal Year as set forth in **Exhibit H** shall be allocated to the North Terminal Cost Center, the South Terminal Cost Center and the rest of the Airport as follows:

Cost Center		
North Terminal	South Terminal	Rest of Airport
1. Existing Terminal Projects (100% of Series 1998A Bonds PFC eligible Bond	1. Midfield Terminal Phase I Project (100% of Series 1998A Bonds PFC eligible Bond Debt	1. Series 1998A Bonds issued to fund Other CIP Projects (77% of Bond Debt Service)

Debt Service)

2. North Terminal Redevelopment Project
(100% of New Bonds PFC eligible Bond Debt Service, excluding Bond Debt Service for costs (if any) in connection with removal of abandoned fuel lines associated with the former Davey Terminal apron and any related work, including fuel contamination remediation, required to comply with environmental laws)

3. North Terminal In-Line Explosive Detection System (EDS) (100% of New Bonds PFC eligible Bond Debt Service)

4. Smith Terminal Demolition Project (100% of New Bonds PFC eligible Bond Debt Service)

5. Berry Terminal Demolition Project (100% of New Bonds PFC eligible Bond Debt Service) if funded as part of North Terminal Redevelopment Project

Service).

2. Midfield Terminal Phase II Project (excluding South Employee Parking Lot and Taxiway Q)
(100% of New Bonds PFC eligible Bond Debt Service)
3. McNamara Terminal In-Line Explosive Detection System (EDS) (100% of New Bonds PFC eligible Bond Debt Service)

2. Taxiway Q (100% of New Bonds PFC eligible Bond Debt Service)

3. Noise Mitigation Project (100% of New Bonds PFC eligible Bond Debt Service)

4. Vehicles and Equipment (100% of New Bonds PFC eligible Bond Debt Service)

5. West Airfield Improvements (100% of New Bonds PFC eligible Bond Debt Service except with respect to Runway 4/22 elements as set forth in Exhibit H)

6. Runway 3L-21R Shoulders Overburden Project (100% of New Bonds PFC eligible Bond Debt Service)

7. Center Runway Rehabilitation Project/ Runway 3L/21R Planning (100% of New Bonds PFC eligible Bond Debt Service)

8. Runway Surface Monitor System Project (100% of New Bonds PFC eligible Bond Debt Service)

9. Surface Movement Guidance System Lighting Project (100% of New Bonds PFC eligible Bond Debt Service)

10. Third Fire Station ARFF Project (100% of New Bonds PFC eligible Bond Debt Service)

11. Perimeter Fencing and Other Security Enhancements (100% of New Bonds PFC eligible Bond Debt Service)

12. Preliminary Design of Runway 3R/21L Reconstruction and Pavement Management Study (100% of New Bonds PFC eligible Bond Debt Service)

13. Infill Island at Taxiway Y-10 (100% of New Bonds PFC eligible Bond Debt Service)

14. Part 150 Study (100% of New Bonds PFC eligible Bond Debt Service)

15. Master Plan Update (100% of New Bonds PFC eligible Bond Debt Service)

16. North Terminal Redevelopment Project costs (if any) in connection with removal of abandoned fuel lines associated with the former Davey Terminal apron and any related work, including fuel contamination remediation, required to comply with environmental laws (100% of New Bonds PFC eligible Bond Debt Service)

Federal grant proceeds received from the FAA for 2002 through 2008 pursuant to Lessor's FAA Letter of Intent as reimbursement for the Runway 4L/22R and related projects and the South Terminal apron and related projects shall be allocated to the rest of the Airport.

EXHIBIT H

REQUIRED USE OF PFCs

Capital Projects

Lessor must use PFCs to pay the maximum amount (except as set forth below) of PFC-eligible Bond Debt Service on (i) the Bonds designated as Series 1998A (the "Series 1998A Bonds") and issued to pay the costs of the capital projects listed below under the heading "Series 1998A Bonds", and (ii) Bonds to be issued to pay the costs of the capital projects listed below under the heading "New Bonds", including but not limited to the Bonds designated as Series 2002A, Series 2003A and Series 2005 (the "New Bonds"), in each case as described in the Weighted Majority approvals of each of the below listed capital projects as such Weighted Majority approvals are in effect on the date of this Agreement; provided that the requirement to use PFCs to pay the maximum amount of PFC-eligible Bond Debt Service on the New Bonds shall only apply to those New Bonds issued to pay the costs for such capital projects set forth in Lessor's June 6, 2001 request for Weighted Majority approval of such projects (the "June 6, 2001 Weighted Majority Request"):

A. Series 1998A Bonds

1. McNamara [Midfield] Terminal Project-Phase I
 2. Existing Terminal Projects
 3. Other CIP Projects (but not more than 77% of total Bond Debt Service attributable to these projects, except for Fiscal Years 2005, 2006 and 2007 in which case the percentage is 100%)
-

B. New Bonds(1)

1. McNamara [Midfield] Terminal Project-Phase II (excluding the South Employee Parking Lot)
2. North Terminal Redevelopment Project
3. Noise Mitigation Program

4. Vehicles/Equipment
5. West Airfield Improvements (provided that PFCs shall be used to pay PFC-eligible Bond Debt Service on New Bonds issued to pay the costs of the Runway 4/22 Construction project element of the West Airfield Improvements only to the extent that the amount of PFCs used for such purpose in any Fiscal Year, when added to the amount of PFCs used in such Fiscal Year to pay PFC-eligible Bond Debt Service on Series 1998A Bonds issued to pay the costs of projects A.1 and A.2 above, does not exceed \$40 million)
6. Runway 3L-21R Shoulders/Overburden Project
7. Center Runway (3L/21R) Rehabilitation Project
8. Runway Surface Monitor System Project
9. Surface Movement Guidance System Lighting Project
10. Hold Pad East of 4L
11. Third Fire Station (ARFF)
12. McNamara Terminal In-Line Explosive Detection System
13. North Terminal In-Line Explosive Detection System
14. Perimeter Fencing and Other Security Enhancements

(1) Lessor will use PFCs on a pay-as-you go basis to pay the PFC-eligible coverage requirements on the New Bonds to be issued to pay the costs of projects B.1, B.2, B.3, B.4, B.5, B.6 and B.11.

15. Preliminary Design of Runway 3R/21L Reconstruction and Pavement Management System
16. Infill Island at Taxiway Y-10
17. Smith Terminal Demolition
18. Berry Terminal Demolition
19. Part 150 Study Update
20. Master Plan Update

Priority Use of Available PFCs

If in any Fiscal Year available PFCs are insufficient to pay as set forth above PFC-eligible Bond Debt Service for such Fiscal Year on the Series 1998A Bonds and the New Bonds issued to pay the costs of the projects listed above, such available PFCs will be used to pay PFC-eligible Bond Debt Service in the following order of priority:

1. First, to pay PFC-eligible Bond Debt Service on the Series 1998A Bonds issued to pay the costs of projects A.1 and A.2 above, allocated between such projects on a pro rata basis in accordance with the amount of total Bond Debt Service attributable to such projects; provided that the amount of available PFCs used for this purpose in any Fiscal Year shall not exceed the lesser of (a) the PFC revenues received by Lessor in such Fiscal Year that are attributable to a PFC of \$3, and (b) \$45,996,580;

2. Second, to pay a maximum of 77% of total Bond Debt Service on the Series 1998A Bonds issued to pay the costs of the projects in A.3 above (except for Fiscal Years 2005, 2006 and 2007 in which case the percentage shall be 100%);

3. Third, to pay PFC-eligible Bond Debt Service on New Bonds issued to pay the costs of the terminal portions of projects B.1 and B.2 above (i.e., excluding the Taxiway Q and apron and other taxiway portions of such projects) and the costs of

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projects B.12 and B.13 above, allocated among such projects on a pro rata basis in accordance with the amount of PFC-eligible Bond Debt Service attributable to the terminal portions of projects B.1 and B.2 and to projects B.12 and B.13 above; and

4. Fourth, to pay PFC-eligible Bond Debt Service on New Bonds issued to pay the costs of the airfield related portions of projects B.1 through B.6 above (i.e., projects B.3 through B.6, and the Taxiway Q and apron and other taxiway portions of projects B.1 and B.2), and New Bonds issued to pay the costs of projects B.7 through B.11 and B.14 through B.20 above, allocated between (a) such airfield related portions of projects B.1 through B.6 above on the one hand and (b) projects B.7 through B.11 and B.14 through B.20 above on the other hand on a pro rata basis in accordance with the amount of total Bond Debt Service attributable to (i) the airfield related portions of projects B.1 through B.6 above on the one hand and (ii) projects B.7 through B.11 and B.14 through B.20 above on the other hand.

PFC-eligible Bond Debt Service in any Fiscal Year on any Bonds issued after January 18, 2001 to pay the cost of additional capital projects not identified above may not be paid with PFCs unless (and solely to the extent that) there are remaining available PFCs in such Fiscal Year after available PFCs have been applied in such Fiscal Year to pay all PFC-eligible Bond Debt Service on the Series 1998A Bonds (except for the Series 1998A Bonds issued to pay for the projects in A.3 above, in which case the percentage of PFC-eligible Debt Service to be paid with PFCs is 77%, except for Fiscal Years 2005, 2006 and 2007 in which case the percentage shall be 100%) and on New Bonds issued to pay the capital project costs set forth in the June 6, 2001 Weighted Majority Request (including New Bonds issued to pay the costs of the Runway 4/22 Construction project portion of project B.5 above to the extent set forth in B.5 above) and in Lessor's December 16, 2004 request for Weighted Majority approval.

4

Subject to the priority use of available PFCs as set forth above, Lessor shall use legally available PFCs to pay all interest due prior to October 1, 2008, on New Bonds issued to pay the costs of projects B.1 through B.2 above (including interest on New Bonds issued to pay both PFC-eligible and ineligible portions of such projects).

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EXHIBIT I

INTERNATIONAL FACILITY USE FEE (IFUF) SCHEDULE

Detroit Metropolitan Wayne County Airport

For Operating Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Berry Terminal	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	n/a	n/a	n/a	n/a	n/a	n/a
McNamara Terminal	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.50
North Terminal	n/a	n/a	n/a	n/a	n/a	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.50

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Berry Terminal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
McNamara Terminal	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
North Terminal	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00

	2026	2027	2028	2029	2030	2031	2032
Berry Terminal	n/a	n/a	n/a	n/a	n/a	n/a	n/a
McNamara Terminal	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
North Terminal	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00

NOTE: International Facility Use Fee represents charge per international deplaning passenger.
Asuming that the Berry Terminal FIS will be closed upon DBO of North Terminal FIS.

AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE
MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT

BETWEEN

METROPOLITAN AIRPORTS COMMISSION

AND

NORTHWEST AIRLINES, INC.

EFFECTIVE JANUARY 1, 1999

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AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE

MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT

THIS AGREEMENT (hereinafter referred to as “Agreement” or “Airline Operating Agreement and Terminal Building Lease”), effective as of January 1, 1999, by and between the Metropolitan Airports Commission, a public corporation under the laws of the State of Minnesota (hereinafter referred to as “MAC” or “Commission”), and Northwest Airlines, Inc. a corporation organized and existing under the laws of the State of Minnesota and authorized to do business in the State of Minnesota (hereinafter referred to as “AIRLINE”).

WHEREAS, MAC owns and operates the Airport (as hereinafter defined) and has the power to grant rights and privileges thereto;
and

WHEREAS, AIRLINE operates an Air Transportation Business (as hereinafter defined) and desires to use or lease from MAC certain premises and facilities and to acquire from MAC certain rights and privileges in connection with its use of the Airport;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, MAC and AIRLINE agree as follows:

I. DEFINITIONS

A. DEFINITIONS

1. "Affiliated Airline" means an Airline other than AIRLINE that (a) operates aircraft of 72 passenger seats or less at the Airport and is party to a code share agreement with AIRLINE applicable to such Airline's flights to and from the Airport, (b) has signed an Airline Operating Agreement and Terminal Building Lease similar to the form of this Agreement, and (c) has been designated in writing by AIRLINE as an "affiliate" of AIRLINE.
2. "Air Operations Area" and "AOA" shall be interchangeable terms and both terms shall mean any area of the Airport used or intended to be used for landing, taking off, or surface maneuvering of aircraft, including the tug drive and all other areas shown on Exhibit A or as amended by the Executive Director, within that portion of the Airport which is enclosed by fencing, walls, or other barriers and to which access is controlled through designated entry points, but excluding all exclusive leasehold areas.
3. "Air Transportation Business" means the carriage by aircraft of persons or property as a common carrier for compensation or hire, or the carriage of mail by aircraft in commerce, and activities directly related thereto.
4. "AIRLINE" means the entity that has executed this Agreement.

5. "Airline" means an entity (including AIRLINE) that operates an Air Transportation Business at the Airport.
6. "Airport" means Minneapolis-St. Paul International Airport located in Hennepin County, Minnesota, including but not limited to those contiguous and non-contiguous areas shown on Exhibit A attached hereto and incorporated herein, together with any additions thereto, or improvements or enlargements thereof, hereafter made, whether contiguous or not.
7. "Airport Cost Centers" means areas of the Airport and the Airport System to be used in accounting for airport revenues and expenses and for calculating and adjusting certain rents, fees, and charges described herein, as shown in Exhibits B, C, D, E, F and G as such areas now exist or may hereafter be modified or extended, and as more particularly described below. Such Exhibits B, C, D, E, F and G shall be updated periodically to reflect changes to Airport Cost Centers.
 - a. "Airfield" means the runways, taxiways, approach and clear zones, safety areas, infield areas, landing and navigational aids, and other facilities and land areas which are not leased to any entity and are required by or related to aircraft operations (landings, takeoffs, and taxiing) at the Airport and other facilities as generally shown on Exhibit B including, but not limited to, the control tower, roads, tunnels, and collection and processing facilities for deicing agents and shall include on-Airport noise costs and Off-Airport Aircraft Noise Costs, but excluding any areas under lease at any time.
 - b. "Terminal Building" means the passenger terminal buildings known as the Lindbergh Terminal, the Regional Terminal, the Southwest Addition, Red Concourse, Blue Concourse, and Green Concourse as shown on Exhibit C, including the Temporary Regional Terminal and related facilities at the Airport including, but not limited to, underground parking beneath the Lindbergh Terminal, a portion of the auto rental/parking/terminal people mover, the Ground Transportation Center (the "GTC"), skyways, and the Energy Management Center, together with additions and/or changes thereto (but excluding the Gold Concourse, but including the IAF).

- c. “Terminal Apron” and “Terminal Ramp” shall be interchangeable terms and both terms shall mean the aircraft parking apron serving both the Terminal Complex and the commuter airlines, which latter area is known as the Regional Ramp, as shown on Exhibit D, together with any additions and/or changes thereto.

- d. “Gold Concourse” means the original Loading Pier A which consists of gates 1-9, the Loading Pier A Extension which consists of the balance of the gates (gates 10 through the end of the concourse), and the Gold World Club, all as more specifically depicted on Exhibit E.
- e. “Humphrey Terminal” means the Hubert H. Humphrey Terminal building located on 34th Avenue South at the Airport or any replacement facility.
- f. “International Arrivals Facility” or “IAF” shall be interchangeable terms and both terms shall mean the space in the Terminal Complex utilized for the arrival and departure of international flights, all as more specifically depicted on Exhibit C.
- g. “Reliever Airports” means the general aviation airports owned and operated by Commission, including but not limited to St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County-Blaine Airport, Lake Elmo Airport, and Airlake Airport.
- h. “Landside Area” means the upper and lower level terminal roadways, the inbound and outbound terminal roads, the commercial lane, rental car service and storage areas, a portion of the auto rental/parking/terminal people mover, rental car ready/return areas, skyways, and the automobile parking areas (except the underground parking beneath the Lindbergh Terminal) at the Airport as shown on Exhibit F.
- i. “Equipment Buildings” means the building and ground areas at the Airport provided for the storage of equipment owned and/or rented/leased by MAC including, but not limited to, shops, storage facilities, and vehicle parking areas.
- j. “ARFF” means the building and ground areas at the Airport provided for aircraft rescue and fire fighting functions.
- k. “Police” means the building and ground areas at the Airport provided for police functions.
- l. “Administration” means the building and ground areas at the Airport provided for MAC administration activities including, but not limited to, the general office building and the Terminal Building.
- m. “Other Areas” means all other direct cost building and ground areas at the Airport provided for general aviation, cargo, aircraft maintenance, and other aviation- and nonaviation-related activities as shown on Exhibit G.

8. “Airport Bonds” means general airport revenue bonds, general obligation bonds, commercial paper, and other forms of indebtedness incurred or assumed by the Commission in connection with the ownership or operation of the Airport System and payable from MAC revenues.
9. “Airport Grants” means those moneys contributed to the Commission by the United States or any agency thereof, or by the State of Minnesota, or any political subdivision or agency thereof, to pay for all or a portion of the cost of a Capital Project.

10. "Airport System" means the Airport and the Reliever Airports.
11. "Capital Cost" (or a phrase of similar import) means the sum of (a) project costs, which includes any expenditures to acquire, construct, or equip a Capital Project, together with related costs such as planning fees, architectural and engineering fees, program management fees, construction management fees, fees for environmental studies, testing fees, inspection fees, impact fees, other direct and allocable fees, and interest during construction, and (b) financing costs, if any, such as capitalized interest, costs of issuance, and funding of mandatory reserves with bond proceeds. In the case of estimates, Capital Costs also include an allowance for contingencies.
12. "Capital Project" means (a) the acquisition of land or easements; (b) the purchase of machinery, equipment, or rolling stock; (c) the planning, engineering, design, and construction of new facilities; (d) the remediation of environmental contamination, including noise mitigation, or expenditures to prevent or protect against such contamination; or (e) the performance of any extraordinary, non-recurring major maintenance of existing facilities that may be acquired, purchased, or constructed by Commission to improve, maintain, or develop the Airport; provided, however, that any single item of the foregoing has a Capital Cost of \$100,000 or more and a useful life in excess of three years.
13. "Capital Outlay" means any item that fails to meet the cost threshold and useful life criterion necessary to qualify as a Capital Project.
14. "Commission" and "MAC" shall be interchangeable terms and both terms shall mean the Metropolitan Airports Commission, a public corporation organized and operating pursuant to Chapter 500, Laws of Minnesota 1943 and amendments thereto.
15. "Common Use Formula" means a formula that prorates the cost of a service or space, excluding the Regional Ramp, among those Airlines actually using the service or space as follows: 20 percent of the cost equally among each such Airline and 80 percent of the cost on the basis of that proportion which the number of each such Airline's Enplaned Passengers at the Airport bears to the total number of Enplaned Passengers of all such Airlines at the Airport; provided, however, that Airlines that only operated aircraft with 40 seats or less during the relevant period will be excluded from the proration of the 20 percent of costs, but included in the proration of 80% of costs.

16. "Current Cost Estimate" means as of the date of the estimate, the total project costs in then current dollars, for one or more or all of the 2010 Plan Airfield Programs, as the context shall determine, as estimated by MAC. The Current Cost Estimate shall reflect actual costs for completed projects, bid amounts when available, and change orders accepted by MAC (including contingencies).
17. "Coverage Account" means the Coverage Account established and maintained pursuant to the terms of the Trust Indenture.
18. "Date of Beneficial Occupancy" or "DBO" means the earlier of (a) the date on which the Commission certifies that Premises or Capital Project are available for beneficial use or (b) the date on which beneficial use is first made of Premises or Capital Project; provided, however, that with respect to land and other non-depreciable assets, the date on which beneficial occupancy occurs is the date of closing.
19. "Deplaned Passenger" means all terminating passengers and online or interline transfer passengers deplaned at the Airport, but excluding Through Passengers and Non-Revenue Passengers.
20. "Executive Director" means Commission's Executive Director or such other person designated by the Executive Director to exercise functions with respect to the rights and obligations of Commission under this Agreement.
21. "Enplaned Passengers" means all Originating Passengers and connecting passengers boarded at the Airport, including passengers traveling on frequent flyer coupons, but excluding Through Passengers and Non-Revenue Passengers.

22. “Environmentally Regulated Substances” means any elements, compounds, pollutants, contaminants, or toxic or Hazardous Substances, material or wastes, or any mixture thereof, regulated pursuant to any Environmental Law, including but not limited to products that might otherwise be considered of commercial value, such as asbestos, polychlorinated biphenyls, petroleum products and byproducts, glycol and other materials used in de-icing operations.
23. “Environmental Law (or Laws)” means any case law, statute, rule, regulation, law, ordinance or code, whether local, state or federal, that regulates, creates standards for or imposes liability or standards of conduct concerning any element, compound, pollutant, contaminant, or toxic or Hazardous Substance, material or waste, or any mixture thereof, including but not limited to products that might otherwise be considered of commercial value, such as asbestos, polychlorinated biphenyls and petroleum products and byproducts. Such laws shall include, but not be limited to, the National Environmental Policy Act (“NEPA”) 42 U.S.C.

Section 4321 et seq., the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. Section 6901 et seq., the Federal Water Pollution Control Act (“FWPCA”), 33 U.S.C. Section 1251 et seq. the Federal Clean Air Act (“FCAA”), 42 U.S.C. Section 7401 et seq., the Toxic Substances Control Act (“TSCA”), 15 U.S.C. Section 2601 et seq., the Federal Insecticide, Fungicide and Rodenticide Act (“FIFRA”), 7 U.S.C. Section 136 et seq., and any amendments thereto, as are now or at any time hereafter may be in effect, as well as their state and local counterparts, including but not limited to the Minnesota Environmental Response and Liability Act (“MERLA”), Minn. Stat. Section 115B, the Minnesota Petroleum Tank Release Clean Up Act (“MPTRCA”), Minn. Stat. Section 115C, and the Minnesota Environmental Rights Act (“MERA”), Minn. Stat. Section 116B.

24. “FAA” means the Federal Aviation Administration of the U.S. Government or any federal agencies succeeding to its jurisdiction.
25. “Fiscal Year” refers to Commission’ s fiscal year and means the twelve-month period commencing on January 1 and ending December 31.
26. “Facilities Construction Credit” and “Facilities Construction Credits” shall mean the amounts resulting from an arrangement embodied in a written agreement of the MAC and an Airline pursuant to which the MAC permits such Airline to make a payment or payments to the MAC which is reduced by the amount owed by the MAC to such Airline as a result of such Airline upfronting and paying for the cost of construction of MAC improvements under such agreement, resulting in a net payment to the MAC by such Airline. The “Facilities Construction Credit” shall be deemed to be the amount owed by the MAC under such agreement which is “netted” against the payment of such Airline to the MAC.
27. “Ground Handling” means providing airside services to an aircraft, including, but not limited to, wing walkers, marshalling, lavatory services, aircraft cleaning and maintenance, luggage transfer and providing catering supplies, but not including fueling or any services provided directly to passengers in the Terminal Complex other than baggage handling.
28. “Hazardous Substances” shall be interpreted in the broadest sense to include any and all substances, materials, wastes, pollutants, oils or governmental regulated substances or contaminants as defined or designated as hazardous, toxic, radioactive, dangerous, or any other similar term in or under any of the Environmental Laws, including but not limited to asbestos and asbestos containing materials, petroleum products including crude oil or any fraction thereof, gasoline, aviation fuel, jet fuel, diesel fuel, lubricating oils and solvents, urea formaldehyde,

flammable explosives, PCBs, radioactive materials or waste, or any other substance that, because of its quantity, concentration, physical, chemical, or infectious characteristics may cause or threaten a present or potential hazard

to human health or the environment when improperly generated, used, stored, handled, treated, discharged, distributed, disposed, or released. Hazardous Substances shall also mean any hazardous materials, hazardous wastes, toxic substances, or regulated substances under any Environmental Laws.

29. "International Regularly Scheduled Airline Service" means a status of international service as determined by MAC according to Exhibit H.
30. "Maximum Certificated Gross Landing Weight" means the maximum gross landing weight in thousand-pound units based on the current FAA Type Certificate Data Sheet applicable to the particular type, design, and model of aircraft.
31. "Majority-In-Interest" ("MII") means the Signatory Airlines who (a) represent no less than 50 percent in number of the Signatory Airlines operating at the time of the voting action and (b) paid no less than 40 percent of landing fees incurred by Signatory Airlines during the preceding Fiscal Year. No Airline shall be deemed a Signatory Airline for the purpose of determining a Majority-In-Interest so long as the Commission has given written notice of an event of default to such Airline and the event of default is continuing at the time of the voting action.
32. "Non-Revenue Passengers" means passengers from whom the AIRLINE receives no remuneration or only token remuneration, including employees of an airline and others, but excluding passengers traveling on frequent flyer coupons.
33. "Off-Airport Aircraft Noise Costs" means the capital and operating costs (including legal and administrative costs), net of any amounts for off-airport aircraft noise costs received from nonsignatory airlines and/or federal and state grants, connected to the acquiring of land or interests in land within the 2005 DNL 60 contours of the Airport, soundproofing of existing public and private schools and day care facilities, public hospitals, nursing homes, private single- and multi-family residences, and other categories of land use, and implementing other programs to prevent, reduce or mitigate non-compatible land uses within the 2005 DNL 60 contours of the Airport resulting from aircraft noise emissions from turbojet aircraft. Such costs shall also include but not be limited to liabilities or responsibilities imposed upon MAC for noise in connection with the operation or use of the Airport, or from flights to or from the Airport, or from aircraft thereon, or from takings or any other causes of action related to aircraft noise or for settlement of claims based on such causes of action.

34. "Operation and Maintenance Expenses" (or a phrase of similar import) means, for any Fiscal Year, the costs incurred by the Commission to operate, maintain, and administer the Airport System, including but not limited to items a through j listed below, but excluding operation and maintenance reserves and an optional Coverage Account associated with the planned bond issues after January 1, 1999 in connection with the financing of the 2010 Plan as shown on Exhibit I.
 - a. Personnel costs, including salaries and wages of Commission employees and temporary workers (including overtime pay), together with payments or costs incurred for associated payroll expenses such as life, health, accident, and unemployment insurance premiums; contributions to pension funds, retirement funds, union funds, and unemployment compensation funds; vacation and holiday pay; post-retirement benefits; and other fringe benefits;
 - b. Costs of materials, supplies, machinery and equipment, and other similar expenses, which are not capitalized under generally accepted accounting principles as evidenced by a written opinion of MAC' s independent auditors;
 - c. Costs of maintenance, landscaping, decorating, repairs, renewals, and alterations, which are not reimbursed by insurance and which are not capitalized under generally accepted accounting principles as evidenced by a written opinion of MAC' s independent auditors;
 - d. Costs of water, electricity, natural gas, fuel oil, telephone service, and all other utilities and services whether furnished by the Commission or furnished by independent contractors and purchased by the Commission;

- e. Cost of operating services, including services for stormwater, airport shuttle bus, service agreements, and other cost of operating services;
- f. Costs of premiums for insurance covering the Airport System and its operations maintained by MAC pursuant to this Agreement;
- g. Costs incurred in collecting and attempting to collect any sums for the Commission in connection with the operation of the Airport System and the write-off of bad debts;
- h. Except to the extent capitalized the compensation paid or credited to persons or firms engaged by the Commission to render advice and perform architectural, engineering, program management, construction management, financial, legal,

accounting, testing, or other professional services in connection with the operation of the Airport System;

- i. Except to the extent capitalized, the fees of trustees and paying agents, and all other fees and expenses incurred in order to comply with the provisions of a master or supplemental trust indenture; and
 - j. All other expenses, which arise out of the operation of the Airport System and which are properly regarded as operating expenses under generally accepted accounting principles, provided, however, that Operation and Maintenance Expenses shall not include any allowance for depreciation, payments in lieu of taxes, the costs of improvements, extensions, enlargements or betterments, or any charges for the accumulation of reserves for capital replacements.
35. "Original Cost Estimate" means for one or more or all of the 2010 Plan Airfield Programs, as the context shall determine, that were approved by a Majority-In-Interest of the Signatory Airlines, the amount of estimated project costs as specified in Exhibit I. The Original Cost Estimate includes contingencies, but excludes financing costs, interest on bonds or on any interim financing obtained by MAC to finance the 2010 Plan, and other deposits and reserves.
36. "Originating Passengers" means Airline passengers for whom the Airport is the point of origin in their air travel itinerary.
37. "Passenger Facility Charges" or "PFCs" means those charges on AIRLINE' s passengers using the Airport authorized under Section 111 3(e) of the Federal Aviation Act of 1958, as amended by Section 9110 of the Omnibus Budget Reconciliation Act of 1990 (Pub. L. 101-508, 49 U.S.C. App. Section 1513), or any successor program authorized by federal law, and the rules and regulations promulgated thereunder (14 C.F.R. Part 158, hereafter the "PFC Regulations").
38. "Premises" means the areas at the Airport leased by AIRLINE pursuant to this Agreement, as set forth in Exhibit J.
39. "Rentable Space" means the space in the Terminal Building available for lease to Airlines, concessionaires, and other rent-paying tenants and for public automobile parking. Rentable Airline space is separated into the following categories:
- a. "Exclusive Use Space" means space leased by an Airline for its exclusive use and occupancy.

- b. "Preferential Use Space" means space leased by an Airline on a preferential basis.
- c. "Common Use Space" means space used by an Airline in common with all other Airlines using the space.

40. "Rules and Regulations and Ordinances" means rules, regulations, and ordinances adopted by the Commission pursuant to Minn. Stat. 473.608 et seq. and rules pursuant to such rules, regulations, and ordinances.
41. "Security Area" means the Security Identification Display Area, the Air Operations Area, and any other area defined by the FAA or MAC as an area of restricted access requiring display of appropriate MAC-issued or MAC-approved security identification for unescorted access rights.
42. "Security Identification Display Area" or "SIDA" (or a phrase of similar import) means that area defined as such in the Master Security Program adopted by MAC, approved by the FAA, and amended from time to time.
43. "Signatory Airlines" means Airlines that have executed agreements with the Commission substantially the same as this Agreement.
44. "Stage 2 Operation" means a landing-and-takeoff cycle conducted using a Stage 2 aircraft. A Stage 2 aircraft is determined in accordance with Section 36.1(f), Title 14, Code of Federal Regulations, and Federal Aviation Administration Advisory Circular 36-3G, ESTIMATED AIRPLANE NOISE LEVELS IN A-WEIGHTED DECIBELS, or successor documents.
45. "Stage 3 Operation" means a landing-and-takeoff cycle conducted using a Stage 3 aircraft. A Stage 3 aircraft is determined in accordance with Section 36.1(f), Title 14, Code of Federal Regulations, and Federal Aviation Administration Advisory Circular 36-3G, ESTIMATED AIRPLANE NOISE LEVELS IN A-WEIGHTED DECIBELS, or successor documents.
46. "Terminal Complex" means the passenger terminal facilities consisting of the Terminal Building, the Gold Concourse, and the International Arrivals Facility.
47. "Through Passengers" means Airline passengers for whom the Airport is an intermediate stop in their itinerary between their point of origin and their point of destination, which intermediate stop does not involve a change of plane.
48. "Total Landed Weight" means the sum of the Maximum Certificated Gross Landing Weight for all aircraft arrivals over a stated period of time. Said sum shall be rounded to the nearest thousand pounds for all landing fees.

49. "Trust Indenture" means the Master Trust Indenture between the Commission and Norwest Bank, Minnesota, N.A., as Trustee, dated as of June 1, 1998 (for purposes of this Agreement, without giving effect to any amendments thereto).
50. "2010 Plan" means the construction, acquisitions, and improvements to the Airport System, as described in Exhibit I, as such may be revised from time to time.
51. "2010 Plan Airfield Programs" means the programs in the 2010 Plan that are subject to and have been approved by a Majority-In-Interest of the Signatory Airlines, as described in Exhibit I.
52. "VIP Club" means an area or areas designated by the Commission which AIRLINE has made available primarily for seating of a select group of members and their guests, as well as members (and their guests) of VIP Clubs of other Airlines under reciprocal agreements with such other Airlines, for which there is a daily or annual membership fee paid by the users in an amount consistent with industry standards.

B. HEADINGS AND CROSS REFERENCES

References in the text of this Agreement to articles, sections, or exhibits of this Agreement, unless otherwise specified, are for convenience in reference and are not intended to define or limit the scope of any provisions of this Agreement.

II. TERM

The term of this Agreement shall begin as of the effective date of this Agreement and end December 31, 2010, except as expressly provided herein (hereinafter referred to as the "Term"), and the rents, fees, and charges established in this Agreement shall apply to said Term.

III. USE OF THE AIRPORT

A. AIRLINE RIGHTS

AIRLINE shall have the following rights to use the Airfield and the Premises for the conduct of AIRLINE' s Air Transportation Business at the Airport. These rights are subject to the terms of this Agreement and to MAC Rules and Regulations and Ordinances. These rights are as follows:

1. To land upon, takeoff from, and fly over the Airport using aircraft operated by AIRLINE in areas designated for such purposes by MAC; provided, however, that effective January 1, 2000, AIRLINE agrees not to conduct any Stage 2 Operation at the Airport.
2. To taxi, tow, and park aircraft operated by AIRLINE in areas designated for such purposes by MAC. Subject to reasonable Rules and Regulations and Ordinances, AIRLINE may operate regional jets on the Terminal Apron, but pursuant to Commission policy AIRLINE may not operate turbo prop aircraft on any portion of the Terminal Apron other than the Regional Ramp.
3. To provide the following services for itself and any Affiliated Airlines and, either directly or through an Airline consortium or an approved handling agreement, for other Airlines, either by itself or in conjunction with other Signatory Airlines:
 - a. Passenger handling services, including enplaning and deplaning passengers, handling reservations, ticketing, billing, manifesting, baggage check-in, interline and lost baggage services, and other services necessary to process passengers and baggage for air travel.
 - b. Ground Handling.
 - c. Aircraft and equipment services, including services to repair, maintain, test, park, and store aircraft and ground support equipment.
 - d. Operational services, including de-icing aircraft and ramp services, dispatching and communication services, and meteorological and navigational services.
 - e. Porter services.
 - f. Security screening services; provided that the level and quality of such services shall meet or exceed the level and quality of such services at comparable airports.
 - g. Mail, freight, and express package services.

4. To train personnel in the employ, or working under the direction, of AIRLINE or of any other Airline; but only to the extent that such training is incidental to the conduct of AIRLINE' s Air Transportation Business at the Airport.

5. To sell, lease, transfer, dispose, or exchange AIRLINE' s aircraft, aircraft engines, aircraft accessories, other equipment, and supplies to any other party, but only to the extent that such activities are incidental to the conduct of AIRLINE' s Air Transportation Business at the Airport.
6. To acquire by purchase or otherwise any goods or services required by AIRLINE in the conduct of its Air Transportation Business at the Airport from any supplier, contractor, or Signatory Airline subject to the conditions of this Agreement.
7. To install and maintain in AIRLINE' s Exclusive and Preferential Use Premises at AIRLINE' s sole cost and expense, signs, posters, displays, banners, pamphlets, and other materials that identify and promote AIRLINE' s Air Transportation Business or that identify and promote AIRLINE' s Air Transportation Business and one or more of AIRLINE' s partners in a joint marketing program. Such signs shall be constructed, installed and maintained consistent with professional, first class standards. AIRLINE shall not place such signs, posters, displays, banners, pamphlets and other materials outside of AIRLINE' s Exclusive and Preferential Use Premises without MAC' s prior written consent. Any signs in violation of this Section may be removed by MAC.
8. To install, maintain and operate at no cost to MAC, alone or in conjunction with any other Signatory Airline, radio communication, computer, meteorological and aerial navigation equipment and facilities on AIRLINE' s Premises; provided, however, that any such future installations shall be subject to the prior written approval of MAC (not to be unreasonably withheld).
9. To maintain and operate directly or through a subcontractor a kitchen or other plant without cost to MAC within areas leased to it at the Airport outside of the Terminal Complex for the purpose of preparing and dispensing in-flight food and beverages (for consumption by passengers and crews on board aircraft of AIRLINE or any Affiliated Airline), including alcoholic beverages subject to procuring licenses and insurance therefor.
 - a. To maintain combination lunch and locker rooms in AIRLINE' s Exclusive Use Premises for use by AIRLINE' s employees.
10. To install, maintain, and operate customer relations, security and holdroom facilities and equipment, administrative offices, crew facilities, ready rooms, operations offices, training facilities, and related facilities, and to install personal property, including furniture, furnishings, supplies, machinery and equipment, in AIRLINE' s Exclusive Use Premises.

11. To have ingress to and egress from the Airport and AIRLINE' s Premises for AIRLINE' s officers, employees, agents, contractors, passengers, and invitees, including furnishers of goods and services.
12. To use, for the benefit of AIRLINE' s employees who perform substantially all of their work at the Airport, vehicular parking areas not leased by AIRLINE designated by MAC, subject to the right of MAC to relocate the same from time to time and to levy reasonable charges for the use thereof.
13. To obtain Garage Parking Cards pursuant to MAC' s Guidelines for Administering Validated Airport Parking, which are incorporated herein as Exhibit K.
14. To install soft drink vending machines and snack vending machines in that section of AIRLINE' s Premises which are not intended to be open to the general public for the sole use of AIRLINE' s officers, employees and agents. Vending machines shall not be within the view of the general public and locations of all vending machines installed after the date of this Agreement are subject to the prior written approval of MAC.
15. To operate a VIP Club or Clubs in areas authorized by this Agreement subject to the following restrictions: (a) AIRLINE may provide food, beverage, newspapers and magazines to Club users provided that it is without charge; provided that alcoholic beverages may be sold if provided by MAC or MAC' s concessionaires or, subject to any restrictions contained in the existing agreement between MAC and Host International, Inc. (which rights will not be extended past December 31, 2003 or granted to another party) if a concessions fee is paid to MAC in an amount equal to twelve percent (12%) of gross sales; (b) AIRLINE may provide Club users access to telephones, facsimile

machines, copy machines and including computer access and access to the internet via data ports; (c) AIRLINE may rent conference rooms, which are no larger than 300 square feet each and a maximum of 1,000 square feet per Club, to VIP Club users only. AIRLINE may not install cash machines or vending machines, sell merchandise or conduct any other retail business within a VIP Club. No other services may be provided unless prior written approval is obtained from the Executive Director.

16. To install telephones, facsimile machines, and other telecommunications devices and conduit in AIRLINE' s Premises that are not accessible to the public.
17. To install one or more of the following: flight information display systems ("FIDS"), baggage information display systems ("BIDS"), or ramp information display systems ("RIDS") in the Premises and other areas approved by the Executive Director at no cost to MAC, provided, however, that MAC may, in connection with its installation of a multiple

user flight information display system ("MUFIDS") in the Terminal Complex, purchase the FIDS system currently being developed by Northwest Airlines at a mutually agreed upon price. Northwest agrees that: (a) this system will interface with other Airlines serving the Airport, (b) this system will utilize a technical approach which provides flight data across a local area network ("LAN") that meets MAC and Northwest requirements, (c) architectural details of the installation of this system must be approved by MAC, and (d) MAC may participate in the supplier selection process for this system.

18. To install self-service ticketing devices ("SSDs") in areas approved by the Executive Director and added to the Premises.
19. To maintain and operate without cost to MAC a reasonable amount of air conditioning equipment, including without limiting the generality thereof the operation of air conditioning truck equipment for the air conditioning of aircraft, either alone or in conjunction with other Signatory Airlines.

B. EXCLUSIONS, RESERVATIONS, AND CONDITIONS

Except as authorized by this Agreement, AIRLINE may conduct no business on the Airport without the prior written consent of MAC.

1. Wherever under this Article III, AIRLINE or AIRLINE in conjunction with other Airlines carries on permitted operations through the agency of third persons or corporations not employees or subsidiaries of AIRLINE or of such other Airlines such third persons or corporations shall first be approved by the Executive Director in writing, which approval will not be unreasonably withheld.
2. MAC reserves the right to contract for the sale to the public of food, beverages (including alcoholic beverages), tobacco, merchandise, personal services, and business services within the Terminal Complex, and to charge for the privilege so to do.
3. MAC reserves the right to assess the following fees and charges to suppliers of goods and services:
 - a. MAC may charge suppliers, including Airlines, of in-flight food and beverages and vending that are supplied to any third party other than an Affiliated Airline but not to any such third party to whom such food and beverage was supplied without charge by MAC as of April, 1998.
 - b. MAC shall have the right to charge suppliers to AIRLINE of goods and services, fees and rentals for exclusive use of MAC property or improvements thereon or, as to suppliers not under contract with

AIRLINE, when their use is such as to constitute the performance of a commercial business at the Airport.

- c. MAC shall have the right to charge ground transportation companies, including AIRLINE, or ground transportation companies under agreement with AIRLINE, if regularly engaged in ground transportation business, for ground transportation of passengers or others to or from the Airport.
4. AIRLINE shall take all reasonable steps within its control so as not to interfere with the effectiveness or accessibility of the drainage and sewage system, electrical system, air conditioning system, fire protection system, sprinkler system, alarm system, fire hydrants and hoses, if any, installed or located on or within the Premises or the Airport.
5. AIRLINE shall not do or permit to be done any act upon the Airport that will invalidate or conflict with any fire or other casualty insurance policies of MAC covering the Airport or any part thereof.
6. AIRLINE shall not dispose of or permit any other person to dispose of any waste material taken from or products used (whether liquid or solid) with respect to its aircraft into the sanitary or storm sewers at the Airport unless such waste material or products first be properly treated by equipment installed for that purpose or otherwise disposed of pursuant to law. All such disposal shall comply with regulations of the United States Department of Agriculture and shall be in compliance with this Agreement.
7. AIRLINE shall not keep or store, during any 24-hour period, flammable liquids within the enclosed portion of the Premises in excess of AIRLINE' s working requirements during said 24-hour period, except in storage facilities and containers especially constructed for such purposes in accordance with standards established by the National Board of Fire Underwriters and approved by a governmental agency with authority to inspect such facilities for safety compliance. Any such liquids having a flash point of less than 100° shall be kept and stored in safety containers of a type approved by the Underwriters Laboratories.
8. AIRLINE shall promptly remove and dispose of any disabled aircraft that obstruct any part of the Airport, including any parts thereof, subject, however, to any requirements or direction by the National Transportation Safety Board, the FAA, or the Executive Director that such removal or disposal be delayed pending an investigation of an accident. AIRLINE consents that the Executive Director may take any and all necessary actions to effect the prompt removal or disposal of any disabled aircraft that obstructs any part of the Airport; that any costs incurred by or on behalf of the Airport for any such removal or disposal of any aircraft shall be paid by AIRLINE to MAC; that any claim for compensation against MAC, and any of its officers, agents, or employees, for any and all loss

or damage sustained to any such disabled aircraft, or any part thereof, by reason of any such removal or disposal is waived; and that AIRLINE shall indemnify, hold harmless, and defend MAC, and all of its officers, agents, and employees against any and all liability for injury to or the death of any person, or for any injury to any property arising out of such removal or disposal of said aircraft.

9. Unless otherwise authorized by this Agreement, AIRLINE shall not maintain or operate on the Airport a cafeteria, restaurant, bar, or cocktail lounge, stand, or any other facility for the purpose of providing (and AIRLINE shall not otherwise provide) food, beverages, tobacco, or merchandise for sale to the public.
10. MAC has provided for underground aircraft fueling facilities under agreements with Airlines and other users which agreements control as to installation, maintenance, and operation of the fueling facilities on the Terminal Apron and the Airport.
11. MAC may prohibit the use of the Airfield or Terminal Apron by any aircraft operated or controlled by AIRLINE which exceeds the design strength of the paving of the Airfield or Terminal Apron facilities, so long as such prohibition also extends to similar aircraft operated by other Airlines.

12. Except as otherwise authorized by this Agreement, AIRLINE shall not install, maintain or operate in the Terminal Complex, or permit the installation, maintenance, or operation in the Terminal Complex, of any vending machine or device designed to dispense or sell food, beverages, tobacco, or merchandise of any kind.
13. Access to or egress from the Airport and the AIRLINE' s Premises shall not be used, enjoyed, or extended to any person engaging in any activity or performing any act or furnishing any service for or on behalf of AIRLINE that is not authorized under the provisions of this Agreement unless expressly authorized by MAC.
14. Subject to AIRLINE' s consent, MAC retains the right to install all public telephones, facsimile machines, and other telecommunications devices and conduit in the Premises leased to AIRLINE, and to collect the proceeds therefrom.
15. MAC may designate points at which all-cargo flights may load and unload.
16. Except as otherwise authorized by this Agreement, AIRLINE shall not sell, take orders for, or deliver duty free merchandise and international travel merchandise on any outbound flight from the Airport under a program in which AIRLINE solicits or accepts order for purchase by passengers of duty

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free merchandise at any time prior to the departure of AIRLINE' s aircraft on the outbound flight from the Airport.

17. AIRLINE shall not contract to provide Ground Handling services and shall not permit the use of its Premises through a Ground Handling agreement without the advance written approval of MAC.

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C. USE OF THE INTERNATIONAL ARRIVALS FACILITY

MAC will control prioritization and utilization of the IAF and associated gates for international arrivals by Airlines providing International Regularly Scheduled Airline Service and may develop prioritization procedures not inconsistent with the terms of this Agreement. The provisions in this Section C. shall continue through December 31, 2015.

1. In order to use the International Arrivals Facility, AIRLINE must maintain its status as International Regularly Scheduled Airline Service. AIRLINE shall provide MAC a detailed written certification for each numbered element on Exhibit H, upon MAC' s request. MAC retains the right to verify the status of AIRLINE and determine whether AIRLINE qualifies as International Regularly Scheduled Airline Service.
2. Gates 1 through 9 and associated passenger loading bridges, ramp access and lobby and baggage facilities on the Gold Concourse currently leased by Northwest Airlines, Inc. (hereinafter referred to as "Northwest" or "Northwest Airlines") shall be made available for access to the International Arrivals Facility based on the following priority of use:
 - a. International Regularly Scheduled Airline Service as defined in Exhibit H.
 - b. Northwest or a Northwest Affiliated Airline domestic arrivals and departures.
 - c. Non-scheduled irregular or delayed international charter arrivals when the expected delay for the flight to use the Humphrey Terminal facility will exceed 90 minutes and the use of an IAF gate will not interfere with the scheduled use of that gate. Such interference shall be defined as the overlap of the non-scheduled use with the scheduled use such that the scheduled flight will have to be relocated to another concourse for its operation or will have to wait for a gate due to the unavailability of any gate. Use of an IAF gate by a non-scheduled flight is subject to Northwest' s approval; such approval is not to be unreasonably withheld or delayed. Northwest shall designate an individual on site to give necessary approvals.

3. Northwest shall provide all Ground Handling at the IAF gates subject to air carrier self-handling rights contained in AIP grant assurances, at rates that do not exceed those specified in the Mutual Assistance Ground Service Agreement, and Northwest shall also provide reasonable access for air carriers to data and communications systems at gates 1-9. Northwest shall be responsible for the operation and maintenance of security checkpoints, provided that invoices for third party maintenance of security equipment shall be submitted directly to MAC for payment.

4. No Airline aircraft will remain on gates 1-9 over two hours if a narrow-body or three hours if a wide-body. Northwest will coordinate any moving of aircraft with MAC's operations department, FAA and appropriate federal inspections agencies. No Airline aircraft will remain on gates 1-9 beyond the times specified above if a gate is needed by another air carrier pursuant to the priority schedule set forth above.
5. AIRLINE, if it self-handles, or Northwest, if it provides Ground Handling to AIRLINE, on gates 1-9, shall handle and dispose of all international waste on AIRLINE's aircraft in accordance with the requirements of the United States Department of Agriculture.
6. Northwest shall be responsible for all maintenance, repair, and operation of MAC jet bridges provided by MAC as part of the IAF. Northwest shall make the MAC jet bridges available for use by all users of the IAF without additional charge.

IV. PREMISES

A. LEASED PREMISES

For the Term of this Agreement, MAC, in consideration of the compensation, covenants, and agreements set forth herein to be kept and performed by AIRLINE, hereby leases to AIRLINE, upon the conditions set forth in this Agreement, the areas in the Terminal Complex as described and identified in Exhibit J and the initial assignment of aircraft parking positions as described and identified in Exhibit D. AIRLINE shall lease these areas on an Exclusive, Preferential, or Common Use basis as follows:

Ground Transportation Center Offices	Exclusive
Ticket counter and office	Exclusive
Baggage make-up area and claim office	Exclusive
VIP Clubs	Exclusive
Operations areas	Exclusive
Enclosed storage areas	Exclusive
Holdroom	Preferential
Aircraft parking positions on Terminal Apron	Preferential
Regional Ramp - MAC	Common
Regional Ramp - Northwest Airlines	Preferential
Tug drive	Common
Inbound baggage area	Common
Baggage claim area	Common
IAF sterile circulation corridor	Common
IAF Inspections Area	Common
IAF baggage claim	Common
IAF ticketing and baggage recheck	Common

In addition, MAC leases space to Northwest Airlines, Inc. in the Gold Concourse and the Temporary Regional Terminal as set forth herein.

MAC and AIRLINE may, from time to time, add, subject to availability, additional space to the various Premises of AIRLINE by jointly executing revised Exhibits J or D as appropriate. Space added to AIRLINE' s Premises shall be subject to all of the terms, conditions, requirements, and limitations of this Agreement and AIRLINE shall pay to MAC all rents, fees, and charges applicable to such additional space in accordance with the provisions of this Agreement.

B. EXCLUSIVE/PREFERENTIAL LEASED AREAS

1. MAC will provide existing space to AIRLINE in "as is" condition. MAC will provide the following for any newly constructed space:

a. TERMINAL BUILDING - MAIN FLOOR TICKETING COUNTER AND OFFICES BEHIND TICKETING AREAS.

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- 1) Finished flooring, finished acoustical tile ceiling, entrance doors and walls enclosing gross rental area. The floor immediately behind ticket counter shall be surfaced with terrazzo flooring or an equivalent alternative upon which AIRLINE may install resilient matting.
- 2) Conditioned air for comfortable occupancy (meeting normal standards for offices).
- 3) Standard lighting fixtures installed complete for illumination not less than an average of 30 foot candles measured 30 inches from the floor, and maintenance thereof exclusive of relamping and/or relocation.
- 4) Finished ticket counter shell or sectional unit (front, top, ends and turrets) of plastic laminate, designed to receive AIRLINE inserts.
- 5) Uniform lighting fixture and airline identification signage suspended over ticket counter; letters to be supplied by AIRLINE and subject to MAC approval; maintenance of fixtures including relamping.
- 6) Display framing system and mounting panels on wall directly behind the ticket counter (maintenance by AIRLINE). Material displayed shall be subject to the approval of MAC.
- 7) Electrical service (120V - 208 AC, 3 phase, 4 wire) to panel within lease space; electrical service (120V) through duplex receptacles spaced about 6 feet apart along walls enclosing lease space; single level 3-duct floor system or conduit in offices; conduit an/or ducts from power panel and telephone cabinets to the floor duct system and ticket counter base. All other wiring, conduits, ducts and outlets in this space to be installed by AIRLINE.

b. TERMINAL BUILDING - MEZZANINE FLOOR.

- 1) Finished flooring, finished acoustical tile ceilings, entrance doors and walls enclosing gross rental area.
- 2) Conditioned air for comfortable occupancy(meeting normal standards for offices).

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- 3) Standard lighting fixtures installed complete for illumination not less than an average of 30 foot candles measured 30 inches above floor and maintenance thereof exclusive of relamping and/or relocation.

- 4) Electrical service (120V-AC) through duplex receptacles about ten feet apart along walls enclosing gross rental area. All other wiring, conduits and fittings to be installed by AIRLINE.
- c. TERMINAL BUILDING - GROUND FLOOR (OPERATIONS AND BAGGAGE MAKE-UP AREAS).
- 1) Finished concrete floors, exposed concrete structure above, standard pedestrian and manual overhead doors in unpainted concrete block walls enclosing gross rental area.
 - 2) Standard lighting fixtures installed complete for illumination not less than an average of 30 foot candles measured 30 inches from the floor and maintenance thereof exclusive of relamping and/or relocation.
 - 3) Electrical service (120V - 208 AC, 3 phase, 4 wire) to panel within or adjoining leased space; 120V electrical service through duplex receptacles about 15 feet apart (48 inches above floor) along walls enclosing gross rental area. All other wiring, conduits and fittings to be installed by AIRLINE.
 - 4) Heating and ventilation meeting requirements of the Minnesota Occupational Safety and Health Administration ("OSHA") and Uniform Building Code ("UBC").
- d. CONCOURSES - OPERATIONS AREA.
- 1) Finished concrete floors, exposed structure above, exterior walls, standard pedestrian and manual overhead doors, and unpainted concrete block enclosing leased area.
 - 2) Standard lighting fixtures installed complete for illumination not less than an average 30 foot candles measured 30 inches from the floor, lighting fixtures

and maintenance thereof exclusive of relamping and/or relocation.

- 3) Electrical service (120V - 208 AC, 3 phase, 4 wire) to panel within or adjoining enclosed leased space; 120V electrical service through duplex receptacles about 15 feet apart (48 inches above floor) along walls enclosing leased space. All other wiring, conduit, duct, fittings and outlets in this space to be installed by AIRLINE.
 - 4) Cold and hot water and sanitary sewer service to designated point within gross rental area, to which AIRLINE may connect and install fixtures at AIRLINE' s expense.
 - 5) Standard fin-tube radiation, unit heaters, VAV boxes and steam and/or hot water for heating gross rental area. Packaged air conditioning units and distribution duct work for previously designated areas.
- e. CONCOURSES - GATE LOBBIES.
- 1) Finished carpeted floor, finished acoustical tile ceilings, and painted block walls enclosing lobby.
 - 2) Conditioned air for comfortable lobby occupancy.
 - 3) Standard lighting fixtures installed complete for illumination not less than an average of 30 foot candles measured 30 inches from the floor, and maintenance thereof including relamping.
 - 4) Electrical service (120V-AC) through duplex receptacles about 10 feet apart along walls enclosing gross rental area. All other wiring, conduit and fittings to be installed by AIRLINE.

2. AIRLINE will provide the following in both the main terminal building and the concourses, in addition to installation and maintenance left to the AIRLINE under Subparagraph 1 above.
 - a. All partitions subject to MAC approval as to materials, methods of attachment and workmanship, such construction to comply with all applicable building standards and codes for type 1 construction (fire resistive).

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- b. All utilities, including cost of all roughing-in, and all electrical, mechanical and plumbing fixtures for exclusive use of AIRLINE, except as provided above.
- c. All furniture, equipment and fixtures necessary for the conduct of AIRLINE' s business, including ticket counter inserts, jet bridges, scales and baggage handling equipment, including housings and doors as required, signs and flight schedules, which shall be subject to approval of MAC.
- d. All electrical energy consumed by AIRLINE, excluding lighting in baggage make-up area, gate lobbies, and mezzanine, to be metered separately and paid for by AIRLINE to the utilities company or MAC at rates not exceeding those published for equivalent power consumption at this location.

Electricity for lighting in baggage make-up area, gate lobbies, and mezzanine will be provided by MAC.

- e. All other services and supplies not provided in Paragraph 1 of this Article IV.B. All installations by AIRLINE shall conform with the requirements of applicable local, state and federal building standards, submitted for MAC approval prior to construction, and shall be performed by competent contractors acceptable to MAC.
- f. Subject to MAC approval as required herein AIRLINE may make alterations or additions in and to its leased areas and fixtures and equipment to be installed by it within the terminal building.

C. COMMON BAG CLAIM AREAS

1. MAC will provide in the common bag claim area, all on the ground floor, the following:
 - a. Finished carpeted floors, acoustic ceiling, finished walls, for all space excepting porter' s toilet.
 - b. Standard lighting fixtures providing illumination of not less than average of 30 foot candles measured 30 inches from the floor, and maintenance thereof including relamping.
 - c. Heating and mechanical ventilation of space.
 - d. Baggage claim carousels.
2. AIRLINE and other Airlines will provide the following in the common bag claim area, and shall pay the pro rata share of the cost thereof:
 - a. All furniture, equipment and fixtures necessary from time to time.

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- b. All other services and supplies not provided by MAC under Paragraph 1 above.

D. MEASUREMENT OF SPACE

In calculating the area of space to be added to or deleted from this Agreement, all measurements to determine the area of space leased or used in the Terminal Complex shall be made from the primary interior surface of the exterior walls and from the centerline to centerline of each interior wall, or, in the absence of such interior wall, the point where such said centerline would be located if such interior wall existed.

E. ACCOMMODATION OF OTHER AIRLINES

1. It is recognized by AIRLINE and MAC that from time to time during the term of this Agreement it may become necessary for the AIRLINE to accommodate another Airline (“Requesting Airline”) within its Premises or for MAC unilaterally to require AIRLINE to accommodate another Airline(s) within AIRLINE’ s Premises in furtherance of the public interest of having the Airport’ s capacity fully and more effectively utilized, as follows:
 - a. To comply with any applicable rule, regulation, order or statute of any governmental entity that has jurisdiction over MAC, and to comply with federal grant assurances applicable to MAC.
 - b. To implement a Capital Project at the Airport.
 - c. To facilitate the providing of new or additional air services at the Airport by a Requesting Airline when no Airline serving the Airport is willing to accommodate the Requesting Airline’ s operational needs or requirements for facilities at reasonable costs or on other reasonable terms.
2. When responding to Subsection E.1.a. of this Article, MAC will request accommodation through an expedited procedure that will allow compliance with the rule, regulation or order. The request for accommodation will be made based on an evaluation of the most cost effective and least disruptive alternative.

Within ten (10) days of a written notice of its intent to require accommodation, AIRLINE must accept the request or notify MAC that it wishes to meet and show cause why the accommodation should not be made.

If MAC elects to proceed with the accommodation after meeting with AIRLINE, MAC shall give AIRLINE not less than thirty (30) days notice to accomplish the accommodation.

3. In responding to a request for facilities from a Requesting Airline under Subsection E.1.b. or Subsection E.1.c. of this Article, MAC shall:

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- a. First work with the Requesting Airline to attempt to obtain access to existing Airport capacity through one or more of the following alternatives:
 - 1) To lease vacant space, if any is available, from MAC; or
 - 2) To use existing Common Use Space, if any is available; or
 - 3) To enter into a sublease or Ground Handling agreement with an existing Airline other than AIRLINE at the Airport, subject to the approval of MAC.
- b. When requested so to do by MAC and only if the alternatives set forth in E.3.a. of this Article are not available, AIRLINE agrees to use reasonable efforts to accommodate the Requesting Airline’ s requirements through joint use of its facilities or through a sublease or passenger handling or Ground Handling agreements. AIRLINE, in offering joint use of its facilities or offering a sublease or Ground Handling agreement to the Requesting Airline, is not required to provide facilities to the Requesting Airline that would be incompatible with AIRLINE’ s (including an Affiliated Airline’ s) own reasonable schedule of operations or the operations of any other Airline(s) being accommodated by AIRLINE at the time of the Requesting Airline’ s request. AIRLINE may, in connection with such accommodation, require the Requesting Airline to remove any of its aircraft or passengers from the relevant gate or holdroom if the aircraft’ s or passenger’ s continued presence would be incompatible with AIRLINE’ s (or an Affiliated Airline’ s) reasonable requirements for use of the gate or holdroom.

- c. MAC shall have the right to authorize other Airlines to use: (1) AIRLINE' s gates, holdroom areas, and loading bridges when such facilities are not required for AIRLINE' s scheduled flight activities (or those of a code share AIRLINE partner not in default of its obligations to MAC) using aircraft with 50 or more seats; and (2) AIRLINE' s preferential regional parking positions or regional terminal space when such positions or space are not required for AIRLINE' s scheduled flight activities (or those of a code share AIRLINE partner not in default of its obligations to MAC). Subject to a mutually acceptable agreement between MAC and AIRLINE covering such use, AIRLINE shall have the right to charge reasonable fees and to require reasonable advance payment for such use of AIRLINE' s gates, holdroom areas, and loading bridges (and any such fees not in excess of 115% of the rates and charges payable by AIRLINE hereunder for such premises shall be deemed reasonable). Also, AIRLINE shall have the right to require the Requesting Airline(s) to indemnify AIRLINE against liability arising out of such use and to provide

evidence of insurance at least equivalent to that required of AIRLINE hereunder and naming AIRLINE as an additional insured.

- d. Before MAC is authorized under this Agreement unilaterally to require AIRLINE to accommodate a Requesting Airline, MAC shall first request that all parties holding or requesting access to affected space discuss accommodation with each other and MAC. Only if the parties are unable to or do not reach agreement within thirty (30) days from the time MAC requests such discussions is MAC authorized to make such a decision unilaterally regarding accommodations.
- e. If the Requesting Airline fails to reach agreement with AIRLINE or any other Airline, MAC shall make a determination as to whether any Airline or Airlines have underutilized facilities or capacity available to accommodate the Requesting Airline after taking into consideration the nature and extent of those Airlines' operations at the Airport, including any requirements for spare gates and facilities and whether there are any limitations on the nature, extent, cost, duration and extension of such accommodations.
- f. In making accommodation decisions MAC shall not be arbitrary and capricious. Such determinations by MAC shall take into consideration (1) the then existing utilization of the premises (including all existing accommodation arrangements) and any bona fide plan of AIRLINE or any other Airline for the increased utilization of the premises to be implemented within twelve (12) months thereafter; (2) the need for compatibility among the current schedules, flight times, operations, operating procedures and equipment of AIRLINE or any other Airline (and its Affiliated Airlines) and those of the Requesting Airline, as well as the need for labor harmony; and (3) the effect on scheduled service carriers of accommodating charter carriers at the Terminal Complex. Any non-public information provided by AIRLINE regarding planned or proposed routes, schedules or operations shall be treated as confidential by MAC to the maximum extent permitted by law.
- g. Before MAC accommodates a Requesting Airline within AIRLINE' s Premises, MAC must give AIRLINE due notice of its intent. Within ten (10) days, AIRLINE must accept accommodation of Requesting Airline or must notify MAC that it wishes to meet with MAC to show cause why the accommodation should not be made.
- h. If MAC elects to proceed with the accommodation after meeting with AIRLINE, MAC shall give AIRLINE not less than thirty (30) days to accomplish the accommodation.

- i. Whether AIRLINE agrees to accept the accommodation of Requesting Airline, or MAC elects to proceed with accommodation over AIRLINE' s protests, the Requesting Airline has the right and the responsibility at its expense to make improvements and alterations necessitated by the accommodation of the Requesting Airline, the scope of which shall be approved by AIRLINE and MAC. If MAC issues a decision requiring

accommodation within AIRLINE' s Premises, that decision shall be a final order of MAC; AIRLINE' s continued objections may be further pursued by any means available under the law.

- j. The foregoing shall not be deemed to abrogate, change, or affect any restrictions, limitations or prohibitions on assignment, subletting or use of the premises by others under this Agreement and shall not in any manner affect, waive or change any of the provisions thereof.
4. In the event of a labor stoppage or other event which results in the cessation or substantial reduction in AIRLINE' s flights operations at the Airport, AIRLINE will immediately take all reasonable efforts, including but not limited to, moving of aircraft or equipment, providing access to AIRLINE' s holdrooms and jet bridges or anything else in AIRLINE' s control, in order to accommodate the operations of other Airlines providing air service to the Airport; provided that: (a) AIRLINE at all times will have access to its premises and equipment for operational reasons and (b) AIRLINE shall not be required to take any action which would interfere with its ability to re-institute service upon cessation of labor stoppage or other event.). Subject to a mutually acceptable agreement between MAC and AIRLINE covering such use, AIRLINE shall have the right to charge reasonable fees and to require reasonable advance payment for such use of AIRLINE' s gates, holdroom areas, and loading bridges (and any such fees not in excess of 115% of the rates and charges payable by AIRLINE hereunder for such premises shall be deemed reasonable).
5. Each Airline shall provide MAC with each published schedule change with a gate plot showing all times when aircraft are scheduled to be utilizing each gate leased to such Airline, including aircraft type, projected arrival and departure times, and point of origin or destination, including activities by subtenants or airlines being accommodated.

F. WIDE BODY AND BOEING 757 ACCESS

Notwithstanding any other provisions in this Agreement, Northwest Airlines will accommodate the requirements of any Requesting Airline for scheduled wide body or Boeing 757 (or similarly sized aircraft) service at one of its gates within the Terminal Complex, provided that: (1) Requesting Airline must not be able

physically to accommodate such wide body or Boeing 757 (or similarly sized aircraft) service on any of its own leased premises; and (2) MAC will take all reasonable efforts to provide access for any narrow body aircraft operated by Northwest which are displaced.

G. ACCESS

MAC shall have the right at any time or times to close, relocate, reconstruct, change, alter, or modify any means of access to or egress from the Airport or AIRLINE' s Premises, either temporarily or permanently; provided that MAC provides reasonable notice to AIRLINE and that a reasonably convenient and adequate means of access, ingress, and egress shall exist or be provided in lieu thereof. This right is subject to the following conditions:

1. There shall not be a net increase in AIRLINE' s Leased Area without AIRLINE' s consent.
2. MAC must consult with AIRLINE to take area away from AIRLINE.
3. Reasonable replacement facility space shall be provided.
4. Cost of work including Capital Costs associated with reestablishing AIRLINE' s facilities, to the extent they are "in kind" replacements, shall be borne by MAC and allocated to the appropriate cost center.
5. MAC shall compensate AIRLINE for the unamortized cost of any leasehold improvements to the extent that such improvements can not be reused.
6. If loss of space is 30 days or less there shall be no rent adjustment. If loss of space is temporary but greater than 30 days, AIRLINE' s rent will be proportionately abated and the amount of the rentabatement shall be allocated to the

appropriate cost center. If the loss of space is permanent, the Leased Premises and corresponding rent shall be adjusted by lease amendment.

H. SHORT TERM GATES

The holdrooms, aircraft parking positions and operations space associated with Gates 41, 43, 44, 44A, 46, 76 and 77, as shown on Exhibit J (hereinafter referred to as "Short Term Gates") shall be made available to Airlines on the following basis in order to promote Airport access on fair and reasonable terms:

1. AIRLINE shall lease Short Term Gate space under its control on the same basis as provided in this Agreement, except as provided in this Paragraph.
2. MAC may, in its discretion, cancel the lease of a Short Term Gate leased by AIRLINE if an Airline presently not leasing a gate directly from MAC or not

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currently providing air service to the Airport is proposing to add additional air service and desires to lease a gate directly from MAC. The following procedures shall be followed before a Short Term Gate lease may be cancelled:

- a. If an Airline presently not leasing a gate directly from MAC or not currently providing air service to the Airport is proposing to add additional air service and desires to lease a gate directly from MAC, MAC may in its discretion issue a Notice of Cancellation. The Notice of Cancellation may become effective after 90 days.
 - b. In the event of a decision to cancel a Short Term Gate, MAC will work with AIRLINE to attempt to accommodate AIRLINE' s schedule pursuant to the procedures of Article IV.E.3.
 - c. MAC may extend the time periods set forth in this provision for good cause, e.g. the unavailability of replacement jet bridges or other ground equipment.
3. In the event MAC cancels the lease of a Short Term Gate pursuant to this Paragraph, it shall compensate AIRLINE for the unamortized cost of improvements made to the leased premises of a Short Term Gate. AIRLINE shall retain and remove AIRLINE property (e.g. jet bridge or other ground equipment, computers, inserts) or may negotiate their sale.
 4. The appearance of a Short Term Gate shall be "generic" i.e. generic carpet, neutral wall finishes and no distinguishing colors on the podium or backwall except as to improvements existing as of the date of this Agreement. AIRLINE may hang corporate banners or posters and name identification signs so long as they can be detached without significantly damaging the premises or AIRLINE commits to restoring the premises without cost to MAC.
 5. If AIRLINE is leasing only one holdroom from MAC, it may request that MAC remove the Short Term Gate designation from a holdroom by demonstrating that it has met the following conditions:
 - a. AIRLINE has not been in default on any rental, security deposit, PFC or other financial obligations to MAC for any of the previous twelve consecutive months; and
 - b. AIRLINE has maintained an Average Daily Utilization at least equal to seven departures for each of the previous twelve consecutive months. For purposes of this provision "Average Daily Utilization" shall mean the number of AIRLINE' s and an Affiliated Airline' s scheduled aircraft departures using the gate with aircraft of fifty or more seats in a calendar month, divided by the number of days in that calendar month; provided, however,

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that if AIRLINE' s or the Affiliated Airline' s actual flight activity differs by more than five percent (5%) from its published schedule in any calendar month, MAC shall use AIRLINE' s or the Affiliated Airline' s actual total departures for purpose of calculating Average Daily Utilization.

I. REGIONAL RAMP

MAC shall:

1. Designate parking positions on the Regional Ramp for Preferential Use by AIRLINE in accordance with Exhibit L and shall update this Exhibit to reflect construction changes; provided, however, that during any time in which a parking position is not required for use by AIRLINE or an Affiliated Airline, MAC may require AIRLINE to accommodate another Airline during any time in which a parking position is not required for use by AIRLINE or an Affiliated Airline, subject to the standards and procedures in Article IV.E.3. (and credit AIRLINE for any rents received from such Airline);
2. Allocate all unassigned parking positions on the Regional Ramp for Common Use and shall assign their use to AIRLINE or an Affiliated Airline upon request or to another Airline on a Preferential Use basis; and
3. Designate support areas on the Regional Ramp for use by ground service equipment.

J. RELINQUISHMENT OF PREMISES

1. NOTICE OF INTENT TO RELINQUISH PREMISES

In the event AIRLINE desires to relinquish any of its Premises, AIRLINE shall provide written notice to MAC thirty (30) days in advance of such relinquishment and shall identify in such notice all areas it wishes to relinquish. MAC shall make its best efforts to lease such areas to another Airline, to the extent the proposed relinquished Premises is suitable for another Airline.

2. NON-WAIVER OF RESPONSIBILITY

AIRLINE shall continue to be solely responsible pursuant to this Agreement for the payment of all rents, charges and fees related to the Premises until another Airline commences payment for Premises as provided below.

3. REDUCTION OF RENTS, FEES, AND CHARGES

AIRLINE' s rents, fees and charges related to that portion of the Premises taken by another Airline, pursuant to such Airline' s agreement with MAC,

shall be reduced in the amount of the rent, fees and charges paid by such other Airline. This reduction shall begin only when the Airline that contracted with MAC for its use of the Premises begins payment for the Premises and shall end if such Airline becomes delinquent in payment for the Premises.

K. MID-TERM RELINQUISHMENT OF PREMISES

As provided below, in the event the actual airline cost per Enplaned Passenger exceeds \$5.16 per Enplaned Passenger (in 1998 dollars) as calculated below, in Fiscal Year 2002, AIRLINE shall be permitted on a one-time basis to relinquish a portion of its Premises pursuant to this Subsection, such relinquishment to be effective January 1, 2004.

1. NOTICE OF INTENT TO RELINQUISH PREMISES

On or before June 30, 2003, MAC shall provide AIRLINE with the actual airline cost per Enplaned Passenger calculation for Fiscal Year 2002. Provided that the airline cost per Enplaned Passenger amount exceeds the amount set forth in this Subsection, AIRLINE shall be permitted to relinquish a portion of its Premises effective January 1, 2004. AIRLINE shall provide written notice to MAC by no later than September 30, 2003 of its intent to relinquish a portion of its Premises pursuant to this Subsection and shall identify in such notice the areas it wishes to relinquish.

2. LIMITATIONS ON RELINQUISHMENT OF PREMISES

The portion of Premises that AIRLINE shall be permitted to relinquish pursuant to this Subsection shall be limited to one-half of its Premises, up to a maximum of two aircraft parking positions with associated holdrooms, and an allocable portion of other AIRLINE Exclusive Use Space. MAC may require that AIRLINE relinquish other Exclusive Use Space proportional to AIRLINE' s share of holdrooms that is relinquished.

3. TREATMENT OF RELINQUISHED PREMISES

The square footage of Premises that is relinquished pursuant to this Subsection and is designated as Rentable Space shall not be regarded as Rentable Space until such time as such relinquished space is leased to another Airline.

4. CALCULATION OF AIRLINE COST PER ENPLANED PASSENGER

MAC shall calculate the airline cost per Enplaned Passenger based on actual revenues from rents, fees, and charges paid by all Airlines during Fiscal Year 2002; provided, however, that the number of Enplaned

Passengers used to calculate the airline cost per Enplaned Passenger shall be the larger of (a) the actual number of Enplaned Passengers at the Airport for Fiscal Year 2002, or (b) 14,456,000 (the number of Enplaned Passengers at the Airport in Fiscal Year 1997). For the purpose of expressing the cost per Enplaned Passenger in 1998 dollars, MAC will use the Implicit Price Deflator for Gross Domestic Product, or a similar price index, published by the U.S. Department of Commerce, Bureau of Economic Analysis.

L. SURRENDER OF PREMISES

1. Upon termination of this Agreement in its entirety, whether by its terms or by earlier cancellation, AIRLINE' s rights to use the Premises, facilities, rights, licenses, services and privileges hereby given shall cease, and AIRLINE shall forthwith surrender possession to MAC.
2. All structures, fixtures, improvements, equipment and other property bought, installed, erected or placed by AIRLINE on the Premises or elsewhere on the Airport, including without limiting the generality thereof storage tanks, pipes, pumps, wires, poles, machinery and air conditioning equipment, shall be deemed to be personal property and remain the property of the AIRLINE, and AIRLINE shall have the right to remove the same if AIRLINE is not then in default; provided that AIRLINE shall remove its property within a period of ninety (90) days after termination, and shall restore the Premises to its condition as of the commencement of the Term hereof, ordinary wear and tear or damage by the elements, fire, explosion and other casualty excepted, but including any environmental restoration.
3. If AIRLINE' s property is not so removed and the Premises restored prior to the expiration of the aforesaid period of ninety (90) days, MAC shall thereafter have the right, by giving AIRLINE written notice thereof, to take title to AIRLINE' s property located on the Premises, or alternatively, to cause such property to be removed and sold or otherwise disposed of as MAC may elect, and AIRLINE hereby constitutes MAC its agent for the purpose of such removal and sale, and authorizes MAC in its sole discretion to determine the method of disposition. AIRLINE shall be responsible for any and all reasonable costs incurred by MAC in the removal of AIRLINE' s property from the Premises and the disposition thereof and for restoration of the Premises. MAC shall pay over to AIRLINE any amount received from disposition of AIRLINE' s property in excess of the cost of removal, disposition, and restoration.

4. MAC reserves the right to make a reasonable rental charge covering the period following termination of the Agreement to the date of removal of AIRLINE' s property or until MAC gives AIRLINE notice of taking title thereto provided that no charge shall be made for the first thirty (30) days following termination of the Agreement.

V. RENTS, FEES, AND CHARGES

A. GENERAL

For use of the Premises, facilities, rights, licenses, services and privileges granted hereunder, AIRLINE agrees to pay MAC during the Term of this Agreement the rents, fees and charges as hereinafter described. In addition, AIRLINE agrees to pay MAC applicable fees set forth in Article XIII, Supplemental Agreements.

B. RENTS, FEES, AND CHARGES

1. LANDING FEES. AIRLINE shall pay to MAC monthly landing fees to be determined by multiplying the number of 1,000-pound units of AIRLINE' s Total Landed Weight during the month by the then-current landing fee rate. The landing fee rate shall be calculated according to procedures set forth in Article VI.
2. ENVIRONMENTAL SURCHARGES. AIRLINE shall pay to MAC monthly environmental surcharges to be determined by multiplying the number of AIRLINE' s Stage 2 and Stage 3 aircraft operations during the month by the then-current environmental surcharge rate. The environmental surcharge rate shall be calculated according to procedures set forth in Article VI. The environmental surcharge will be terminated effective January 1, 2000.
 - a. EXCESS STAGE 2 FEES. AIRLINE shall pay to MAC excess Stage 2 fees to be determined by multiplying the number of Stage 2 Operations conducted by AIRLINE during the year by the then-current excess Stage 2 fee rate. The excess Stage 2 fee rate shall be calculated according to procedures set forth in Article VI. The excess Stage 2 fee will be terminated effective January 1, 2000.
 - b. STAGE 3 CREDIT. AIRLINE shall receive a Stage 3 credit from MAC against the environmental surcharge and the excess Stage 2 fees, to be determined by multiplying the Stage 3 credit by the proportion that AIRLINE' s Stage 3 Operations represents of total Stage 3 Operations of Signatory Airlines at the Airport. The Stage 3 credit shall be calculated according to procedures set forth in Article VI. The Stage 3 credit will be terminated effective January 1, 2000.
3. TERMINAL APRON FEES. AIRLINE shall pay to MAC monthly Terminal Apron fees to be determined by multiplying the number of lineal feet of Terminal Apron under lease to AIRLINE during the month by the then-current Terminal Apron rate. The Terminal Apron rate shall be calculated according to procedures set forth in Article VI.

4. REGIONAL RAMP FEES. AIRLINE shall pay to MAC monthly regional ramp fees based upon the regional ramp fee rate then in effect. The regional rate shall be calculated according to procedures set forth in Article VI.
5. TERMINAL BUILDING RENTS. AIRLINE shall pay to MAC monthly Terminal Building rentals for its Exclusive (janitored and unjanitored), Preferential and Common Use Space in the Terminal Building. The Terminal Building rental rates shall be calculated according to procedures set forth in Article VI.

Terminal Building rentals for Common Use Space (except the IAF) shall be prorated among Signatory Airlines using the Common Use Formula.

6. CARROUSEL AND CONVEYOR CHARGES. AIRLINE shall pay to MAC monthly carrousel and conveyor charges based upon maintenance and operating costs and direct depreciation and interest costs. The carrousel and conveyor charges shall be calculated according to the procedures set forth in Article VI and shall be prorated among Signatory Airlines using the Common Use Formula.
 7. IAF GATE FEES. AIRLINE shall pay to MAC monthly IAF gate fees determined by multiplying the number of arrivals at the IAF by AIRLINE' s propeller aircraft, narrow-body jet aircraft, and wide-body jet aircraft by \$400, \$800, and \$1,200, respectively.
 8. IAF USE FEES. AIRLINE shall pay to MAC monthly IAF use fees determined by multiplying the number of AIRLINE' s international passengers arriving at the IAF during the month by the IAF use fee rate. The IAF use fee rate shall be calculated according to procedures set forth in Article VI.
 9. OTHER FEES AND CHARGES. AIRLINE shall pay to MAC reasonable fees for the various other services provided by MAC to AIRLINE. These services include, but may not be limited to, the following:
 - a. Use of the Humphrey Terminal and Humphrey ramp at rates established from time to time by MAC.
 - b. Use of Garage Parking Cards by AIRLINE' s employees at rates set forth in the Guidelines for Administering Validated Airport Parking.
 - c. Use of designated employee parking facilities by AIRLINE' s employees at rates established from time to time by MAC.
 - d. Nonroutine Terminal Apron cleaning and other special services requested by AIRLINE at rates that reflect the costs incurred by MAC.
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- e. Security and personnel identification badges for AIRLINE' s personnel at rates established from time to time by MAC.
- f. Office services, such as facsimile, photocopying, or telephone provided by MAC. Charges for these services shall be at the rates that MAC customarily charges for such services.
- g. Charges for the cost of separately metered water and sewer and other such utilities not otherwise included in the calculation of rents, fees, and charges.

C. MONTHLY ACTIVITY REPORT

1. CONTENTS AND DUE DATE

Without any demand therefor AIRLINE shall furnish MAC on or before the 10th day of each and every month, the IAF reports and an accurate written report of AIRLINE' s operations during the preceding month, setting forth all data necessary to calculate the AIRLINE' s fees and charges due under this Agreement. Said report shall be in a format prescribed by MAC and shall include the following: (a) AIRLINE' s actual aircraft revenue flight arrivals at the Airport by type of aircraft, Maximum Certificated Gross Landing Weight of each type of aircraft, and Total Landed Weight; (b) the total number of Enplaned, Deplaned, Non-Rvenue and Through Passengers of AIRLINE at the Airport, breaking Enplaned Passengers into originating and connecting passengers; (c) the amount of domestic and international cargo, mail, and express packages (in pounds) enplaned and deplaned by AIRLINE at the Airport; (d) the total number of Stage 2 and Stage 3 landings and other landings not otherwise classified as a Stage 2 or a Stage 3 landing; (e) the total number of scheduled and nonscheduled aircraft operations; and (f) a

summary reflecting all of AIRLINE' s actual flight activity by aircraft type for gates, the regional ramp, and the IAF.

AIRLINE shall also provide to MAC a separate report for each Affiliated Airline unless separately reported to MAC by such Affiliated Airline.

2. FAILURE TO REPORT

If AIRLINE fails to furnish MAC with the monthly activity report by the due date, AIRLINE' s landing fees, environmental surcharge, IAF gate fees, and IAF use fees, as provided for hereinafter, shall be determined by assuming that AIRLINE' s activity factor, as appropriate for each fee, for such month was one hundred percent (100 percent) of its activity factor, as appropriate for each fee, during the most recent month for which such data are available for AIRLINE. Any necessary adjustment in such fees shall be calculated after an accurate report is delivered to MAC by AIRLINE for the month in question. Resulting surpluses or deficits shall be applied as

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credits or charges to the appropriate invoices in the next succeeding month.

3. INSPECTION AND MAINTENANCE OF RECORDS

AIRLINE shall maintain records, accounts, books and data with respect to its operations at the Airport sufficient to permit MAC to calculate and verify the rents, fees and charges due under this Agreement, which shall cover a period of not less than three (3) years beyond the end of AIRLINE' s fiscal year in which such record was created. Such records shall be subject to inspection and audit by MAC at all reasonable times.

D. SECURITY DEPOSITS

1. Unless AIRLINE has provided regularly scheduled passenger, all cargo or combination flights to and from the Airport for the twelve (12) months immediately prior to AIRLINE' s execution of this Agreement (or immediately prior to the assignment of this Agreement to AIRLINE) without an act or omission having occurred that would have been an event of default under Article XIV of this Agreement if this Agreement had been in effect during this period, AIRLINE shall provide MAC upon the execution of this Agreement (or upon the assignment of this Agreement to AIRLINE) with a contract bond, irrevocable letter of credit or other security acceptable to MAC ("Contract Security") in an amount equal to the total of three (3) months' estimated rents, fees and charges payable by AIRLINE under Article V of this Agreement plus three (3) months' estimated PFC collections under this Article V, to guarantee the faithful performance by AIRLINE of all of its obligations under this Agreement and the payment of all rents, fees, and charges due hereunder and of all PFCs due to MAC. Such Contract Security shall be in such form and with such company licensed to do business in the State of Minnesota as shall be acceptable to MAC within its reasonable discretion.
2. AIRLINE shall be obligated to maintain Contract Security in an amount equal to MAC' s estimate of three months' rents, fees, and charges plus three (3) months' estimated PFC collections payable hereunder and to maintain this Contract Security in effect until the expiration of twelve (12) consecutive months (including any period prior to AIRLINE' s execution of this Agreement during which AIRLINE provided regularly scheduled flights to and from the Airport) during which no event of default under Article XIV of this Agreement (and for any such prior period, no act or omission that would have been such an event of default hereunder) has occurred. If such Contract Security should be canceled, AIRLINE shall provide a renewal or replacement Contract Security for the period required pursuant to this Section. AIRLINE shall provide at least sixty (60) days prior written notice of the date on which any Contract Security expires or is subject to cancellation.

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3. If an event of default under Article XIV, A. 1, 2, or 5 of this Agreement shall occur, MAC shall have the right, by written notice to AIRLINE given at any time within ninety (90) days of such event of default, to impose or

reimpose the requirements of this Section on AIRLINE. In such event, AIRLINE shall within ten (10) days from its receipt of such written notice provide MAC with the required Contract Security and shall thereafter maintain such Contract Security in effect until the expiration of the required period during which no event of default under Article XIV of this Agreement occurs. MAC shall have the right to reimpose the requirements of this Section on AIRLINE each time an event of default occurs during the Term of this Agreement. MAC' s rights under this Section shall be in addition to all other rights and remedies provided it under this Agreement.

4. To the extent that AIRLINE holds any property interest in PFC funds collected for the benefit of MAC, AIRLINE hereby pledges to MAC and grants MAC a first priority security interest in such funds, and in any and all accounts into which such funds are deposited.

E. PAYMENT PROVISIONS

1. Terminal rentals for Exclusive and Preferential Use Premises, fees per the Common Use Formula, and Terminal Apron Fees shall be due and payable the first day of each month in advance without invoice from MAC.
2. Within ten (10) days following the last day of each month, AIRLINE shall transmit to MAC payment for the amount of landing fees, environmental surcharges, IAF gate fees, and IAF use fees incurred by AIRLINE during said month, as computed by AIRLINE without invoice from MAC.
3. All other rents, fees, or charges set forth herein, including supplemental billings for year-end adjustments, if any, shall be due within thirty (30) days of the date of the invoice therefor.
4. The acceptance by MAC of any payment made by AIRLINE shall not preclude MAC from verifying the accuracy of AIRLINE' s report and computations or from recovering any additional payment actually due from AIRLINE.
5. Any payment not received within thirty (30) days of the due date shall accrue interest at the rate of 1.5 percent per month measured from the due date until paid in full.
6. Payments shall be made to the order of the "Metropolitan Airports Commission." Airline agrees to cooperate with MAC in the development of electronic transfer of funds as the method of payment.

7. Payments shall be sent to the following address or such other place as may be designated by MAC from time to time:

Metropolitan Airports Commission

NW-9227

Minneapolis, MN 55485

F. NET AGREEMENT

This is a net agreement with reference to rents, fees, and charges paid to MAC. AIRLINE shall pay all taxes, fees, or assessments of whatever character that may be lawfully levied, assessed, or charged by any governmental entity upon the property, real and personal, occupied, used, or owned by AIRLINE, or upon the rights of AIRLINE to occupy and use the Premises, or upon AIRLINE' s improvements, fixtures, equipment, or other property thereon, or upon AIRLINE' s rights or operations hereunder. AIRLINE shall have the right at its sole cost and expense to contest the amount or validity of any tax or license as may have been or may be levied, assessed, or charged.

G. NO OTHER FEES AND CHARGES

Except as expressly provided for herein, including but not limited to Article III.B.3., no further rents, fees, or charges shall be charged against or collected from AIRLINE, its passengers, shippers, and receivers of freight and express packages and

its suppliers of goods and services, by MAC for the Premises, facilities, rights and licenses granted to AIRLINE in this Agreement.

H. PASSENGER FACILITY CHARGES

MAC expressly reserves the right to assess and collect PFCs in accordance with the PFC Regulations. The following shall apply to the collection of PFCs:

1. AIRLINE shall hold the net principal amount of all PFCs that are collected by AIRLINE or its agents on behalf of MAC pursuant to 49 U.S.C. App. Section 1513 and the rules and regulations thereunder (14 C.F.R. Part 158, herein the "PFC Regulations") in trust for MAC. For purposes of this Section, net principal amount shall mean the total principal amount of all PFCs that are collected by AIRLINE or its agents on behalf of MAC, reduced by all amounts that AIRLINE is permitted to retain pursuant to Section 158.53(a) of the PFC Regulations.
2. In the absence of additional regulations governing the treatment of refunds, any refunds of PFCs due to passengers as a result of changes of itinerary shall be paid proportionately out of the net principal amount attributable to such PFCs and the amount that AIRLINE was permitted to

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retain under Section 158.53(a) of the PFC Regulations attributable to such PFCs. AIRLINE hereby acknowledges that the net principal amount of all PFCs collected on behalf of MAC shall remain at all times the property of MAC, except to the extent of amounts refunded to passengers pursuant to the preceding sentence (which shall remain the property of MAC until refunded and become the property of the passenger upon and after refund). Other than the amounts that AIRLINE is entitled to retain pursuant to Section 158.53 of the PFC Regulations, AIRLINE shall be entitled to no compensation.

3. In the event AIRLINE fails to remit PFC revenues to MAC within the time limits established in the PFC Regulations, such event shall be an event of default subject to Article XIV of this Agreement.

I. NON-WAIVER

The acceptance of fees by MAC for any period or periods after a default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by AIRLINE, shall not be deemed a waiver of any right on the part of MAC to terminate this Agreement for failure by AIRLINE to perform, keep or observe any of the terms, covenants or conditions of this Agreement.

J. NONSIGNATORY LANDING FEES

The landing fee rate charged to any Airline that is not a Signatory Airline shall be in accordance with the rates established by ordinance from time to time by MAC.

K. AFFILIATED AIRLINE

If AIRLINE is an Affiliated Airline, then AIRLINE is not obligated to pay MAC the fixed (i.e. 20%) portion of the Common Use Bag Claim and Carrousel Charges and the Security Deposit requirement in Article V.D. If AIRLINE has designated an Airline as an Affiliated Airline, AIRLINE hereby unconditionally guarantees all rents, fees and charges including passenger facility charges of any Affiliated Airline so designated by AIRLINE, and upon receipt of notice of default by such Affiliated Airline (with a copy to AIRLINE), AIRLINE will pay such amounts to MAC on demand pursuant to the payment provisions of this Agreement. AIRLINE must give MAC thirty (30) days advance written notice in order to designate an Airline as an Affiliated Airline or to revoke such status.

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VI. CALCULATION OF RENTS, FEES, AND CHARGES

A. GENERAL

Effective January 1, 1999 and for each Fiscal Year thereafter, rents, fees, and charges will be reviewed and recalculated based on the principles and procedures set forth in this Article. The annual costs associated with each of the indirect cost centers shall be allocated to each of the Airport Cost Centers based on the allocations as set forth in Exhibit M, Indirect Cost Center Allocation, which allocations may be amended from time to time by mutual consent of MAC and a Majority-In-Interest of Signatory Airlines. Such consent may not be unreasonably withheld.

B. CALCULATION/COORDINATION PROCEDURES

1. AIRLINE shall provide to MAC: (a) on or before August 1 of each year a preliminary estimate of Total Landed Weight for the succeeding calendar year of AIRLINE and each Affiliated Airline, unless separately reported to MAC by such Affiliated Airline; and (b) on or before October 1 of each year a final estimate of such weight. If the final estimate is not so received, MAC may continue to rely on the preliminary estimate for the MAC budgeting process. MAC will utilize the forecast in developing its preliminary calculation of Total Landed Weight for use in the calculation of rents, fees, and charges for the ensuing Fiscal Year.
2. On or before October 15 of each Fiscal Year, MAC shall submit to AIRLINE a preliminary calculation of rents, fees, and charges for the ensuing Fiscal Year. The preliminary calculation of rents, fees, and charges will include, among others, MAC's estimate of all revenue items, Operation and Maintenance Expenses, depreciation and imputed interest, Capital Outlays, required deposits, including amounts necessary to be deposited in the Coverage Account in order to meet MAC's rate covenant under the Trust Indenture, and Rentable Space. The calculation of depreciation and imputed interest will be based on MAC's determination of the useful life of each asset and the weighted average cost of capital, respectively, under generally accepted accounting principles, except that unless specifically prohibited by generally accepted accounting principles applicable to a particular project, (a) Terminal Building projects involving building or structural changes added to the rate calculation after January 1, 1999 and which would otherwise have been depreciated over 20-25 years shall be depreciated over 30 years, and (b) ramp and runway projects involving replacement concrete or ramp work added to the rate calculation after January 1, 1999 and which would otherwise have been depreciated over 20-25 years shall be depreciated over 30 years.
3. Within fifteen (15) days after receipt of the preliminary calculation of rents, fees, and charges, if requested by the Signatory Airlines, a

meeting shall be scheduled between MAC and the Signatory Airlines to review and discuss the proposed rents, fees, and charges.

4. MAC shall then complete a calculation of rents, fees, and charges at such time as the budget is approved, taking into consideration the comments or suggestions of AIRLINE and the other Signatory Airlines.
5. If, for any reason, MAC's annual budget has not been adopted by the first day of any Fiscal Year, the rents, fees, and charges for the Fiscal Year will initially be established based on the preliminary calculation of rents, fees, and charges until such time as the annual budget has been adopted by MAC. At such time as the annual budget has been adopted by MAC, the rents, fees, and charges will be recalculated, if necessary, to reflect the adopted annual budget and made retroactive to the first day of the Fiscal Year.
6. If, during the course of the year, MAC believes significant variances exist in budgeted or estimated amounts that were used to calculate rents, fees, and charges for the then current Fiscal Year, MAC may after notice to Airlines adjust the rents, fees, and charges for future reports to reflect current estimated amounts.

C. LANDING FEES

MAC shall calculate the landing fee rate in the following manner and as illustrated in Exhibit N.

1. The total estimated Airfield Cost shall be calculated by totaling the following annual amounts:

- a. The total estimated direct and allocated indirect Operation and Maintenance Expenses allocable to the Airfield cost center.
- b. The estimated direct and allocated indirect depreciation and imputed interest on the net Capital Cost (after grants and PFCs) allocable to the Airfield cost center. MAC agrees to defer the start of recovery through landing fees of depreciation and imputed interest on \$49.683 million of project costs included in the Runway 17/35 Program from their original date of beneficial occupancy to 2006. Carrying costs for such projects during this deferral period shall be calculated with the amount added to the original project cost (which, if debt funded, includes the allocated portion of capitalized interest, debt service reserve funds, issuance costs, and other such cost elements related to such debt) for recovery through the project's depreciation and imputed interest calculations starting in 2006. Depreciation and imputed interest on these projects shall be recovered over the depreciation periods set forth in Article VI.B.2.

- c. The estimated imputed interest (net of grants and PFCs) on the historical cost of MAC's investment in land.
 - d. The total estimated direct and allocated indirect cost (net of grants and PFCs) of Capital Outlays allocable to the Airfield cost center.
 - e. The amount of any fine, assessment, judgment, settlement, or extraordinary charge (net of insurance proceeds) paid by MAC in connection with the operations on the Airfield, to the extent not otherwise covered by Article X.
 - f. The amounts required to be deposited to funds and accounts pursuant to the terms of the Trust Indenture, including, but not limited to, its debt service reserve funds allocable to the Airfield cost center. MAC agrees to exclude from the calculation of landing fees the amounts which it may deposit from time to time to the maintenance and operation reserve account and the Coverage Account established and maintained pursuant to the Trust Indenture except for such amounts which are necessary to be deposited to the Coverage Account in order for MAC to meet its rate covenant under the Trust Indenture.
 - g. Any amounts required to be collected from landing fees pursuant to 1999 Minn. Laws Chapt. 243-Omnibus Tax Bill (Richfield Bonds) unless such payment is prohibited by applicable federal law.
2. The total estimated Airfield Cost shall be adjusted by the total estimated annual amounts of the following items to determine the Net Airfield Cost:
- a. Service fees received from the military, to the extent such fees relate to the use of the Airfield;
 - b. General aviation and nonsignatory landing fees;
 - c. Off-Airport Aircraft Noise Costs until January 1, 2000; and
 - d. Depreciation and imputed interest on the Capital Cost, if any, disapproved by a Majority-In-Interest of Signatory Airlines.
 - e. Landing Fee Deferral/Addition.

- i. Unless such amounts are required for MAC to comply with its rate covenant under the Trust Indenture, MAC will defer the collection of \$1.761 million for FY1999 and \$3.753 million for FY2000.

- ii. Unless such amounts are required for MAC to comply with its rate covenant under the Trust Indenture, with respect to the period from FY2001 through FY2006, MAC will prepare an estimated landing fee rate as follows: Using the amount of landing fees that would result from the estimated landing fee rate, along with the other Airline fees and charges normally used to determine Airline payments per enplanement (hereinafter "APPE"), MAC will calculate a projected APPE amount for the upcoming fiscal year using such Airline payments divided by the greater of (a) MAC's projection of enplanements for such fiscal year or (b) the actual enplanement amounts for the prior fiscal year increased for 2 years by 3 percent per year.

If the projected APPE amount for an upcoming fiscal year exceeds the APPE amount for 1998, escalated by 6.85 percent per year (hereinafter "APPE Comparison Amount"), then MAC shall reduce the amount to be recovered from Airlines through landing fees in the upcoming fiscal year to equate to the APPE Comparison Amount; provided, however, that the total amount of any such reduction in any fiscal year shall not exceed the amount shown in the following table:

<u>FISCAL YEAR</u>	<u>AMOUNT</u>
2001	5.031 \$ million
2002	6.790 \$ million
2003	0.875 \$ million
2004	7.606 \$ million
2005	1.917 \$ million
2006	5.672 \$ million

- iii. Any amounts deferred pursuant to this provision shall be recorded in a deferred revenue account. Balances in such account shall accrue interest at 6.1 percent per annum.
- iv. With respect to FY 1999 through FY2006, the deferred revenue account may be added to landing fees to the extent that the projected APPE amount for that fiscal year is less than the APPE Comparison Amount for that fiscal year. With respect to FY2007 through FY2010, the balance in the deferred revenue account, along with any future interest accruals, shall be recovered in total from the Airlines by adding a portion of the deferred amount,

with interest, to landing fees, based upon the following percentage:

15 % of the deferred amount in FY2007, plus accrued interest
40% of the deferred amount in FY2008, plus accrued interest
40% of the deferred amount in FY2009, plus accrued interest
5% of the deferred amount in FY2010, plus accrued interest

3. The Net Airfield Cost shall then be divided by the estimated Total Landed Weight (expressed in thousands of pounds) of the Signatory Airlines operating at the Airport to determine the landing fee rate per 1,000 pounds of aircraft weight for a given Fiscal Year.

D. ENVIRONMENTAL SURCHARGE

Signatory Airlines operating stage 2 and/or stage 3 aircraft at the Airport shall pay an environmental surcharge and excess stage 2 fee, and shall receive a stage 3 credit, as applicable, for operations of stage 2 and stage 3 aircraft at the Airport until January 1, 2000 at which time the environmental surcharge, excess stage 2 fee, and stage 3 credit will be terminated and the applicable costs shall be included in the landing fees as provided elsewhere in this Agreement. MAC shall calculate the environmental surcharge, excess stage 2 fee, and stage 3 credit in the following manner and as illustrated in Exhibit N.

1. MAC shall calculate the environmental surcharge prior to the beginning of the Fiscal Year based on the estimated Off-Airport Aircraft Noise Costs and shall recalculate the environmental surcharge following the end of the Fiscal Year based on procedures in Section J of this Article. MAC shall calculate the excess stage 2 fee and stage 3 credit following the end of the Fiscal Year based on actual costs and operations.
2. MAC shall calculate the environmental surcharge rate by dividing the estimated annual Off-Airport Aircraft Noise Costs, net of environmental surcharges paid by nonsignatory airlines, by the total number of Stage 2 and Stage 3 Operations of Signatory Airlines at the Airport to produce a rate per aircraft operation.
3. MAC shall calculate the excess stage 2 fee rate by multiplying the annual environmental surcharge rate by thirty (30) percent to produce an excess stage 2 fee rate per Stage 2 Operation.
4. The stage 3 credit shall be equal to the total excess stage 2 fees paid by the Signatory Airlines at the Airport in a given Fiscal Year.

5. Credits under this Section shall not exceed fees under this Section for any Signatory Airline in a given Fiscal Year.

E. TERMINAL APRON FEES

MAC shall calculate the terminal apron rate in the following manner and as illustrated in Exhibit N.

1. The total estimated Terminal Apron Cost shall be calculated by totaling the following annual amounts:
 - a. The total estimated direct and allocated indirect Operation and Maintenance Expenses allocable to the Terminal Apron cost center.
 - b. The estimated direct and allocated indirect depreciation and imputed interest on the net Capital Cost (after grants and PFCs) allocable to the Terminal Apron cost center (excluding hydrant fueling repairs and modifications).

- c. The total estimated direct and allocated indirect cost (net of grants and PFCs) of Capital Outlays allocable to the Terminal Apron cost center.
 - d. The amounts required to be deposited to funds and accounts pursuant to the terms of the Trust Indenture, including, but not limited to, its debt service reserve funds allocable to the Airfield cost center. MAC agrees to exclude from the calculation of landing fees the amounts which it may deposit from time to time to the maintenance and operation reserve account and the Coverage Account established and maintained pursuant to the Trust Indenture except for such amounts which are necessary to be deposited to the Coverage Account in order for MAC to meet its rate covenant under the Trust Indenture.
2. The Terminal Apron Cost shall then be divided by the total estimated lineal feet of Terminal Apron, to determine the terminal apron rate per lineal foot for a given Fiscal Year. For the purposes of this calculation, lineal feet of Terminal Apron shall be computed as the sum of the following:
 - a. Lineal feet of Terminal Apron excluding the lineal feet of Regional Ramp; and
 - b. Weighted lineal feet of Regional Ramp, which MAC shall compute as the lineal feet of Regional Ramp weighted by the ratio of the average depth of the Regional Ramp to the average depth of other areas of the Terminal Apron.

F. REGIONAL RAMP FEES

MAC shall calculate the regional ramp fee for Preferential and Common Use parking positions in the following manner and as illustrated in Exhibit N.

1. The total estimated Regional Ramp Cost shall be calculated by multiplying the terminal apron rate per lineal foot by the weighted lineal feet of Regional Ramp.
2. The Regional Ramp Cost shall be divided by the total number of aircraft parking positions on the entire Regional Ramp to compute the fee per Preferential Use parking position.
3. The Common Use Regional Ramp Cost shall be calculated by multiplying the fee per Preferential Use parking position by the number of Common Use parking positions.
4. The Common Use Regional Ramp Cost shall, to the extent feasible, be fully recovered through a use fee established by MAC taking into consideration Common Use Regional Ramp Cost and expected utilization of Common Use parking positions on the Regional Ramp.
5. MAC shall assess no additional charges for areas on the Regional Ramp designated by MAC for Airline ground service equipment.

G. TERMINAL BUILDING RENTS

MAC shall calculate the terminal building rental rate for unjanitored and janitored space in the Terminal Building as set forth in Subsections 1 and 2 of this Section.

1. MAC shall calculate the terminal building rental rate for unjanitored space in the Terminal Building in the following manner and as illustrated in Exhibit N.

- a. The total estimated Terminal Building Cost shall be calculated by totaling the following annual amounts:
 - 1) The total estimated direct and allocated indirect Operation and Maintenance Expenses allocable to the Terminal Building cost center.
 - 2) The estimated direct and allocated indirect depreciation and imputed interest on the net Capital Cost (after grants and PFCs) allocable to the Terminal Building cost center. MAC agrees to defer the start of recovery through terminal building rents of depreciation and imputed interest on \$121.574 million of project costs included in the Green Concourse Extension Program from their original date of

beneficial occupancy to 2006. Carrying costs for such projects during this deferral period shall be calculated with the amount added to the original project cost (which, if debt funded, includes the allocated portion of capitalized interest, issuance costs, and other such cost elements related to such debt) for recovery through the project's depreciation and imputed interest calculations starting in 2006. Depreciation and imputed interest on these projects shall be recovered over the depreciation periods set forth by in Article VI. B. 2.

- 3) The total estimated direct and allocated indirect cost (net of grants and PFCs) of Capital Outlays allocable to the Terminal Building cost center.
 - 4) The amounts required to be deposited to funds and accounts pursuant to the terms of the Trust Indenture, including, but not limited to, its debt service reserve funds allocable to the Airfield cost center. MAC agrees to exclude from the calculation of landing fees the amounts which it may deposit from time to time to the maintenance and operation reserve account and the Coverage Account established and maintained pursuant to the Trust Indenture except for such amounts which are necessary to be deposited to the Coverage Account in order for MAC to meet its rate covenant under the Trust Indenture.
- b. The total estimated Terminal Building Cost shall be reduced by the total estimated annual amounts of the following items to determine the Net Terminal Building Cost:
 - 1) Reimbursed expense for steam and chilled water on the Gold Concourse;
 - 2) Carrousel and conveyor Capital Cost and Operation and Maintenance Expense; and
 - 3) Janitorial Operation and Maintenance Expenses, as determined by MAC.
 - c. The Net Terminal Building Cost shall then be divided by the total estimated Rentable Space in the Terminal Building to determine the terminal building rental rate per square foot for unjanitored space for a given Fiscal Year. (See Initial Rentable Square Footage, Exhibit O).
2. MAC shall calculate the terminal building rental rate for janitored space by totaling the following rates and as illustrated in Exhibit N:

- a. The terminal building rental rate per square foot for unjanitored space for a given Fiscal Year, as calculated in this Section; and
- b. An additional rate per square foot, the janitored rate, calculated by dividing the total estimated direct janitorial Operation and Maintenance Expenses, as determined by MAC, by the total janitored space in the Terminal Building (excluding MAC and mechanical space).

H. CARROUSEL AND CONVEYOR CHARGE

1. MAC shall calculate the carrousel and conveyor charge, as illustrated in Exhibit N, by totaling the following annual amounts: equipment charges associated with the carrousel and conveyor, including annual depreciation and imputed interest, maintenance expense, and service charge.
2. MAC shall prorate the carrousel and conveyor charge among the Signatory Airlines using the Common Use Formula.

I. IAF USE FEES

The IAF use fee for use of the IAF and any associated gates shall be effective through December 31, 2015 and shall be based upon:

1. The cost of the maintenance and operation of the International Arrivals Facility which may include, but is not limited to:
 - a. utilities;
 - b. cleaning;
 - c. maintenance (including the costs of maintaining the security equipment that existed as of April 1998), repair and replacement cost allocation;
 - d. police, fire, and administrative cost allocation;
 - e. costs of providing passenger baggage carts, if any;
 - f. costs of providing staff parking for federal inspections agency staff; and
 - g. \$4.17 per square foot recoument for lost rental area in the Gold Concourse.
2. Costs associated with the operation of dual international arrivals facility locations at the Airport, based on the appropriate allocation of costs between the two facilities, not otherwise funded by the federal inspections agencies

including, but not limited to additional personnel and equipment used by those agencies; and

3. Excess construction and financing costs, if any; and

4. Costs of improvements (defined as \$0.32 (32 cents) per international arriving passenger) at the Humphrey Terminal that would have been paid by the Airlines who will now use the International Arrivals Facility until such time as this fee is no longer collected at the Humphrey Terminal.

Items (1) through (3) above, for which AIRLINE will be billed monthly, shall be set annually at an estimated charge through MAC' s budget process and then adjusted at year end for actual costs pursuant to certified audit by MAC' s external auditors and such difference shall be charged or credited to AIRLINE and paid by AIRLINE or MAC within thirty (30) days thereafter.

J. YEAR-END ADJUSTMENTS OF RENTS, FEES, AND CHARGES

1. As soon as practical following the close of each Fiscal Year, but in no event later than July 1, MAC shall furnish AIRLINE with an accounting of the costs actually incurred and revenues and credits actually realized during such Fiscal Year with respect to each of the components of the calculation of the rents, fees, and charges calculated pursuant to this Article broken down by rate making Cost Center.
2. In the event AIRLINE' s rents, fees, and charges billed during the Fiscal Year exceed the amount of AIRLINE' s rents, fees, and charges required (as recalculated based on actual costs and revenues), such excess shall be refunded or credited to AIRLINE.
3. In the event AIRLINE' s rents, fees, and charges billed during the Fiscal Year are less than the amount of AIRLINE' s rents, fees, and charges required (as recalculated based on actual costs and revenues), such deficiency shall be charged to AIRLINE in a supplemental billing.

VII. CAPITAL EXPENDITURES

A. GENERAL

1. Subject to the provisions of Sections B and D of this Article, MAC may incur costs to plan, design, and construct Capital Projects to preserve, protect, enhance, expand, or otherwise improve the Airport System, or parts thereof, at such time or times as it deems appropriate, and may recover through airline rents, fees, and charges the costs of such Capital Projects.
2. Subject to the provisions of this Article, MAC may pay the Capital Cost associated with any Capital Project using funds lawfully available for such purposes as it deems appropriate, and may issue Airport Bonds in amounts sufficient to finance any Capital Project.
3. MAC will use its best efforts to obtain and maximize: (a) federal and state grants, including MNDOT and AIP grants; (b) one hundred eighty six million dollars (\$186,000,000) in federal letter of intent ("LOI") and side agreements; and (c) fifty million dollars (\$50,000,000) in additional entitlement/discretionary money for a total of two hundred thirty six million dollars (\$236,000,000). In the event MAC decides to issue debt to interim finance project costs otherwise chargeable to cost centers affecting airline rates and charges expected to be paid from the future receipt of LOI discretionary grants it will include interest and issuance costs associated with this debt in the calculation of airline rates and charges.
4. This Agreement shall not be interpreted: (a) to impair the authority of MAC to impose a Passenger Facility Fee or to use the Passenger Facility revenue as required by the PFC legislation or PFC Regulations; (b) to restrict MAC from financing, developing or assigning new capacity at the Airport with Passenger Facility revenue if and to the

extent such restriction would violate the PFC legislation or PFC Regulations; (c) to preclude MAC from funding, developing, or assigning new capacity at the Airport with PFC revenue in any manner required by the PFC legislation or the PFC Regulations; or (d) to prevent MAC from exercising any other right it is required to retain by the PFC legislation or PFC Regulations if and to the extent it is so required to be retained by the PFC legislation or PFC Regulations. Subject to these provisions, however, MAC and AIRLINE agree as follows:

- a. AIRLINE and MAC agree that MAC may impose a PFC throughout the Term of this Agreement.
- b. MAC will use all PFC revenue, including PFCs attributable to increases in the PFC collection rate, collected during the Term of this Agreement to pay the Capital Costs of the 2010 Plan, as the

same may be amended pursuant to the terms of this Agreement, and any associated debt service, except that to the extent that PFC' s are not legally authorized to be used for such purpose under applicable law, they may be expended for the purposes for which they are legally authorized.

- c. Actual PFC revenue from the lesser of ninety percent (90%) of Originating Passengers or forty-five percent (45%) of Enplaned Passengers for the period from 2011 to 2030 will be applied to fund Capital Costs associated with the 2010 Plan before being applied in any other manner. A portion (as defined below) of the PFC' s expected to be collected for the period from 2011 to 2030 will be used to structure a bond issue to fund Capital Costs associated with the 2010 Plan. Such Capital Costs will not be charged to airline cost centers, however debt service not actually paid with PFC' s may be recovered from the Airlines through a special charge to the appropriate airline cost center. This "portion" shall be determined by MAC, after consultation with its financial advisors in conjunction with the issuance of debt associated with the 2010 Plan, based upon its projections of the amount of PFC revenue which will be generated from the LESSER of ninety percent (90%) of the projected Originating Passengers or forty-five percent (45%) of the projected Enplaned Passengers for the period from 2011 to 2030, based upon MAC' s forecasts of passenger growth and an assumed \$5.00 per passenger PFC collection rate.
5. MAC agrees to structure debt so that MAC' s construction fund balance will not exceed one hundred twenty-five million dollars (\$125,000,000) on December 31, 2010. Any excess beyond this amount will be applied to reduce debt.
 6. Annually MAC shall submit to each Signatory Airline a report on the Capital Projects that MAC plans to commence during a Fiscal Year. MAC may from time to time amend or supplement such report for the then-current year by providing supplementary notice to each Signatory Airline. The report (or supplemental report) shall contain the following information:
 - a. A description of each Capital Project, together with statement of the need for and benefits to be derived from each Capital Project.
 - b. A schedule of estimated project costs and proposed funding sources for each Capital Project.
 - c. A notice requesting MII approval of the Capital Projects, if any, that are subject to MII review under Section B of this Article.

B. CAPITAL PROJECTS SUBJECT TO MII REVIEW

MAC may not recover through airline rents, fees, or charges the Capital Costs, including the Off-Airport Aircraft Noise Costs, of any Capital Project in the Airfield Cost Center whose gross project costs exceed one million dollars (\$1,000,000) without the prior approval of a Majority-in-Interest of Signatory Airlines.

1. Each Capital Project, which is subject to this Section B, shall be deemed to be “Approved by a Majority-In-Interest of Signatory Airlines” unless MAC receives, within forty-five (45) days of mailing the report specified in Section A of this Article, either: (a) written responses from a Majority-In-Interest of Signatory Airlines and such responses signify that a Majority-In-Interest of Signatory Airlines disapprove such Capital Project or (b) a certificate from the chair of the MSP Airport Affairs Committee, with supporting documentation establishing that a Majority-In-Interest of Signatory Airlines disapprove such Capital Project.
2. MAC may proceed with any Capital Project that was disapproved by a Majority-In-Interest of Signatory Airlines; provided, however, that MAC may not recover through airline rents, fees, or charges the Capital Costs, including the Off-Airport Aircraft Noise Costs, of any disapproved Capital Project.
3. Notwithstanding the foregoing and subject to the limitations described below, the 2010 Plan Airfield Programs shall be deemed to be Approved by a Majority-in-Interest of Signatory Airlines.

C. CAPITAL PROJECTS NOT SUBJECT TO MII REVIEW

Without the prior approval of a Majority-In-Interest of Signatory Airlines, MAC may incur costs to plan, design, and construct at such time or times as it deems appropriate, and may recover through airline rents, fees, and charges the costs of the following Capital Projects:

1. Any Capital Project that is not in the Airfield Cost Center except as set forth in D. below.

MAC plans to undertake a program of improvements to the Airport System known as the 2010 Plan. The 2010 Plan, which is described in Exhibit I, includes Capital Projects that are not in the Airfield Cost Center as well as the 2010 Plan Airfield Programs. Such Capital Projects are so identified in Exhibit I.

2. Any Capital Project in the Airfield Cost Center that is necessary to comply with a rule, regulation, or order of any governmental agency, other than an ordinance of MAC, that has jurisdiction over the operation of the Airport.

3. Any Capital Project in the Airfield Cost Center that is necessary to satisfy a final judgment against MAC rendered by a court of competent jurisdiction.

4. Any Capital Project in the Airfield Cost Center that is necessary to repair casualty damage, the cost of which exceeds the proceeds of applicable insurance; provided that the MAC may recover the Capital Cost of such repair only to the extent that the cost of reconstruction or replacement exceeds the insurance proceeds available for such purposes.

D. 2010 PLAN AIRFIELD PROGRAMS

1. Subject to the limitations described below, MAC has the right to incur costs to plan, design, and construct at such time or times as it deems appropriate and to recover through airline rents, fees, and charges the costs of the 2010 Plan Airfield Programs, which are identified in Exhibit I.

2. MAC may add, delete, or otherwise modify components of the 2010 Plan Airfield Programs; provided, however, that no such modifications may materially change the scope of any of the 2010 Plan Airfield Programs without the prior approval of a Majority-In-Interest of Signatory Airlines. MAC shall provide Signatory Airlines with annual updates on the progress of the 2010 Airfield Programs including modifications to the 2010 Plan Airfield Program in reasonable detail.
3. MAC will use its best efforts to obtain a letter of intent for AIP discretionary grants to fund eligible costs of the Runway 17/35 Program.
4. The Original Cost Estimate (stated in 1998 dollars) of each 2010 Plan Airfield Program is presented in Exhibit I. MAC may not exceed the Original Cost Estimate of any 2010 Plan Airfield Program except as set forth in this Section.
5. MAC may revise the Original Cost Estimate of a 2010 Plan Airfield Program as follows:
 - a. From time to time to reflect material scope changes approved by MAC and by a Majority-In-Interest of the Signatory Airlines; and
 - b. Annually in accordance with changes in inflation. Such revision shall be calculated by adjusting the Original Cost Estimate (as revised to reflect material scope changes) by changes in the ENGINEERING NEWS RECORD Construction Cost Index for Minneapolis.
 - c. To reflect increases in the cost of the Noise Mitigation Program caused by increases in the size of the approved 65 DNL noise contour, as documented in the FAR Part 150 Program.

6. MAC shall develop and maintain Current Cost Estimates for each of the 2010 Plan Airfield Programs.
7. In the event the Current Cost Estimate of any of the 2010 Plan Airfield Programs exceeds the Original Cost Estimate, as revised, for such Program, then the MAC at its sole discretion shall do one or more of the following:
 - a. After consultation with Airlines, modify or defer until after 2010 a sufficient number of projects contained in such Program so that the Current Cost Estimate does not exceed the Original Cost Estimate, as revised in accordance with Paragraph D.5. of this Section; or
 - b. Fund the amount of the excess and exclude depreciation and interest on such amount from the calculation of rents, fees, and charges; or
 - c. Obtain approval for additional costs from a Majority-In-Interest of Signatory Airlines. The Majority-In-Interest approval is required only on the portion of the Current Cost Estimate that exceeds the Original Cost Estimate, as revised in accordance with Paragraph D.5. of this Section.

VIII. INSTALLATION, MAINTENANCE AND UTILITIES

A. OBLIGATIONS OF MAC

1. MAC shall maintain and operate the Airport in conformance with all rules and regulations of the FAA and any other governmental agency having jurisdiction thereof, provided that nothing herein contained shall be deemed to require MAC to enlarge the Airport, to make expansions or additions to the landing areas, runways or taxiways, or other appurtenances of the Airport. In limitation of the foregoing, it is expressly agreed that if funds for the provision, maintenance and operation of the control tower, instrument landing system, ground control approach and/or other air navigation aids or other facilities required or permitted by the United States and needed by AIRLINE for AIRLINE' s operation at the Airport, which are now, or may hereafter be furnished by the United States, are discontinued MAC shall not be required to furnish such facilities.
2. Except as otherwise specifically provided herein, MAC during the Term of this Agreement shall, in accordance with acceptable FAA standards, and other applicable statutes or regulations, operate, maintain, and keep in good repair the Airport, including the Terminal Complex, vehicular parking spaces, and all appurtenances, facilities and services therein, including, without limiting the generality hereof, all field lighting and other appurtenances, facilities and services which MAC is to furnish hereunder, and Common Use Premises. MAC shall make repairs thereto, though occasioned by negligence of AIRLINE or its employees, agents, or invitees. MAC may recover from AIRLINE such portion of the cost of such repairs as is not recoverable through MAC' s insurance on such damaged or destroyed structures or facilities.
3. It is further agreed that nothing in this Agreement shall prevent MAC from making such commitments to the Federal Government or to the State of Minnesota as may be required in order to qualify for the expenditure of Federal or State funds on the Airport. Such commitments shall be without prejudice to AIRLINE' s right to claim damages therefrom. In furtherance of the foregoing, MAC shall:
 - a. Keep the Airport reasonably free from obstructions, including the removal and clearing of snow, grass, stone, or other foreign matter as necessary and with reasonable promptness from the runways, taxiways and loading areas, and areas immediately adjacent thereto in order to insure the safe, convenient, and proper use of the Airport by AIRLINE and others.
 - b. Keep public areas of the Terminal Complex adequately supplied, equipped, furnished and decorated, and operate and maintain a public address system and adequate directional signs in the Terminal Complex and throughout the Airport, including but not

limited to signs indicating the location of public restaurants, restrooms, newsstands, telephones, telegraph, baggage counters, and all other facilities for passenger or public use in the Terminal Complex or elsewhere on the Airport.

4. MAC shall:
 - a. Provide and supply adequate heat, conditioned air, water and adequate lighting for the Terminal Complex and loading ramps, and adequate field lighting on or for the Airport (See Article IV.B.).
 - b. Provide reasonable access to existing sewer, water, heating/cooling, electrical and other available utilities in the Terminal Complex, with cost of connection to be borne by Airlines.
 - c. Provide janitors and other cleaners necessary to keep the areas outlined in Exhibit P, the unleased Rentable Space, and the field and runway areas of the Airport at all times safe, clean, neat, orderly, sanitary, and

presentable. AIRLINE may janitor its Preferential Use holdroom areas if in the judgment of MAC' s Executive Director the level of cleaning meets MAC' s consistently applied standards.

- d. Provide space in the Terminal Building and arrange for the professional operation of restaurants for the purpose of selling food, beverages, and merchandise to the public.
5. MAC shall perform maintenance in the Terminal Complex and surrounding areas in compliance with Exhibit P and as further defined in this Article. Any changes to that responsibility must be incorporated as an amendment to this Agreement.
 6. MAC by its authorized officers, employees, agents, contractors, subcontractors, or other representatives, shall have the right (at such times as may be reasonable under the circumstances and with as little interruption of AIRLINE' s operation as is reasonably practicable) to enter AIRLINE' s Exclusive, Preferential, or Common Use Premises for the following purposes:
 - a. To inspect such space to determine whether AIRLINE has complied and is currently in compliance with the terms and conditions of this Agreement.
 - b. Upon reasonable notice to perform such maintenance, cleaning, or repair as MAC' s Executive Director deems necessary, if AIRLINE fails to perform its obligations under this Article VIII, and to recover the reasonable cost of such maintenance, cleaning, or repair from AIRLINE.

7. With regard to the IAF, MAC shall:
 - a. Operate, maintain, and keep the IAF space in good repair and shall keep it adequately supplied, equipped, furnished and decorated, and operate and maintain adequate directional signs.
 - b. Provide janitors and other cleaners reasonably necessary to keep the IAF space, including Federal office space, safe, clean, neat, orderly, sanitary, and presentable.

B. OBLIGATIONS OF AIRLINE

1. AIRLINE shall, in accordance with Exhibit P, attached hereto, be responsible for and shall perform or cause to be performed janitorial, maintenance, and repair of the Exclusive Premises in a neat and orderly condition and shall repair or replace as needed all improvements, installations, fixtures and equipment to be initially installed by it hereunder. Where damage is caused by negligence of MAC, its officers, agents, or employees, AIRLINE may recover from MAC the cost of repairs to the extent but only to the extent that the cost of such repairs is not recoverable through insurance of AIRLINE on such improvements, installations, fixtures and equipment. AIRLINE shall not commit nor permit any waste of or to the Premises or to apron areas adjacent to AIRLINE' s holdroom. Explicitly in furtherance of the foregoing the AIRLINE shall:
 - a. Whether alone or in conjunction with other Airlines at the Airport provide sufficient porter service and common bag claim service in the area designated for the convenience of AIRLINE' s passengers, and
 - b. Not permit the accumulation in the Premises or on the apron area adjacent to its holdroom of rubbish, debris, waste material, or anything detrimental to health or unsightly or likely to create a fire hazard, but shall make prompt disposition thereof.

2. Subject to MAC' s Rules and Regulations and Ordinances, AIRLINE may, from time to time, install additional facilities and improvements and modify or expand existing facilities or improvements in its Exclusive and Preferential Use Premises. Before entering into any contract for such work, or commencing work with its own personnel, AIRLINE shall first submit to MAC for its prior written approval a request (in a form prescribed by MAC) accompanied by a set of complete construction plans and specifications for the proposed work. The work shall not interfere with the operation of the Airport and flights to and from the same on a 24 hours per day, 7 days per week basis. In completing the work approved the AIRLINE shall:

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- a. If requested by MAC (but only to the extent required by law), require the contractor and any subcontractor to furnish a performance bond and payment bond, approved as to form and substance by MAC.
 - b. Deliver to MAC "as built" drawings of the work actually performed by it and shall keep such drawings current showing any changes or modification made in or to its Exclusive and Preferential Use Premises.
3. With regard to the IAF, AIRLINE is responsible for handling and disposing of all international waste on AIRLINE' s aircraft in accordance with the requirements of the United States Department of Agriculture.

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IX. DAMAGE OR DESTRUCTION OF PREMISES

A. DAMAGE OR DESTRUCTION

1. If any building of MAC in which AIRLINE occupies Premises hereunder shall be partially damaged by fire, explosion, the elements, the public enemy, or other casualty, but shall not be rendered thereby untenable, the same shall be repaired with due diligence by MAC. If the damage shall be so extensive as to render such building untenable in whole or in part but capable of being repaired in ninety (90) days, the same shall be repaired with due diligence by MAC and the rent payable hereunder with respect to the portion of AIRLINE' s Premises so rendered untenable shall be proportionately paid up to the time of such damage and shall thence forth cease and be abated until such time as such untenable portion of such building shall be fully restored to tenable condition.
2. In case any such building is completely destroyed by fire, explosion, the elements, the public enemy, or other casualty, or be so damaged that the same cannot reasonably be repaired with due diligence by MAC within ninety (90) days of such casualty, MAC shall, within sixty (60) days of such casualty give AIRLINE written notice that it intends or does not intend to repair or reconstruct such building, as follows:
 - a. In the event MAC elects to repair and reconstruct the building, then the same shall be repaired with due diligence by MAC and the rent payable hereunder with respect to the portion of AIRLINE' s Premises rendered untenable as a result of such casualty shall be proportionately paid up to the time of such casualty and shall thenceforth cease and be abated until such time as such untenable portion of such building shall be restored to tenable condition.
 - b. In the event MAC determines not to repair or reconstruct such building (whether by delivery of notice to said effect or by deemed notice as hereinafter described), then this Agreement shall be deemed terminated as to the portion of the AIRLINE' s Premises rendered untenable as a result of such casualty with

respect to such portion, and rent payable hereunder with respect to such portion shall be proportionately paid through the date of such casualty and shall thenceforth cease.

If no written notice of intention to repair and restore is timely received by AIRLINE within the above-referenced sixty (60) day period, then MAC shall be deemed to have elected not to repair or reconstruct the building. Except as expressly set forth in this Article IX, MAC shall have no obligation to repair or rebuild any of the facilities at the Airport in the event of damage by the elements, fire, explosions or other casualty or causes beyond the control of MAC.

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- c. Proceeds of any insurance maintained by MAC payable with respect to such casualty shall be applied to such repair or reconstruction or shall be credited to the appropriate Airport Cost Centers.

B. FORCE MAJEURE

Except as expressly provided in this Agreement, neither MAC nor AIRLINE shall be deemed to be in default hereunder if either party is prevented from performing any of the obligations, other than payment of rents, fees and charges hereunder, by reason of strikes, boycotts, labor disputes, embargoes, shortages of energy or materials, acts of the public enemy, prolonged unseasonable weather conditions and the results of acts of nature, riots, rebellion, sabotage, or any other similar circumstances for which it is not responsible or which are not within its control.

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X. INDEMNITY AND LIABILITY INSURANCE

A. INDEMNIFICATION

1. AIRLINE agrees to indemnify, defend, save and hold harmless MAC and its Commissioners, officers, and employees (collectively, "Indemnitees") from and against any and all liabilities, losses, damages, suits, actions, claims, judgments, settlements, fines or demands of any person other than an Indemnatee arising by reason of injury or death of any person, or damage to any property, including all reasonable costs for investigation and defense thereof (including but not limited to attorneys' fees, court costs, and expert fees), of any nature whatsoever arising out of or incident to (a) the use or occupancy of, or operations of AIRLINE at or about the Airport, or (b) the acts or omissions of AIRLINE' s officers, agents, employees, contractors, subcontractors, licensees, or invitees, regardless of where the injury, death or damage may occur, unless such injury, death or damage is caused by (i) the negligent act or omission of an Indemnatee whether separate or concurrent with negligence of others, including AIRLINE or (ii) the breach by an Indemnatee of this Agreement. MAC shall give AIRLINE reasonable notice of any such claims or actions. In indemnifying or defending MAC, AIRLINE shall use legal counsel reasonably acceptable to MAC and shall control the defense of such claim or action.
2. AIRLINE further agrees that if a prohibited incursion into the Air Operations Area occurs, or the safety or security of the Air Operations Area, the Airfield, or other sterile area safety or security is breached by or due to the negligence or willful act or omission of any of AIRLINE' s employees, agents, or contractors and such incursion or breach results in a civil penalty action being brought against the MAC by the U.S. Government, AIRLINE agrees to reimburse MAC for all expenses, including attorney fees, incurred by MAC in defending against the civil penalty action and for any civil penalty or settlement amount paid by MAC as a result of such incursion or breach of airfield or sterile area security. MAC shall notify AIRLINE of any allegation, investigation, or proposed or actual civil penalty sought by the U.S. Government for such incursion or breach. Civil penalties and settlement and

associated expenses reimbursable under this Paragraph include but are not limited to those paid or incurred as a result of violation of FAR Part 107, "Airport Security," FAR Part 108, "Airplane Operator Security," or FAR Part 139, "Certification and Operations: Land Airports Serving Certain Air Carriers."

3. The provisions of this Article shall survive the expiration of this Agreement with respect to matters arising before such expiration or before early termination or before relinquishment of Premises.

B. LIABILITY INSURANCE

1. AIRLINE shall provide, without cost or expense to MAC, and maintain in force throughout the full Term hereof the following insurance coverages as appropriate, insuring AIRLINE and MAC against the liabilities set forth in Subsection A next above:
 - a. Aircraft liability insurance and comprehensive general public liability insurance for claims of property damage, bodily injury, or death allegedly resulting from AIRLINE' s activities into, on, and leaving any part of the Airport, in an amount not less than three hundred million dollars (\$300,000,000) per occurrence for Airlines operating aircraft over one hundred (100) seats, and not less than two hundred million dollars (\$200,000,000) for Airlines operating aircraft with ninety-nine (99) or fewer seats, and not less than one hundred million dollars (\$100,000,000) for Airlines operating aircraft with fifty-nine (59) or fewer seats. For purposes of this Section, the number of seats is determined based upon the largest aircraft in AIRLINE' s fleet.
 - b. Liquor liability insurance for any facility of AIRLINE serving alcoholic beverages on the Airport in an amount not less than ten million dollars (\$10,000,000).
 - c. Hangarkeepers liability insurance in an amount adequate to cover any non-owned property in the care, custody and control of AIRLINE on the Airport, but in any event in an amount not less than five million dollars (\$5,000,000).
 - d. Automobile liability insurance in an amount adequate to cover vehicles operating on the Airport in an amount not less than five million dollars (\$5,000,000) combined single limit.
2. Notwithstanding anything to the contrary in this Article, MAC may allow the insurance coverage required herein to be provided through a self-insurance plan established by AIRLINE. The self-insurance plan may consist of a combination of primary, excess umbrella insurance and self-insurance protection and must be no less than the limits stated in the Article. The self-insurance plan must be approved in writing by MAC prior to becoming effective at the Airport. If AIRLINE requests MAC' s approval of a self-insurance plan, it must submit a copy of its self-insurance plan, current financial statements annually showing the limits of its established self-insurance retention and proof of the primary and excess umbrella insurance. If the self-insurance plan is approved by the MAC and becomes effective, AIRLINE shall not increase the self-insurance retention levels stated in the self-insurance plan approved by MAC.

3. MAC, in operating the Airport, will carry and maintain comprehensive general liability insurance in such amounts as would normally be maintained by public bodies engaged in carrying on similar activities. MAC presently carries three hundred million dollars (\$300,000,000) of comprehensive general liability insurance.

4. MAC reserves the right to periodically review any and all policies of insurance and to reasonably adjust the limits of coverage required hereunder from time to time throughout the period of this Agreement. In such event, MAC shall provide AIRLINE with written notice of such adjusted limits and AIRLINE shall comply within sixty (60) days of receipt thereof to the extent such coverage is available on commercially reasonable terms.
5. All policies of insurance required herein shall be in a form and with a company or companies reasonably satisfactory to MAC and shall name MAC as an additional insured to the extent AIRLINE is required to indemnify MAC pursuant to Subsection A above. Each such policy shall provide that such policy may not be materially changed (e.g., coverage limits reduced below the minimum specified in this Agreement) or otherwise materially altered, or cancelled by the insurer during its term without first giving at least thirty (30) days written notice to MAC. Policies or certificates of valid policies of insurance with required coverages shall be delivered to MAC.
6. Before the expiration of any then current policy of insurance, AIRLINE shall deliver to MAC evidence that such insurance coverage has been renewed.
7. If at any time AIRLINE shall fail to obtain or to maintain in force the insurance required herein, MAC may notify AIRLINE of its intention to purchase such insurance for AIRLINE' s account. If AIRLINE has not delivered evidence of insurance to MAC before the date on which the current insurance expires, MAC may provide such insurance by taking out policies in companies satisfactory to it. Such insurance shall be in amounts no greater than those stipulated herein or as may be in effect from time to time. The amount of the premiums paid for such insurance by MAC shall be paid by AIRLINE upon receipt of MAC' s billing therefor, with interest at the prime interest rate announced by a major money center bank.
8. MAC shall cause the Terminal Complex including the loading piers, but exclusive of improvements, facilities and fixtures constructed or installed by AIRLINE and concessionaires as their separate leasehold improvements, to be insured throughout the Term of the Agreement for not less than 90 percent of its and their full insurable value against perils of fire, extended coverage, vandalism, and malicious mischief. MAC shall also carry boiler and pressure vessel explosion, sprinkler leakage and glass breakage insurance. AIRLINE shall be relieved from liability under this Article X and Commission waives all right of recovery from AIRLINE hereunder for damage or destruction of its property insured hereunder to the extent but not beyond the extent that such cost of repair is recoverable through such

insurance provided, however, that AIRLINE shall reimburse the Commission for any increase in premium resulting from inclusion therein of a waiver of subrogation endorsement.

9. AIRLINE shall cause all improvements, installations, fixtures and equipment installed by it hereunder to be insured throughout the Term of the Agreement for not less than 90 percent of their full insurable value against perils of fire, extended coverage, vandalism and malicious mischief, and with pressure vessel coverage.

C. OTHER INSURANCE

MAC may carry additional insurance in such amounts and of such types as would normally be maintained by public bodies engaged in carrying on similar activities.

D. ENVIRONMENTAL LIABILITY

1. INDEMNIFICATION

AIRLINE hereby indemnifies and agrees to defend, protect, and hold harmless, MAC and its Commissioners, officers, employees and agents, and their respective successors, as well as successors in title to any interest in the Premises (hereafter “Environmental Indemnitees”), from and against any and all losses, liabilities, fines, damages, injuries, penalties, response costs, or claims of any and every kind whatsoever paid, incurred or asserted against, or threatened to be asserted against, any Environmental Indemnitee, (“Environmental Claims”), including, without limitation: (a) all consequential damages; (b) the reasonable costs of any investigation, study, removal, response or remedial action, as well as the preparation and implementation of any monitoring, closure or other required plan or response action; and (c) all reasonable costs and expenses incurred by any Environmental Indemnitee in connection therewith, including but not limited to, reasonable fees for attorney and consultant services; which Environmental Claims arise out of or relate to (i) the presence on, in or under, or the escape, seepage, leakage, spillage, discharge, deposit, disposal, emission or release of Environmentally Regulated Substances on, in or from the Premises or AIRLINE’ s use of the Airport pursuant to this Agreement, not in full accordance with Environmental Law arising out of AIRLINE’ s past or present operations during the Term of this Agreement or (ii) any inaccuracy, incompleteness, breach or misrepresentation under Subsections D.2. of this Article and Article XVI.B.4. of this Agreement. If any indemnified claim or action shall be brought against any Environmental Indemnitee hereunder, then after such Environmental Indemnitee notifies AIRLINE thereof, AIRLINE shall be entitled to participate therein as a party, and shall assume the defense thereof at the expense of the AIRLINE with counsel reasonably satisfactory to such Indemnitee and AIRLINE shall be entitled to settle and compromise any

such claim or action; provided, however, that such Environmental Indemnitee may elect to be represented by separate counsel, at such Environmental Indemnitee’ s sole expense, and if such Environmental Indemnitee so elects, such settlement or compromise shall be effected only with the consent of such Environmental Indemnitee, which shall not be unreasonably withheld and shall be granted if such settlement or compromise provides for a complete release of such Environmental Indemnites. This indemnification, and AIRLINE’ s obligations hereunder, shall survive the cancellation, termination or expiration of the Term of this Agreement with respect to matters arising prior thereto.

2. CLAIMS RELATING TO ENVIRONMENTALLY REGULATED SUBSTANCES

AIRLINE represents and warrants that subsequent to November 1, 1989, to the best of AIRLINE’ s actual knowledge, except as previously disclosed to the MAC or any applicable regulatory body as required, (a) no enforcement, investigation, cleanup, removal, remedial or response action or other governmental or regulatory actions have been asserted against AIRLINE with respect to the Premises, pursuant to any Environmental Laws or relating to Environmentally Regulated Substances; (b) no violation or noncompliance with Environmental Laws has occurred with respect to AIRLINE’ s past or present operations conducted on the Premises; (c) no claims have been made or been threatened by any third party against the AIRLINE with respect to the Premises relating to Environmental Laws or Environmentally Regulated Substances, including by any governmental entity, agency or representative (collectively “Governmental Entity”).

3. TESTING AND REPORTS

AIRLINE shall provide to MAC within ten (10) days of request, a copy of any notice regarding violation of any Environmental Law arising out of AIRLINE’ s past or present operations on the Premises, a copy of any inquiry regarding environmental matters by any Governmental Entity, a copy of any reports required by the Environmental Laws regarding violation of any Environmental Law arising out of AIRLINE’ s past or present operation of the Premises, or a copy of any notice of the emission or release of Environmentally Regulated Substances in violation of any Environmental Law arising out of AIRLINE’ s past or present operations on the Premises. If MAC has a

reasonable basis to believe that AIRLINE is not meeting the obligations of Article XVI.B.4. of this Agreement, MAC may by notice require AIRLINE to conduct a reasonable review of its records for such documents as MAC reasonably believes have not been provided and submit any such documents as required.

4. NOTIFICATION

AIRLINE shall notify MAC in writing within fifteen (15) business days of any matter that AIRLINE obtains knowledge of that may give rise to an indemnified claim under Subsection D.1. of this Article or that constitutes any emission or release or any threatened emission or release of any Environmentally Regulated Substance in, on, under or about the Premises arising out of AIRLINE' s past or present operations which is or may be in violation of the Environmental Laws.

5. RIGHT TO INVESTIGATE

Subject to Subsections D.3. and D.6. of this Article, upon reasonable notice to AIRLINE, MAC shall have the right, but not the obligation or duty, at any time from and after the date of this Agreement, to investigate, study and test the Premises (at MAC' s own expense, unless otherwise provided herein) during normal business hours, except under emergency circumstances, to determine whether Environmentally Regulated Substances are located in, on or under the Premises, or were emitted or released therefrom, which are not in compliance with Environmental Laws, provided that such investigation, study and testing shall not unreasonably interfere with AIRLINE' s operations on and use of the Premises. AIRLINE shall be entitled to have a representative present during such investigation.

6. RIGHT TO TAKE ACTION

MAC shall have the right, but not the duty or obligation, to take whatever reasonable action it deems appropriate to protect the Premises from any material impairment to its value resulting from any escape, seepage, leakage, spillage, discharge, deposit, disposal, emission or release of Environmentally Regulated Substances from the Premises which is not in full accordance with any Environmental Law and arises out of AIRLINE' s past or present operations during the Term of this Agreement. The MAC shall notify the AIRLINE of its intention to take such action in writing thirty (30) days before proceeding under this Subsection D.6. Within that thirty (30) day period, AIRLINE shall have the opportunity to take whatever reasonable action is deemed appropriate by MAC or provide MAC a binding commitment to do so within a reasonable time. If AIRLINE does not take such action or provide a binding commitment within the thirty (30) day period, MAC may proceed under the terms of this Subsection D.6. All costs associated with any action by the MAC in connection with this provision, including but not limited to reasonable attorneys' fees, shall be subject to Subsection D.1. of this Article.

XI. ASSIGNMENT, SUBLETTING, AND GROUND HANDLING

A. ADVANCE APPROVAL

Except as provided in this Article, and except with respect to arrangements in effect on the date of execution of this Agreement for which the consent of MAC has previously been obtained, AIRLINE shall have no right to assign or sublease this Agreement, or enter into any Ground Handling agreement, without the prior written consent of MAC, which rights of consent are granted to MAC by MAC Ordinance No. 58 Section 11(a), and which rights are absolute and expressly reserved to the MAC hereby.

1. AIRLINE, when requesting an approval of an assignment, sublease, or Ground Handling agreement under this Article, shall include with its request a copy of the proposed agreement, if prepared, or a detailed summary of the material terms and conditions to be contained in such agreement. Any proposed agreement or detailed summary thereof shall provide the following information:
 - a. The Premises to be assigned, sublet or used under a Ground Handling agreement;
 - b. The terms;
 - c. If a sublease, the rentals and fees to be charged; and
 - d. All material terms and conditions of the assignment, sublease, or Ground Handling agreement that MAC may require.

If the agreement is subsequently executed, AIRLINE shall submit a fully executed copy of such agreement to MAC promptly upon the execution thereof.

2. MAC shall have the right to examine the terms of any agreement or arrangement submitted to it for approval pursuant to this Article and determine whether such agreement or arrangement is most appropriately characterized as an assignment, sublease, or Ground Handling agreement, regardless of AIRLINE' s characterization of such agreement or arrangement.
3. If AIRLINE fails to obtain written approval from MAC prior to the effective date of any such assignment, sublease, or Ground Handling agreement, MAC, in addition to the rights and remedies set forth in Article XIV, shall have the right to refuse to recognize such agreement, and the assignee, sublessee or "handled" Airline shall acquire no interest in this Agreement or any rights to use the Premises.

B. ASSIGNMENT

1. AIRLINE shall not assign this Agreement, in whole or part, without the advance written approval of MAC.
2. It shall not be unreasonable for MAC to disapprove or condition an assignment of the Agreement under any or all of the following circumstances, among others:
 - a. MAC determines that the proposed assignee is not substantially as creditworthy as the AIRLINE, unless AIRLINE agrees to guarantee the obligations of the proposed assignee.
 - b. The proposed assignment is either (1) for less than the entire Premises or (2) for less than the remainder of the Term, or both (1) and (2).
 - c. The proposed assignment does not require the assignee to accept and comply with all provisions of the Agreement, including but not limited to accepting Signatory Airline status.
3. Notwithstanding the foregoing, this Section shall not be interpreted to preclude the assignment of this Agreement in whole and AIRLINE' s rights and obligations hereunder to a parent, subsidiary, or merged company; provided that, such parent, subsidiary, or merged company conducts an Air Transportation Business at the Airport and that such parent, subsidiary, or merged company assumes all rights and obligations hereunder. Written notice of such assumption shall be provided by the parent, subsidiary, or merged company prior to the effective date of such assignment.

C. SUBLEASE AGREEMENT

1. AIRLINE shall not sublet its Premises, except to an Affiliated Airline, in whole or part, without the advance written approval of MAC.

2. It shall not be unreasonable for MAC to disapprove or condition a sublease of AIRLINE' s Premises if the proposed sublessee is not an Air Transportation Company and MAC reasonably concludes that the space can be used by another Air Transportation Company.
3. AIRLINE may, subject to a sublease approved by MAC, charge a sublessee of its Premises:
 - a. A reasonable charge for any services provided by AIRLINE;

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- b. A reasonable charge for any AIRLINE-owned property provided by AIRLINE or actual costs other than rentals incurred by AIRLINE; and
 - c. Reasonable rentals not to exceed one hundred fifteen percent (115%) of AIRLINE' s rentals for such portion of the Premises.
4. AIRLINE shall remain fully and primarily liable during the Term of this Agreement for the payment of all rents, fees, and charges due and payable to MAC for the Premises that are subject to a sublease agreement, and the AIRLINE shall remain fully responsible for the performance of all the other obligations hereunder, unless otherwise agreed to by MAC.

D. GROUND HANDLING AGREEMENT

1. AIRLINE shall be entitled to provide Ground Handling services to other Airlines in the Terminal Complex and Terminal Ramp, subject to MAC' s reasonable rules and regulations except as provided in Article III.C.
2. AIRLINE shall not contract with other companies, excluding Signatory Airlines for Ground Handling services in the Terminal Complex and Terminal Ramp for AIRLINE' s aircraft, without advance written approval of MAC.
3. AIRLINE shall remain fully and primarily liable during the Term of this Agreement for the payment of all rents, fees, and charges due and payable to MAC for the Premises that are subject to a Ground Handling agreement, and the AIRLINE shall remain fully responsible for the performance of all the other obligations hereunder, unless otherwise agreed to by MAC.
4. MAC reserves the right to charge third parties other than Airlines a reasonable Ground Handling fee not to exceed 5% of gross receipts and a reasonable annual administrative fee, for their right to provide Ground Handling services to AIRLINE.
5. Ground Handling rights outside the Terminal Complex will be addressed in separate agreements between MAC and the affected airlines.

E. BANKRUPTCY

Any receiver, trustee, custodian, or other similar official appointed pursuant to any proceeding relating to bankruptcy, reorganization, or other relief as set forth in Article XIV.A.8., herein shall agree to:

1. Perform promptly every obligation of AIRLINE under this Agreement until this Agreement is either assumed or rejected under the Federal Bankruptcy Code;

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2. Pay on a current basis all rents, fees and charges set forth in this Agreement;

3. Reject or assume this Agreement within sixty (60) days of filing a petition under the Federal Bankruptcy Code;
4. Cure or provide adequate assurance of a prompt cure of any default of the AIRLINE under this Agreement;
5. Provide to MAC such adequate assurance of future performance under this Agreement as may be requested by MAC, including the procurement of a bond from a financially reputable surety covering any costs or damages incurred by MAC in the event that MAC, within five (5) years after assumption or assignment of this Agreement, exercises its rights to relet the Premises.

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XII. ARBITRATION

With respect to any dispute arising under or in performance of the provisions hereof which cannot be adjusted by and between the parties hereto, MAC on the one hand or the AIRLINE (or, where the matter in dispute applies to all Airlines operating at the Airport under leases having the same terms as this Agreement, Airlines representing an MII) on the other hand may elect to submit such matter or dispute to arbitration, such election to be by written notice to the other party. Upon service of such notice, the matter or dispute shall be submitted to a board of three persons chosen in the following manner:

- A. Each party within ten (10) days after service of the notice shall name an arbitrator, and the two thus chosen shall select a third arbitrator. If the two arbitrators chosen fail to name the third arbitrator within ten (10) days after the selection of the last of such arbitrators, such third arbitrator shall be chosen within fifteen (15) days thereafter by the Chairman of MAC and a duly authorized officer or representative of the AIRLINE or MII Airlines as the case may be.
- B. It is understood and agreed that the decision of a majority of the arbitrators on any matter or dispute submitted thereto shall be final, conclusive and binding upon the parties hereto.

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XIII. SUPPLEMENTAL AGREEMENTS

A. GOLD CONCOURSE

1. GENERAL

The terms, covenants, conditions and provisions of this Agreement shall apply to the lease of the Gold Concourse to Northwest Airlines, provided that in the event the terms of this Article conflict with any other provision of this Agreement, this Article shall control.

No amendment, waiver or other modification of this Agreement shall apply to this Article unless specifically so stated therein.

2. TERM

Occupancy of the Gold Concourse by Northwest shall continue pursuant to the provisions contained in this Article through December 31, 2015.

3. USE OF THE GOLD CONCOURSE

- a. Subject to the understanding and agreement of Northwest that the Gold Concourse is for the use of the traveling public incident to operation of aircraft and incidental Airport operations to, at and from the Gold Concourse, Northwest hereby leases that area of the Terminal Complex identified as the Gold Concourse

and shall have the right to operate in such area and/or sublease to others space and/or concessions for the sale of food and beverages, newsstand and other vending operations normally carried on and conducted in air passenger terminals, provided that consent of MAC shall first be procured for any such subleasing agreements to ensure that such concessions shall not violate the rights of concessionaires within the Terminal Building and area under agreement with MAC. Northwest shall file with MAC copies of agreements entered into with any such sublessee/concessionaires covering such operations.

- 1) All revenues from such subleasing and/or concessions may be retained by Northwest, and the foregoing rights of Northwest within the Gold Concourse shall be in addition to Northwest' s operating rights pursuant to this Agreement, subject, however, to the following provision:
- 2) Northwest, upon application of the rental auto, parking and/or insurance concessionaires at the Airport, or upon application of other ground transportation operators, shall furnish and rent to such applicants at a fair per square foot rental rate, adequate and sufficient floor space within

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the Gold Concourse for the conduct of such concessionaire' s business for the air-travelling public making use of the Gold Concourse, but concession revenues from such operations shall not be retained by Northwest but shall be paid to MAC by Northwest.

- b. The Gold Concourse, as a facility for use by the travelling public, shall be subject to laws, rules, regulations and ordinances having application elsewhere within the Terminal Building, and Northwest hereby authorizes the presence of the Airport police within said Gold Concourse and upon the loading ramp area fronting on the same for purposes of police control and enforcement of such laws, rules, regulations or ordinances.
- c. Except as otherwise provided in A.3.a. of this Section, Northwest shall not at anytime assign, transfer, convey, sublet, mortgage, pledge, or encumber its interest under this Article, or any part of the associated Terminal Ramp, or any other right granted under this Article to any party other than a wholly owned subsidiary of Northwest or a successor of Northwest by merger or acquisition, without first offering to assign or sublet such interest to MAC.
- d. MAC and Northwest shall mutually agree on the type, material business terms and location of new permanent concessions that are placed in the Southwest Addition and in the gate 1-9 area of the Gold Concourse, in accordance with commercially reasonable standards at regional shopping malls, except for permanent concessions consisting of Caribou Coffee; six to eight carts, kiosks or wall stores; McDonalds expansion into mechanical space; or kiosks or temporary facilities, which shall not require, respectively, Northwest' s or MAC' s consent or input.

4. MAINTENANCE, REPAIR AND ADMINISTRATIVE COSTS

- a. Northwest shall pay all costs of operations to, at or from the Gold Concourse, including, without limiting the foregoing, cost of utilities, custodial services, repair, maintenance, police, fire and administrative expense allocable to the facility (based upon gross square footage in the Terminal Complex) and that portion of the premium on MAC' s property insurance insuring the Terminal Building and equipment therein against fire with extended coverage, malicious mischief, boiler and machinery and glass damage, as relates to the Gold Concourse as a part thereof, proceeds of such insurance to be applied to repair. The allocation of all such expenses shall be made by MAC according to generally accepted accounting principles. In addition, Northwest shall procure and pay for, or shall endorse the insurance covering its operations to, at or from the Terminal

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Building under this Agreement so as to cover operations on the Gold Concourse.

- b. Northwest may make alterations to or install fixtures, equipment and improvements on the Gold Concourse, as required to meet its operating needs, provided consent of MAC is first obtained, which consent shall be granted unless MAC determines that such alterations, or such fixtures, equipment and improvements are inconsistent with the overall Terminal Building operation or with MAC' s operation at and control of the Airport. It is understood that Northwest may and is hereby authorized to further improve and develop at its cost and expense the unenclosed lower level space under lease to it, subject to MAC approval of plans and specifications therefor.

5. RENTALS, FEES AND CHARGES

Northwest shall pay rent for its use and occupancy of the Gold Concourse, not on a compensatory basis, and not subject to annual recalculation of Terminal Building rentals as provided in this Agreement, but rather as follows:

- a. Until July 1, 1999, on a monthly basis, \$173,140.19 as rent for the portion of the Gold Concourse excluding the Gold World Club and Gates 1-9. Beginning July 1, 1999, on a monthly basis, \$132,738.20 as rent for the portion of the Gold Concourse excluding the Gold World Club and Gates 1-9.
- b. On a monthly basis, \$35,063.79 as rent for Gates 1-9, including the area identified as the Gold World Club and the parts storage building.
- c. On a monthly basis, police, fire and administrative charges and cost of utilities.
- d. Until July 1, 1999, on a monthly basis, an amount equal to 15% of the gross revenue Northwest derives from all concessions operated on Gates 1-9 on the Gold Concourse, and a corresponding monthly report of the gross receipts by unit. Beginning July 1, 1999, on a monthly basis, an amount equal to 15% of the gross revenue Northwest derives from all concessions operated on the Gold Concourse, including any future extensions, and a corresponding monthly report of the gross receipts by unit. For purposes of this provision "gross revenue" means all monies or rental payments paid or payable to Northwest whether by cash, credit or otherwise and is based upon the assumption that the division of expenses (such as license fees, utilities, taxes) between Northwest and its concessionaires shall remain substantially the same as under the previous agreement covering the Gold Concourse.

- e. On a monthly basis, in compensation for the loss of space on the Gold Concourse due to construction of the International Arrivals Facility, MAC shall pay to Northwest 35% of the concession fees paid to MAC from the Southwest Addition.
- f. On a monthly basis for compensation for use of Gates 1-9 for scheduled international aircraft arrivals, MAC shall pay Northwest, \$400, \$800 and \$1200, for each arrival by, respectively, propeller aircraft, narrow-body jet aircraft or wide-body aircraft at the IAF.

6. FUTURE EXTENSION

MAC and Northwest agree that upon written notice from Northwest, MAC and Northwest will amend this Agreement and the lease between MAC and Northwest for the Northwest Main Base - Building B, so as to permit Northwest, at its own cost and subject to MAC approval of plans and specifications as set forth herein, to construct an extension to the Gold Concourse to add additional gates and aircraft parking positions designed for narrow body aircraft. Upon beneficial occupancy of any such Gold Concourse extension, rent for Building B shall be reduced by an agreed upon amount, provided that an equivalent amount shall be added to Gold Concourse rent and that rental of such Gold Concourse extension and use of associated aircraft parking positions shall be on the same basis as provided in this Article.

7. DELEGATION

By letter agreements, Northwest and MAC may jointly provide for the provision of maintenance or concessions on the Gold Concourse, subject to such terms and conditions mutually agreed upon by MAC and Northwest.

B. TEMPORARY REGIONAL TERMINAL

1. GENERAL

The terms, covenants, conditions and provisions of this Agreement shall apply to the lease of the Temporary Regional Terminal to Northwest Airlines, provided that in the event the terms of this Article conflict with any other provision of this Agreement, this Article shall control.

2. TERM

Occupancy of the Temporary Regional Terminal by Northwest shall continue under these rates, terms and conditions until such time as a replacement facility for the Temporary Regional Terminal is identified by MAC and available for use.

3. USE OF THE TEMPORARY REGIONAL TERMINAL

- a. Northwest hereby leases from MAC the ground area necessary for a temporary regional/commuter passenger holdroom facility. The demised premises shall include an area extending 20 feet beyond the exterior walls. MAC will maintain an easement across the property for Airport operational access and maintenance purposes.
- b.
 - 1) The temporary regional/commuter passenger holdroom facility is not large enough to accommodate the passengers, ticketing, baggage handling functions and small package services of all regional/commuter air carriers. Therefore, these airlines will lease ticket counter space in this facility directly from MAC at the prevailing rates and lease terms or be accommodated by their airline partners.
 - 2) Due to the increased number of operations on the aircraft ramp and the distance certain aircraft may be parked from the temporary regional/commuter passenger holdroom facility, an airside busing operation may be required by MAC and instituted to transport passengers to and from all regional/commuter aircraft for safety, convenience and service purposes consistent with reasonable standards of safety. Northwest is responsible for operating the airside busing operation. MAC reserves the right to regulate the busing operation for operational and safety purposes.
 - 3) Great Lakes Airlines, Bemidji Airlines or any new entrant may, as determined by MAC, operate from the existing Regional Terminal until its demolition to make way for the Green Concourse extension or they may choose to operate from the new temporary regional/commuter passenger holdroom facility.
 - 4) MAC's operating budget will be impacted through the increased costs of maintaining the new building space and apron.
 - 5) Therefore, it is agreed that:

- a) Northwest shall make the temporary regional/commuter passenger holdroom facility available for access as set forth in Article IV.E.3.

“Accommodation of other Airlines”, provided, however, that Northwest shall accommodate Great Lakes Airlines in the Temporary Regional Terminal under arrangements previously agreed upon between MAC and Northwest. Costs for such accommodation of Great Lakes Airlines shall be established as set forth in Article IV.E.3.

- b) Initial allocations of both aircraft apron and podiums, as set out in Exhibits L and Q respectively, are to be made by agreement between Northwest and the regional/commuter airlines. The initial allocation may change by future agreement and must be included as an amendment to this Agreement. In the event of dispute, MAC will serve as the final arbiter in directing final resolution.
- c) MAC will be responsible for providing janitorial services to the temporary regional/commuter passenger holdroom facility.
- d) MAC will be responsible for providing maintenance on the Green Concourse Extension portion of the project.
- e) Northwest will be responsible for providing facility maintenance at the temporary regional/commuter terminal.
- f) MAC will be responsible for maintaining the apron areas dedicated to regional/commuter use.
- g) The airside busing operation will be operated by Northwest on a reasonable and nondiscriminatory basis.

4. RENT AND OPERATIONS FUNDING

- a. Ground rent for the Temporary Regional Terminal will be at a rate of \$.19 per square foot per annum as shown on Exhibit Q. Payment shall be made on a monthly basis to MAC. Northwest Airlines shall pay all real estate and personal property taxes and assessments of any nature levied against Northwest’s interest in the Temporary Regional Terminal or against any improvements or equipment on the premises without deduction or set-off to aforesaid rental payment.

- b. MAC will charge the applicable users for the costs of providing janitorial services and utilities to the temporary passenger holdroom facility through normal and customary space rental charges.

Costs associated with Northwest’s Airlink partners will be charged directly to Northwest.

Northwest will be solely responsible for the costs associated with the airside busing operation.

5. TITLE TO IMPROVEMENTS

Following termination of occupancy rights to the Temporary Regional Terminal, the land and improvements, except the airline furniture, fixtures and equipment, shall revert back to MAC with no further obligation by Northwest.

6. REGIONAL/COMMUTER APRON & AUTO RENTAL SERVICE SITE MODIFICATION COST RECOVERY

The construction costs associated with 602 lineal feet of temporary regional/commuter apron and the auto rental service sites modification costs will be charged to the Terminal Apron cost center.

The operational costs associated with 602 lineal feet of temporary regional/commuter apron will be charged to the Terminal Apron cost center.

7. CONCESSIONS

Northwest and MAC will jointly determine appropriate concessions to be offered in the temporary regional/commuter passenger holdroom facility. Northwest will be responsible for coordinating design and construction of all concessions in the new temporary regional/commuter passenger holdroom facility. All revenues received from the concessions in the facility will be reported fully to MAC and Northwest on a monthly basis but will be retained by Northwest.

C. FIS BAG BELT ENCLOSURE

1. Northwest Airlines hereby leases from MAC the portion of the FIS Bag Belt Area that has been enclosed for Northwest tug and vehicle storage, as shown on Exhibit R. Northwest shall allow other Airlines to use this area without charge to access the baggage belts. In addition, MAC may access this area without charge to maintain the baggage belts.

2. Northwest shall install and maintain protective equipment designed to protect the bag belt from damage and shall be responsible for any damage to the bag belts caused by Northwest or its agents.
3. Beginning July 1997, Northwest shall pay MAC ground rent for this area at a rate of nineteen cents (\$.19) per square foot per annum. Payment shall be made on a monthly basis to MAC.

D. TERMINAL BUILDING

1. If MAC determines that it is in the Airport's interest to purchase improvements, equipment or to make other capital expenditures which are outside the scope of this Agreement but which may benefit an airline, MAC may enter into a supplemental agreement with the affected airline to provide for the payment of the costs of such purchase.
2. AIRLINE agrees that the projects listed on Exhibit S attached hereto are projects which have been completed by MAC with AIRLINE's concurrence and shall not be included in airline rates and charges, but rather shall be paid by AIRLINE to MAC as set forth in Exhibit S.
3. MAC shall issue up to one hundred thirty million dollars (\$130,000,000) in Special Facility Obligations, as defined in the Trust Indenture, to be supported by Northwest Airlines credit contingent upon agreement between MAC and Northwest with respect to the projects to be financed thereby.

E. MONTH TO MONTH PREMISES

AIRLINE agrees that the Leased Premises shown on Exhibit T attached hereto are leased to AIRLINE on a month-to-month term; and that all of the terms and conditions of this Agreement, other than Article II.A. "Term" apply to these month-to-month premises.

XIV. EVENTS OF DEFAULT; REMEDIES

A. EVENTS OF DEFAULT

The occurrence and continuation of any one or more of the following shall constitute an event of default:

1. AIRLINE fails to make payment in full when due of any rents, fees, charges or any other amount payable hereunder within 5 business days after notice thereof from MAC;
2. AIRLINE shall fail to make any PFC remittance to MAC in a timely fashion, or shall fail to timely comply with its PFC reporting requirements to the MAC, or any other entity, in connection with PFCs collected on behalf of MAC;
3. AIRLINE fails to submit a Monthly Activity Report to MAC on or before the 10th day of each month;
4. AIRLINE shall make or permit any unauthorized assignment or transfer of this Agreement, or any interest herein, or of the right to use or possession of the Premises, or any part thereof;
5. Any insurance required by the terms hereof shall at any time not be in full force or effect;
6. Failure of AIRLINE to perform, comply with, or observe, in any material respect, any other term, condition or covenant of this Agreement not identified elsewhere in Section A of this Article within thirty (30) days after receipt of notice from MAC of such failure, or for such longer period of time as may be reasonably necessary to cure the event of default, but only for such longer period if: (a) AIRLINE is reasonably capable of curing the event of default and (b) AIRLINE promptly and continuously undertakes to cure and diligently pursues the curing of the event of default at all times until such event of default is cured;
7. Any representation or warranty of a material fact made by AIRLINE herein or in any certificate or statement furnished to the MAC pursuant to or in connection with this Agreement proves untrue in any material respect as of the date of issuance or making thereof;
8. (a) AIRLINE shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to AIRLINE, or seeking to adjudicate AIRLINE a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, composition or other relief with respect to AIRLINE or any of its debts, or

(ii) seeking appointment of a receiver, trustee, custodian or other similar official for AIRLINE or for all or any substantial part of any of its property; or (b) AIRLINE shall make a general assignment for the benefit of its creditors; or (c) there shall be commenced against AIRLINE any case, proceeding or other action of nature referred to in clause (a) above or seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of any of its property, which case, proceeding or other action results in the entry of an order for relief or remains undismissed, unvacated, undischarged and unbonded for a period of sixty (60) days; or (d) AIRLINE shall take any action consenting to or approving of any of the acts set forth in clause (a) or (b) above; or (e) AIRLINE shall generally not, or shall be unable to, pay its debts as they become due or shall admit in writing its inability generally to pay its debts as they become due;

9. Any money judgment, writ or warrant of attachment or similar process, or any combination thereof, involving an amount in excess of \$25,000,000 shall be entered or filed against the AIRLINE or any of its assets and shall remain undischarged, unvacated, unbonded and unstayed for a period of sixty (60) days or in any event later than five (5) days prior to the date of any proposed sale or execution thereunder;
10. Any act occurs that deprives AIRLINE permanently of any material right, power or privilege necessary for the conduct and operation of its Air Transportation Business; or
11. If AIRLINE ceases to provide scheduled air service at the Airport for a period of thirty (30) consecutive days or abandons or fails to use its Exclusive Use Space for a period of thirty (30) consecutive days, except when such cessation or abandonment is due to the default of MAC or the circumstances described in Article IX.B.

B. REMEDIES

If an event of default occurs hereunder, MAC, at its option, may at any time thereafter, do one or more of the following as MAC in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

1. Declare all rents, fees and other charges payable hereunder, whether currently or hereafter accruing, to be immediately due and payable;
2. Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by AIRLINE of the applicable covenants and terms of this Agreement or to recover damages for the breach thereof;
3. Enter and take possession of the Premises and/or the rights of the AIRLINE hereunder without such re-entry terminating AIRLINE' s obligations for the full

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Term hereof, which remedy shall be in addition to all other remedies at law or in equity, including action for forcible entry and lawful detainer, for ejection or for injunction;

4. Terminate all rights of AIRLINE under this Agreement (without terminating the continuing obligation of AIRLINE to fulfill its past and future obligation hereunder) and in such case AIRLINE further agrees to indemnify and hold harmless MAC against all loss in rents, fees, and charges and other damages which MAC shall incur by reason of such termination, including, without limitation, costs of restoring and repairing the Premises and putting the same in rentable condition, costs of reletting the Premises to another Airline (including without limitation AIRLINE improvement costs and related fees), loss or diminution of rents and other damage which MAC incurs by reason of such termination, and all reasonable attorneys' fees and expenses incurred in enforcing the terms of this Agreement;
5. In the event of any default hereunder, AIRLINE shall reimburse MAC for all reasonable fees and costs incurred by MAC, including reasonable attorneys' fees, relating to such default and/or the enforcement of MAC' s rights hereunder; and
6. Apply all Contract Security granted by AIRLINE to any unpaid obligations of AIRLINE hereunder.

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XV. TERMINATION

A. TERMINATION BY MAC

This Agreement may be terminated by MAC pursuant to the provisions of Article XIV above and as otherwise specified in this Agreement.

B. TERMINATION BY AIRLINE

1. If MAC shall fail to perform, comply with, or observe, in any material respect, any term, condition or covenant of this Agreement within thirty (30) days after receipt of notice from AIRLINE of such failure, or for such longer period of time as may be reasonably necessary to cure the event of default but only for such longer period if: (a) MAC is reasonably capable of curing the event of default and (b) MAC promptly and continuously undertakes to cure and diligently pursues the curing of the event of default at all times until such event of default is cured, then AIRLINE, if not then in default, may, without limiting any of its other rights and remedies against MAC, at its option cancel this Agreement and thereby terminate this Agreement.
2. It is further understood and agreed that, at any time when AIRLINE is not then in default, it may cancel this Agreement on sixty (60) days' notice in writing to MAC upon the happening of any one of the following events:
 - a. Issuance by any court of competent jurisdiction of an injunction in any way preventing or restraining the use of the Airport or any part thereof essential for AIRLINE' s operations hereunder and the remaining in force of such injunction for a period of at least ninety (90) days.
 - b. Inability of the AIRLINE to use the Airport or any part thereof essential for AIRLINE' s operations hereunder for a period of not less than ninety (90) days because of fire, explosion, earthquake, or other casualty or acts of God or the public enemy, unless within sixty (60) days of the casualty, MAC gave AIRLINE written notice of its intention to repair or reconstruct, as provided in Article IX.A. herein.
 - c. The lawful assumption by the United States of America or any authorized agency thereof of the operation, control, or use of the Airport and the facilities thereon or any substantial part or parts thereof, in such manner as substantially to restrict AIRLINE for a period of not less than ninety (90) days from operating thereon for the carrying of passengers, cargo, express, property, and United States mail.
 - d. Termination or the suspension or substantial modification for a period of not less than ninety (90) days of the operating authority of the AIRLINE to serve the Minneapolis-St. Paul metropolitan area through the Airport by final order of the DOT or other governmental agency, federal or state, having jurisdiction over the AIRLINE.
3. If any of the foregoing continues for a period of less than ninety (90) days, AIRLINE shall have the right upon written notice to MAC to abatement of rents, fees and charges to the extent and for the period that AIRLINE is unable to carry on its operations hereunder.

C. TERMINATION BY GOVERNMENT TAKING

In the event the Premises shall be taken by governmental authority through exercise of its power of eminent domain or other authority justifying such taking, the Agreement shall terminate and the rents, fees and charges in respect to said premises shall cease as of the date possession is taken by the taking authority, and MAC shall be entitled to all damages payable by reason of taking, subject to the claim of AIRLINE for the value of its leasehold, which claim or claims as to validity and amount shall be a matter for determination between AIRLINE and MAC, and if AIRLINE and MAC cannot reach a determination, then by the court having jurisdiction of such proceeding, provided that nothing herein contained shall preclude AIRLINE from asserting any claims or rights it may have against such governmental authority as to its separate property, leasehold improvements, and trade fixtures.

A. INTERPRETATION

Nothing herein shall be construed or interpreted in any manner whatsoever as limiting, relinquishing or waiving MAC' s right of control over the operation of the Airport, and it is understood and agreed that this Agreement is entered into in recognition of the aforesaid rights and functions of MAC. Subject to the foregoing, this Agreement and the rights of the parties hereunder shall be interpreted in the light of the following:

1. SEPARABILITY

In the event any covenant, condition or provision herein is held to be invalid, illegal, or unenforceable by any court of competent jurisdiction, such covenant, condition or provision shall be deemed amended to conform to applicable laws so as to be valid or enforceable or, if it cannot be so amended without materially altering the intention of the parties, it shall be stricken. If stricken, all other covenants, conditions and provisions of this Agreement shall remain in full force and effect provided that the striking of such covenants, conditions or provisions does not materially prejudice either MAC or AIRLINE in its respective rights and obligations contained in the valid covenants, conditions or provisions of this Agreement.

2. ENTIRE AGREEMENT

This Agreement represents the entire contract between the parties and, except as otherwise provided herein, may not be amended, changed, modified, or altered without the written consent of the parties hereto. This Agreement incorporates all of the conditions, agreements, and understandings between the parties concerning the use and occupancy of the Airfield, Terminal Apron, Terminal Complex, and other facilities at the Airport, and all such conditions, understandings, and agreements have been merged into this written instrument.

B. COMPLIANCE WITH LAW

1. AIRLINE shall not use the Airport or any part thereof, or knowingly permit the same to be used by any of its employees, officers, agents, subtenants, invitees, or licensees for any illegal purposes. AIRLINE shall, at all times during the Term of this Agreement, comply with all applicable regulations, ordinances, and laws of any Municipal, County, or State government or of the U.S. Government, and of any political division or subdivision or agency, authority, or commission thereof which may have jurisdiction to pass laws or ordinances or to make and enforce rules or regulations with respect to the uses hereunder of the Premises (and, to

the extent not in conflict with the foregoing, MAC' s Rules and Regulations and Ordinances).

2. At all times during the Term of this Agreement, AIRLINE shall, in connection with its activities and operations at the Airport:
 - a. Comply with and conform to all present and future statutes and ordinances, and regulations promulgated thereunder, of all Federal, State, and other government bodies of competent jurisdiction that apply to or affect, either directly or indirectly, AIRLINE or AIRLINE' s operations and activities under this Agreement. AIRLINE shall comply with all applicable provisions of the Americans with Disabilities Act of 1990, 42 U.S.C. Section 12101 and federal regulations promulgated thereunder 28 C.F.R. parts 35, 36, and 37.
 - b. Make, at its own expense, all non-structural improvements, repairs, and alterations to its Exclusive and Preferential Use Premises (subject to prior written approval of MAC), equipment, and personal property that are required to comply with or conform to any of such statutes and ordinances.

- c. Reimburse MAC for AIRLINE' s proportional share of all non-structural improvements, repairs, and alterations to its Common Use Premises that are required to comply with or conform to any of such statutes and ordinances.
 - d. At all times during the Term of this Agreement, AIRLINE shall be an independent contractor.
3. AIRLINE agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.
 4. COMPLIANCE WITH ENVIRONMENTAL LAWS

AIRLINE shall keep and maintain and shall conduct its operations on the Premises in full compliance with all applicable Environmental Laws. AIRLINE shall further ensure that its employees, agents, contractors and subcontractors occupying or present on the Premises and any other invitees or persons conducting any activities on the Premises under the control of AIRLINE comply with all applicable Environmental Laws. By virtue of its operational control of the Premises, AIRLINE shall be fully responsible for obtaining all necessary permits or other approvals under the Environmental Laws and shall have full responsibility for signing and submitting any necessary applications, forms, documentation,

notifications or certifications relating thereto. Upon request of MAC, AIRLINE shall provide copies to MAC of any such applications, forms, documents, notifications or certifications.

5. FEDERAL STORMWATER REGULATIONS

- a. Notwithstanding any other provisions or terms of this Agreement, AIRLINE acknowledges that the Airport is subject to Federal Stormwater Regulations, 40 C.F.R. part 122, for vehicle maintenance shops (including vehicle rehabilitation, mechanical repairs, painting, fueling and lubrication), equipment cleaning operations, and/or deicing operations that occur at the Airport as defined in said regulations. AIRLINE further acknowledges that it is familiar with these stormwater regulations; that it may conduct or operate from time to time "vehicle maintenance" (including vehicle rehabilitation, mechanical repairs, painting, fueling and lubrication), equipment cleaning operations, and/or deicing activities as defined in the Federal Stormwater Regulations; that AIRLINE may be obligated to obtain its own stormwater or other NPDES permit; and that it is aware that there are significant penalties for submitting false information, including fines and imprisonment for knowing violations.
- b. AIRLINE acknowledges that MAC' s stormwater discharge permit and any subsequent renewals, is incorporated by reference into this Agreement. AIRLINE agrees to be bound by all applicable portions of said permit.
- c. Notwithstanding any other provisions or terms of this Agreement, including AIRLINE' s right to quiet enjoyment, MAC and AIRLINE both acknowledge that close cooperation is necessary to insure compliance with any stormwater discharge permit terms and conditions, as well as to insure safety and to minimize costs. AIRLINE acknowledges that it may be necessary to undertake to minimize the exposure of stormwater to significant materials generated, stored, handled or otherwise used by AIRLINE as defined in the Federal Stormwater Regulations, by implementing and maintaining "Best Management Practices."
- d. MAC shall provide AIRLINE with written notice of those stormwater discharge permit requirements arising from MAC' s permit that AIRLINE shall be obligated to perform from time to time, including collection of stormwater samples; preparation of stormwater pollution prevention or similar plans; implementation of "good housekeeping" measures or Best Management

Practices; and maintenance of necessary records. Such written notice shall include applicable deadlines.

- e. AIRLINE agrees to undertake at its sole expense, unless otherwise agreed to in writing between MAC and AIRLINE, those stormwater discharge permit requirements arising from MAC' s permit applicable to a stormwater discharge for which AIRLINE has responsibility for which it has received written notice from MAC. AIRLINE warrants that it shall meet any and all deadlines that may be imposed on or agreed to by MAC and AIRLINE.
- f. AIRLINE, within thirty (30) days of receipt of such written notice, shall notify MAC in writing if it disputes any of the stormwater discharge permit requirements it is being directed to undertake. If AIRLINE does not provide such timely notice, it is deemed to assent to undertake such requirements. If AIRLINE provides MAC with written notice, as required above, that it disputes such stormwater discharge permit requirements, MAC and AIRLINE agree to negotiate a prompt resolution of their differences. AIRLINE warrants that it will not object to MAC notices required pursuant to this Paragraph for purposes of delay or avoiding compliance.
- g. In order to maintain compliance with 40 C.F.R. part 122, if resolution of any dispute between MAC and AIRLINE regarding stormwater discharge permit requirements is not achieved within ninety (90) days, MAC reserves the right to undertake whatever action is necessary to comply with said permit requirements and the reasonable cost thereof shall be allocated based on each party' s legal responsibility for undertaking the action in question.
- h. MAC and AIRLINE agree to provide each other upon request, with any non-privileged information collected and submitted to any government entity(ies) pursuant to applicable stormwater regulations.
- i. AIRLINE agrees that the terms and conditions of MAC' s stormwater discharge permit may change from time to time.
- j. AIRLINE agrees to participate in any MAC organized task force or other work group established to coordinate stormwater activities at the Airport.
- k. All such remedies of MAC with regard to environmental requirements as set forth herein shall be deemed cumulative in nature and shall survive termination of this Agreement.

C. CIVIL/HUMAN RIGHTS LAWS

1. AIRLINE assures that it will comply with pertinent legal requirements as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from federal assistance.
2. AIRLINE agrees that it will practice nondiscrimination in its activities and will provide Disadvantaged Business Enterprise participation in their leases as required by MAC, in order to meet the sponsor' s goals, or required by the FAA in order to obtain an exemption from the prohibition against long-term exclusive leases.
3. AIRLINE for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Agreement for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, AIRLINE shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

4. AIRLINE for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (a) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (b) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and (c) that AIRLINE shall use the Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

D. ECONOMIC NONDISCRIMINATION

AIRLINE agrees to furnish service on a reasonable, and not unjustly discriminatory basis to all users thereof, and to charge reasonable, and not unjustly discriminatory prices for each unit or service, provided that AIRLINE may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

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E. GRANTING OF MORE FAVORABLE TERMS

MAC covenants and agrees not to enter into any lease, contract, or agreement with any other Airline making use of the Airport which unjustly discriminates against AIRLINE' s use of the Airport, unless the same rights, privileges, and concessions are concurrently and automatically made available to AIRLINE. Without limiting the generality thereof, the foregoing shall not be construed to limit the right of MAC to enter into agreement with any other Airline at varying terms, rates, and conditions for leasing hangars and ground areas.

F. CONSENTS, APPROVALS, AND NOTICES

1. Wherever in this Agreement the consent or approval of MAC or AIRLINE is required, such consent or approval shall mean the consent or approval of the Executive Director on behalf of MAC and a representative designated by AIRLINE in writing on behalf of AIRLINE.
2. All notices required by this Agreement shall be in writing and shall be given by registered or certified mail by depositing the same in the U.S. mail in the continental United States, postage prepaid, return receipt requested, or by personal or courier delivery. Either party shall have the right, by giving written notice to the other, to change the address at which its notices are to be received. Notice shall be given to:

- a. MAC:

Executive Director

Metropolitan Airports Commission

28th Avenue South

Minneapolis MN 55450

- b. AIRLINE:

[as set forth below

in AIRLINE' s

signature hereto]

- c. If notice is given in another manner or place, it shall also be given at the place and in the manner specified above.
- d. The effective date of such notice, consent, or approval shall be the date of the receipt as shown by the U.S. Postal Service Return Receipt or the courier receipt, or the date personal delivery is certified, unless provided otherwise in this Agreement.

G. WAIVER

1. Waiver of any provision of this Agreement by either party shall not be deemed binding unless such waiver is in writing, signed by the party making the waiver and addressed to the other party, nor shall any custom or practice which may evolve between the parties in the administration of the terms of this Agreement be construed to waive or lessen the right of either party to insist upon the performance of the other party in strict accordance with the terms of this Agreement.
2. Waiver by either party of breach of any covenant, condition, or agreement herein by the other party shall not operate as a waiver of any subsequent breach by such other party or release such other party from its obligation under the terms of the Agreement.

H. APPLICABLE LAW AND FORUM SELECTION

1. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Minnesota, and the laws, rules and regulations of MAC.
2. Any cause of action, claim, suit, demand, or other case, or controversy arising from or related to this Agreement shall only be brought in a state district court located in the county of Hennepin, Minnesota or in a federal district court located in Minnesota. The parties irrevocably admit themselves to, and consent to, the jurisdiction of either or both of said courts. The provisions of this Section shall survive the termination of this Agreement.

I. SUCCESSORS

All covenants, stipulations, and agreements in this Agreement shall extend to and bind the legal representatives, successors, and assigns of the respective parties hereto.

J. INSPECTION

1. MAC shall have the right, but not the obligation or duty, to inspect AIRLINE' s operations at all reasonable times for any purpose connected with this Agreement, in the exercise of MAC' s governmental functions, for the purpose of determining whether AIRLINE is fulfilling the obligations imposed on it under the provisions of this Agreement.
2. If inspection reveals that AIRLINE is not fulfilling such obligations or any thereof, and MAC has sent AIRLINE written notice to that effect, and AIRLINE has not within thirty (30) days proceeded to the fulfillment thereof, MAC may proceed to do the work necessary to such fulfillment,

and AIRLINE shall reimburse MAC in the amount of the cost thereof plus a 15 percent administrative charge.

3. The failure of MAC to inspect or monitor or give AIRLINE notice of a default or a notice of a hazardous or unsafe condition with respect to AIRLINE' s operations under this Agreement shall not release AIRLINE from its liability to perform its obligations under this Agreement or impose any liability on MAC.
4. AIRLINE shall have the right to inspect the Airport or any part thereof at any reasonable time, upon request to the Executive Director and the granting of such request by the Executive Director, such request not to be unreasonably denied, and the Executive Director or the Executive Director' s representative shall accompany AIRLINE' s representative on any and all inspections.

K. QUIET ENJOYMENT

So long as AIRLINE is not in default in its obligations hereunder, MAC covenants and agrees that AIRLINE shall have, hold and enjoy peaceful and uninterrupted possession of all of the Premises and of its rights to operate in, to and from the Airport as hereby granted.

L. NON-LIABILITY OF AGENTS AND EMPLOYEES

1. No member, officer, agent, director, or employee of MAC or AIRLINE shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or because of any breach thereof or because of its or their execution or attempted execution.
2. AIRLINE expressly agrees that MAC shall not be liable to AIRLINE, its contractors, agents, officers, employees, passengers, or invitees for personal injury or for any loss or damage to real or personal property occasioned by flood, fire, earthquake, lightning, windstorm, hail, explosion, riot, strike, civil commotion, aircraft, smoke, vandalism, malicious mischief, or acts of civil authority, or other casualty.
3. MAC expressly agrees that AIRLINE shall not be liable to MAC, its contractors, agents, officers, employees, or invitees for personal injury or for any loss or damage to real or personal property occasioned by flood, fire, earthquake, lightning, windstorm, hail, explosion, riot, strike, civil commotion, aircraft, smoke, vandalism, malicious mischief, or acts of civil authority, or other casualty.
4. The provisions of this Section shall survive the termination of this Agreement.

M. NO PARTNERSHIP OR AGENCY

Nothing contained in this Agreement is intended or shall be construed in any respect to create or establish any relationship other than that of lessor and lessee, and nothing herein shall be construed to establish any partnership, joint venture or association or to make AIRLINE the general representative or agent of MAC for any purpose whatsoever.

N. SECURITY

In conjunction with AIRLINE' s operations at Airport, reasonable access shall be made available for both persons and vehicles to AIRLINE' s aircraft parked in designated parking areas via Terminal Complex doors, field access gates, passenger loading bridges, and the ramp gates to the Security Identification Display Area ("SIDA"), Air Operations Area ("AOA"), or other defined security area. In order to maintain the security of restricted areas on Airport, AIRLINE will be responsible for the control of persons and vehicles entering the SIDA via the ramp gates to and from AIRLINE' s aircraft. AIRLINE agrees to implement and maintain security measures with respect to access control to and from AIRLINE' s aircraft and with respect to the use of the SIDA, as required by federal regulations. Such security measures shall be reduced to writing and be provided to the Airport Security Coordinator ("ASC"). AIRLINE agrees to implement and maintain, as a minimum, the following security measures concerning access control to and from the SIDA:

1. During all hours, access points to the SIDA shall be secured and locked.

2. AIRLINE and its agents shall challenge any persons not recognized as being authorized to have access to the SIDA from AIRLINE' s operations.
3. AIRLINE and its agents shall restrict the activities of its employees who are authorized to be in the SIDA to that portion of the SIDA in which AIRLINE is authorized to operate.
4. AIRLINE and its agents are responsible for ensuring that personnel are trained in the security procedures described in this Agreement and in all other security procedures, rules, and ordinances developed by MAC. MAC may require attendance at courses conducted by MAC or MAC may elect to allow AIRLINE and its agents to conduct such training. Whenever AIRLINE conducts such training, the Airport Security Coordinator or designee will have the right to audit.
5. AIRLINE and its agents shall not allow any unescorted person into the SIDA unless that person has a valid Airport identification badge. Identification badges shall not be considered valid unless the color code of the badge corresponds with the location in which such person may enter, as designated by MAC. People who do not have valid identification badges to be present on the SIDA shall be escorted at all times they are present on the SIDA by a person with a valid identification badge. Issuance of ramp or SIDA identification badges shall be made

only by MAC and shall be at the sole discretion of MAC. Ramp and other identification badges shall be denied to people not meeting security requirements.

6. AIRLINE and its agents shall abide by the Airport' s security program and comply with applicable security procedures including, but not limited to, the wearing of security identification badges by AIRLINE' s and its agents' personnel and clearly identifying each of AIRLINE' s vehicles by placing AIRLINE' s company or agent' s name on each vehicle, or fully comply with any vehicle identification or licensing system adopted by MAC.
7. AIRLINE and its agents shall immediately notify the Airport Police of any suspicious activities observed in or about the SIDA.
8. Any unresolved questions concerning Airport security shall be directed to the Airport Security Coordinator.
9. AIRLINE further agrees to reimburse MAC for any penalties or fines levied against MAC by the FAA due to AIRLINE' s or its agents' failure to abide by any applicable security measures.
10. The Airport Security Coordinator or his designated alternate will periodically evaluate compliance with this Section. Failure of AIRLINE to fully comply with the procedures set forth in this Section shall be sufficient grounds for MAC to immediately take any and all necessary corrective measures until security that is acceptable to MAC is restored. AIRLINE shall pay any costs of such corrective measures, plus a fifteen percent (15 percent) administrative charge.
11. AIRLINE must immediately return each MAC-issued security identification badge to the airport badging office upon expiration of badge or upon termination of badgeholder' s employment or contract. Further, AIRLINE must promptly report any loss or theft of an individual' s MAC-issued security identification, the termination of any badgeholder whose security identification is not recovered; or the suspension of any badgeholder.
12. AIRLINE must comply within established timelines with any security audits conducted by the MAC including audits of airport-issued security badges.

O. SUBORDINATION TO AGREEMENTS WITH THE U.S. GOVERNMENT

This Agreement shall be subordinate to the provisions of and requirements of any existing or future agreement between MAC and the United States, relative to the development, operation, or maintenance of the Airport.

the control, operation, regulation, and taking over of said Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

P. NO EXCLUSIVE RIGHT

Nothing herein contained shall be deemed to grant to AIRLINE any exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act for the conduct of any activity on the Airport.

Q. CONCERNING DEPRECIATION AND INVESTMENT CREDIT

Neither AIRLINE nor any successor of AIRLINE under this Agreement may claim depreciation or an investment credit under the Internal Revenue Code of 1954, as amended, with respect to the Premises. AIRLINE represents that it has made an election under Proposed Treasury Regulations Sections 1.103(n)-1T through 1.103(n)-6T not to claim such depreciation or investment credit with respect to the Premises and agrees that it will retain copies of said election in its records and will not claim any such depreciation or investment credit. MAC acknowledges receipt of a copy of said election and agrees that it will retain copies of said election in its records.

R. ATTORNEY' S FEES

In any action brought by either party for the enforcement of any provisions of this Agreement, the party prevailing in said action shall be entitled to recover reasonable attorney' s fees from the other party.

S. SAVINGS

MAC and AIRLINE acknowledge that they have thoroughly read this Agreement, including all exhibits thereto, and have sought and received whatever competent advice and counsel was necessary for them to form a full and complete understanding of all rights and obligations herein. MAC and AIRLINE further acknowledge that this Agreement is the result of extensive negotiations between them and that this Agreement shall not be construed against either party by reason of that party' s preparation of all or part of this Agreement.

T. MASTER TRUST INDENTURE

1. SUBORDINATION OF FACILITIES CONSTRUCTION CREDITS.

The obligations of MAC under this Agreement, if any, which constitute Facilities Construction Credits, are made subject and subordinate to the terms and provisions of the MAC revenue obligations issued pursuant to Minnesota Statutes, Section 473.608, Subd.12a., including the terms and provisions of master trust indenture which controls the issuance of such obligations.

2. AIRLINE COOPERATION.

- a. The AIRLINE agrees that it will cooperate with MAC, the underwriters and their counsel to satisfy any ongoing disclosure requirements necessary under applicable law in order to market the MAC revenue obligations, including provision of annual reports of AIRLINE or any parent.

- b. AIRLINE shall cooperate with MAC and the underwriters of MAC's revenue obligations so that the provisions of Rule 15(c) 2-12 of the Securities Exchange Act of 1934, as amended, are complied with.
- c. At the time of issuance of MAC revenue obligations, AIRLINE agrees that a duly authorized officer of AIRLINE shall execute a certificate stating that the information relating to AIRLINE, if any, contained in the official statement is accurate in all material respects (except as otherwise set forth in such certificate) on and as of the date thereof, provided, however, that no such certification need be made with respect to the completeness of such information.

U. TERMINATION OF PRIOR AGREEMENTS

All prior agreements between MAC and AIRLINE covering the use and occupancy of the Airfield, Terminal Building, Terminal Apron, Gold Concourse or International Arrivals Facility, but excluding any agreements between MAC and AIRLINE covering Other Areas on the Airport, and excluding any required agreements between MAC and AIRLINE covering mobile lift devices, are hereby cancelled.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the dates below.

In Presence Of:

METROPOLITAN AIRPORTS COMMISSION

/s/ [signed - signature illegible]

By: /s/ Gordy Wennerstrom

Gordy Wennerstrom

It's: Dir. Commercial Management & Airline Affairs

Date: February 11, 2000

In Presence Of:

Northwest Airlines, Inc.

/s/ John R. DeCoster

By: /s/ James M. Greenwald

Mr. James M. Greenwald

It's: Vice President Facilities & Airport Affairs

Date: February 10, 2000

Address:

Northwest Airlines, Inc.

5101 Northwest Drive

Dept A 1130

St. Paul, MN 55111

STATE OF MINNESOTA

)

) SS

COUNTY OF DAKOTA)

This instrument was acknowledged before me on the 10th day of February, 2000, by James M. Greenwald as the authorized representative of Northeast Airlines, Inc.

(Notary Seal) /s/ Eunice Burnham
Notary Public

STATE OF MINNESOTA)
)SS
COUNTY OF HENNEPIN)

This instrument was acknowledged before me on the 11th day of February, 2000, by Gordy Wennerstrom the Director - CMAA of the
(Name) (Title)

Metropolitan Airports Commission.

(Notary Seal) /s/ Rebecca A. Zwart
Notary Public

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Exhibit A
[Map - Airport Layout Plan]

Exhibit B
[Map - Airfield]

Exhibit C
[Diagrams - Terminal Building Plan]

Exhibit D
[Maps - Terminal Apron]

Exhibit E
[Diagrams - Terminal Building - Gold Concourse]

Exhibit F
[Maps - Landside Area]

OTHER AREAS

Other Areas includes, but is not limited to, the following MAC facilities:

West Terminal Area

Cargo Area

Other Roads (Non AOA and Non Terminal Area)

Hangars and Other Buildings (Includes any other MAC facility not flowing to airline rates and charges)

INTERNATIONAL REGULARLY SCHEDULED AIRLINE SERVICE CRITERIA

As operator of the HHH Terminal and the Lindbergh Terminal IAF Facility, the MAC must have reasonable and clear criteria to allocate international charter flights to the HHH Terminal AND international regularly scheduled flights to the Lindbergh Terminal IAF Facility. The principal purpose of the Lindbergh Terminal IAF Facility is to serve passengers making connections at MSP on a regularly scheduled basis. In addition, Gates 1-9 of the Lindbergh Terminal will be utilized by Northwest regularly scheduled flights providing domestic connecting service when not used by carriers providing international regularly scheduled service. Therefore, in making the determination of whether an international non-stop passenger flight to MSP is a regularly scheduled flight or a charter operation for purposes of making terminal assignment, the MAC will supply the following criteria:

1. Does the international operation generally have passengers connecting at MSP on-line, inter-line or via code share, and the operational need for connecting facilities?
2. Is the carrier a signatory under the MAC use and lease agreement?
3. Does the carrier hold all necessary government approvals to operate international regularly scheduled service?
4. Is the carrier's international service primarily scheduled on a year-round basis or does it primarily offer seasonal service to different locations?
5. Are the carrier's schedules published each month in the Official Airline Guide and displayed in computer reservation systems? Are the fares regularly published by the Airline Tariff Publishing Company?
6. Does the carrier providing the service provide reservation services and create PNRs for the flights with its own employees?

International operations that meet these criteria overall shall be considered international regularly scheduled flights for use of the Lindbergh IAF. However, the failure to meet any one or more criteria shall not necessarily preclude the operation from being considered an international regularly scheduled flight. MAC's goal of optimizing overall airport operating efficiency shall be an important consideration.

2010 PLAN ESTIMATED PROJECT COSTS
 METROPOLITAN AIRPORTS COMMISSION
 (1998 DOLLARS IN THOUSANDS)

PROGRAM	AIRFIELD	RAMP	TERMINAL	OTHER	TOTAL
Runway Deicing/Holding Pad Program	\$ 49,500	\$ 2,776	\$ 77	\$ 5,697	\$ 58,050
Runway 17/35 Program	454,550			108,850	563,400
Runway 4/22 Development Program	27,000				27,000
Noise Mitigation Program	330,800			80,000	410,800
Taxiway W Construction Program	18,200				18,200
Taxiway C/D Complex Construction Program	16,500				16,500
Airfield Rehabilitation and Repair Program	57,540				57,540
Runway Rehabilitation Program	62,000				62,000
Environmental Remediation Program	6,000		500	1,000	7,500
Public Parking/Auto Rental Expansion Program		880	10,375	177,595	188,850
Green Concourse Extension Program	6,064	21,742	180,682	17,812	226,300
Concourse Expansion & Rehabilitation Program			6,500		6,500
Lindbergh Terminal Rehab & Development Program	1,064		41,824	3,822	46,710
Humphrey Terminal Development Program				77,000	77,000
Sun Country Hangar Program				5,150	5,150
Landside Rehabilitation & Repair Program			37,882	18,240	56,122
Light Rail Transit Program			12,500	57,500	70,000
Reliever Airport Program				132,400	132,400
Reliever Airports Utility Extension Program				11,200	11,200
Miscellaneous Field & Runway	10,500			650	11,150
Miscellaneous Landside Program	23,400	7,510	14,835	87,455	133,200
TOTAL OF ALL PROGRAMS	\$ 1,063,118	\$ 32,908	\$ 305,175	\$ 784,371	\$ 2,185,572

PROJECTS COMPRISING THE 2010 PLAN
 METROPOLITAN AIRPORTS COMMISSION

RUNWAY DEICING/HOLDING PAD PROGRAM

PROGRAM SCOPE

This program consists of projects to construct deicing/holding pads adjoining the ends of Runways 12L, 12R, 30L, and 30R.

Projects which are required for the construction of the Runway 12L pad, include the following:

Demolition of Hangars 1 and 2

Snow Removal Equipment Storage Building Addition

Maintenance Fueling System

Deicing Operations Center

Projects which are required for the construction of the Runway 12R pad, include the following:

Building Demolition

Taxiway B Construction

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Runway 12L Pad	1998	1998	\$ 11,500,000	\$ 11,500,000			
Hangars 1 & 2 Demolition	1997	1998	700,000	700,000			
Snow Removal Equipment Storage							
Bldg Addn.	1997	1998	4,750,000	2,375,000	\$ 1,710,000	\$ 47,500	\$ 617,500
Maintenance Fueling Facility	1998	1998	700,000	350,000	252,000	7,000	91,000
Maintenance Campus Site Work	1998	1998	1,850,000	925,000	666,000	18,500	240,500
Deicing Operations Center	1998	1998	4,550,000				4,550,000
SUBTOTAL			\$ 24,050,000	\$ 15,850,000	\$ 2,628,000	\$ 73,000	\$ 5,499,000
Runway 12R Pad	2001	2002	\$ 15,900,000	15,900,000			
Buildings Demolition	2001	2001	1,000,000	1,000,000			
Taxiway B	2001	2001	2,100,000	2,100,000			
SUBTOTAL			\$ 19,000,000	\$ 19,000,000			
Runway 30R Pad	2001	2001	\$ 9,000,000	\$ 9,000,000			
Runway 30L Pad - Temporary	1999	1999	\$ 3,500,000	\$ 3,500,000			
SUBTOTAL			\$ 55,550,000	\$ 47,350,000	\$ 2,628,000	\$ 73,000	\$ 5,499,000
Contingency			\$ 2,500,000	\$ 2,150,000	\$ 148,000	\$ 4,000	\$ 198,000
PROGRAM TOTAL			\$ 58,050,000	\$ 49,500,000	\$ 2,776,000	\$ 77,000	\$ 5,697,000

RUNWAY 17/35 CONSTRUCTION PROGRAM

PROGRAM SCOPE

This program consists of projects required to construct a new 8,000-foot by 150 foot concrete runway and associated roadways, taxiways, and appurtenances as shown on the attached graphic and summarized as follows:

Site Preparation and Utility Installation - Based on preliminary graphics and discussions with HNTB, this project is split 50% Field and Runway and 50% Other. Other includes both MAC and Tenant facilities.

Demolition On and Off Airport - 100% Field and Runway

Runway, Taxiways, Taxiways and Connectors - Based on graphics from HNTB and discussions with Airport Development the split is as follows;

West Side Taxiway - Common Use charged to all west side tenants proportionately (2A)

West Side Connectors - Common Use charged to all west side tenants proportionately (2B)

Runway - 100% Field and Runway (2C)

East Side Taxiway - 100% Field and Runway (2D)

East Side Connectors - 100% Field and Runway (2D)

Deicing Pad - 100% Field and Runway (2E)

Taxiway and Connectors through Midfield - 2/3 Midfield allocated proportionately to tenants and 1/3 Field and Runway (2F)

Infield Roadways and Service Roads - 2/3 allocated proportionately to tenants and 1/3 Field and Runway

Aircraft Apron Areas - allocated to the specific tenant

Airside Service Roads and ARFF Roads - 100% Field and Runway

Landside Roadways and 24th Ave. Bridge - allocated 1/2 Field and Runway and 1/2 MAC Roads

Runway 17/35 and 4/22 Roadway Tunnels - Based on 9/23 letter from HNTB, \$3,100,000 would be charged to Midfield Tenants which is the cost of an at-grade roadway to their facilities. The remaining \$61,200,000 is proposed to be Field and Runway

Taxiways Z and Y Bridges - 100% Field and Runway

66th Street/TH 77 Interchange - 100% Other (MAC Roads)

Fueling Facilities - a portion (less than 50%) will be Field and Runway with the balance to be charged to Other Tenants

NAVAIDS including ILS, RTR, VORTAC, and ALS - 100% Field and Runway

Tenant Lease Extinguishment - 100% Field and Runway

Deicing Agent Processing Facility - 100% Field and Runway

Airfield Electric Distribution Center - 100% Field and Runway

Airfield Materials and Equipment Storage Facilities - allocated based on the percentages identified in the new Airline Agreement (50% Field and Runway, 36% Ramp, 2% Parking, 2% Public Roads, 4% Cargo Area, 4% Other Public Roads, 1% Terminal and 1% HHH Terminal)

Property Acquisition - 100% Field and Runway

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the project elements listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Site Preparation and Utility Installation	1998	2004	\$ 58,000,000	\$ 29,000,000			\$ 29,000,000
Demolition On and Off Airport	1999	2004	18,200,000	18,200,000			
Runways, Taxiways, Taxilanes, and Connectors	1999	2004	41,000,000	19,500,000			21,500,000
Infield Roads and Service Roads	1999	2004	4,800,000	1,600,000			3,200,000
Aircraft Apron Areas	1999	2004	21,000,000				21,000,000
Airside Service Roads and ARFF Roads	1999	2004	3,700,000	3,700,000			
Landside Roadways and 24th Ave. Bridge	1999	2004	12,900,000	6,450,000			6,450,000
Runways 17/35 and 4/22 Roadway Tunnels	1999	2004	69,900,000	66,500,000			3,400,000
Taxiways Z and Y Bridges	1999	2004	26,800,000	26,800,000			
66th Street/TH 77 Interchange	1999	2004	10,500,000				10,500,000
Fueling Facilities	1999	2004	3,800,000				3,800,000
NAVAIDS including ILS, RTR, VORTAC, ALS	1999	2004	2,700,000	2,700,000			
Tenant Lease Extinguishment	1999	2004	35,000,000	35,000,000			
Deicing Agent Processing Facility	1999	2004	4,300,000	4,300,000			
Airfield Electric Distribution Center	1999	2004	5,400,000	5,400,000			
Airfield Material & Equipment Storage Facilities	1999	2004	5,400,000	5,400,000			
Property Acquisition	1998	2004	190,000,000	190,000,000			
SUBTOTAL			\$ 513,400,000	\$ 414,550,000			\$ 98,850,000
Contingency			\$ 50,000,000	\$ 40,000,000			\$ 10,000,000
PROGRAM TOTAL			\$ 563,400,000	\$ 454,550,000			\$ 108,850,000

RUNWAY 4/22 DEVELOPMENT PROGRAM

PROGRAM SCOPE

This program consists of projects required for the reconstruction of the northeast 2000 feet of Runway 22 and the construction of a 1,000-foot extension to Runway 4/22 and includes the following projects:

Runway 12R/30L Temporary Extension

Runway 4/22 Reconstruction

Runway 4/22 Road Relocation

Runway 4/22 Extension

North Side Storm Sewer

Property Acquisition

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Runway 12R/30L Temporary Extension	1999	2000	\$ 3,500,000	\$ 3,500,000			
Runway 4/22 Reconstruction	2001	2001	8,500,000	8,500,000			
Runway 22 Road Relocation	2001	2001	1,000,000	1,000,000			
Runway 4/22 Extension	2001	2001	5,000,000	5,000,000			
North Side Storm Sewer	2001	2001	2,500,000	2,500,000			
Property Acquisition			5,000,000	5,000,000			
SUBTOTAL			\$ 25,500,000	\$ 25,500,000			
Contingency			\$ 1,500,000	\$ 1,500,000			
PROGRAM TOTAL			\$ 27,000,000	\$ 27,000,000			

NOISE MITIGATION PROGRAM

PROGRAM SCOPE

This program consists of projects to insulate houses and schools within the DNL 65 and 1996 DNL 60 contours, to acquire property in New Ford Town and Rich Acres subdivisions in Richfield, and to remediate problems associated with indoor air quality in homes which were previously insulated. Projects in this program include the following:

- Home Insulation
- New Ford Town/Rich Acres Acquisition
- School Noise Abatement
- Runway 4/22 Noise Mitigation
- Remediation of Past Homes
- Remote Monitoring Unit Installations

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Costs, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
	Home Insulation (Inside 65 DNL) *	1998	2003	\$ 129,100,000	\$ 129,100,000		
Home Insulation (Between 60 and 65 DNL)**	2003	2010	150,000,000	70,000,000			80,000,000
New Ford Town Rich Acres Acquisition	1998	1998	3,500,000	3,500,000			
School Noise Abatement	1998	2002	33,000,000	33,000,000			
Runway 4/22 Noise Mitigation	2000	2005	38,000,000	38,000,000			
Remediation of Past Homes	1998	2002	6,300,000	6,300,000			
Remote Monitoring Unit Installations	1999	2001	900,000	900,000			
SUBTOTAL			\$ 360,800,000	\$ 280,800,000			80,000,000
Contingency			\$ 50,000,000	\$ 50,000,000			
PROGRAM TOTAL			\$ 410,800,000	\$ 330,800,000			80,000,000

* For 1998, assumes 910 homes @ \$28,000 per home
For 1999 through 2003, assumes 2,795 homes @ \$37,100 per home

** For 2003 through 2010, assumes 4043 homes @ \$37,100 per home

TAXIWAY W CONSTRUCTION PROGRAM

PROGRAM SCOPE

This program consists of the construction of an approximately 9,050-foot long parallel taxiway for Runway 12R/30L in three phases.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Center for the projects described above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
	Taxiway W Segment 1	1998	1998	\$ 5,200,000	\$ 5,200,000		
Taxiway W Segment 2	1998	1998	5,500,000	5,500,000			
Taxiway W Segment 3	1999	1999	7,500,000	7,500,000			
SUBTOTAL			\$ 18,200,000	\$ 18,200,000			
Contingency			\$ 0	\$ 0			
PROGRAM TOTAL			\$ 18,200,000	\$ 18,200,000			

TAXIWAY C/D COMPLEX CONSTRUCTION PROGRAM

PROGRAM SCOPE

This program consists of the realignment and reconstruction of Taxiways Charlie and Delta in phases to allow unrestricted two-way taxiing of Group V aircraft on both taxiways.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Center for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
C/D Complex-Phase 1	2004	2005	\$ 8,000,000	\$ 8,000,000			
C/D Complex-Phase 2	2004	2005	8,000,000	8,000,000			
SUBTOTAL			\$ 16,000,000	\$ 16,000,000			
Contingency			\$ 500,000	\$ 500,000			
PROGRAM TOTAL			\$ 16,500,000	\$ 16,500,000			

AIRFIELD REHABILITATION AND REPAIR PROGRAM

PROGRAM SCOPE

This program consists of projects undertaken on a yearly basis to repair and maintain the facilities on the airfield. These projects include the following:

- Airside Bituminous Rehabilitation - \$475,000 per year
- Pavement Rehabilitation - Aprons/Taxiways - \$2,850,000 per year
- Pavement Joint Sealing - \$475,000 per year
- Miscellaneous projects within the airside - \$380,000 per year
- Taxiway A/H Reconstruction

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the total Estimated Costs to be incurred for the projects listed above as well as their Cost Centers.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER

Airside Bituminous	1998	2010	\$ 6,175,000	\$ 6,175,000			
Pavement Joint Sealing	1998	2010	6,175,000	6,175,000			
Pavement Rehabilitation-Aprons/Taxi-way	1998	2010	37,050,000	37,050,000			
Miscellaneous	1998	2010	4,940,000	4,940,000			
Taxiway A/H Reconstruction	2001	2001	3,200,000	3,200,000			
SUBTOTAL			\$ 57,540,000	\$ 57,540,000			
Contingency			\$ 0	\$ 0			
PROGRAM TOTAL			\$ 57,540,000	\$ 57,540,000			

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RUNWAY REHABILITATION PROGRAM

PROGRAM SCOPE

This program consists of projects to rehabilitate/reconstruct Runways 12R/30L and 12L/30R. Projects to be completed under this program include the following:

- Reconstruct Runway 12R/30L - Segment 1
- Reconstruct Runway 12R/30L - Segment 3
- Rehabilitate Runway 12R/30L - Segment 2
- Reconstruct Runway 12R/30L - Segment 2
- Rehabilitate Runway 12L/30R - Segment 2
- Reconstruct Runway 12L/30R - Segment 2
- Runway 30L Safety Area Improvements

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Reconstruct Runway 12R/30L-Segment 1	1998	1998	\$ 15,000,000	\$ 15,000,000			
Reconstruct Runway 12R/30L-Segment 3	1999	1999	16,000,000	16,000,000			
Rehabilitate Runway 12R/30L-Segment 2	2001	2001	1,300,000	1,300,000			
Reconstruct Runway 12R/30L-Segment 2	2004	2004	10,200,000	10,200,000			
Rehabilitate Runway 12L/30R-Segment 2	2001	2001	800,000	800,000			
Reconstruct Runway 12L/30R-Segment 2	2005	2005	14,000,000	14,000,000			
Runway 30L Safety Area Improvements	1999	1999	3,700,000	3,700,000			
SUBTOTAL			\$ 61,000,000	\$ 61,000,000			
Contingency			\$ 1,000,000	\$ 1,000,000			

PROGRAM TOTAL			\$ 62,000,000	\$ 62,000,000			
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ENVIRONMENTAL REMEDIATION PROGRAM

PROGRAM SCOPE

This program consists of projects to remove/upgrade MAC owned underground storage tanks and to provide storm water detention facilities of adequate size to handle the drainage from new pavement areas.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the tables below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST		COST CENTER		
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
UST Removals/Upgrades	1998	2010	\$ 2,000,000	\$ 500,000		\$ 500,000	\$ 1,000,000
Storm Water Detention Ponds	1999	2000	5,500,000	5,500,000			
SUBTOTAL			\$ 7,500,000	\$ 6,000,000		\$ 500,000	\$ 1,000,000
Contingency			\$ 0	\$ 0		\$ 0	\$ 0
PROGRAM TOTAL			\$ 7,500,000	\$ 6,000,000		\$ 500,000	\$ 1,000,000

PUBLIC PARKING/AUTO RENTAL EXPANSION PROGRAM

PROGRAM SCOPE

This project consists of the construction of two nine level parking structures and two new entrance and two new exit helices and a quick turn-around (QTA) facility on the ground level for the auto rental companies. Other projects, which are required for the operation of the parking structure includes the following:

- Automated People Mover
- Parking Management Building
- Roadway relocations related to ingress and egress from the new parking facilities
- Revenue Control System
- NWA Replacement Parking for those spaces lost to the exit plaza
- Northwest Drive Improvements
- Temporary Auto Rental Service Site Development
- Temporary Regional Apron
- Miscellaneous Projects including a security system, helix enclosures, snowmelters, maintenance gates at the helices, a maintenance building and directional signage.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Parking/Auto Rental Structure	1998	2000	\$ 95,900,000				\$ 95,900,000
Automated People Mover	1998	2000	26,000,000			\$ 8,580,000	17,420,000
Parking Management Building	1998	1999	3,500,000				3,500,000
Roadway Relocations	1999	2001	27,000,000				27,000,000
Revenue Control System	1998	1999	6,600,000				6,600,000
NWA Replacement Parking	1998	1999	9,000,000				9,000,000
Northwest Drive Improvements	1999	1999	3,500,000				3,500,000
Temp. Auto Rental Service Site Development	1998	1998	1,000,000				1,000,000
Temporary Regional Apron	1998	1998	850,000		\$ 850,000		
Miscellaneous Projects	1998	2001	6,000,000				6,000,000
Transit Center	1999	2001	2,000,000			1,000,000	1,000,000
SUBTOTAL			\$ 181,350,000		\$ 850,000	\$ 9,580,000	\$ 170,920,000
Contingency			\$ 7,500,000		\$ 30,000	\$ 795,000	\$ 6,675,000
PROGRAM TOTAL			\$ 188,850,000		\$ 880,000	\$ 10,375,000	\$ 177,595,000

GREEN CONCOURSE EXTENSION PROGRAM

PROGRAM SCOPE

This project consists of the extension of the Green Concourse by the construction of 12 new gates and a new Regional Terminal Facility with 30 parking positions. The relocation of the inbound roadway required by the alignment of the Green Concourse extension is also part of this project. Other projects which are required for the extension of the Green Concourse include the following:

- Post Office Relocation
- Green/Gold Connector Bag Belt
- Green/Gold Connector Ticket Counter/Bag Check
- Green Concourse Apron Expansion
- Green Concourse Temporary Regional Apron
- Green/Gold Connector
- Green Concourse APM
- Fuel Hydrant Loop Extension

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Green Concourse Expansion-Phase 1	1999	2000	\$ 40,500,000			\$ 40,500,000	
Green Concourse Expansion-Phase 2	2000	2002	71,000,000			71,000,000	
Post Office Relocation	1999	2000	17,000,000	\$ 6,000,000			\$11,000,000
Green/Gold Connector Bag Belt	1999	2000	5,000,000			5,000,000	
Green/Gold Connector Ticket Ctr/Bag Check	1999	2000	2,000,000			2,000,000	
Green Concourse Apron Expansion	1999	2001	16,000,000		\$ 16,000,000		
Green Concourse Temporary Regional Apron	1999	2000	5,000,000		5,000,000		
Green/Gold Connector	1999	2000	20,000,000			20,000,000	
Green Concourse APM	1999	2001	36,000,000			36,000,000	
Fuel Hydrant Loop Extension	1998	2004	6,300,000				6,300,000
SUBTOTAL			\$ 218,800,000	\$ 6,000,000	\$ 21,000,000	\$ 174,500,000	\$ 17,300,000
Contingency			\$ 7,500,000	\$ 64,000	\$ 742,000	\$ 6,182,000	\$ 512,000
PROGRAM TOTAL			\$ 226,300,000	\$ 6,064,000	\$ 21,742,000	\$ 180,682,000	\$ 17,812,000

CONCOURSE EXPANSION AND REHABILITATION PROGRAM

PROGRAM SCOPE

This program consists of projects to in fill areas on the Blue and Red Concourses as follows:

Blue Concourse 10,240 square feet

Red Concourse 13,000 square feet

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Blue Concourse Infill Phase-1	2001	2002	\$ 2,500,000			\$ 2,500,000	
Red Concourse Infill Phase-1	2000	2001	3,000,000			3,000,000	
SUBTOTAL			\$ 5,500,000			\$ 5,500,000	
Contingency			\$ 1,000,000			\$ 1,000,000	

PROGRAM TOTAL		\$ 6,500,000	\$ 6,500,000
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LINDBERGH TERMINAL REHABILITATION AND DEVELOPMENT PROGRAM

PROGRAM SCOPE

This program consists of projects to upgrade and expand the Lindbergh Terminal complex and includes the following projects:

- | | |
|--|-------------------------------------|
| Terminal Carpet Replacement | Computer Lab Expansion |
| Terminal Curtainwall Security Enhancements | West Mezzanine Finishes |
| Terminal Elevator Addition/Modifications | North Terminal Addition |
| Energy Management Center Boiler Replacements | Tug Drive Door Replacement |
| Commercial Roadway Bag Belt/Sortation Facility | Tug Drive Floor Replacement |
| Informational/Directional Signage | Chiller Addition |
| International Arrivals Facility Upgrade | Cooling Towers Installation |
| Lindbergh Terminal Bag Make-up Addition | Security Camera Installation |
| Loading Dock Relocation | Conference Center |
| Rubber Flooring Replacement | Business Service Center Development |
| Terminal Toilet Additions | Jetway Door Reconstruction |
| P. A. System Replacement | |
| Police Department Modifications | |

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Terminal Carpet Replacement	1998	1998	\$ 1,730,000			\$ 1,730,000	
Terminal Curtainwall Security Enhancements	2000	2000	550,000			550,000	
Terminal Elevator/Escalator Modifications	1999	2000	600,000			600,000	
Energy Management Center Boiler Replacements	2001	2001	4,500,000			4,500,000	
Commercial Roadway Bag Belt /Sortation Facility	2000	2000	1,000,000			1,000,000	
Informational/Directional Signage	1999	2001	1,250,000			1,250,000	
International Arrivals Facility Upgrade	1999	1999	2,500,000				\$ 2,500,000
Lindbergh Terminal Bag Make-up Addition	2001	2001	2,000,000			2,000,000	
Loading Dock Relocation	2001	2001	1,000,000			1,000,000	
Rubber Flooring Replacement	1999	2001	750,000			750,000	
Terminal Toilet Additions	1999	1999	1,100,000			1,100,000	
PA System Replacement	1999	2000	4,000,000			4,000,000	

Police Department Modifications	1999	1999	160,000	\$ 32,000		17,000	111,000
Computer Lab Expansion	1999	1999	160,000	32,000		17,000	111,000
West Mezzanine Finishes	2000	2000	1,000,000			1,000,000	
North Terminal Addition	2001	2002	12,000,000			12,000,000	
Tug Drive Door Replacement	1999	1999	60,000			60,000	
Tug Drive Floor Replacement	1999	1999	700,000			700,000	
Chiller Addition	1998	1999	4,450,000			4,450,000	
Cooling Towers Installation	1998	1999	5,000,000			5,000,000	
Security Camera Installation	1998	2000	1,000,000	1,000,000			
Conference Center	1998	1999	850,000				850,000
Business Service Centers Development	1998	1999	250,000				250,000
Jetway Door Reconstruction	1999	1999	100,000			100,000	
SUBTOTAL			\$ 46,710,000	\$ 1,064,000		\$ 41,824,000	\$ 3,822,000
Contingency			\$ 0	\$ 0		\$ 0	\$ 0
PROGRAM TOTAL			\$ 46,710,000	\$ 1,064,000		\$ 41,824,000	\$ 3,822,000

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HUMPHREY TERMINAL DEVELOPMENT PROGRAM

PROGRAM SCOPE

This project consists of the construction of a replacement terminal for the existing Humphrey Terminal to provide gates for 8 narrow body/4 wide body aircraft. Projects to be constructed which are incidental to this project include the following:

- Construction of two 250,000 gallon above ground storage tanks and trickle fill line.
- Ground Service Equipment storage/maintenance facility.
- Parking Facility
- Hydrant Fueling System
- Ground Power
- Airline Lease Space Shell
- Concessions Shell

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Terminal Development	1999	2001	\$ 53,000,000				\$ 53,000,000
Fuel Storage Tanks and Pipeline	1998	1998	9,000,000				9,000,000
GSE Storage/Maintenance Facility	1999	2001	3,700,000				3,700,000
Short Term Parking Facility	1999	2001	2,100,000				2,100,000

Hydrant Fueling System	1999	2001	600,000				600,000
Ground Power	1999	2001	600,000				600,000
Airline Lease Space	1999	2001	600,000				600,000
Concessions Fit-Up	1999	2001	2,400,000				2,400,000
SUBTOTAL			\$ 72,000,000				\$ 72,000,000
Contingency			\$ 5,000,000				\$ 5,000,000
PROGRAM TOTAL			\$ 77,000,000				\$ 77,000,000

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SUN COUNTRY HANGAR DEVELOPMENT PROGRAM

PROGRAM SCOPE

This program consists of the construction of a new hangar and apron for Sun Country Airlines.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Center for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Hangar	1998	1998	\$ 4,050,000				\$ 4,050,000
Apron	1998	1998	1,000,000				1,000,000
SUBTOTAL			\$ 5,050,000				\$ 5,050,000
Contingency			\$ 100,000				\$ 100,000
PROGRAM TOTAL			\$ 5,150,000				\$ 5,150,000

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LANDSIDE REHABILITATION AND REPAIR PROGRAM

PROGRAM SCOPE

This program consists of yearly projects to repair, maintain and improve the facilities in the terminal and on the landside. These will projects be defined in the year(s) prior to implementation. Project categories include the following:

- Landside Bituminous Construction
- Parking Structure Rehabilitation
- Lindbergh Terminal Interior Rehabilitation

Terminal Exterior Rehabilitation
Terminal Complex Sprinkler Modifications
Terminal Electrical Modifications
Terminal Mechanical Modifications
Terminal Miscellaneous Projects
West Terminal Rehabilitation

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the projects listed above.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
Landside Bituminous Construction	1998	2010	\$ 4,940,000				\$ 4,940,000
Parking Structure Rehabilitation	1998	2010	11,875,000				11,875,000
Lindbergh Terminal Interior Rehabilitation	1998	2010	19,665,000			\$ 19,665,000	
Terminal Exterior Rehabilitation	1998	2010	6,650,000			6,650,000	
Terminal Complex Sprinkler Modifications	1998	2010	1,330,000			1,330,000	
Terminal Electrical Mods	1998	2010	1,401,000			1,401,000	
Terminal Mechanical Mods	1998	2010	5,748,000			5,748,000	
Terminal Miscellaneous	1998	2010	3,088,000			3,088,000	
West Terminal Rehabilitation	1998	2010	1,425,000				1,425,000
SUBTOTAL			\$ 56,122,000			\$ 37,882,000	\$ 18,240,000
Contingency			\$ 0			\$ 0	\$ 0
PROGRAM TOTAL			\$ 56,122,000			\$ 37,882,000	\$ 18,240,000

LIGHT RAIL TRANSIT PROGRAM

PROGRAM SCOPE

This program consists of projects to be implemented at Wold Chamberlain Field. These projects generally consist of the following:

Lindbergh Terminal Light Rail Transit Station
Hubert H. Humphrey Light Rail Transit Station
Other Eligible Program Elements

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Costs for each project.

PROJECT	ESTIMATED PROJECT		ESTIMATED	COST CENTER			
	SCHEDULE		PROJECT				
	START	COMPLETION	COST	AIRFIELD	RAMP	TERMINAL	OTHER
			(1998\$)				
Lindbergh Terminal LRT Station	1999	2003	\$ 25,000,000			\$ 12,500,000	\$ 12,500,000
Hubert H. Humphrey LRT Station	1999	2003	2,000,000				\$ 2,000,000
Other Eligible Program Elements	1999	2003	43,000,000				\$ 43,000,000
SUBTOTAL			\$ 70,000,000				\$ 57,500,000
Contingency							
PROGRAM TOTAL			\$ 70,000,000			\$ 12,500,000	\$ 57,500,000

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RELIEVER AIRPORTS PROGRAM

PROGRAM SCOPE

This program consists of projects to be implemented at MAC's six reliever airports. These projects generally consist of land acquisition for runway protection, rehabilitation of existing airfield pavements, construction of new runways, taxi-ways, aprons and construction /expansion of areas for the construction of new hangars.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Costs for each reliever airport from 1998 to 2010.

PROJECT	ESTIMATED PROJECT		ESTIMATED	COST CENTER			
	SCHEDULE		PROJECT				
	START	COMPLETION	COST	AIRFIELD	RAMP	TERMINAL	OTHER
			(1998\$)				
St. Paul-Downtown Airport	1998	2010	\$ 19,000,000				\$ 19,000,000
Flying Cloud Airport	1998	2010	61,000,000				61,000,000
Crystal Airport	1998	2010	3,100,000				3,100,000
Anoka County-Blaine Airport	1998	2010	23,700,000				23,700,000
Lake Elmo Airport	1998	2010	8,100,000				8,100,000
Airlake Airport	1998	2010	12,500,000				12,500,000
SUBTOTAL			\$ 127,400,000				\$ 127,400,000
Contingency			\$ 5,000,000				\$ 5,000,000
PROGRAM TOTAL			\$ 132,400,000				\$ 132,400,000

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RELIEVER AIRPORTS UTILITY EXTENSION PROGRAM

PROGRAM SCOPE

This program consists of projects to extend municipal utilities consisting of sanitary sewer and water main to its system of reliever airports.

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Centers for the Utility Extension projects at each of the reliever airports.

PROJECT	ESTIMATED PROJECT SCHEDULE		ESTIMATED PROJECT COST	COST CENTER			
	START	COMPLETION	(1998\$)	AIRFIELD	RAMP	TERMINAL	OTHER
St. Paul-Downtown Airport	1998	1998	\$ 300,000				\$ 300,000
Flying Cloud Airport	1999	2000	4,500,000				4,500,000
Crystal Airport	1999	2000	1,200,000				1,200,000
Anoka County-Blaine Airport	1999	2000	1,800,000				1,800,000
Airlake Airport	2000	2000	400,000				400,000
SUBTOTAL			\$ 8,200,000				\$ 8,200,000
Contingency			\$ 3,000,000				\$ 3,000,000
PROGRAM TOTAL			\$ 11,200,000				\$ 11,200,000

MISCELLANEOUS FIELD AND RUNWAY PROGRAM

PROGRAM SCOPE

This program consists of the construction of miscellaneous projects associated with the airfield. Projects to be constructed include the following:

- Run-up Pad Blast Fence Modifications
- Electrical System Computerization
- Security Fence/Gates Replacement
- Tunnel Structure Rehabilitation
- Apron Lighting Upgrades
- Remote Satellite Antennas Relocation
- Miscellaneous Airside Projects
- Utility Reconstruction

ESTIMATED PROJECT SCHEDULES/COSTS

Summarized in the table below are the Estimated Project Schedule, Estimated Project Costs and Cost Center for each of the projects listed above.

PROJECT	ESTIMATED PROJECT		ESTIMATED	COST CENTER			
	SCHEDULE		PROJECT				
	START	COMPLETION	COST	AIRFIELD	RAMP	TERMINAL	OTHER
			(1998\$)				
Run-up Pad Blast Fence Modifications	1998	1998	1,500,000	\$ 1,500,000			
Electrical System Computerization	1998	2000	1,000,000	1,000,000			
Security Fence/Gates Replacement	1998	2000	800,000	800,000			
Tunnel Structure Rehabilitation	1999	1999	200,000	200,000			
Apron Lighting Upgrades	2001	2001	2,000,000	2,000,000			
Remote Satellite Antennas Relocation	1999	1999	150,000				\$ 150,000
Miscellaneous Airfield Projects	2000	2010	4,500,000	4,500,000			
Utility Reconstruction	1999	2000	500,000				500,000
SUBTOTAL			\$ 10,650,000	\$ 10,000,000			\$ 650,000
Contingency			\$ 500,000	\$ 500,000			
PROGRAM TOTAL			\$ 11,150,000	\$ 10,500,000			\$ 650,000

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MISCELLANEOUS LANDSIDE PROGRAM

PROGRAM SCOPE

This program consists of miscellaneous projects located throughout the airport which will enhance customer service, improve operations within the terminal complex and provide for the support of expanded terminal operations. Projects included in this program are as follows:

East Commercial Roadway Reconstruction	HHH AVI System/Taxi Starter Booth
East Airport Water Main Loop	Lower Level Roadway Lighting Improvements
General Office Modifications	Maintenance Facility Addition
Central Alarm Monitoring/Fiber Optic Cable Upgrade	Materials Storage Building
Emergency Power Addition	Navy Relocation
Commercial Vehicle Staging Area	Post Road Taxi Monitors/LED Signs
EconoLot/Employee Parking Structure	Fire/Rescue Replacement Facility
Green/Gold Ramp Lighting Upgrades	D Street Reconstruction
Green/Gold Ramp Security System	MAC Belly Cargo Building
MAC Cargo Hangar	

ESTIMATED PROJECT SCHEDULES/COSTS

Summarizing the table below are the Estimated Project Schedules, Estimated Project Costs and Cost Center for the projects listed above.

PROJECT	ESTIMATED PROJECT		ESTIMATED	COST CENTER			
	SCHEDULE		PROJECT				
	START	COMPLETION	COST	AIRFIELD	RAMP	TERMINAL	OTHER
			(1998\$)				

East Commercial Roadway Reconstruction	1998	1998	\$ 600,000				\$ 600,000
East Airport Water Main Loop	1999	2000	1,000,000				1,000,000
General Office Space Modifications	1998	1999	9,000,000				9,000,000
Central Alarm Monitoring/Fiber Optic Cable Upgrade	1999	2002	10,850,000			\$ 10,850,000	
Emergency Power Addition	1999	1999	4,000,000	\$ 2,000,000		2,000,000	
Commercial Vehicle Staging Area	2000	2000	500,000				500,000
EconoLot/Employee Parking Structure	2001	2002	60,000,000				60,000,000
Green/Gold Ramp Lighting Upgrades	1999	2000	1,250,000		1,250,000		
Green/Gold Ramp Security System	2000	2000	1,200,000		1,200,000		
HHH AVI System/Taxi Starter Booth	1999	2000	250,000				250,000
Lower Level Roadway Lighting Improvements	1999	1999	450,000				450,000
Maintenance Facility Addition	2000	2000	3,000,000	\$ 1,500,000	1,080,000	30,000	390,000
Materials Storage Building	1999	1999	5,500,000	2,750,000	1,980,000	55,000	715,000
Navy Relocation	1999	2000	12,500,000	12,500,000			
Post Road Taxi Monitors/LED Signs	1999	1999	200,000				200,000
Fire/Rescue Replacement Facility	2002	2003	9,500,000	6,650,000		1,900,000	950,000
D Street Reconstruction	1999	1999	2,500,000				2,500,000
MAC Belly Cargo Building	2000	2001	4,700,000				4,700,000
MAC Cargo Hangar	2002	2003	6,200,000				6,200,000
SUBTOTAL			\$ 133,200,000	\$ 23,400,000	\$ 7,510,000	\$ 14,835,000	\$ 87,455,000
Contingency			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
PROGRAM TOTAL			\$ 133,200,000	\$ 23,400,000	\$ 7,510,000	\$ 14,835,000	\$ 87,455,000

Exhibit J
[Maps/Diagrams - Leased Areas of Main Terminal]

EXHIBIT K
1/1/99

GUIDELINES FOR ADMINISTERING
VALIDATED AIRPORT PARKING

METROPOLITAN AIRPORTS COMMISSION

I. POLICY

Under certain circumstances, outlined below, the Metropolitan Airports Commission shall waive parking charges in its public parking facilities at the Minneapolis-Saint Paul International Airport. For a limited number of regular users, a parking card will be issued. Other users need to present their parking lot ticket for validation.

It is the intention of the Commission to be consistent with Minnesota Law, State Statute 473.608, subdivision 23.

II. GENERAL STATEMENT

All of the complementary parking, whether by card to the underground garage or validation for other lots, will be given only to those that have a distinct need to be at the airport in conjunction with the conduct of business of the Metropolitan Airports Commission, or the Minneapolis/St. Paul International Airport. Persons attending meetings with Commissioners or MAC staff will be afforded this accommodation because of the public nature of their visit to the Terminal. Contract agents of the Commission will be afforded the opportunity for validated parking while working on Commission contracts or projects, since the cost of parking would otherwise be billed back to the Commission and, therefore, an added expenditure that could easily be handled through validation. In the future the provision of validated parking will be included as an explicit contract provision.

In accordance with terms of State law, a system of recordkeeping shall be established whereby all complementary parking shall be logged for employees or visitors receiving validated parking. Additionally, log records shall be kept with regard to usage of courtesy parking cards for the underground parking garage and courtesy parking cards issued to MAC employees for use in outdoor facilities. Records shall be completed with dollar amounts of parking value on a monthly basis, and such records shall then be assembled and stored for review by appropriate persons or groups. Such records shall be stored for a period of seven years.

III. GARAGE PARKING CARD

A parking card can be issued to an authorized individual for a period of up to one year by the Manager, Landside Operations. The following stipulations apply to all issuances:

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- A. The parking card is issued to an authorized individual as described in this policy. The card will not be honored if presented by anyone other than the authorized user.
- B. The parking card is the property of the Metropolitan Airports Commission and will be surrendered upon request for whatever reason deemed necessary by the Commission.
- C. The parking card is for official public or aviation business only. "USE OF THE PARKING CARD FOR PERSONAL REASONS WILL RESULT IN LOSS OF THE PARKING CARD."
- D. The maximum number of consecutive days of authorized complimentary parking can be limited after proper notification. This limit can be set after a 30 day notice, or upon issuance of new cards. Parking beyond an established limit would result in the card holder being responsible for all accumulated charges beyond the stated limit.

Cards will be issued on a no charge basis to currently serving members of the Metropolitan Airports Commission and currently employed staff members as designated by the Executive Director.

Accommodations are made for station manager level individuals from the scheduled airlines serving the Lindbergh Terminal to receive a parking card for the garage to assure quick access to the Terminal Building for related business purposes and most especially for emergency call back situations. For the year beginning April 1, 1996, the cards issued to the station manger from each airline shall be invoiced to that airline at the current rate of employee parking, presently \$23.00 per month per card. One card shall be issued to each airline with the exception of Northwest Airlines, which shall be issued three cards

under this pricing structure, one each for the two co-directors of this station, and one to the vice president in charge of this station, all who office in the Lindbergh Terminal Building.

Extra cards for the garage may also be issued, at the discretion of the Executive Director, to all airlines serving the Minneapolis/St. Paul International Airport, based on an overall percentage of traffic generated from the preceding calendar year. Each airline shall be afforded the opportunity to buy one additional card for the underground parking garage at \$1500.00 per card, per year, for each 2.75% increment of passenger activity. The year shall run April 1 through March 31. The card would only be issued to a

currently serving employee of said airline stationed at Minneapolis/St. Paul, as identified by each respective station manager. Any card issued under this authority will have actual usage history tracked, so that an annual review may be made of the amount of usage, and the fee to be established by the Commission may be charged annually. All cards available through this procedure will be priced at the same annual fee, and payment shall be made in advance. Uses of these cards shall be restricted to business related purposes only.

1. PROCEDURE FOR PARKING CARD USE

The authorized card user will PRESENT THE CARD TO THE CASHIER UPON RETURN TO THE GARAGE FACILITY. Individual will be required to sign their vehicle claim check with a legible signature and card number for each use of the card. GARAGE EMPLOYEES ARE REQUIRED TO VALIDATE THE CARD USER AND CARD NUMBER AND ARE NOT AUTHORIZED TO VALIDATE PARKING WITHOUT SEEING THE CARD.

During the winter months or whenever the "Garage Full" sign is illuminated and the gate arm is down, cardholders will be admitted by activating the call box intercom and identifying themselves by name and card number. The supervisor on duty will open the arm by remote control and allow entrance.

2. TERMINATION/EXPIRATION

Upon completion of employment, affiliation or appointment, the card will expire automatically. THE PARKING CARD CANNOT BE TRANSFERRED TO ANOTHER INDIVIDUAL. Cardholders are requested to return the card to the Metropolitan Airports Commission at the end of their affiliation or employment. Cards may be renewed annually after review and approval by the Executive Director of the Commission as appropriate.

IV. VALIDATIONS AND OTHER ACCOMMODATIONS

A restricted number of MAC management and support staff will be given responsibility for parking validation. The Manager, Landside Operations will maintain the list of MAC staff authorized to sign parking validations. Complimentary parking allowed as follows:

- A. Members of the general public or others attending meetings, events or other activities with MAC staff or attending public Commission meetings will be allowed validated parking privileges for the time necessary to attend meetings.
- B. Volunteers working to provide staffing at the Armed Forces Service Center and Traveller's Assistance kiosks will be allowed validated parking. The Executive Director has discretion to allow parking validation during nationally recognized conventions, sporting events and other gatherings of regional or statewide significance, such as the Super Bowl volunteer greeters, NCAA Final Four, LPGA, and other similar events.

- C. Contract agents of the Metropolitan Airports Commission will be allowed validated parking in outdoor facilities in the conduct of their contract services. Effective with the date of this policy, future contracts with contract agents of the Commission shall identify validated parking as a part of each agreement. For example, employees of the Commission's parking management firm will be allowed validated parking as may be specified in their bargaining contract.

V. QUESTIONS/PROBLEMS

All questions/problems regarding the use of the Parking Card or validations should be directed to the Manager, Landside Operations, Lindbergh Terminal Building, phone 726-5244.

Exhibit L
[Maps - Regional Terminal Parking Positions]

EXHIBIT M
1/1/99

Metropolitan Airports Commission
Minneapolis-St. Paul International Airport
Indirect Cost Center Allocations

Cost Center	Indirect Cost Centers				
	Maintenance Labor (%)	Equipment Building (%)	ARFF (%)	Police (%)	Administration (%) (1)
Airfield	45.0	50.0	70.0	20.0	
Terminal Building	14.5	1.0	20.0	11.0	
Terminal Apron	8.0	36.0	—	—	
Humphrey Terminal	2.0	1.0	2.0	2.0	
International Arrivals Facility	0.5	—	1.0	1.0	
Landside Area	13.0	4.0	3.0	40.0	
Other Areas	9.0	8.0	4.0	26.0	
Equipment Buildings	8.0	—	—	—	
Total	100.0	100.0	100.0	100.0	100.0

(1) The annual costs associated with Administration shall be allocated to each of the Airport Cost Centers based on the ratio of the (1) annual costs associated with a particular Airport Cost Center plus the amount allocated to such Airport Cost Center from the indirect cost centers to (2) total annual costs associated with Administration.

Example:

Terminal Building annual cost	\$ 10,000,000
Indirect cost center allocations to Terminal Building:	
Maintenance labor	650,000
Equipment buildings	50,000
ARFF	200,000

Police	1,000,000	
Subtotal	\$ 11,900,000	[A]
Total annual costs of all cost centers	\$ 80,000,000	[B]
Terminal Building share of total annual costs of all cost centers	14.9%	[C=A/B]
Administration annual costs	\$ 15,000,000	[D]
Terminal Building share of Administration annual costs	\$ 2,231,250	[C*D]

1

INDIRECT COST CENTER ALLOCATIONS

	<u>MAINTENANCE LABOR</u>	<u>EQUIPMENT BUILDINGS</u>	<u>FIRE</u>	<u>POLICE</u>	<u>ADMINISTRATION*</u>
10 Lindbergh Terminal	14.5%	1.0%	20.0%	11.0%	
12 Int' l Arrivals Facility	0.5%	0.0%	1.0%	1.0%	
16 Terminal Apron	8.0%	36.0%	0.0%	0.0%	
21 Airfield	45.0%	50.0%	70.0%	20.0%	
26/31 Landside Facilities	13.0%	4.0%	3.0%	40.0%	
36 HHH Terminal	2.0%	1.0%	2.0%	2.0%	
53/56 Maintenance Equipment/ Buildings	8.0%	0.0%	0.0%	0.0%	
33/39 Cargo Areas & Public Areas/Other Rds	9.0%	8.0%	4.0%	26.0%	
Totals	100.0%	100.0%	100.0%	100.0%	

* Propose to allocate on same basis as current calculation (i.e. not a fixed percentage)

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EXHIBIT N
1/1/99

Metropolitan Airports Commission
Minneapolis-St. Paul International Airport
Illustration of Calculation of Rates for Rents, Fees, and Charges
Calculation of Landing Fee Rates

ARTICLE REFERENCE		19xx
V1.C.1.	Direct Operation and Maintenance Expense	\$ 6,000,000
	Indirect Operation and Maintenance Expense	11,000,000
	Direct and Indirect Depreciation	2,000,000
	Direct and Indirect Imputed Interest (1)	1,900,000
	Direct and Indirect Cost of Capital Outlays	200,000
	Fine, Assessment, Judgment, or Settlement	50,000
	Debt Service Reserve Fund Deposit	0
	Operation Reserve Account Deposit	0
	Coverage Account Deposit	0
	TOTAL AIRFIELD COST	\$ 21,150,000
	LESS:	
V1.C.2.	Service Fees	\$ (200,000)
	General Aviation Landing Fees	(600,000)
	Nonsignatory Landing Fees	(150,000)
	Off-Airport Aircraft Noise Costs	(500,000)
	Projects Rejected by MII of Signatory Airlines	(100,000)
	TOTAL ADJUSTMENTS	\$ (1,550,000)
	NET AIRFIELD COST	\$ 19,600,000
V1.C.3.	Total Landed Weight of Signatory Airlines (1,000-lbs units)	22,500,000
	Landing Fee Rate per 1,000 lbs	\$.87

(1) includes imputed interest on the historical cost of MAC' s investment in land.

Illustration of Calculation of Rates for Rents, Fees, and Charges
Calculation of Environmental Surcharge Rate and Excess Stage 2 Fee Rate

ARTICLE REFERENCE		19xx
V1.D.2.	Off- Airport Aircraft Noise Costs	\$ 500,000
	Less: Environmental Surcharges Paid by Nonsignatory Airlines	(50,000)
	Total Net Off-Airport Aircraft Noise Costs Due	\$ 450,000
	Total Stage 2 and Stage 3 Operations of Signatory Airlines	200,000
	Environmental surcharge Rate per Aircraft Operation	\$ 2.25
V1.D.3.	Environmental Surcharge Rate per Aircraft Operation	\$ 2.25
	Stage 2 Differential	30%
	Excess Stage 2 Fee Rate per Stage 2 Operation	\$ 0.68

The stage 2 credit shall be equal to the total excess stage 2 fees paid by the Signatory Airlines at the Airport in a given Fiscal Year.

Metropolitan Airports Commission
Minneapolis-St. Paul International Airport
Illustration of Calculation of Rates for Rents, Fees, and Charges
Calculation of Terminal Apron Rates

ARTICLE REFERENCE		19XX
V1.E.1.	Direct Operation and Maintenance Expense	\$ 250,000
	Indirect Operation and Maintenance Expense	3,000,000
	Direct and Indirect Depreciation	200,000
	Direct and Indirect Imputed Interest	100,000
	Direct and Indirect Cost of Capital Outlays	10,000
	Debt Service Reserve Fund Deposit	0
	Operation Reserve Account Deposit	0
	Coverage Account Deposit	0

	Total Terminal Apron Cost	\$ 3,560,000
V1.E.2.	Total Lineal Feet of Terminal Apron (1)	9,000
	Terminal Apron Rate per Lineal Foot	\$ <u>395.56</u>

(1) Excludes the lineal feet of Regional Ramp, but includes the weighted lineal feet of Regional Ramp.

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Metropolitan Airports Commission
 Minneapolis-St. Paul International Airport
 Illustration of Calculation of Rates for Rents, Fees, and Charges
 Calculation of Regional Ramp Fees

ARTICLE REFERENCE		19XX
V1.E.2.	Terminal Apron Rate per Lineal Foot	\$ 395.56
	Weighted lineal Feet of Regional Ramp	<u>500</u>
V1.F.1.	Regional Ramp Cost	\$ 197,778
	Aircraft Parking Positions (Regional Ramp)	10
V1.F.2.	Fee per Preferential Use Parking Position	<u>\$ 19,778</u>

4

Metropolitan Airports Commission
 Minneapolis-St. Paul International Airport
 Illustration of Calculation of Rates for Rents, Fees, and Charges
 Calculation of Terminal Building Rental Rate (Janitored and Unjanitored Space)

ARTICLE REFERENCE		19XX
	UNJANITORED SPACE RATE CALCULATION	
V1.G.1.a.	Direct Operation and Maintenance Expense	\$ 7,000,000
	Indirect Operation and Maintenance Expense	3,500,000
	Direct and Indirect Depreciation	3,000,000
	Direct and Indirect Imputed Interest	3,000,000
	Direct and Indirect Cost of Capital Outlays	200,000
	Debt Service Reserve Fund Deposit	0
	Operation Reserve Account Deposit	0
	Coverage Account Deposit	<u>0</u>

	Total Terminal Building Cost	\$ 16,700,000
	Less:	
V1.G.1.b.	Steam and Chilled Water Reimbursement (Gold Concourse)	\$ (500,000)
	Carrousel and Conveyor Costs (?)	(250,000)
	Janitorial Operation and Maintenance Expenses	(2,000,000)
	Total Adjustments	\$ (2,750,000)
	Net Terminal Building Cost	\$ 13,950,000
V1.G.1.c.	Total Rentable Space	650,000
	Terminal Building Rental Rate per Square Foot for Unjanitored space	\$ 21.46
JANITORED SPACE RATE CALCULATION		
V1.G.2.	Total Direct Janitored Operation and Maintenance Expenses	\$ 2,000,000
	Total Janitored Space (1)	450,000
	Janitored Rate per Square foot	\$ 4.44
	Terminal Building Rental Rate per Square Foot for Unjanitored Space	21.46
	Terminal Building Rental Rate per Square Foot for Janitored Space	\$ 25.90

(1) Excludes MAC and mechanical space.

Metropolitan Airports Commission
Minneapolis-St. Paul International Airport
Illustration of Calculation of Rates for Rents, Fees, and Charges
Calculation of Carrousel and Conveyor Charge

ARTICLE REFERENCE		19XX
V1.H.1.	Terminal Building Rental Rate per Square foot (1)	\$ 25.90
	Rentable Space (tug drive, inbound baggage area, baggage claim area)	50,000
	Equivalent Terminal Building Rentals	\$ 1,295,000
	Equipment Charges (depreciation, imputed interest, maintenance)	250,000
	Total Carrousel and Conveyor Charge	\$ 1,545,000

(1) The terminal building rental rate to be used to calculate the equivalent terminal building rentals is the janitored or unjanitored terminal building rental rate, as appropriate.

Metropolitan Airports Commission
 Minneapolis-St. Paul International Airport
 Illustration of Calculation of Rents, Fees, and Charges
 Calculation of Airline Cost Per Enplaned Passenger

	<u>ACTUAL</u> <u>1997</u>
Landing Fees-Signatory	\$ 23,569,200
Landing Fees-HHH Nonsignatory	83,600
Landing Fees-Commuter Nonsignatory	0
Ramp Fees-Signatory	3,930,600
Ramp Fees-HHH Nonsignatory	263,100
Ramp Fees-commuter Nonsignatory	5,900
Green Concourse Direct	1,551,100
Terminal Building	8,939,900
IAF Charges	1,702,100
Carrousel & Conveyors	231,400
Old Portion of Gold Concourse	420,800
Lobby Fees	683,500
FIS Surcharge	178,600
HHH Terminal Building Rent	159,100
Noise Surcharge	626,900
Apron Fees	241,000
Police/Fire/Admin - Gold Concourse	488,100
Steam/Chilled Water - Gold Concourse	770,100
Janitorial - Gold Concourse	535,800
Gate Surcharge - Republic	0
Self Liquidating - Green/Gold Concourse	<u>3,483,000</u>
Total Costs	\$ 47,863,800
Enplaned Passengers	14,335,640
AIRLINE COST PER ENPLANED	\$ 3.34

The table of initial rentable square footage presented below includes the amount and breakdown of rentable square footage as of January 1, 1998, which amount may change from time to time.

Type of Space	RENTABLE SQUARE FOOTAGE					Total
	Lindbergh Terminal	Red Concourse	Blue Concourse	Green Concourse	Regional Terminal	
Airline Space	42,646	46,683	40,273	80,268	7,914	217,784
Holdroom	-	33,116	29,074	49,772	3,577	115,539
Concession	63,566	8,342	11,359	13,150	-	96,417
Baggage Makeup	58,952	-	-	-	-	58,952
Tug Drive	46,492	-	-	-	-	46,492
Baggage Claim	38,734	-	-	-	263	38,997
Ticket Counter	7,078	-	-	-	262	7,340
Other	196,308	16,043	3,843	1,825	289	218,308
Total	453,776	104,184	84,549	145,015	12,305	799,829

(1) Other includes non-airline space, other/unoccupied space, holdroom stairs, airline mechanical/ electrical & toilets, miscellaneous space, and garage.

Exhibit P
[Maintenance Responsibility Matrix]

Exhibit Q
[Map - Regional Terminal Buildings]

Exhibit R
[Map - FIS Bag Belt Enclosure Area]

EXHIBIT S
1/1/99

NORTHWEST AIRLINES SELF-LIQUIDATING PROJECTS

DESCRIPTION	ORIGINAL PRINCIPAL & TERM	START DATE	LAST PAYMENT	WHO PAYS
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GOLD CONCOURSE

106-2-053 Pier A	P: \$19,846,349	01/01/86	12/01/2015	NWA
Extension (SA#3)	30 years			
(MAC Funded)	@ \$173,140.19			

GREEN CONCOURSE

Security checkpoint	P=\$109,668	01/01/96	12/31/00	NWA
Relocation Project	60 months			
	@ \$2,185.65/mo			

RED CONCOURSE

106-2-155;	P: \$1,023,634.94	09/01/91	08/01/01	NWA
Modifications (A#5)	10 years			
(MAC Funded)	@ \$11,991.05			

106-2-293; Red	P: \$145,528	11/01/97	10/01/07	NWA
Concourse Tug	120 months			
storage area	@ \$1,683.59/mo.			

Exhibit T

[Maps - Month-to-Month Leased Areas]

ANCILLARY AGREEMENT

under

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

THIS AGREEMENT, Made and entered into by and between Northwest Airlines, Inc., a Minnesota corporation, (the “Employer”) and Neal S. Cohen (the “Participant”).

WHEREAS, Employer has established a nonqualified plan of deferred compensation for the benefit of a select group of management or highly compensated employees currently set forth in a document entitled “Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)” (hereinafter the “2001 SERP Restatement”); and

WHEREAS, The Plan maintained pursuant to the 2001 SERP Restatement (sometimes referred to as the “SERP”) contemplates that certain terms and provisions may be varied pursuant to a separate written agreement by and between Employer and Participant known as an “Ancillary Agreement”; and

WHEREAS, The Employer and the Participant agree that upon executing this Ancillary Agreement, Participant’s SERP benefit will be computed under and governed solely by Part B of the 2001 SERP Restatement and not Part A of the 2001 SERP Restatement.

NOW THEREFORE, IT IS HEREBY AGREED, By and between Employer and Participant as follows:

- 1) **DATE OF PARTICIPATION.** Participant’s effective date for the commencement of SERP participation is May 1, 2005.
- 2) **SPECIAL ARRANGEMENTS.** For the purpose of computing Participant’s benefits under the SERP, the following special rules shall apply.
 - a) **CB Increased Pay Credit Percentage.** For the purpose of determining Participant’s applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement the Participant shall receive (during the period from May 1, 2005 through April 30, 2010) three times the pay credit that the Participant would otherwise be entitled to receive (i.e., the “actual” plus two “deemed”). Therefore, the Participant’s applicable pay credit percentage during the following periods shall be as follows:

With respect to Participant’s Earnings attributable to the following periods:	Participant’s applicable pay credit percentage shall be:
May 1, 2005 to April 30, 2006	30%
May 1, 2006 to March 31, 2007	30%
April 1, 2007 to April 30, 2007	36%
May 1, 2007 to April 30, 2008	36%
May 1, 2008 to April 30, 2009	36%
May 1, 2009 to April 30, 2010	45%

- b) **CB Generally Applicable Pay Credit Percentage.** For the purpose of determining Participant' s applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement during periods subsequent to April 30, 2010, Participant' s applicable pay credit percentage shall be determined under the generally applicable rules of the Pension Plan; provided, however, that in applying those rules, Participant' s actual Benefit Service shall be increased by all additional deemed years of Benefit Service (i.e. 2 deemed years of benefit accrual service for each actual year of benefit service for the period May 1, 2005 through April 30, 2010).
- c) **CB Initial Account.** For the purpose of Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement, Participant' s initial account balance would be \$190,458.23 as of May 1, 2005, if that initial account balance were computed on a basis consistent with the Pension Plan formula for computing initial account balances. In addition to this amount, your initial account balance determined as of May 1, 2005 shall be credited with an additional \$200,000.00 (resulting in a total initial account balance of \$390,458.23 as of May 1, 2005).
- 3) **INTEGRATION.** This agreement is intended to be and is an Ancillary Agreement as that term is used in the SERP. Insofar as this Ancillary Agreement relates to Participant' s entitlement under the SERP, this Ancillary Agreement represents the entire agreement of Participant and Employer and supercedes all prior agreements and understandings, written or otherwise. In no event shall this Ancillary Agreement and any other agreement be construed or interpreted to provide duplicate benefits.

IN WITNESS WHEREOF, Employer and Participant have executed this Ancillary Agreement as of April 29, 2005.

NORTHWEST AIRLINES, INC.

PARTICIPANT

/s/ Douglas M. Steenland

Douglas M. Steenland,
Chief Executive Officer

/s/ Neal S. Cohen

Neal S. Cohen

NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Year ended December 31				
	2005	2004	2003	2002	2001
Earnings:					
Income (loss) before income taxes	\$ (2,457)	\$ (861)	\$ 218	\$ (1,220)	\$ (670)
Less: Income (loss) from less than 50% owned investees	(14)	8	18	37	(5)
Add:					
Rent expense representative of interest (1)	255	248	253	247	237
Interest expense net of capitalized interest (2)	582	505	441	385	326
Interest of preferred security holder	-	-	25	25	25
Amortization of debt discount and expense	18	30	24	17	14
Amortization of interest capitalized	8	8	10	5	4
Adjusted earnings	<u>\$ (1,580)</u>	<u>\$ (78)</u>	<u>\$ 953</u>	<u>\$ (578)</u>	<u>\$ (59)</u>
Fixed charges:					
Rent expense representative of interest (1)	\$ 255	\$ 248	\$ 253	\$ 247	237
Interest expense net of capitalized interest (2)	582	505	441	385	326
Interest of preferred security holder	-	-	25	25	25
Amortization of debt discount and expense	18	30	24	17	14
Capitalized interest	10	8	10	25	29
Fixed charges	<u>\$ 865</u>	<u>\$ 791</u>	<u>\$ 753</u>	<u>\$ 699</u>	<u>\$ 631</u>
Ratio of earnings to fixed charges	<u>-(3)</u>	<u>-(3)</u>	<u>1.27</u>	<u>-(3)</u>	<u>-(3)</u>

- (1) Calculated as one-third of rentals, which is considered representative of the interest factor.
- (2) Subsequent to its Chapter 11 filing, the Company recorded post-petition interest expense on pre-petition obligations only to the extent it believes the interest will be paid during the bankruptcy proceeding or that it is probable that the interest will be an allowed claim.
- (3) Earnings were inadequate to cover fixed charges by \$2.45 billion, \$869 million, \$1.28 billion, and \$690 million for the years ended December 31, 2005, 2004, 2002, and 2001 respectively.

**NORTHWEST AIRLINES CORPORATION
(DEBTOR-IN-POSSESSION)**

**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK REQUIREMENTS
(Dollars in millions)**

	Year ended December 31				
	2005	2004	2003	2002	2001
Earnings:					
Income (loss) before income taxes	\$ (2,457)	\$ (861)	\$ 218	\$ (1,220)	\$ (670)
Less: Income (loss) from less than 50% owned investees	(14)	8	18	37	(5)
Add:					
Rent expense representative of interest (1)	255	248	253	247	237
Interest expense net of capitalized interest (2)	582	505	441	385	326
Interest of preferred security holder	-	-	25	25	25
Amortization of debt discount and expense	18	30	24	17	14
Amortization of interest capitalized	8	8	10	5	4
Adjusted earnings	\$ (1,580)	\$ (78)	\$ 953	\$ (578)	\$ (59)
Fixed charges and preferred stock requirements:					
Rent expense representative of interest (1)	\$ 255	\$ 248	\$ 253	\$ 247	\$ 237
Interest expense net of capitalized interest (2)	582	505	441	385	326
Preferred stock requirements	22	29	12	1	1
Interest of preferred security holder	-	-	25	25	25
Amortization of debt discount and expense	18	30	24	17	14
Capitalized interest	10	8	10	25	29
Fixed charges and preferred stock requirements	\$ 887	\$ 820	\$ 765	\$ 700	\$ 632
Ratio of earnings to fixed charges and preferred stock requirements	- (3)	- (3)	1.25	- (3)	- (3)

(1) Calculated as one-third of rentals, which is considered representative of the interest factor.

(2) Subsequent to its Chapter 11 filing, the Company recorded post-petition interest expense on pre-petition obligations only to the extent it believes the interest will be paid during the bankruptcy proceeding or that it is probable that the interest will be an allowed claim.

(3) Earnings were inadequate to cover fixed charges by \$2.47 billion, \$898 million, \$1.28 billion, and \$573 million for the years ended December 31, 2005, 2004, 2002 and 2001, respectively.

NORTHWEST AIRLINES CORPORATION

LIST OF SUBSIDIARIES

(wholly-owned unless otherwise specified)

Northwest Airlines Corporation (Delaware corporation)

Northwest Airlines Holdings Corporation (Delaware corporation)

NWA Inc. (Delaware corporation)

Northwest Airlines, Inc. (Minnesota corporation)

Win-Win L.P. (Delaware limited partnership) *

Wings Finance Y.K. (Japanese limited liability company)

NWA Fuel Services Corporation (New York corporation)

Montana Enterprises, Inc. (Montana corporation)

Tomisato Shoji Kabushiki Kaisha (Japan corporation)

NWA Worldclub, Inc. (Wisconsin corporation)

NWA Real Estate Holding Company LLC (Delaware limited liability company)

NW Red Baron LLC (Delaware limited liability company)

Margoon Holding B.V. (Netherlands corporation)

Aircraft Foreign Sales, Inc. (U.S. Virgin Islands corporation)

Northwest Aerospace Training Corporation (Delaware corporation)

MLT Inc. (Minnesota corporation)

NWA Aircraft Finance, Inc. (Delaware corporation)

Northwest Airlines Cargo, Inc. (Delaware corporation)

NWA Retail Sales Inc. (Minnesota corporation)

Cardinal Insurance Company (Cayman) Ltd. (Cayman Islands corporation)

* Northwest Airlines, Inc. is 99% limited partner

Consent of Independent Registered Public Accounting Firm

We consent to the use of our report dated March 13, 2006, with respect to the consolidated financial statements, included in this Annual Report (Form 10-K) of Northwest Airlines Corporation (Debtor-In-Possession).

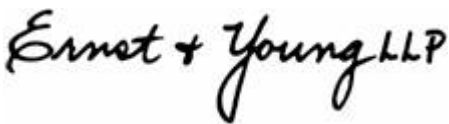
Our audit also included the financial statement schedule of Northwest Airlines Corporation (Debtor-In-Possession) listed in Item 15(a). This schedule is the responsibility of Northwest Airlines Corporation's (Debtor-In-Possession) management. Our responsibility is to express an opinion based on our audit. In our opinion, as to which the date is March 13, 2006, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The financial statement schedule does not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of the uncertainty regarding the Company's ability to continue as a going concern.

We consent to the incorporation by reference in the following Registration Statements and the related Prospectuses:

- (1) Registration Statements on Form S-3 (Nos. 333-65588, 333-107070, 333-107068, and 333-113623) of Northwest Airlines Corporation and Northwest Airlines, Inc.,
- (2) Registration Statements on Form S-4 (No. 333-105356) of Northwest Airlines Corporation and Northwest Airlines, Inc., and
- (3) Registration Statements on Form S-8 (Nos. 333-12571, 333-66253, 333-75933, 333-90648 and 333-90646) of Northwest Airlines Corporation;

of our report dated March 13, 2006, with respect to the consolidated financial statements of Northwest Airlines Corporation (Debtor-In-Possession) included herein, our report dated March 13, 2006, with respect to management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Northwest Airlines Corporation (Debtor-In-Possession), included herein, and our report included in the preceding paragraph with respect to the financial statement schedule of Northwest Airlines Corporation (Debtor-In-Possession) included in this Annual Report (Form 10-K) of Northwest Airlines Corporation (Debtor-In-Possession).

The logo for Ernst & Young LLP is written in a cursive, handwritten style. The word "Ernst" is on the left, followed by an ampersand, and "Young" is on the right. "LLP" is written in a smaller, more formal font at the end of the line.

Minneapolis, Minnesota
March 13, 2006

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Douglas M. Steenland, certify that:

1. I have reviewed this annual report on Form 10-K of Northwest Airlines Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2006

/s/ DOUGLAS M. STEENLAND

Douglas M. Steenland
President and Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Neal S. Cohen, certify that:

1. I have reviewed this annual report on Form 10-K of Northwest Airlines Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2006

/s/ NEAL S. COHEN

Neal S. Cohen
Executive Vice President and
Chief Financial Officer

**Certification by the Chief Executive Officer Pursuant to
18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Northwest Airlines Corporation (the "Company") on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas M. Steenland, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2006

/s/ DOUGLAS M. STEENLAND

Douglas M. Steenland

President and Chief Executive Officer

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**Certification by the Chief Financial Officer Pursuant to
18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Northwest Airlines Corporation (the "Company") on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neal S. Cohen, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2006

/s/ NEAL S. COHEN

Neal S. Cohen

Executive Vice President and
Chief Financial Officer

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
