

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2009-03-02** | Period of Report: **2008-12-31**  
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### FILER

#### **NORTHWEST AIRLINES CORP**

CIK: **1058033** | IRS No.: **411905580** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-K** | Act: **34** | File No.: **001-15285** | Film No.: **09648904**  
SIC: **4512** Air transportation, scheduled

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

OR

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

Commission file number 1-15285

**NORTHWEST AIRLINES CORPORATION**

(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 the definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2008 was \$1.6 billion.

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

The registrant is a wholly owned subsidiary of Delta Air Lines, Inc., a Delaware corporation, and there is no market for the registrant’s common stock, par value \$0.01 per share. As of January 31, 2009, there were 1,000 shares of the registrant’s Common Stock outstanding.

**The registrant meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format permitted by General Instruction I(2).**

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## PART I

### Item 1. BUSINESS

Northwest Airlines Corporation (“NWA Corp.” and, together with its subsidiaries, the “Company”) is the direct parent corporation of Northwest Airlines, Inc. (“Northwest”). On October 29, 2008 (the “Closing Date”), Nautilus Merger Corporation (“Merger Sub”), a wholly owned subsidiary of Delta Air Lines, Inc. (“Delta”), merged with and into NWA Corp. (the “Merger”) in accordance with the Agreement and Plan of Merger, dated as of April 14, 2008, among Delta, the Merger Sub and NWA Corp. (the “Merger Agreement”). As a result of the Merger, NWA Corp. and its subsidiaries became wholly-owned subsidiaries of Delta and the shares of NWA Corp., which traded under the symbol “NWA”, ceased trading on, and were delisted from, the New York Stock Exchange (“NYSE”).

As a result of the application of purchase accounting in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations* (“SFAS No. 141”), the financial statements prior to October 30, 2008 are not comparable with the financial statements for periods on or after October 30, 2008. References to “Post-Merger” refer to the Company on or after October 30, 2008, after giving effect to the application of purchase accounting. References to “Pre-Merger” refer to the Company prior to October 30, 2008. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 2 – Business Combinations” for further details.

Unless otherwise indicated, the terms “we,” “us,” and “our” refer to NWA Corp. and all consolidated subsidiaries. Northwest operates the world’s sixth largest airline, as measured by 2008 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 operation 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. Continental has provided written notice to the Company and Delta of its decision to terminate the two-way alliance agreement with the Company, and the three-way alliance agreement with the Company and Delta effective April 14, 2009 and July 31, 2009, respectively;
- membership in SkyTeam, a global airline alliance with KLM, Continental, Delta, Air France, Aeroflot, Aeromexico, Alitalia, China Southern, CSA Czech Airlines, and Korean Air;
- agreements with three domestic regional carriers, including Pinnacle Airlines, Inc. (“Pinnacle”), Mesaba Aviation, Inc. (“Mesaba”), a wholly-owned subsidiary, and Compass Airlines, Inc. (“Compass”), a wholly-owned subsidiary, all of which operate as Northwest Airlink carriers;
- a cargo business that operates a dedicated freighter fleet of 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 Web site 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, and all amendments to those reports are available free of charge through the Securities and Exchange Commission (“SEC”) Web site at <http://idea.sec.gov> as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC.

See “Item 1A. Risk Factors” 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

*Background and General Bankruptcy Matters.* The following discussion provides general background information regarding the Company’s Chapter 11 cases, and is not intended to be an exhaustive summary. Detailed information pertaining to the bankruptcy filings may be obtained at <http://www.nwa-restructuring.com>. See also “Item 8. Consolidated Financial Statements and Supplementary Data, Note 6 – Voluntary Reorganization Under Chapter 11 Proceedings.” Information contained on the Company’s Web site is not incorporated into this annual report on Form 10-K.

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.

On May 18, 2007, the Bankruptcy Court entered an order approving and confirming the Debtors’ First Amended Joint and Consolidated Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as confirmed, the “Plan” or “Plan of Reorganization”). The Plan became effective and the Debtors emerged from bankruptcy protection on May 31, 2007 (the “Effective Date”). On the Effective Date, the Company implemented fresh-start reporting 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”).

As a result of the application of fresh-start reporting in accordance with SOP 90-7 upon the Company’s emergence from bankruptcy on May 31, 2007, the financial statements prior to June 1, 2007 are not comparable with the financial statements for periods on or after June 1, 2007. References to “Successor Company” refer to the Company on or after June 1, 2007, after giving effect to the application of fresh-start reporting. References to “Predecessor Company” refer to the Company prior to June 1, 2007. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 7 – Fresh-Start Reporting” for further details.

The Plan generally provided for the full payment or reinstatement of allowed administrative claims, priority claims, and secured claims, and the distribution of new common stock of the Successor Company to the Debtors' creditors, employees and others in satisfaction of allowed unsecured claims. The Plan contemplates the issuance of approximately 277 million shares of new common stock by the Successor Company (out of the 400 million shares of new common stock authorized under its amended and restated certificate of incorporation).

Northwest had reserved 6.4 million shares of common stock for future distributions to holders of allowed general, unsecured claims when disputed claims are resolved. Pursuant to the terms of the Merger Agreement, each outstanding share of Northwest common stock (including shares issuable pursuant to Northwest's Plan of Reorganization) was converted into and became exchangeable for 1.25 shares of Delta common stock. Accordingly, shares issuable pursuant to Northwest's Plan of Reorganization totaled 8.0 million after being adjusted for the exchange ratio.

In connection with the consummation of the Plan of Reorganization, on the Effective Date, the Company's existing \$1.225 billion Senior Corporate Credit Facility ("Bank Credit Facility") was converted into exit financing in accordance with its terms. See "Item 8. Consolidated Financial Statements and Supplementary Data, Note 9 – Long-Term Debt and Short-Term Borrowings" for additional information.

## **Item 1A. RISK FACTORS**

***Our business and results of operations are dependent on the price and availability of aircraft fuel. High fuel costs or cost increases could have a materially adverse effect on our operating results. Likewise, significant disruptions in the supply of aircraft fuel would materially adversely affect our operations and operating results.***

Our operating results are significantly impacted by changes in the price and availability of aircraft fuel. Fuel prices have increased substantially in the last five years and spiked at record high levels in 2008 before falling dramatically during the latter part of the year. In 2008, our average fuel price per gallon rose 76.1% to \$3.61, as compared to an average price of \$2.05 in 2007, which is significantly higher than our average price of \$2.02 in 2006, and significantly higher than our prices in the earlier part of this decade. The fuel costs represented 32.2% and 32.5% of our operating expenses in 2008 and 2007, respectively. These increasing costs have had a significant negative effect on our results of operations and financial condition.

Our ability to pass along the increased costs of fuel to our customers is limited by the competitive nature of the airline industry. We often have not been able to increase our fares to offset the effect of increased fuel costs in the past and we may not be able to do so in the future.

In addition, our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from offshore sources and under contracts that permit the refiners to set the price. To attempt to manage our exposure to changes in fuel prices, we use derivative instruments, which are comprised of crude oil, heating oil and jet fuel swap and collar contracts, though we may not be able to successfully manage this exposure. Depending on the type of hedging instrument used, our ability to benefit from declines in fuel prices may be limited.

We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability or price of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in additional fuel supply shortages and fuel price increases in the future. Additional increases in fuel costs or disruptions in fuel supplies could have additional negative effects on us.

***The global economic recession has resulted in weaker demand for air travel and may create challenges for us that could have a material adverse effect on our business and results of operations.***

As the effects of the global economic recession have been felt in our domestic and international markets, we are experiencing weaker demand for air travel. Our demand began to slow during the latter part of the year, and we believe the worsening economic conditions could reduce U.S. airline industry revenues by 8-12% in 2009. As a result, Delta has announced plans to further reduce consolidated capacity by 6-8% in 2009 compared to 2008 (which reflects planned consolidated domestic capacity reductions of 8-10% and international capacity reductions of 3-5%), and has offered voluntary workforce reduction programs for eligible employees, including our employees. Demand for air travel could continue to fall if the global economic recession continues, and overall demand may fall much lower than we are able prudently to reduce capacity. The weakness in the United States and international economies could have a significant negative impact on our future results of operations.

***The global financial crisis may have an impact on our business and financial condition in ways that we currently cannot predict.***

The continued credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and our financial condition. For example, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions. In addition, the credit crisis could have an impact on our remaining fuel hedging contracts or our interest hedging contracts if counterparties are forced to file for bankruptcy or are otherwise unable to perform their obligations.

***Our obligation to post collateral in connection with our fuel hedge contracts may have a substantial impact on our short-term liquidity.***

Under fuel hedge contracts that we may enter into from time to time, counterparties to those contracts may require us to fund the margin associated with any loss position on the contracts. If fuel prices continue to fall, we may be required to post a significant amount of additional collateral, which could have an impact on the level of our unrestricted cash and cash equivalents and short-term investments until those contracts are settled.

***Our substantial indebtedness may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.***

We have substantial indebtedness, which could:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;
- limit our ability to withstand competitive pressures;
- reduce our flexibility in planning for or responding to changing business and economic conditions; and/or
- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

In addition, a substantial level of indebtedness, particularly because substantially all of our assets are currently subject to liens, could limit our ability to obtain additional financing on acceptable terms or at all for working capital, capital expenditures and general corporate purposes. We have historically had substantial liquidity needs in the operation of our business. These liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control.

***Certain of our credit facilities include financial and other covenants that impose restrictions on our financial and business operations.***

Our exit facility financing credit agreement and our liquidity facility credit agreement each contain financial covenants that require us to maintain a minimum fixed charge coverage ratio, minimum unrestricted cash reserves and minimum collateral coverage ratios. In addition, each of the credit facilities contains other negative covenants customary for such financings. These covenants may have a material adverse

impact on our operations. In addition, if we fail to comply with the covenants in any credit facility and are unable to obtain a waiver or amendment, an event of default would result under that facility.

Each of the credit facilities also contains other events of default customary for such financings. If an event of default were to occur, the lenders could, among other things, declare outstanding borrowings under the respective credit facilities immediately due and payable. We cannot provide assurance that we would have sufficient liquidity to repay or refinance borrowings under any of the credit facilities if such borrowings were accelerated upon an event of default. In addition, an event of default or declaration of acceleration under any of the credit facilities could also result in an event of default under other financing agreements of Delta and us.

***Employee strikes and other labor-related disruptions may adversely affect our operations.***

Our business is labor intensive, utilizing large numbers of pilots, flight attendants and other personnel. Approximately 80% of our workforce is unionized. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct business. Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act, which provides that a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. The Railway Labor Act generally prohibits strikes or other types of self-help actions both before and after a collective bargaining agreement becomes amendable, unless and until the collective bargaining processes required by the Railway Labor Act have been exhausted.

In addition, if we or our affiliates are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements or if additional segments of our workforce become unionized, they may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act. Likewise, if third party regional carriers with whom we have contract carrier agreements are unable to reach agreement with their unionized work groups on current or future negotiations regarding the terms of their collective bargaining agreements, those carriers may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act, which could have a negative impact on our operations.

***The ability to realize fully the anticipated benefits of the Merger may depend on the successful integration of the businesses of Delta and Northwest.***

The Merger involves the combination of two companies which operated as independent public companies prior to the merger. The combined company will be required to devote significant management attention and resources to integrating its business practices and operations. It is possible that the integration process could result in the loss of key employees, diversion of each company's management's attention, the disruption or interruption of, or the loss of momentum in our ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers and employees or our ability to achieve the anticipated benefits of the Merger, or could reduce our earnings or otherwise adversely affect our business and financial results.

***The integration of the Delta and Northwest workforces will present significant challenges, including the possibility of labor-related disagreements that may adversely affect the combined company's operations.***

Our successful integration with Delta and achievement of the anticipated benefits of the combination depend significantly on integrating our employee groups into Delta and on maintaining productive employee relations. The integration of our workforces will be challenging in part because approximately 80% of the Northwest employees are represented by labor unions while, among U.S. based employees, only the Pre-Merger Delta pilots and flight dispatchers (who combined constitute approximately 17% of the total Pre-Merger Delta employees) are currently represented by labor unions. The integration of the workforces of the two airlines will require the resolution of potentially difficult issues relating to representation of various work groups and the relative seniority of the work groups at each carrier. Unexpected delay, expense or other challenges to integrating the workforces could impact the expected synergies from the combination of Delta and NWA Corp. and affect the financial performance of the combined company.



***Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.***

Our business is heavily dependent on our operations at our hub airports in Detroit, Memphis, Minneapolis/St. Paul and Tokyo-Narita. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. A significant interruption or disruption in service at one of our other hubs could have a serious impact on our business, financial condition and results of operations.

***We are increasingly dependent on technology in our operations, and if our technology fails or we are unable to continue to invest in new technology, our business may be adversely affected.***

We have become increasingly dependent on technology initiatives to reduce costs and to enhance customer service in order to compete in the current business environment. For example, we have made significant investments in our website, check-in kiosks and related initiatives. The performance and reliability of the technology are critical to our ability to attract and retain customers and our ability to compete effectively. These initiatives will continue to require significant capital investments in our technology infrastructure to deliver these expected benefits. If we are unable to make these investments, our business and operations could be negatively affected. In addition, we may face challenges associated with integrating complex systems and technologies that support the separate operations of Delta and Northwest. If we are unable to manage these challenges effectively, our business and results of operation could be negatively affected.

In addition, any internal technology error or failure or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Any individual, sustained or repeated failure of technology could impact our customer service and result in increased costs. Like all companies, our technology systems and related data may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial consequences to our business.

***If we experience losses of senior management personnel and other key employees, our operating results could be adversely affected.***

We are dependent on the experience and industry knowledge of our officers and other key employees to execute our business plans. If we experience a substantial turnover in our leadership and other key employees, our performance could be materially adversely impacted. Furthermore, we may be unable to attract and retain additional qualified executives as needed in the future.

***We are at risk of losses and adverse publicity stemming from any accident involving our aircraft.***

An aircraft crash or other accident could expose us to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that the insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate or an aircraft that is operated by an airline that is one of our codeshare partners could create a public perception that our aircraft are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft and harm our business.

***Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes is subject to limitation and may be further limited as a result of the Merger and the employee equity issuance, together with other equity transactions.***

In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs"), to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years).



As of December 31, 2008, Delta reported approximately \$9.2 billion of federal and state NOL carryforwards. As of December 31, 2008, we reported approximately \$5.3 billion of federal and state NOL carryforwards. Both Delta and NWA Corp. experienced an ownership change in 2007 as a result of their respective plans of reorganization under Chapter 11 of the U.S. Bankruptcy Code. Pursuant to the Merger Agreement, Delta and NWA Corp. elected out of Section 382(l)(5) of the Code, in which case Section 382(l)(6) of the Code will be applicable to the ownership changes that occurred pursuant to our respective plans of reorganization. As a result of the Merger, NWA Corp. experienced a subsequent ownership change. Delta also may experience a subsequent ownership change as a result of the Merger and the issuance of equity to employees in connection with the Merger, together with other transactions involving the sale of our common stock within the testing period. Even if the Merger and the employee equity issuance did not result in an ownership change, the Merger and the employee equity issuance has significantly increased the likelihood there will be a subsequent ownership change for Delta as a result of transactions involving sale of our common stock.

The NWA Corp. ownership change resulting from the Merger and the potential occurrence of a second ownership change for Delta could limit the ability to utilize pre-change NOLs that are not currently subject to limitation, and could further limit the ability to utilize NOLs that are currently subject to limitation. The amount of the annual limitation generally is equal to the value of the stock of the corporation immediately prior to the ownership change multiplied by the adjusted federal tax-exempt rate, set by the Internal Revenue Service. Limitations imposed on the ability to use NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. Similar rules and limitations may apply for state income tax purposes.

### **Risk Factors Relating to the Airline Industry**

***The airline industry is highly competitive and, if we cannot successfully compete in the marketplace, our business, financial condition and operating results will be materially adversely affected.***

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and established carriers, some of which have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at several of our hub airports from other carriers. In addition, our operations at our hub airports also compete with operations at the hubs of other airlines that are located in close proximity to our hubs. We also face competition in smaller to medium-sized markets from regional jet operators.

The growth of low-cost carriers, including Southwest, AirTran and JetBlue, in the U.S. has placed significant competitive pressure on network carriers in the domestic market. In addition, other network carriers have also significantly reduced their costs over the last several years. Our ability to compete effectively depends, in part, on our ability to maintain a competitive cost structure. If we cannot maintain our costs at a competitive level, then our business, financial condition and operating results could be materially adversely affected. In light of increased jet fuel costs and other issues in recent years, we expect consolidation to occur in the airline industry. As a result of consolidation, we may face significant competition from larger carriers that may be able to generate higher amounts of revenue and compete more efficiently.

In addition, we compete with foreign carriers, both on interior U.S. routes, due to marketing and codesharing arrangements, and in international markets. International marketing alliances formed by domestic and foreign carriers, including the Star Alliance (among United Airlines, Lufthansa German Airlines and others and which Continental has announced its intention to join in October 2009) and the oneworld Alliance (among American Airlines, British Airways and others) have significantly increased competition in international markets. The adoption of liberalized Open Skies Aviation Agreements with an increasing number of countries around the world, including in particular the Open Skies agreement with the Member States of the European Union, has accelerated this trend. Through marketing and codesharing arrangements with U.S. carriers, foreign carriers have obtained access to interior U.S. passenger traffic. Similarly, U.S. carriers have increased their ability to sell international transportation, such as transatlantic services to and beyond European cities, through alliances with international carriers.

***Terrorist attacks or international hostilities may adversely affect our business, financial condition and operating results.***

The terrorist attacks of September 11, 2001 caused fundamental and permanent changes in the airline industry, including substantial revenue declines and cost increases, which resulted in industry-wide liquidity issues. Additional terrorist attacks or fear of such attacks, even if not made directly on the airline industry, would negatively affect us and the airline industry. The potential negative effects include increased security, insurance and other costs and lost revenue from increased ticket refunds and decreased ticket sales. Our financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or other international hostilities involving the U.S.

***The airline industry is subject to extensive government regulation, and new regulations may increase our operating costs.***

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that necessitate significant expenditures. We expect to continue incurring expenses to comply with the FAA's regulations.

Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations or reduce revenues. For example, the Aviation and Transportation Security Act, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. The federal government has on several occasions proposed a significant increase in the per ticket tax. The proposed ticket tax increase, if implemented, could negatively impact our revenues.

Proposals to address congestion issues at certain airports or in certain airspace, particularly in the Northeast U.S., have included concepts such as "congestion-based" landing fees, "slot auctions" or other alternatives that could impose a significant cost on the airlines operating in those airports or airspace and impact the ability of those airlines to respond to competitive actions by other airlines. Furthermore, events related to extreme weather delays in late 2006 and early 2007 have caused Congress and the Department of Transportation ("DOT") to consider proposals related to airlines' handling of lengthy flight delays during extreme weather conditions. The enactment of such proposals could have a significant negative impact on our operations. In addition, some states have also enacted or considered enacting such regulations.

Future regulatory action concerning climate change and aircraft emissions could have a significant effect on the airline industry. For example, the European Commission is seeking to impose an emissions trading scheme applicable to all flights operating in the European Union, including flights to and from the U.S. Laws or regulations such as this emissions trading scheme or other U.S. or foreign governmental actions may adversely affect our operations and financial results.

We and other U.S. carriers are subject to domestic and foreign laws regarding privacy of passenger and employee data that are not consistent in all countries in which we operate. In addition to the heightened level of concern regarding privacy of passenger data in the U.S., certain European government agencies are initiating inquiries into airline privacy practices. Compliance with these regulatory regimes is expected to result in additional operating costs and could impact our operations and any future expansion.

***Our insurance costs have increased substantially as a result of the September 11 terrorist attacks, and further increases in insurance costs or reductions in coverage could have a material adverse impact on our business and operating results.***

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. Since September 24, 2001, the U.S. government has been providing U.S. airlines with war-risk insurance to cover losses, including those resulting from terrorism, to passengers, third parties (ground damage) and the aircraft hull. The coverage currently extends through March 31, 2009 and the Secretary of Transportation has discretion to extend coverage through May 31, 2009. The withdrawal of government support of airline war-risk insurance would require us to obtain war-risk insurance coverage commercially, if available. Such commercial insurance could have substantially less desirable coverage than that currently provided by the U.S. government, may not be

adequate to protect our risk of loss from future acts of terrorism, may result in a material increase to our operating expenses or may not be obtainable at all, resulting in an interruption to our operations.

## Item 1B. UNRESOLVED STAFF COMMENTS

None.

## Item 2. PROPERTIES

### Flight Equipment

As shown in the following table, Northwest operated a mainline fleet of 312 aircraft at December 31, 2008, consisting of 254 narrow-body and 58 wide-body aircraft. Northwest's purchase commitments for aircraft as of December 31, 2008 are also provided:

Aircraft Type	Seating Capacity	In Service			Total	Average Age (Years)	Aircraft on Firm Order (1)
		Owned	Capital Lease	Operating Lease			
<b>Passenger Aircraft</b>							
Airbus:							
A319	124	55	–	2	57	6.8	5
A320	148	41	–	28	69	13.7	2
A330-200	243	11	–	–	11	3.7	–
A330-300	298	21	–	–	21	3.3	–
Boeing:							
757-200	160-184	30	–	15	45	16.2	–
757-300	224	16	–	–	16	5.8	–
747-400	403	4	–	12	16	15.1	–
McDonnell Douglas:							
DC9	100-125	67	–	–	67	35.2	–
		245	–	57	302		7
<b>Freighter Aircraft</b>							
Boeing 747F		7	–	3	10	24.5	–
<b>Total Northwest Operated Aircraft</b>		<b>252</b>	<b>–</b>	<b>60</b>	<b>312</b>	<b>(2)</b>	<b>7</b>
<b>Regional Aircraft</b>							
CRJ200	50	–	–	141	141	5.5	–
Saab 340	34	–	–	49	49	11.1	–
CRJ900	76	35	–	–	35	0.9	–
Embraer 175	76	36	–	–	36	0.7	–
<b>Total Airlinck Operated Aircraft</b>		<b>71</b>	<b>–</b>	<b>190</b>	<b>261</b>		<b>–</b>
<b>Total Aircraft</b>		<b>323</b>	<b>–</b>	<b>250</b>	<b>573</b>		<b>7</b>

- (1) The Company has excluded from the table above its order for 18 787-8 aircraft. The Boeing Company (“Boeing”) has informed the Company that Boeing will be unable to meet the contractual delivery schedule for these aircraft. The Company is in discussions with Boeing regarding this situation.
- (2) Excluding DC9 aircraft, the average age of Northwest-operated aircraft is 8.9 years.

In total, the Company took delivery of 23 CRJ900 and 27 Embraer 175 aircraft during the twelve months ended December 31, 2008. One CRJ900 aircraft had not been placed into service before December 31, 2008 and therefore is not included in the table above. In connection with the acquisition of these 50 aircraft, the Company entered into long-term debt arrangements. Under such arrangements, the aggregate amount of debt incurred totaled \$886 million.

During 2008, the Company sold 31 aircraft including three Boeing 727-200, three Boeing 747-200, two Boeing 747F, four A320 and 19 DC9-30 aircraft. Proceeds from these sales totaled \$23.9 million.

See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 15 – Commitments” for further information related to the Company’s aircraft 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.

## **Other Property and Equipment**

Northwest’s primary offices are located near the Minneapolis/St. Paul International Airport, including its corporate offices located on a 160-acre site east of the airport. Other owned facilities include reservations centers in Tampa, Florida, Minot, North Dakota and Chisholm, Minnesota, a data processing center in Eagan, Minnesota and a property in Baltimore, Maryland. The Company also owns property in Tokyo, including a 1.3-acre site in downtown Tokyo, a 33-acre land parcel, 512-room hotel, and flight kitchen located near Tokyo’s Narita International Airport. In addition, the Company leases reservations centers in or near Minneapolis/St. Paul, Seattle and Sioux City, Iowa.

## **Item 3. LEGAL PROCEEDINGS**

*Northwest Airlines, Inc. v. Filipas, et al (U.S. Dist. Ct. Minnesota, Case 07-CIV-4803 (JNE/JJG)).* On December 12, 2007, Northwest Airlines, Inc. filed a declaratory judgment action against six of its employee pilots seeking a declaration that its recently implemented Target Benefit Pension Plan (collectively bargained for with the Air Line Pilots Association) does not violate any applicable prohibitions against age discrimination, including under ERISA. The court has certified defendant class of all employee pilots who will receive less under the new target plan than they would have received under the predecessor plan that provided benefits to pilots on a “flat percentage” or “pro rata to pay” basis. On January 26, 2009, the District Court granted summary judgment in favor of Northwest on its claim as well as the defendants’ counterclaims.

*Chapter 11 Proceedings.* On September 14, 2005, NWA Corp. and 12 of its direct and indirect subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On September 30, 2005, NWA Aircraft Finance, Inc., an indirect subsidiary of NWA Corp., also filed a voluntary petition for relief under Chapter 11. On May 18, 2007, the Bankruptcy Court entered an order (the “Confirmation Order”) approving and confirming the Debtors’ First Amended Joint and Consolidated Plan of Reorganization under Chapter 11 of the Bankruptcy Code. On May 31, 2007, the Debtors emerged from bankruptcy. The reorganization cases were jointly administered under the caption “In re NWA Corp., et al., Case No. 05-17930 (ALG).” The Confirmation Order provided for the discharge upon the Effective Date of the Debtors from all Claims (as defined in the Plan) based upon acts or omissions that occurred prior to the Effective Date. In addition, as established by the Confirmation Order, holders of pre-Effective Date claims are enjoined from commencing or continuing any action or proceeding against the Reorganized Debtors with respect to such claims, except as otherwise permitted by the Bankruptcy Court for purposes of determining the amount of their respective claims. The legal proceedings outstanding against the Company as of the Petition Date are subject to the injunction established by the Confirmation Order.

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**

Omitted under the reduced disclosure format permitted by General Instruction I(2)(c) of Form 10-K.

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## **PART II**

#### **Item 5. MARKET FOR REGISTRANT’ S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

NWA Corp. is a wholly owned subsidiary of Delta, and there is no market for NWA Corp.’ s common stock.

#### **Item 6. SELECTED FINANCIAL DATA**

Omitted under the reduced disclosure format permitted by General Instruction I(2)(a) of Form 10-K.

#### **Item 7. MANAGEMENT’ S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Reduced disclosure permitted by General Instruction I(2)(a) of Form 10-K.

#### **Overview**

Northwest Airlines Corporation (“NWA Corp.” and, together with its subsidiaries, the “Company”) is the direct parent corporation of Northwest Airlines, Inc. (“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 operating subsidiary, Northwest, which accounted for approximately 99% of the Company’ s 2008 consolidated operating revenues and expenses. The Company’ s results of operations also include other subsidiaries of which MLT Inc. (“MLT”) is the most significant. 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. The following discussion pertains primarily to Northwest and, where indicated, MLT.

On October 29, 2008 (the “Closing Date”), Nautilus Merger Corporation (“Merger Sub”), a wholly owned subsidiary of Delta Air Lines, Inc. (“Delta”), merged with and into NWA Corp. (the “Merger”) in accordance with the Agreement and Plan of Merger, dated as of April 14, 2008, among Delta, Merger Sub and NWA Corp. (the “Merger Agreement”). As a result of the Merger, NWA Corp. and its subsidiaries became wholly-owned subsidiaries of Delta and the shares of NWA Corp., which traded under the symbol “NWA”, ceased trading on, and were delisted from, the New York Stock Exchange (“NYSE”).

As a result of the application of purchase accounting in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations* (“SFAS No. 141”), the financial statements prior to October 30, 2008 are not comparable with the financial statements for periods on or after October 30, 2008. References to “Post-Merger” refer to the Company on or after October 30, 2008, after giving effect to the application of purchase accounting. References to “Pre-Merger” refer to the Company prior to October 30, 2008. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 2 – Business Combinations” for further details.

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. On May 18, 2007, the Bankruptcy Court entered an order approving and confirming the Debtors’ First Amended Joint and Consolidated Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as confirmed, the “Plan” or “Plan of Reorganization”). The Plan became effective and the Debtors emerged from bankruptcy protection on May 31, 2007 (the “Effective Date”).

On the Effective Date, the Company implemented fresh-start reporting in accordance with American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (“SOP 90-7”). Thus the consolidated financial statements prior to June 1, 2007 reflect results based upon the historical cost basis of the Company while the post-emergence Pre-Merger consolidated financial statements reflect the new basis of accounting incorporating the fair value adjustments made in recording the effects of fresh-start reporting. Therefore, the post-emergence Pre-Merger periods are not comparable to the pre-emergence periods. References to “Successor Company” refer to the Company on or after June 1, 2007, after giving effect to the application of fresh-start reporting. References to “Predecessor Company” refer to the Company prior to June 1, 2007.

For discussions on the results of operations, the Company has combined the results for the Pre-Merger Successor Company period with the Post-Merger Successor Company period of 2008 and the five months ended May 31, 2007 with the seven months ended December 31, 2007. The Company believes that the combined financial results provide management and investors a better perspective of the Company’s core business and on-going operational financial performance and trends for comparative purposes.

### **Full Year 2008 Results**

The Company reported net loss of \$6.0 billion for the combined year ended December 31, 2008, compared to net income of \$2.1 billion for the combined year ended December 31, 2007. In 2008, the Company reported an operating loss of \$5.6 billion, compared with operating income of \$1.1 billion in 2007.

Operating revenues for the full year 2008 increased 8.3 percent versus 2007 to \$13.6 billion. System consolidated passenger revenue increased 6.9 percent to \$11.6 billion. Operating expenses increased 67.5 percent year-over-year to \$19.1 billion. Full year 2008 results included \$5.1 billion of net unusual operating and non-operating items, consisting of purchase accounting, merger-related expenses, goodwill impairments, other impairments, and the year-over-year impact of fresh-start accounting.



Full year 2007 results included \$1.5 billion of net unusual and reorganization related gains. Unusual non-operating items included a \$1.6 billion of reorganization related gains. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 8 – Reorganization Related Items” for further information related to the Company’s reorganization items.

## Results of Operations–2008 Compared to 2007

*Operating Revenues.* Operating revenues increased 8.3 percent (\$1.0 billion), as a result of higher passenger revenue, regional carrier revenue and other revenue, partially offset by a reduction in cargo revenue.

*System Passenger Revenues.* In the following analysis by region, mainline statistics exclude Northwest Airlink regional carriers, which is consistent with how the Company reports statistics to the Department of Transportation (“DOT”). The following analysis by region outlines the Company’s year-over-year performance as reported:

As reported:	Mainline			Total	
	Domestic	Pacific	Atlantic	Mainline	Consolidated
<b>2008</b>					
Passenger revenues (in millions)	\$ 5,636	\$ 2,340	\$ 1,609	\$ 9,585	\$ 11,585
<b>Increase (Decrease) from 2007:</b>					
Passenger revenues (in millions)	\$ (231)	\$ 154	\$ 234	\$ 157	\$ 752
Percent	(3.9) %	7.0 %	17.0 %	1.7 %	6.9 %
Scheduled service ASMs (capacity)	(9.3) %	(0.2) %	18.0 %	(2.6) %	1.3 %
Scheduled service RPMs (traffic)	(7.6) %	(0.5) %	13.6 %	(2.3) %	1.1 %
Passenger load factor	1.5 pts	(0.3) pts	(3.2) pts	0.2 pts	(0.1) pts
Yield	4.0 %	7.7 %	3.0 %	4.1 %	5.8 %
Passenger RASM	5.9 %	7.3 %	(0.9) %	4.5 %	5.6 %

*Regional Carrier Revenues.* Regional carrier revenues increased 42.3 percent (\$595 million) to \$2.0 billion, primarily due to a 47.9 percent increase in available seat miles associated with the delivery of new 76 seat regional aircraft, partially offset by a reduction in yield.

*Cargo Revenues.* Cargo revenues decreased 9.3 percent (\$78 million) to \$762 million due primarily to a 20.5 percent decrease in volume, partially offset by a 14.1 percent improvement in yield. Cargo revenues consisted of freight and mail carried on passenger aircraft and the Company’s dedicated fleet of Boeing 747-200 freighter aircraft.

*Other Revenues.* Other revenues, the principal components of which are MLT, other transportation fees, partner revenues, and charter revenues, increased 43.3 percent (\$370 million) to \$1.2 billion. The year-over-year increase was due to increased charter and partner revenues, and the portion of payments received from non-airline marketing partners for frequent flyer miles that is now recorded in Other revenues.

*Operating Expenses.* Operating expenses increased 67.5 percent (\$7.7 billion) for 2008. As a result of the adoption of fresh-start reporting, the Company’s financial statements on or after June 1, 2007 are not comparable with its pre-emergence financial statements. Also, in conjunction with the Merger, the Company recorded purchase accounting adjustments as of October 29, 2008. Thus, the Company’s Post-Merger financial statements are not comparable to its Pre-Merger financial statements. At emergence the Company changed its policies pertaining to the accounting for frequent flyer obligations and breakage of passenger tickets. During 2008, the Company recorded impairment



charges associated with goodwill, international routes, other intangibles and aircraft; the impacts are itemized in column (1). On April 24, 2007, Mesaba Aviation, Inc. (“Mesaba”) was acquired by the Company and became a wholly-owned consolidated subsidiary; year over year impact of partial 2007 ownership is itemized in column (2). Excluding the items described above, the comparable year-over-year operating performance variances, which include the impact of the Company’s purchase accounting adjustments and the effects of fresh-start reporting, are itemized in column (3). The following table and notes present operating expenses for the years ended December 31, 2008 and 2007 and describe significant year-over-year variances:

(In millions)	Year Ended		(1)	(2)	(3)	Total Incr (Decr) from 2007
	Combined December 31, 2008	Combined December 31, 2007	Impairment Charges	Mesaba Net of Elim	Operations	
<b>OPERATING EXPENSES</b>						
Aircraft fuel and taxes	\$ 5,670	\$ 3,378	\$ –	\$ 1	\$ 2,291 A	\$ 2,292
Salaries, wages and benefits	2,698	2,568	–	47	83	130
Aircraft maintenance materials and repairs	772	811	–	13	(52)	(39)
Selling and marketing	778	751	–	–	27	27
Other rentals and landing fees	592	539	–	6	47	53
Depreciation and amortization	1,145	495	642	3	5	650
Aircraft rentals	370	378	–	–	(8)	(8)
Regional carrier expenses	880	776	–	(75)	179 B	104
Goodwill and other indefinite- lived intangibles	3,841	–	3,841	–	–	3,841
Merger related	557	–	–	–	557 C	557
Other	1,833	1,728	–	13	92	105
Total operating expenses	\$ 19,136	\$ 11,424	\$ 4,483	\$ 8	\$ 3,221	\$ 7,712

A. Aircraft fuel and taxes for the 2008 period includes \$752.0 million in net fuel derivative contract losses, consisting of \$383.5 million in out-of-period mark-to-market losses and \$368.5 million of losses for contracts settled in 2008. Fuel expense for the 2007 period includes \$112.9 million in net fuel derivative contract gains, consisting of \$18.7 million in out-of-period mark-to-market gains and \$94.2 million of gains for contracts settled in 2007.

B. Regional carrier expenses increased primarily due to higher fuel costs.

C. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 3 – Merger Related Expenses” for further details.

*Other Income and Expense.* The Company recorded non-operating expense of \$649 million in 2008 as compared to non-operating income of \$1.2 billion in 2007. The difference of \$1.8 billion year-over-year was primarily due to a net reorganization related gain of \$1.5 billion associated with the Company’s emergence from bankruptcy recorded in 2007. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 8 – Reorganization Related Items” for additional information related to reorganization items. In 2008, the Company recorded \$51 million in interest expense associated with the amortization of debt discount recorded in conjunction with its purchase accounting. The Company also recorded a \$213 million impairment of its minority ownership interest in Midwest Air Partners, LLC in conjunction with the goodwill impairment test performed during the second quarter of 2008. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 5 – Fair Value Measurements” for additional information related to the impairment.

*Tax Expense (Benefit).* The Company recorded a non-cash income tax benefit of \$212 million for the year ended 2008, primarily related to the impairment charges recorded in conjunction with the goodwill impairment test for certain indefinite-lived intangible assets. The Company recorded a non-cash income tax expense for the year ended 2007 of \$222 million. See “Item 8. Consolidated Financial Statements and Supplementary Data, Note 14 – Income Taxes” for additional discussion of the Company’s tax accounts.

**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 18 – Risk Management" 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. Excluding the impact of fuel hedges, a hypothetical 10% increase in the full year December 31, 2008 cost per gallon of fuel, assuming projected 2009 mainline and regional aircraft fuel usage, would result in an increase to aircraft fuel expense of approximately \$584 million in 2009, compared to an estimated \$369 million for 2008 measured at December 31, 2007. The Company, as of January 31, 2009, had hedged the price of approximately 64% and 22% of its estimated 2009 first quarter and full year 2009 fuel requirements, respectively. In comparison, as of February 29, 2008, the Company had hedged approximately 18% of its estimated 2008 fuel requirements.

*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 ("yen"), and from time to time, the Company uses financial instruments to hedge its exposure to the yen and other foreign currencies. Excluding the impact of foreign currency hedges, the result of a uniform 10% strengthening in the value of the U.S. dollar from December 31, 2008 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 \$103 million for the year ending December 31, 2009, compared to an estimated decrease of \$66 million for 2008 measured at December 31, 2007. This sensitivity analysis was prepared based upon projected foreign currency-denominated revenues and expenses as of December 31, 2008 and 2007, respectively. 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 \$19 million in 2009, caused by the remeasurement of net foreign currency-denominated liabilities as of December 31, 2008. The Company was also in a net liability position in 2007, as its foreign currency-denominated liabilities exceeded its foreign currency-denominated assets. The result of a 10% weakening in the value of the U.S. dollar would have resulted in a decrease to other income of an estimated \$9 million in 2008, caused by the remeasurement of net foreign currency-denominated liabilities as of December 31, 2007. This sensitivity analysis was prepared based upon foreign currency-denominated assets and liabilities as of December 31, 2008 and 2007, respectively.

The Company's operating income in 2008 was favorably impacted by a net \$104 million due to the average yen being stronger in 2008 compared to 2007 and unfavorably impacted in 2007 by a net \$50 million due to the average yen being weaker in 2007 compared to 2006. In 2008, the Company's yen-denominated net cash inflow was approximately 79 billion yen (approximately \$732 million) and its yen-denominated liabilities exceeded its yen-denominated assets by an average of 12 billion yen (approximately \$114 million). In 2007, the Company's yen-denominated net cash inflow was approximately 86 billion yen (approximately \$726 million) and its yen-denominated liabilities exceeded its yen-denominated assets by an average of 10 billion yen (approximately \$87 million). In general, each time the yen weakens, the Company's operating income is unfavorably impacted due to net yen-denominated revenues exceeding expenses. Additionally, a weakening yen results in recognition of a non-operating foreign currency gain due to the remeasurement of net yen-denominated liabilities.

The average yen to U.S. dollar exchange rate for the years ending December 31, 2008, 2007 and 2006, excluding the impact of any hedging activities, was 105, 118 and 117, respectively. The yen financial instruments utilized to hedge net yen-denominated cash flows from sales resulted in a loss of \$29.1 million in 2008. As a result of not having any yen hedges in place in 2007, the Company did not realize a gain

or loss. As of December 31, 2008, the Company had hedged approximately 32.1% of its anticipated 2009 yen-denominated sales. The 2009 yen hedges consist of forward contracts which hedge approximately 25.7% of yen-denominated sales at an average rate of 100.1 yen per U.S. dollar and collar options which hedge approximately 6.4% of yen-denominated sales with a rate range between 99.5 and 103.5 yen per U.S. dollar. As of December 31, 2007, the Company had hedged approximately 42.6% of its anticipated 2008 yen-denominated sales. The 2008 yen hedges consisted of forward contracts which hedge approximately 32.7% of yen-denominated sales at an average rate of 109.3 yen per U.S. dollar and collar options which hedge approximately 9.9% of yen-denominated sales with a rate range between 102.4 and 116.4 yen per U.S. dollar.

The Company's operating income in 2008 was favorably impacted by a net \$17 million due to the average Canadian dollar being stronger in 2008 compared to 2007 and favorably impacted in 2007 by \$4 million due to the average Canadian dollar being stronger in 2007 compared to 2006. In 2008, the Company's Canadian dollar-denominated net cash inflow was approximately C\$525 million (approximately \$518 million) and its Canadian dollar-denominated assets exceeded its Canadian dollar-denominated liabilities by an average of C\$10.4 million (approximately \$9.8 million). In general, each time the Canadian dollar strengthens, the Company's operating income is favorably impacted due to net Canadian dollar-denominated revenues exceeding expenses. Additionally, a weakening Canadian dollar results in recognition of a non-operating foreign currency loss due to the remeasurement of net Canadian dollar-denominated assets.

The average Canadian dollar to U.S. dollar exchange rate for the years ending December 31, 2008, 2007 and 2006, excluding the impact of any hedging activities was 1.06, 1.07 and 1.13, respectively. As of December 31, 2008, the Company had not hedged any of its 2009 anticipated Canadian dollar denominated cash flows from sales. The Canadian dollar financial instruments utilized to hedge Canadian dollar-denominated cash flows in 2008 resulted in a realized gain of \$22.7 million. As of December 31, 2007, the Company had hedged approximately 66.4% of its 2008 anticipated Canadian dollar denominated cash flows from sales with forward contracts at an average rate of 1.0008 Canadian dollars per U.S. dollar.

*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, 2008 and 2007, the Company's interest income from cash equivalents and short-term investments would increase by approximately \$23 million and \$38 million, respectively. These amounts are determined by considering the impact of the hypothetical interest rate increase on the Company's cash equivalent and short-term investment balances at December 31, 2008 and 2007.

The Company's floating rate indebtedness was approximately 42% of its total long-term debt and capital lease obligations as of December 31, 2008. Excluding the impact of interest rate hedges, if short-term interest rates were to increase by 100 basis points throughout 2009 as measured at December 31, 2008, the Company's interest expense would increase by approximately \$31 million. This amount is determined by considering the impact of the hypothetical interest rate increase on the Company's floating rate indebtedness as of December 31, 2008. The Company had entered into individual interest rate cap hedges related to three floating rate debt instruments, with a total cumulative notional amount of \$371 million, as of December 31, 2008. During February 2008, the Company entered into individual interest rate swap hedges related to two floating rate debt instruments. Additionally, during October 2008, the Company entered into ten interest rate swap hedges related to ten floating debt instruments. The interest rate swap hedges had a total cumulative notional amount as of December 31, 2008 of \$1.4 billion. The objective of the interest rate cap and swap hedges is to protect the anticipated payments of interest (cash flows) on the designated debt instruments from adverse market interest rate changes.

The Company's floating rate indebtedness was approximately 70% of its total long-term debt and capital lease obligations as of December 31, 2007. Excluding the impact of interest rate hedges, if short-term interest rates were to increase by 100 basis points throughout 2008 as measured at December 31, 2007, the Company's interest expense would increase by approximately \$49 million. This amount is determined by considering the impact of the hypothetical interest rate increase on the Company's floating rate indebtedness as of

December 31, 2007. The Company had entered into individual interest rate cap hedges related to three floating rate debt instruments, with a total cumulative notional amount of \$429 million, as of December 31, 2007. The objective of the interest rate cap hedges is to protect the anticipated payments of interest (cash flows) on the designated debt instruments from adverse market interest rate changes.

Market risk for fixed-rate indebtedness is estimated as the potential decrease in fair value resulting from a hypothetical 100 basis point increase in interest rates and amounts to approximately \$89 million measured at December 31, 2008. This compares to an estimated \$96 million measured at December 31, 2007.

## **Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Report of Independent Registered Public Accounting Firm**

#### **The Board of Directors and Shareholders**

#### **Northwest Airlines Corporation**

We have audited the accompanying consolidated balance sheets of Northwest Airlines Corporation (the Company) as of December 31, 2008 (Post-merger Successor) and as of December 31, 2007 (Pre-merger Successor), and the related consolidated statements of operations, common stockholders' equity (deficit), and cash flows for the period from October 30, 2008 to December 31, 2008 (Post-merger Successor), the period from January 1, 2008 to October 29, 2008 (Pre-merger Successor), the seven months ended December 31, 2007 (Pre-merger Successor), the 5 months ended May 31, 2007 (Pre-merger, Predecessor), and for the year ended December 31, 2006 (Pre-merger Predecessor). Our audit also included the financial statement schedule of the Successor Company and the Predecessor Company for the periods as listed in the index at item 15. 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 as of December 31, 2008 (Post-merger Successor) and as of December 31, 2007 (Pre-merger Successor), and the consolidated results of its operations and its cash flows for the period from October 30, 2008 to December 31, 2008 (Post-merger Successor), the period from January 1, 2008 to October 29, 2008 (Pre-merger Successor), the seven months ended December 31, 2007 (Pre-merger Successor), the 5 months ended May 31, 2007 (Pre-merger Predecessor), and for the year ended December 31, 2006 (Pre-merger Predecessor), in conformity with U.S. generally accepted accounting principles. Also, in our opinion, such Successor Company financial statement schedule and Predecessor Company financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, on May 18, 2007, the Bankruptcy Court entered an order confirming the plan of reorganization which became effective on May 31, 2007. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, for the Successor Company as a new entity with assets, liabilities, and a capital structure having carrying values not comparable with prior periods as described in Note 1.

As discussed in Note 17 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)* in 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Northwest Airlines Corporation's internal control over financial reporting as of December 31, 2008, 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 2, 2009 expressed an unqualified opinion thereon.

*Ernst + Young LLP*

Minneapolis, Minnesota  
March 2, 2009

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## NORTHWEST AIRLINES CORPORATION

### CONSOLIDATED BALANCE SHEETS

(In millions)

	Post-Merger Successor December 31, 2008	Pre-Merger Successor December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,068	\$ 2,939
Unrestricted short-term investments	49	95
Restricted cash, cash equivalents and short-term investments	196	725
Accounts receivable, less allowance (2008-\$6; 2007-\$4)	659	776
Hedge margin receivable	526	-
Flight equipment spare parts, less allowance (2008-\$3; 2007-\$10)	130	135
Deferred income taxes	131	72
Maintenance and operating supplies	108	180
Prepaid expenses and other	146	187
Total current assets	<u>4,013</u>	<u>5,109</u>
<b>PROPERTY AND EQUIPMENT</b>		
Flight equipment - owned, less accumulated depreciation (2008-\$63; 2007-\$197)	7,990	7,520
Flight equipment - capital lease, less accumulated amortization (2008-\$0; 2007-\$1)	-	8
Other property and equipment, less accumulated depreciation (2008-\$8; 2007-\$36)	597	558
Total property and equipment	<u>8,587</u>	<u>8,086</u>

<b>OTHER ASSETS</b>		
Goodwill	4,572	6,035
International routes, less accumulated amortization (2008-\$0; 2007-\$2)	2,140	2,976
Other intangibles, less accumulated amortization (2008-\$8; 2007-\$54)	554	2,136
Investments in affiliated companies	3	24
Other, less accumulated depreciation and amortization (2008-\$3; 2007-\$8)	329	223
Total other assets	7,598	11,394
<b>Total Assets</b>	<b>\$ 20,198</b>	<b>\$ 24,589</b>

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

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

Post-Merger	Pre-Merger
Successor	Successor
December 31,	December 31,
2008	2007

**LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)**

**CURRENT LIABILITIES**

Air traffic liability/deferred frequent flyer liability	\$ 2,002	\$ 2,004
Accrued compensation and benefits	393	459
Accounts payable	723	706
Hedge derivatives liability	560	3
Due to parent company	200	-
Other accrued liabilities	524	483
Current maturities of long-term debt and capital lease obligations	384	449
Total current liabilities	4,786	4,104

<b>LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES</b>	<b>5,382</b>	<b>6,639</b>
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**DEFERRED CREDITS AND OTHER LIABILITIES**

Long-term pension, other postretirement, and disability benefits	5,476	3,638
Deferred frequent flyer liability	1,500	1,490
Deferred income taxes	1,094	1,203
Other	533	138
Total deferred credits and other liabilities	8,603	6,469



## COMMITMENTS AND CONTINGENCIES

### COMMON STOCKHOLDERS' EQUITY

Pre-Merger Successor Company common stock, \$0.01 par value; shares authorized-400,000,000; shares issued-233,187,998 at December 31, 2007	-	2
Post-Merger Successor Company common stock, \$0.01 par value; shares issued-1,000 at December 31, 2008	-	-
Additional paid-in capital	3,605	7,235
Retained earnings (accumulated deficit)	(539)	342
Accumulated other comprehensive income (loss)	(1,639)	(202)
Pre-Merger Successor Company treasury stock-1,684 at December 31, 2007	-	-
Total common stockholders' equity	<u>1,427</u>	<u>7,377</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ <u>20,198</u></b>	<b>\$ <u>24,589</u></b>

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

## NORTHWEST AIRLINES CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (In millions, except per share amounts)

	Post-Merger Successor	Pre-Merger			
		Successor		Predecessor	
	Period From October 30 to December 31, 2008	Period From January 1 to October 29, 2008	Period From June 1 to December 31, 2007	Period From January 1 to May 31, 2007	Year Ended December 31, 2006
<b>OPERATING REVENUES</b>					
Passenger	\$ 1,348	\$ 8,237	\$ 5,660	\$ 3,768	\$ 9,230
Regional carrier revenues	338	1,662	884	521	1,399
Cargo	95	667	522	318	946
Other	241	984	538	317	993
Total operating revenues	<u>2,022</u>	<u>11,550</u>	<u>7,604</u>	<u>4,924</u>	<u>12,568</u>
<b>OPERATING EXPENSES</b>					
Aircraft fuel and taxes	718	4,952	2,089	1,289	3,386
Salaries, wages and benefits	468	2,230	1,541	1,027	2,662
Aircraft maintenance materials and repairs	121	651	508	303	796
Selling and marketing	126	652	436	315	759
Other rentals and landing fees	107	485	304	235	562
Depreciation and amortization	91	1,054	289	206	519
Aircraft rentals	61	309	218	160	226



Regional carrier expenses	114	766	434	342	1,406
Goodwill and other indefinite-lived intangibles impairment	–	3,841	–	–	–
Merger related	333	224	–	–	–
Other	288	1,545	1,044	684	1,512
Total operating expenses	2,427	16,709	6,863	4,561	11,828
<b>OPERATING INCOME (LOSS)</b>	<b>(405)</b>	<b>(5,159)</b>	741	363	740
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	(131)	(373)	(273)	(219)	(555)
Investment income	7	83	105	56	109
Reorganization items, net	–	–	–	1,551	(3,165)
Other, net	(11)	(224)	(7)	(2)	7
Total other income (expense)	(135)	(514)	(175)	1,386	(3,604)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>					
	(540)	(5,673)	566	1,749	(2,864)
Income tax expense (benefit)	(1)	(211)	224	(2)	(29)
<b>NET INCOME (LOSS)</b>	<b>\$ (539)</b>	<b>\$ (5,462)</b>	<b>\$ 342</b>	<b>\$ 1,751</b>	<b>\$ (2,835)</b>
<b>EARNINGS (LOSS) PER COMMON SHARE:</b>					
Basic	N/A	\$ (20.72)	\$ 1.30	\$ 20.03	\$ (32.48)
Diluted	N/A	\$ (20.72)	\$ 1.30	\$ 14.28	\$ (32.48)

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

**NORTHWEST AIRLINES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Post-Merger Successor	Pre-Merger			
		Successor		Predecessor	
	Period From October 30 to December 31, 2008	Period From January 1 to October 29, 2008	Period From June 1 to December 31, 2007	Period From January 1 to May 31, 2007	Year Ended December 31, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income (loss)	\$ (539)	\$ (5,462)	\$ 342	\$ 1,751	\$ (2,835)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Reorganization items, net	–	–	–	(1,551)	3,165
Non-cash merger related expense	309	187	–	–	–

Amortization of debt discount (premium)	52	13	(7)	6	12
Depreciation and amortization	91	1,054	289	206	519
Income tax expense (benefit)	(1)	(211)	224	(2)	(29)
Net receipts (payments) of income taxes	(1)	(2)	(1)	-	2
Pension and other postretirement benefit contributions (greater) less than expense	30	(12)	(13)	(2)	261
Stock-based compensation	3	89	76	-	2
Goodwill and other indefinite-lived intangibles impairment	-	3,841	-	-	-
Investment impairment	-	213	-	-	-
Net loss (gain) on disposition of property, equipment and other	1	2	10	4	16
Increase (decrease) in cash flows from operating assets and liabilities, excluding the effects of the acquisition of Mesaba Aviation, Inc.:					
Post-emergence reorganization payments	(1)	(8)	(164)	-	-
Changes in certain assets and liabilities:					
Decrease (increase) in accounts receivable	(72)	(353)	(176)	16	(3)
Decrease (increase) in operating restricted cash	35	(36)	-	-	-
Decrease (increase) in vendor deposits/holdbacks	-	-	162	163	(35)
Decrease (increase) in supplies, prepaid expenses and other	77	5	(74)	28	67
Increase (decrease) in air traffic liability/deferred frequent flyer liability	(326)	233	(317)	448	(33)
Increase (decrease) in accounts payable	99	(22)	(21)	19	287
Increase (decrease) in other liabilities	(539)	621	(1)	(51)	(164)
Other, net	183	29	(4)	11	(8)
Net cash provided by (used in) operating activities	(599)	181	325	1,046	1,224
<b>NET CASH PROVIDED BY (USED IN)</b>					
<b>REORGANIZATION ACTIVITIES</b>	-	-	-	5	21
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Capital expenditures	(136)	(1,118)	(739)	(312)	(527)
Purchases of short-term investments	-	-	-	(44)	(21)
Proceeds from sales of short-term investments	-	55	542	15	28
Transfers (to) from short-term investments (from) to cash and cash equivalents	70	(120)	-	-	-
Proceeds from sale of investment in affiliates	-	20	130	-	-
Decrease (increase) in restricted cash, cash equivalents and short-term investments	607	(84)	(196)	(74)	176
Cash and cash equivalents acquired in acquisition of Mesaba Aviation, Inc.	-	-	-	16	-
Proceeds from sale of property, equipment and other assets	23	17	264	-	7
Investments in affiliated companies	-	(213)	-	-	-
Other, net	-	-	1	1	9
Net cash provided by (used in) investing activities	564	(1,443)	2	(398)	(328)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payment of long-term debt	(323)	(697)	(645)	(609)	(2,372)
Proceeds from long-term debt	86	1,183	710	326	2,281

Payment of capital lease obligations	-	(8)	(1)	(1)	(14)
Payment of short-term borrowings	(300)	(18)	-	-	-
Proceeds from short-term borrowings	-	300	-	-	-
Proceeds from equity rights offering	-	-	750	-	-
Proceeds from intercompany loan	200	-	-	-	-
Other, net	(1)	4	(9)	(23)	(35)
Net cash provided by (used in) financing activities	(338)	764	805	(307)	(140)
<b>INCREASE (DECREASE) IN CASH AND CASH</b>					
<b>EQUIVALENTS</b>	(373)	(498)	1,132	346	777
Cash and cash equivalents at beginning of period	2,441	2,939	1,807	1,461	684
Cash and cash equivalents at end of period	\$ 2,068	\$ 2,441	\$ 2,939	\$ 1,807	\$ 1,461
Available to be borrowed under credit facilities	\$ 600	\$ 5	\$ 101	\$ 127	\$ -
<b>Cash and cash equivalents and unrestricted short-term</b>					
<b>investments at end of period</b>	\$ 2,117	\$ 2,601	\$ 3,034	\$ 2,445	\$ 2,058
Supplemental Cash Flow Information:					
Interest paid	\$ 87	\$ 352	\$ 304	\$ 208	\$ 569
Investing and Financing Activities Not Affecting Cash:					
Manufacturer financing of aircraft and other non-cash transactions	\$ -	\$ -	\$ 335	\$ 167	\$ 280

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

**NORTHWEST AIRLINES CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)**  
(In millions)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>Balance at January 1, 2006</b>	111.3	\$ 1	\$ 1,500	\$ (4,548)	\$ (1,568)	\$ (1,013)	\$ (5,628)
(Pre-Merger Predecessor Company)							
Net income (loss)	-	-	-	(2,835)	-	-	(2,835)
Other comprehensive income (loss)							
Deferred gain/(loss) from hedging activities	-	-	-	-	(10)	-	(10)

Unrealized gain/(loss) on investments	-	-	-	-	3	-	3
Pension, other postretirement, and long-term disability benefits	-	-	-	-	699	-	699
<b>Total comprehensive income (loss)</b>							692
Series C Preferred Stock converted to Common Stock	0.1	-	3	-	-	-	3
Stock options expensing	-	-	2	-	-	-	2
Other	-	-	-	(1)	-	-	(1)
Adjustment to Adopt SFAS No. 158	-	-	-	-	(224)	-	(224)
<b>Balance at December 31, 2006</b>	111.4	1	1,505	(7,384)	(1,100)	(1,013)	(7,991)
(Pre-Merger Predecessor Company)							
Series C Preferred Stock converted to Common Stock	-	-	2	-	-	-	2
Net income (loss) from January 1 to May 31, 2007	-	-	-	1,751	-	-	1,751
Other comprehensive income (loss)							
Foreign currency	-	-	-	-	(1)	-	(1)
Unrealized gain/(loss) on investments	-	-	-	-	1	-	1
<b>Total comprehensive income (loss)</b>							-
<b>Balance at May 31, 2007</b>	111.4	1	1,507	(5,633)	(1,100)	(1,013)	(6,238)
(Pre-Merger Predecessor Company)							
Fresh-start adjustments:							
Cancellation of the Predecessor Company's preferred and common stock	(111.4)	(1)	(1,507)	-	-	1,013	(495)
Elimination of the Predecessor Company's accumulated deficit and accumulated other comprehensive income	-	-	-	5,633	1,100	-	6,733
Reorganization value ascribed to the Successor Company	167.4	2	6,448	-	-	-	6,450
Issuance of new equity interests in connection with emergence from Chapter 11	27.8	-	728	-	-	-	728
<b>Balance at June 1, 2007</b>	195.2	2	7,176	-	-	-	7,178
(Pre-Merger Successor Company)							
Net income (loss) from June 1 to December 31, 2007	-	-	-	342	-	-	342
Other comprehensive income (loss)							

Deferred gain/(loss) from hedging activities	-	-	-	-	(3)	-	(3)
Pension, other postretirement, and long-term disability benefits	-	-	-	-	(199)	-	(199)
<b>Total comprehensive income (loss)</b>							<b>(202)</b>
Compensation expense associated with equity awards	-	-	59	-	-	-	59
Equity distributions - claims	38	-	-	-	-	-	-
<b>Balance at December 31, 2007</b>	<b>233.2</b>	<b>2</b>	<b>7,235</b>	<b>342</b>	<b>(202)</b>	<b>-</b>	<b>7,377</b>
(Pre-Merger Successor Company)							

**NORTHWEST AIRLINES CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)**  
(In millions)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					
<b>Balance at December 31, 2007</b>	233.2	2	7,235	342	(202)	-	7,377
(Pre-Merger Successor Company)							
Net income (loss) from January 1 to October 29, 2008	-	-	-	(5,462)	-	-	(5,462)
Other comprehensive income (loss)							
Deferred gain/(loss) from hedging activities	-	-	-	-	(11)	-	(11)
Pension, other postretirement, and long-term disability benefits	-	-	-	-	71	-	71
<b>Total comprehensive income (loss)</b>							<b>60</b>
Compensation expense associated with equity awards	-	-	237	-	-	-	237
Equity distributions - claims	24.6	-	-	-	-	-	-
<b>Balance at October 29, 2008</b>	<b>257.8</b>	<b>2</b>	<b>7,472</b>	<b>(5,120)</b>	<b>(142)</b>	<b>-</b>	<b>2,212</b>
(Pre-Merger Successor Company)							
Purchase accounting adjustments:							
Cancellation of the Successor Company's common stock (1)	(257.8)	(2)	(7,472)	-	-	-	(7,474)
Elimination of the Successor Company's accumulated deficit	-	-	-	5,120	142	-	5,262

and accumulated other comprehensive income								
Issuance of new stock in connection with the Merger with Delta (1)	–	–	3,353	–	–	–	–	3,353
<b>Balance at October 30, 2008</b>	–	–	3,353	–	–	–	–	3,353
(Post-Merger Successor Company)								
Net income (loss) from October 30 to December 31, 2008	–	–	–	(539)	–	–	–	(539)
Other comprehensive income (loss)								
Deferred gain/(loss) from hedging activities	–	–	–	–	(199)	–	–	(199)
Unrealized gain/(loss) on investments	–	–	–	–	(7)	–	–	(7)
Pension, other postretirement, and long-term disability benefits	–	–	–	–	(1,433)	–	–	(1,433)
Total comprehensive income (loss)								(1,639)
Compensation expense associated with equity awards	–	–	252	–	–	–	–	252
<b>Balance at December 31, 2008</b>	–	\$ –	\$ 3,605	\$ (539)	\$ (1,639)	\$ –	\$ –	\$ 1,427
(Post-Merger Successor Company)								

(1) On the Closing Date, NWA Corp. and its subsidiaries became wholly-owned subsidiaries of Delta and the shares of NWA Corp., which traded under the symbol “NWA”, ceased trading on, and were delisted from, the New York Stock Exchange (“NYSE”). In connection with the Merger, 1,000 shares of NWA Corp. common stock, par value \$0.01, were issued and held by Delta.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies

*Business.* Northwest Airlines Corporation (“NWA Corp.” and, together with its subsidiaries, the “Company”) is the direct parent corporation of Northwest Airlines, Inc. (“Northwest”). Northwest’s operations account for approximately 99% 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 as many as 252 cities in 25 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 Royal Dutch Airlines (“KLM”), which operates through a hub in Amsterdam, a domestic and international alliance with Continental Airlines, Inc. (“Continental”) and Delta, membership in SkyTeam, a global airline alliance with KLM, Continental, Delta, Air France, Aeroflot, Aeromexico, Alitalia, China Southern, CSA Czech Airlines, and Korean Air, exclusive marketing agreements with three domestic regional carriers, Pinnacle Airlines, Inc. (“Pinnacle”), Mesaba Aviation, Inc. (“Mesaba”) and Compass Airlines, Inc. (“Compass”), which operate as Northwest Airlink carriers, and a cargo business that includes a dedicated fleet of freighter aircraft that operate through hubs in Anchorage and Tokyo.

*Financial Statement Presentation.* On October 29, 2008 (the “Closing Date”), Nautilus Merger Corporation (“Merger Sub”), a wholly owned subsidiary of Delta Air Lines, Inc. (“Delta”), merged with and into NWA Corp. (the “Merger”) in accordance with the Agreement and Plan of Merger, dated as of April 14, 2008, among Delta, Merger Sub and NWA Corp. (the “Merger Agreement”). As a result of the Merger, NWA Corp. and its subsidiaries became wholly-owned subsidiaries of Delta and the shares of NWA Corp., which traded under the symbol “NWA”, ceased trading on, and were delisted from, the New York Stock Exchange (“NYSE”).

As a result of the application of purchase accounting in accordance with Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations* (“SFAS No. 141”), the financial statements prior to October 30, 2008 are not comparable with the financial statements for periods on or after October 30, 2008. References to “Post-Merger” refer to the Company on or after October 30, 2008, after giving effect to the application of purchase accounting. References to “Pre-Merger” refer to the Company prior to October 30, 2008. For additional information regarding purchase accounting, see “Note 2 – Business Combinations”.

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. On May 18, 2007, the Bankruptcy Court entered an order approving and confirming the Debtors’ First Amended Joint and Consolidated Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as confirmed, the “Plan” or “Plan of Reorganization”). The Plan became effective and the Debtors emerged from bankruptcy protection on May 31, 2007 (the “Effective Date”). On the Effective Date, the Company implemented fresh-start reporting 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”), which resulted in the Company becoming a new entity for financial reporting purposes.

As a result of the application of fresh-start reporting in accordance with SOP 90-7 upon the Company’s emergence from bankruptcy on May 31, 2007, the financial statements prior to June 1, 2007 are not comparable with the financial statements for periods on or after June 1, 2007. References to “Successor Company” refer to the Company on or after June 1, 2007, after giving effect to the application of fresh-start reporting. References to “Predecessor Company” refer to the Company prior to June 1, 2007. See “Note 7 – Fresh-Start Reporting” for further details.

In preparing our Consolidated Financial Statements for the Pre-Merger Predecessor Company, we applied SOP 90-7, which requires that the financial statements for periods subsequent to the Chapter 11 filing distinguish transactions and events that were directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that were realized or incurred in the bankruptcy proceedings were recorded in reorganization items, net on the accompanying Consolidated Statements of Operations.

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company has eliminated all intercompany balances in its Consolidated Financial Statements.

*Use of Estimates.* We are required to make estimates and assumptions when preparing our Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. Actual results could differ materially from those estimates.

*New Accounting Standards.* In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (“SFAS No. 141(R)”). SFAS No. 141(R) provides guidance for recognizing and measuring goodwill acquired in a business combination and requires disclosure of information to enable users of the financial statements to evaluate the nature and financial effects of a business combination. It also revises the treatment of valuation allowance adjustments related to income tax benefits in existence prior to a business combination. Under SFAS No. 141, any reduction in the valuation allowance, as a result of the recognition of deferred tax assets, are adjusted through goodwill, followed by other indefinite-lived intangible assets until the net carrying costs of these assets is zero. By contrast, SFAS



No. 141(R) requires that any reduction in this valuation allowance be reflected through the income tax provision. SFAS No. 141(R) is effective for fiscal years beginning on January 1, 2009.

Effective January 1, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 is intended to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The adoption of FIN 48 did not have a material impact on the Company’s financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”). This statement, among other things, defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. SFAS No. 157 is intended to eliminate the diversity in practice associated with measuring fair value under existing accounting pronouncements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We were required to adopt SFAS No. 157 on May 31, 2007 in connection with the adoption of fresh start reporting. For additional information regarding recurring and nonrecurring fair value measurements, see “Note 5 – Fair Value Measurements”.

In June 2006, the FASB ratified the Emerging Issues Task Force (“EITF”) consensus on Issue No. 06-03, *How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* (“EITF 06-03”). The scope of EITF 06-03 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer, and provides that a company may adopt a policy of presenting taxes either gross within revenue or on a net basis. For any such taxes that are reported on a gross basis, a company should disclose the amounts of those taxes for each period for which an income statement is presented if those amounts are significant. This statement is effective for interim and annual reporting periods beginning after December 15, 2006. We adopted EITF 06-03 on January 1, 2007. Various taxes and fees on the sale of tickets to customers are collected by us as an agent and remitted to the respective taxing authority. These taxes and fees have been presented on a net basis in the accompanying Consolidated Statements of Operations and recorded as a liability until remitted to the respective taxing authority.

*Cash and Cash Equivalents.* We classify short-term, highly liquid investments with maturities of three months or less when purchased as cash and cash equivalents. These investments are recorded at cost, which approximates fair value.

*Unrestricted short-term investments.* At December 31, 2008, our short-term investment was completely comprised of our investment in The Reserve Primary Fund (“the Primary Fund”). In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (“SFAS No. 115”), we record these investments as available for sale securities at fair value on our Consolidated Balance Sheets.

At December 31, 2008, the fair value of our investment in the Primary Fund was \$49 million. The cost of this investment was \$53 million. In mid-September, the net asset value of the Primary Fund decreased below \$1 per share as a result of the Primary Fund’s valuing at zero its holdings of debt securities issued by Lehman Brothers Holdings, Inc. (“Lehman Brothers”), which filed for bankruptcy on September 15, 2008. Accordingly, we recognized an other than temporary impairment of \$3.75 million to recognize our pro rata share of the Primary Fund’s overall investment attributable to the Lehman Brothers securities. For additional information about our measurement of this investment, see “Note 5 – Fair Value Measurements”.

*Restricted Cash.* Restricted cash, cash equivalents and short-term investments included in current assets on our Consolidated Balance Sheets totaled \$196 million and \$725 million at December 31, 2008 and 2007, respectively. Restricted cash, cash equivalents and short-term investments are recorded at fair value.

At December 31, 2008, our restricted cash, cash equivalents and short-term investments balance primarily related to (1) cash held to meet certain projected self-insurance obligations, (2) a Voluntary Employee Beneficiary Association (“VEBA”) trust, (3) short-term investments pledged as collateral for certain obligations of the Company and (4) an irrevocable trust that contains funds collected 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 collections include U.S. transportation taxes, passenger facility charges, and fuel taxes, which are collected in the capacity of an agent and are presented on a net basis. Withholdings include the employee portion of payroll taxes, among others.

The Company held \$22 million and \$321 million in the irrevocable tax trust, as outlined above, as of December 31, 2008 and December 31, 2007, respectively. Cash equivalents and short-term investments of \$147 million and \$160 million as of December 31, 2008 and December 31, 2007, respectively, were pledged as collateral for certain obligations of the Company.

On December 31, 2007, a \$213 million deposit in an escrow account was classified as restricted cash related to Northwest's pending investment in Midwest Air Group, LLC, a company formed by Northwest, TPG Midwest US V, LLC, and TPG Midwest International V, LLC for purposes of acquiring Midwest Air Group, Inc ("Midwest"). The deposit was subsequently withdrawn upon the closing of the transaction in January 2008.

*Auction Rate Securities.* Northwest reclassified its auction rate securities from short-term investments and current restricted investments to other noncurrent assets on our Consolidated Balance Sheets in December 2008. Auction rate securities categorized as noncurrent investments were \$34 million as of December 31, 2008. Auction rate securities categorized as noncurrent restricted investments were \$4 million as of December 31, 2008. There were no similar investments or restricted investments classified as noncurrent assets as of December 31, 2007. Auction rate securities are recorded at fair value in accordance with SFAS No. 115. See "Note 5 – Fair Value Measurements" for further information about the Company's auction rate securities.

*Margin Receivables.* The cash margin we provide to counterparties is recorded in Hedge margin receivable or Restricted cash. All cash flows associated with purchasing and selling fuel hedge contracts are classified as operating cash flows on our Consolidated Statements of Cash Flows.

*Presentation of Regional Carrier Related Revenue and Expense Items.* Compass has been a wholly-owned consolidated subsidiary of the Company since its inception in 2006. Mesaba was acquired by the Company on April 24, 2007 and became a wholly-owned consolidated subsidiary. Northwest and Pinnacle, an unconsolidated regional carrier, have entered into an airline services agreement ("ASA"), under which Northwest determines Pinnacle's commuter aircraft scheduling. This agreement is structured as a capacity purchase agreement whereby Northwest pays Pinnacle to operate the flights on Northwest's behalf and Northwest is entitled to all revenues associated with those flights. Ticket revenues generated on flights operated by Compass, Mesaba and Pinnacle are recorded in Regional carrier revenue. Since the inception of Compass and the acquisition of Mesaba, operating expenses of these subsidiaries have been presented on the applicable lines of the Consolidated Statements of Operations. Amounts presented in Regional carrier expenses represent ASA payments to Pinnacle and other Pinnacle-related expenses. In conjunction with the effectiveness of an amended and restated Airline Services Agreement ("Amended Pinnacle ASA") and the Stock Purchase and Reorganization Agreement with Mesaba, the Company changed its presentation of certain regional carrier related revenue and expense items effective January 1, 2007. This change in presentation had no impact on the Company's 2007 operating income.

If this change in presentation was retroactively applied to prior year financial statements for the year ended December 31, 2006, Other operating revenues would have decreased \$209 million, Depreciation and amortization expense would have increased by \$3 million, Aircraft rentals expense would have increased \$188 million, Regional carrier expenses would have decreased \$400 million, and Operating income would have been unchanged.

*Operating Revenues.* The value of unused passenger tickets, miscellaneous change orders ("MCO's") and travel credit vouchers ("TCV's") are included in current liabilities as air traffic liability. Passenger and Cargo revenues are recognized when the transportation is provided or when the ticket expires, unused, reducing air traffic liability. Unused domestic passenger tickets generally expire one year from scheduled travel. Unused international passenger tickets generally expire one year from ticket issuance. On the Effective Date, the Company revised the accounting method used to recognize revenue for unused tickets, adopting the delayed recognition approach. Under the delayed recognition approach, no revenue is recognized on an unused ticket until the validity period has expired and the ticket can no longer be used. Prior to the Effective Date, the Pre-Merger Predecessor Company recognized breakage associated with unused passenger tickets based on estimates of future breakage developed using historical breakage trends.

*Taxes and Fees.* We are required to charge certain taxes and fees on our passenger tickets. These taxes and fees include U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign arrival and departure taxes. These taxes and fees

are legal assessments on the customer, for which we have an obligation to act as a collection agent. Because we are not entitled to retain these taxes and fees, we do not include such amounts in passenger revenue. We record a liability when the amounts are collected and reduce the liability when payments are made to the applicable government agency or operating carrier.

*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 to travelers 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 and alliance partners. WorldPerks members accumulate mileage in their accounts and later redeem mileage for free or upgraded travel on Northwest and alliance partners. WorldPerks members that achieve certain mileage thresholds also receive enhanced service benefits from Northwest such as special service lines, advance flight boarding and upgrades.

The Company adopted a deferred revenue method to recognize frequent flyer revenues on the Effective Date. The Company uses the residual method for recognition of mileage credits. Under this method, we account for miles earned and sold as separate deliverables in a multiple element arrangement as prescribed by EITF No. 00-21, *Revenue Arrangements with Multiple Deliverables* (“EITF No. 00-21”). Therefore, mileage credits earned on or after June 1, 2007 are now deferred based upon the price for which we sell mileage credits to other airlines (“deferred mileage credits”), which we believe represents the best evidence of their fair value in accordance with EITF No. 00-21. The revenue on deferred frequent flyer miles will be recognized when the miles are estimated to be redeemed through flight, upgrades or other means, or when it becomes remote that the miles will ever be used. Also in conjunction with the adoption of the new accounting policy on the Effective Date, Northwest began recording a component of the payments received from non-airline marketing partners in Other operating revenue rather than in Passenger revenue. This component, which is recognized immediately as Other operating revenue, is the portion of the payment received that represents the amount paid by the marketing partner in excess of the value of the deferred mileage credits. Estimating deferred mileage credits that will not be redeemed requires significant management judgment. Based on current program rules and historical redemption trends, the Company records passenger revenue associated with deferred mileage credits if the mile is unredeemed seven years after issuance. The amounts expected to be recognized in the next year based on historical redemption patterns are recorded as a component of current liabilities, while the remaining amount expected to be redeemed in years two through seven are recorded in deferred credits and other liabilities on the Consolidated Balance Sheets.

As a result of applying SFAS No. 141 on the Closing Date, the WorldPerks frequent flyer obligation was revalued to reflect the estimated fair value of miles to be redeemed in the future. Outstanding miles earned by flying Northwest or its partner carriers were revalued using a weighted-average per-mile equivalent ticket value, taking into account such factors as class of service and domestic and international ticket itineraries, which can be reflected in awards flown by WorldPerks members.

We previously accounted for frequent flyer miles earned on Northwest flights on an incremental cost basis as an accrued liability and as operating expense, while miles sold to airline and non-airline businesses were accounted for on a deferred revenue basis.

The Company recorded deferred revenue for its frequent flyer program of \$2.0 billion as of both December 31, 2008 and December 31, 2007.

*Property, Equipment and Depreciation.* We record owned property and equipment at cost and depreciate or amortize these assets on a straight-line basis to their estimated salvage values over their respective estimated useful lives. Property and equipment under capital lease, and related obligations for future lease payments, are recorded at amounts equal to the initial present value of those lease payments. Leasehold improvements are amortized over the remaining term of the lease, including estimated renewal options when renewal is reasonably assured, or the estimated useful life of the related asset, whichever is less.

In connection with the closing of the Merger, Northwest adjusted the salvage values on airframes and engines to comply with Delta’s accounting policy. Additionally, we adjusted the net book values of property and equipment to their estimated fair values and adjusted the estimated useful lives of flight equipment to correspond to those of Delta. Future purchases of aircraft will be depreciated to estimated

salvage values, over lives of 25 to 30 years; buildings and leasehold improvements will be depreciated up to 40 years; and other property and equipment will be depreciated over lives of three to 25 years.

The Company accounts for certain airport leases under 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 Government Unit or Authority to Entities that Enter into Leases with Government Entities*, which requires the financing related to certain guaranteed airport construction projects committed to after September 23, 1999, be recorded on the balance sheet. Airport improvements at Memphis, Knoxville and Seattle totaling \$83.4 million were recorded in other property and equipment, with the corresponding obligations included in long-term obligations under capital leases as of December 31, 2008. Capital expenditures associated with a construction project at the Detroit airport were also reflected in other property and equipment with a corresponding liability on the balance sheet. This amount totaled \$51.8 million at December 31, 2008.

*Goodwill and Intangibles.* Post-Merger Successor Company goodwill represents the excess of the purchase price over the fair value of net tangible assets and identifiable intangible assets acquired and liabilities assumed resulting from the application of SFAS No. 141 on the Closing Date. Pre-Merger Successor Company goodwill represents the excess of the reorganization value of the Pre-Merger Successor Company over the fair value of tangible assets and liabilities and identifiable intangible assets assumed resulting from the application of SOP 90-7 on the Effective Date.

Identifiable intangible assets consist primarily of international route authorities, trade names, the WorldPerks customer database, airport slots/airport operating rights, certain partner contracts and other items. International route authorities, certain airport slots/airport operating rights and certain SkyTeam alliance relationships are indefinite-lived and, as such, are not amortized. The Company's definite-lived intangible assets are amortized on a straight-line basis over the estimated lives of the related assets, which span periods of one to 18 years, as of December 31, 2008. Refer to "Note 4 – Goodwill and Intangibles" for further information about changes to Northwest's intangible asset lives and policies as a result of applying purchase accounting on the Closing Date.

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), we apply a fair value-based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. Northwest performed an interim impairment test in conjunction with the announcement of the Merger between Northwest and Delta on April 14, 2008 ("the Announcement Date") and recorded impairments on goodwill and certain intangible assets in conjunction with that interim test. The annual impairment test date for our goodwill and indefinite-lived intangible assets is October 1. The Company passed Step 1 of the goodwill impairment test. See "Note 4 – Goodwill and Intangibles" for further information about Northwest's intangibles, goodwill, and impairment testing process.

Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years. Factors which could cause impairment include, but are not limited to, (1) high fuel prices, (2) declining passenger mile yields, (3) lower demand as a result of the weakening U.S. economy, (4) interruption to our operations due to an employee strike, terrorist attack, or other reasons and (5) consolidation of competitors within the industry.

*Impairment of Long-Lived Assets.* In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"), we record impairment losses on long-lived assets used in operations when events and circumstances indicate the assets may be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts.

To determine impairments for aircraft used in operations, we group assets at the fleet-type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of capacity, passenger yield, fuel costs, labor costs and other relevant factors. If impairment occurs, the impairment loss recognized is the amount by which the aircraft's carrying amount exceeds its estimated fair value. We estimate aircraft fair values using published sources, appraisals, and bids received from third parties, as available. Impairment charges are recorded in Depreciation and amortization expense. If there are subsequent changes in these estimates, or if actual results differ from these estimates, additional impairment charges may be recognized.

The Company's aircraft were subject to recoverability tests to determine if a loss in fair value measured in the goodwill Step 2 test would result in an impairment charge. As a result, the Company recorded, as additional Depreciation and amortization expense, impairment charges of \$35.9 million related to the Boeing 747F fleet and related spare engines during the second quarter of 2008. See "Note 5 – Fair Value Measurements" for further information on these impairment charges.

In March 2008, as part of a revised fleet plan, the Company determined that it would remove three Boeing 747F aircraft and two DC9-30 aircraft from scheduled service during the remainder of 2008 and the first quarter of 2009. As a result, the Company recorded, as additional Depreciation expense, impairment charges of \$17.2 million associated with these aircraft and related inventory.

In the first quarter of 2007, the Company recorded \$13.3 million related to the impairment of three owned aircraft which were permanently removed from service. These charges reflect the Company's decision to park three DC9-30 aircraft permanently, consistent with the Company's ongoing review of its aircraft fleet plan in conjunction with its overall route structure and capacity requirements. The first quarter 2007 impairment charges were recorded as Reorganization expenses.

*Flight Equipment Spare Parts.* On the Closing Date and on the Effective Date, flight equipment spare parts were remeasured at current replacement cost in accordance with SFAS No. 141. Inventories are expensed when consumed in operations or scrapped. An allowance for obsolescence is provided based on calculations defined by the type of spare part. This obsolescence reserve is recorded over the useful life of the associated aircraft.

*Airframe and Engine Maintenance.* We record maintenance costs in aircraft maintenance materials and repairs in our Consolidated Statements of Operations as they are incurred or accrued when a contractual obligation exists, such as induction of an asset at a vendor for service or on the basis of hours flown for certain costs covered by power-by-the-hour type agreements. 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.

*Advertising.* Advertising costs, included in Selling and marketing expenses, are expensed as incurred and were \$12 million for the period from October 30 to December 31, 2008, \$47 million for the period from January 1 to October 29, 2008, \$51 million for the seven months ended December 31, 2007, \$20 million for the five months ended May 31, 2007 and \$63 million for the year ended December 31, 2006.

*Stock-Based Compensation.* On the Effective Date, the Management Equity Plan ("the 2007 Plan") of the Pre-Merger Successor Company provided for in the Plan of Reorganization became effective. On the Closing Date, vesting on all outstanding stock-based awards was accelerated and each share was converted into 1.25 shares of Delta stock and each option was converted into 1.25 options in Delta stock. In connection with the closing of the Merger, an equity-based program sponsored by Delta was adopted under the Delta Air Lines, Inc. 2007 Performance Compensation Plan. This Merger Award Program included grants to employees of Northwest in the form of unrestricted common stock, restricted shares of common stock, and/or non-qualified stock options that will settle in Delta common shares with an expense allocation to Northwest. See "Note 12 – Stock-Based Compensation" for additional information.

Effective January 1, 2006, we adopted the fair value provisions of SFAS No. 123 (revised 2004), *Share Based Payments* ("SFAS No. 123(R)"). This standard requires companies to measure the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the awards (usually the vesting period of the awards). The Company uses straight-line recognition for awards subject to graded vesting. SFAS No. 123(R) also requires the Company to estimate forfeitures of stock compensation awards as of the grant date of the award.

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



*Income Taxes.* In accordance with SFAS No. 109, *Accounting for Income Taxes* (“SFAS No. 109”), we account for deferred income taxes under the liability method. Under this method, we recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets when necessary. Deferred tax assets and liabilities are recorded net as current and noncurrent deferred income taxes on our Consolidated Balance Sheets. The Company has reclassified its December 31, 2007 beginning balance sheet to adjust its allocation of net current and noncurrent deferred income taxes. This reclassification conforms the allocation to the methodology used by Delta.

Under the Provisions of 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. On the Closing Date and on the Effective Date, the Company accounted for deferred taxes based on the remeasured values of the Post-Merger Successor Company and the Pre-Merger Successor Company, respectively, and in accordance with SFAS No. 109. Use of deferred tax assets from the Pre-Merger Successor Company and the Pre-Merger Predecessor Company that require valuation allowances under SFAS No. 109 are recognized as adjustments to goodwill followed by other indefinite-lived intangible assets until the net carrying value of these assets is zero. Beginning January 1, 2009, any adjustments to Pre-Merger Successor and Pre-Merger Predecessor tax positions will be made through the income tax provision pursuant to SFAS No. 141(R).

**Note 2 – Business Combinations**

Under the terms of the Merger Agreement, each outstanding share of Northwest’s common stock was converted into 1.25 shares of Delta common stock. Stock options and other equity awards granted under the 2007 Plan converted into stock options and equity awards with respect to Delta common stock, after giving effect to the exchange ratio. The purchase price is calculated in accordance with EITF 99-12, *Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in Purchase Business Combination* (“EITF 99-12”), which outlines that the purchase price be determined based on the price of the acquirer’s common stock for a reasonable period before and after the Announcement Date. Based on the 5-day average closing price of Delta’s common stock around the Announcement Date, the right to receive 1.25 shares of Delta stock for each share of the Company’s common stock, and the number of shares converted into Delta common stock on the Closing Date, the purchase price was \$3.35 billion.

Under purchase accounting, the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired and liabilities assumed was recorded as Goodwill in the accompanying Consolidated Balance Sheet. Deferred taxes are determined in conformity with SFAS No. 109.

In accordance with SFAS No. 141, the allocation of purchase price is subject to adjustment for up to one year after the Closing Date when additional information on asset and liability valuations becomes available. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to Goodwill.

The effects of the Merger on the Company’s Condensed Consolidated Balance Sheet are as follows:

<b>Pre-Merger</b>		<b>Post-Merger</b>
<b>Successor</b>	<b>Purchase</b>	<b>Successor</b>

(Unaudited, in millions)

	October 29, 2008	Accounting Adjustments	October 29, 2008	Reference
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,441	\$ –	\$ 2,441	
Unrestricted short-term investments	159	–	159	
Restricted cash, cash equivalents and short-term investments	844	–	844	
Accounts receivable, net	1,146	–	1,146	
Flight equipment spare parts, net	131	–	131	
Maintenance and operating supplies	172	–	172	
Current deferred tax assets	–	150	150	(a)
Prepaid expenses and other	171	(17)	154	
Total current assets	5,064	133	5,197	
<b>Property and Equipment</b>				
Property and equipment, net	8,667	(115)	8,552	(b)
<b>Other Assets</b>				
Goodwill	2,873	1,699	4,572	
International routes and other intangibles	3,882	(1,180)	2,702	(c)
Investments in affiliated companies	3	–	3	
Other	450	(161)	289	(d)
Total Assets	\$ 20,939	\$ 376	\$ 21,315	
<b>Liabilities and Stockholders' Equity (Deficit)</b>				
<b>Current Liabilities</b>				
Air traffic liability/deferred frequent flyer liability	\$ 2,303	\$ 1	\$ 2,304	
Accounts payable and other liabilities	2,263	104	2,367	(e)
Current maturities of long-term debt and capital lease obligations	934	(277)	657	(f)
Total current liabilities	5,500	(172)	5,328	
<b>Long-Term Debt and Obligations Under Capital Leases</b>	7,067	(1,485)	5,582	(f)
<b>Deferred Credits and Other Liabilities</b>				
Long-term pension and postretirement benefits	3,640	370	4,010	(g)
Deferred frequent flyer liability	1,422	101	1,523	(h)
Deferred income taxes	913	200	1,113	(i)
Other	185	221	406	(j)
Total deferred credits and other liabilities	6,160	892	7,052	
<b>Common Stockholders' Equity (Deficit)</b>				
Pre-Merger Successor Company common stock and additional paid-in capital	7,474	(7,474)	–	(k)
Retained earnings (Accumulated deficit)	(5,120)	5,120	–	(k)
Accumulated other comprehensive income (loss)	(142)	142	–	(k)
Post-Merger Successor Company common stock and additional paid-in capital	–	3,353	3,353	(k)



Total common stockholders' equity (deficit)	2,212	1,141	3,353
Total Liabilities and Stockholders' Equity (Deficit)	\$ 20,939	\$ 376	\$ 21,315

*Purchase Accounting Adjustments.* Purchase accounting adjustments were recorded on the Closing Date to reflect asset values at their estimated fair values and liabilities at their estimated fair values or the present value of amounts to be paid, including the following:

- (a) \$0.2 billion was reclassified as a current deferred tax asset in association with adopting Delta's accounting policy for presentation of deferred tax assets and liabilities;
- (b) The balance of the Company's flight equipment was decreased by \$0.1 billion to its estimated fair value;
- (c) A reduction of \$1.2 billion was recorded to intangible assets in conjunction with the estimated fair value of the Company's international route authorities, slots and other intangible assets;
- (d) The balance of the Company's other assets was reduced by \$0.2 billion, primarily related to writing off deferred debt issuance costs that have no value to the Post-Merger Successor Company;
- (e) An increase of \$0.1 billion in accounts payable and other liabilities, primarily related to recording severance expected to be paid to Northwest employees, officers and directors and to an increase in property tax accruals to conform to Delta's accounting policy;
- (f) A reduction of \$1.8 billion was recorded to adjust debt and capital lease obligations to fair value primarily due to a widening of interest rate spreads in the market;
- (g) The pension and other postretirement benefits liability balances were increased by \$0.4 billion due to the required remeasurement on the Closing Date;
- (h) The Company's deferred frequent flyer liability balance was increased by \$0.1 billion to its estimated fair value;
- (i) The Company's deferred tax liability balance was increased by \$0.2 billion in conjunction with recording the estimated fair value of certain indefinite-lived intangible assets;
- (j) The Company recorded \$0.2 billion in additional other deferred credits and other liabilities primarily to record the fair value of certain above-market aircraft operating leases; and
- (k) Entries were recorded to eliminate the Pre-Merger Successor Company's equity balances and establish the opening equity balances of the Post-Merger Successor Company based on the purchase price associated with the Merger.

Additionally, goodwill of \$4.6 billion was recorded to reflect the excess of the purchase price over the value of net tangible and identifiable intangible assets acquired and liabilities assumed. Additional changes in the fair values of these assets and liabilities from the current estimated values, as well as changes in other assumptions, could significantly impact the reported value of goodwill. Accordingly, there can be no assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially. Refer to "Note 5 – Fair Value Measurements" for further information about the valuation methodologies used in estimating the fair values.

Included in the liabilities valued on the Closing Date were severance and related costs of \$62 million, all of which will be paid in cash, and restructuring of facility leases and other charges of \$32 million. The following table shows the balances for these liabilities as of December 31, 2008, and the activity for the year then ended:

(In millions)	Balance at December 31, 2007	Purchase Accounting Adjustments	Payments	Balance at December 31, 2008
Severance and related costs	\$ –	\$ 62	\$ (15)	\$ 47
Facilities and other	–	32	–	32
Total	\$ –	\$ 94	\$ (15)	\$ 79

### Note 3 – Merger Related Expenses

In connection with the Merger, the Company recorded the following largely non-cash merger related expenses:

	<u>Post-Merger</u>	<u>Pre-Merger</u>
	<u>Successor</u>	<u>Successor</u>
(In millions)	Period From	Period From
	October 30 to	January 1 to
	December 31,	October 29,
	2008	2008
Stock compensation (1)	\$ 307	\$ 165
Other payroll related charges	18	16
Professional fees	2	39
Other	6	4
Merger related expenses	<u>\$ 333</u>	<u>\$ 224</u>

(1) Refer to “Note 12 - Stock-Based Compensation” for additional information.

#### Note 4 – Goodwill and Intangibles

Post-Merger Successor Company goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed resulting from the application of SFAS No. 141 on the Closing Date. Pre-Merger Successor Company goodwill represents the excess of the reorganization value of the Pre-Merger Successor Company over the fair value of net tangible and identifiable intangible assets acquired and liabilities assumed resulting from the application of SOP 90-7 and SFAS No. 142. Northwest’s goodwill mainly consists of two components:

- A valuation allowance is recorded against our net deferred tax assets, as required by SFAS No. 109. Use of deferred tax assets from the Pre-Merger Successor Company that require valuation allowances under SFAS No. 109 are recognized as an adjustment to goodwill followed by other indefinite-lived intangible assets until the net carrying value of these assets is zero, when used by the Pre-Merger Successor Company and Post-Merger Successor Company. Beginning January 1, 2009, any adjustments to Pre-Merger Successor Company deferred tax assets will be made through the income tax provision pursuant to SFAS No. 141(R); and
- Significant annual revenue and cost synergies from more effective aircraft utilization, a more comprehensive and diversified route system and cost synergies from reduced overhead and improved operational efficiency.

Identifiable intangible assets consist primarily of international route authorities, trade names, airport slots/airport operating rights, certain partner contracts and other items. International route authorities and certain airport slots/airport operating rights are indefinite-lived and, as such, are not amortized. On the Closing Date, our alliances with certain SkyTeam partners were revalued and recorded as an indefinite-lived intangible asset, consistent with Delta’s policy for similar assets. Prior to the Closing Date, the SkyTeam alliance relationship intangible asset was a definite-lived asset. Additionally, on the Closing Date, Northwest’s trade name was recorded at fair value as a definite-lived intangible asset due to Delta’s intent to convert the Northwest trade name to the Delta trade name over a relatively short timeframe. Prior to the Closing Date, the trade name was an indefinite-lived intangible asset. Also on the Closing Date, the Company’s WorldPerks affinity card contract was significantly reduced in value, since customers will be converted to the new Delta SkyMiles program and to the new affinity card for the combined Company. The Company’s definite-lived intangible assets are amortized on a straight-line basis over the remaining estimated lives of the related assets, which span periods of one to 18 years.

On the Closing Date, Northwest’s assets and liabilities were adjusted to fair value under the guidance of SFAS No. 141. These adjustments resulted in recording a new goodwill amount. No adjustments have been recorded to increase or reduce goodwill since the Closing Date.

The Company determined that the announced Merger on April 14, 2008, was a triggering event under SFAS No. 142, requiring the Company to further evaluate the carrying value of its goodwill. As a result of this evaluation, the Company recorded a net goodwill impairment charge of \$3.2 billion during the first and second quarters of 2008 to reduce the book value of Northwest's equity to its implied fair value as of the Announcement Date. Based on the 5-day average closing price of Delta's common stock around the Announcement Date, the right to receive 1.25 shares of Delta common stock for each share of NWA Corp. common stock, and the projected number of NWA Corp.'s common shares to be converted into Delta common stock on the transaction close date, the implied fair value of NWA Corp.'s equity on the Announcement Date was \$3.35 billion. Additionally, Northwest recorded a net \$1.1 billion of impairment charges in the second quarter in conjunction with Step 2 of the goodwill impairment analysis related to certain flight equipment, definite-lived and indefinite-lived intangible assets, investments in affiliated companies, and related deferred taxes. These impairment charges included \$480.9 million to write-off the customer relationship intangible asset and \$106.7 million to write-down the SkyTeam Alliance intangible asset. These impairment charges also included \$584.7 million to write-down the pacific route intangible asset. Refer to "Note 5 – Fair Value Measurements" for further details about the fair value measurements used in recognizing these impairments and the details of charges recorded to reduce the balances of these assets.

The following table presents information about our intangible assets, including goodwill, at December 31, 2008 and December 31, 2007:

(In millions)	Post-Merger			Pre-Merger		
	Successor			Successor		
	December 31, 2008			December 31, 2007		
	Weighted-Average Life in Years	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life in Years	Gross Carrying Amount	Accumulated Amortization
NWA trade name	1	\$ 40	\$ (6)	Indefinite	\$ 662	\$ –
WorldPerks marketing partner relationships	18	20	–	21	43	(1)
WorldPerks affinity card contract	1	5	(1)	14	196	(8)
Slots/airport operating rights	1	4	(1)	N/A	–	–
Visa contract	1	2	–	3	12	(2)
England airport operating rights	N/A	–	–	4	16	(2)
NWA customer relationships	N/A	–	–	8	530	(34)
Pacific routes and Narita slots/ airport operating rights	Indefinite	2,140	–	Indefinite	2,962	–
Certain SkyTeam alliance relationships	Indefinite	380	–	29	462	(9)
Slots/airport operating rights	Indefinite	110	–	Indefinite	283	–
Other intangibles	Indefinite	1	–	Indefinite	2	–
Goodwill	Indefinite	4,572	–	Indefinite	6,035	–
		<u>\$ 7,274</u>	<u>\$ (8)</u>		<u>\$ 11,203</u>	<u>\$ (56)</u>

Total amortization expense recognized was approximately \$8 million for the period from October 30 to December 31, 2008, \$631 million for the period from January 1 to October 29, 2008, \$56 million for the period from June 1 to December 31, 2007, \$1 million for the period from January 1 to May 31, 2007, and \$2 million for the year ended December 31, 2006. Of the amortization expense recognized in the period ended October 29, 2008, approximately \$588 million was related to SFAS No. 144 impairment expense for the certain SkyTeam alliance relationships intangible asset and the NWA customer relationships intangible asset. Accumulated amortization as of December 31, 2008 in the table above reflects amortization for the period between the Closing Date and December 31, 2008, as the Pre-Merger Successor Company accumulated amortization was written off through purchase accounting. Accumulated amortization as of December 31, 2007 in the table

above reflects amortization for the seven months between the Effective Date and December 31, 2007, as the Pre-Merger Predecessor Company accumulated amortization was written off through fresh-start accounting. We expect to record amortization expense of approximately \$35 million in 2009, \$9 million in 2010, and \$1 million from 2011 through 2013.

The following table reflects adjustments to the Pre-Merger Successor Company goodwill from the Effective Date to the Closing Date:

	<u>Pre-Merger</u>	<u>Pre-Merger</u>
	<u>Successor</u>	<u>Successor</u>
	Period from	Period from
	January 1 to	June 1 to
	October 29,	December 31,
(In millions)	2008	2007
Balance as of beginning of period	\$ 6,035	\$ 6,257
Impairment losses	(3,243)	-
Adjustments related to deferred tax assets	74	(224)
Other	7	2
Balance as of end of period	<u>\$ 2,873</u>	<u>\$ 6,035</u>

## Note 5 – Fair Value Measurements

As described in “Note 1 – Summary of Significant Accounting Policies,” we adopted SFAS No. 157 upon emerging from bankruptcy. SFAS No. 157, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (1) Quoted prices in active markets for identical assets – Level 1, (2) Significant other observable inputs – Level 2, and (3) Significant unobservable inputs – Level 3. This standard was applied prospectively to the valuation of assets and liabilities on and after the Effective Date.

The valuation techniques that may be used to measure fair value are described below:

- (A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- (B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- (C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, option-pricing models, and excess earnings method). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate. Excess earnings method is a variation of the income approach where the value of a specific asset is isolated from its contributory assets.

*Measured on a Recurring Basis.* For assets and liabilities measured at fair value on a recurring basis during the period, SFAS No. 157 requires quantitative disclosures about the fair value measurements separately for each major category.

At the end of the fourth quarter of 2008, Northwest reduced the liability for its interest rate derivative instruments based on the guidance of SFAS No. 157, which states that the fair value of liabilities should consider the Company’s own credit risk in its determination of fair value. Northwest transferred these liabilities from Level 2 to Level 3 and reduced the liability by \$10.5 million based on credit spreads of Northwest’s related debt. This \$10.5 million unrealized reduction was recorded in Accumulated other comprehensive income. These credit

spreads were not observable in the market. Northwest did not record a credit related adjustment to other types of derivative contracts, as Northwest posts margin balances with its counterparty to offset the effects of credit risk or the agreements settle within the next twelve months and a credit risk adjustment would not be material. Changes in market conditions could result in further adjustments to the fair value of these investments.

Northwest's fuel hedge option and certain fuel hedge swap derivative contracts are valued under the income approach using option-pricing models. As of the Closing Date, the Company reevaluated the valuation inputs for these contracts. As a result, the Company reclassified these contracts from Level 2 to Level 3 within the SFAS No. 157 three-tier fair value hierarchy.

Based on market conditions in the third quarter, the Company changed the valuation technique for our investment in the Primary Fund from a market approach to an income approach using a discounted cash flow model. The Primary Fund is a money market fund that has been frozen and is in the process of being liquidated. In mid-September, the net asset value of the Primary Fund decreased below \$1 per share as a result of the trustees of the Primary Fund valuing at zero the debt securities issued by Lehman Brothers held by the Primary Fund. Accordingly, Northwest reclassified its balance from cash equivalents to unrestricted short-term investments and recognized an other than temporary impairment of \$3.75 million as an unrealized loss reflected in Investment income, which was Northwest's pro rata share of the Primary Fund's overall investment attributable to Lehman Brothers securities. As each investment matures or additional liquidity becomes available within the fund, the money market fund manager will repay those amounts to each investor on a pro rata basis. As a result of these events, Northwest adjusted its fair value measurement of the Primary Fund from Level 1 to Level 3 in the third quarter. During the fourth quarter, Northwest received payments of \$197 million related to maturities of the short-term instruments underlying the investment. The Company's net investment in the Primary Fund was \$49.2 million as of December 31, 2008. Changes in market conditions could result in further adjustments to the fair value of these investments.

In the third quarter of 2008, because auction rate securities were not actively traded, Northwest began measuring the fair value of auction rate securities by discounting the cash flows expected to be received over the remaining maturities of the underlying securities. The valuations are based on the Company's assessment of observable yields on instruments bearing comparable risks. This valuation technique considers the credit worthiness of the underlying debt issuer and insurance protection of the principal and interest. The par value and fair value of Northwest's auction rate securities measured using this technique were \$40 million in unrestricted short-term investments and \$5 million in restricted short-term investments as of the Closing Date. During the fourth quarter of 2008, Northwest changed its fair value of auction rate securities from Level 2 to Level 3, due to an increase in the spreads between long-term and short-term interest rates, and certain other pertinent factors considered in the fair value measurement, which resulted in Northwest recording a \$7.4 million decrease to the value of its auction rate securities. Northwest's auction rate securities are classified as available for sale securities under the guidance of SFAS No. 115, and this decrease was recorded through Accumulated other comprehensive income because the Northwest has the intent and ability to hold these securities until they recover their par value. Additionally, Northwest reclassified the investments from short-term to long-term, as the auction rate securities market is not presently showing signs of resuming trading activity. The valuation was based on observable yields on instruments bearing comparable risks. Changes in market conditions could result in future adjustments to the fair value of these securities or in a determination that the decline in value has become other than temporary.

Assets and liabilities itemized below were measured at fair value during the period using the market and income approaches:

	Post-Merger			Pre-Merger				Valuation Technique
	Successor Assets			Successor Assets				
	Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs	As of	Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs	
(In millions)	As of December 31, 2008	As of December 31, 2007	As of December 31, 2007	December 31, 2007	December 31, 2007	December 31, 2007	December 31, 2007	
	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)	(Level 3)	

Cash and cash equivalents	\$ 2,068	\$ 2,068	N/A	N/A	\$ 2,939	\$ 2,939	N/A	N/A	(A)
Unrestricted short-term investments	49	N/A	N/A	49	95	95	N/A	N/A	(C)
Restricted cash, cash equivalents, and short-term investments	196	196	N/A	N/A	725	725	N/A	N/A	(A),(C)
Long-term investments	38	N/A	N/A	38	N/A	N/A	N/A	N/A	(C)
Hedge derivatives asset	–	N/A	N/A	–	60	N/A	60	N/A	(A),(C)
Total	\$ 2,351	\$ 2,264	N/A	\$ 87	\$ 3,819	\$ 3,759	\$ 60	N/A	

	Post-Merger				Pre-Merger				Valuation Technique	
	Successor Liabilities				Successor Liabilities					
(In millions)	As of December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	As of December 31, 2007	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Hedge derivatives liability - current	\$ 560				N/A	\$ 74		
Hedge derivatives liability - long-term	63	N/A	–	63	–	N/A	–	N/A	(A),(C)	
Total	\$ 623	N/A	\$ 74	\$ 549	\$ 3	N/A	\$ 3	N/A		

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A reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs is presented in the table below:

(In millions)	Post-Merger		(In millions)	Pre-Merger	
	Successor Assets			Successor Assets	
	Level 3			Level 3	
	Unrestricted Short-Term Investments	Level 3 Long-Term Investments		Unrestricted Short-Term Investments	Level 3 Long-Term Investments
Balance as of October 30, 2008	\$ 246	\$ –	Balance as of January 1, 2008	\$ –	\$ –
Realized gains (losses) during the period:			Realized gains (losses) during the period:		
Investment income	–	–	Investment income	(4)	–
Unrealized gain (loss) recorded in AOCI	–	(7)	Unrealized gain (loss) recorded in AOCI	–	–
Purchases, sales, and settlements (net)	(197)	–	Purchases, sales, and settlements (net)	–	–
Transfers in or (out) of level 3	–	45	Transfers in or (out) of level 3	250	–
Balance as of December 31, 2008	\$ 49	\$ 38	Balance as of October 29, 2008	\$ 246	\$ –

Post-Merger  
Successor  
Liabilities

(In millions)	Level 3 Hedge Derivatives Liability	
	Balance as of October 30, 2008	\$ -
	Credit-related liability reduction recorded in AOCI	(11)
Unrealized loss (gain) recorded in AOCI	165	
Purchases, sales, and settlements (net)	(173)	
Transfers in or (out) of level 3	568	
Balance as of December 31, 2008	\$ 549	

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)	Post-Merger Successor 2008		Pre-Merger Successor 2007		
	Carrying Value	Fair Value	Carrying Value	Fair Value	
	Long-term debt	\$ 5,675	\$ 5,195	\$ 6,961	\$ 6,836

The fair value of the Company's debt was estimated using quoted market prices, where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analyses based on the Company's market borrowing rates for similar types of instruments.

The following table provides information as to the amount of gross gains and losses realized through the sale or other than temporary impairment of available-for-sale investment securities:

(In millions)	Post-Merger Successor Period From October 30 to December 31, 2008		Pre-Merger			
			Successor Period From January 1 to October 29, 2008	Successor Period From June 1 to December 31, 2007	Predecessor Period From January 1 to May 31, 2007 Year Ended December 31, 2006	
	Realized gains (1)	\$ -	\$ -	\$ 19	\$ 5	\$ -
	Realized losses (1)	-	(4)	(35)	(6)	(1)
Net realized gains (losses)	\$ -	\$ (4)	\$ (16)	\$ (1)	\$ (1)	

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

The contractual maturities of available-for-sale securities at December 31, 2008 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)	Post-Merger Successor Amortized	
	Cost	Fair Value



Within one year	\$ 53	\$ 49
Between one and five years	–	–
Between five and ten years	–	–
After ten years	45	38
Total available-for-sale securities	\$ 98	\$ 87

As of December 31, 2008, the Company's available-for-sale securities investments consisted primarily of the Company's investment in the Primary Fund, classified as short-term investments, and student loan backed auction rate securities, whose rate reset dates occur monthly and which are classified as other noncurrent assets.

*Measured on a Non-Recurring Basis.* For assets and liabilities measured on a non-recurring basis during the period, SFAS No. 157 requires quantitative disclosures about the fair value measurements separately for each major category. The Company remeasured various assets and liabilities during 2008 as a result of two significant events. First, the Company remeasured certain assets including flight equipment, goodwill, international routes and other intangible assets at fair value as a result of impairments that were identified and measured as of March 31, 2008. These impairments were identified in a Step 2 goodwill impairment test required by SFAS No. 142 which included consideration that indicated the carrying value of the Company's assets exceeded their fair value. These adjustments were recorded as charges to earnings in the Pre-Merger Successor Company during the second quarter of 2008. Second, the Company also revalued all of its assets and liabilities as of the Closing Date in accordance with the guidance of SFAS No. 141. These changes in value did not result in adjustments that were recorded in the Consolidated Statement of Operations, as these revaluations were recorded as adjustments to Goodwill through the application of purchase accounting. The latter revaluations were recorded as of the Closing Date.

Impairment Test Measurements. Northwest completed Step 2 of the goodwill impairment test during the second quarter of 2008. During this process, the Company was required to measure the fair value of its assets and liabilities. Where fair values of assets were below book value, Northwest recorded impairments under the criteria of SFAS No. 142 for certain indefinite-lived intangible assets and investments in affiliates that failed their respective recoverability tests required by SFAS No. 144 or APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, as appropriate. The losses related to impairments of indefinite-lived intangibles were recorded in Other operating expense, impairments of definite-lived intangibles were recorded in Depreciation and amortization, and impairments on investments in affiliates were recorded in Other non-operating income (expense) on the Condensed Consolidated Statement of Operations based on the fair values of the impaired assets.

The Company also recorded a \$3.2 billion goodwill impairment charge in 2008 in conjunction with Step 2 of Northwest's goodwill impairment test. The recorded value of goodwill was impacted by the impairments described above and by changes in fair values that were not recorded on the balance sheet in accordance with GAAP. The implied value of goodwill determined during this process was measured using an implied purchase price for the Merger as of the Announcement Date. This implied purchase price was measured using the guidance in EITF 99-12 and was based on the 5-day average closing price of Delta's common stock around the Announcement Date, the right to receive 1.25 shares of Delta common stock for each share of the Company's common stock, and the estimated number of shares that would be converted into Delta common stock upon the closing of the Merger.

The assets itemized below were measured at fair value on a non-recurring basis using information as of March 31, 2008. See "Note 4 – Goodwill and Intangibles" for further information about the impairment testing process. These fair values were recorded as of March 31, 2008:

	Pre-Merger	
	Successor	
Quoted Prices	Significant	Significant
in Active	Other	Significant
Markets for	Other	Significant

(In millions)	Fair Value	Identical	Observable	Unobservable	Total	Valuation
	Measurement	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Gains (Losses)	
International routes and other intangible assets (1)	\$ 3,026	N/A	N/A	\$ 3,026	\$ (1,185)	(A),(C)
Goodwill (1)	2,873	N/A	N/A	2,873	(3,243)	(A),(B),(C)
Flight equipment, net	74	N/A	74	N/A	(36)	(A)
Investment in affiliate (2)	–	N/A	N/A	–	(213)	(C)
					\$ (4,677)	

- (1) Pre-Merger Successor Company goodwill represents the excess of the reorganization value over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed resulting from the application of SOP 90-7 on the Effective Date. International routes and other intangible assets are identified by type in “Note 4 – Goodwill and Intangibles.” Northwest’s fair value measurements for goodwill, international routes and other intangible assets included significant unobservable inputs (Level 3), which generally include the Company’s five-year business plan, 12-months of historical revenues and expenses by city pair, Company projections of available seat miles, revenue passenger miles, load factors, and operating costs per available seat mile, and a discount rate.

One of the significant unobservable inputs underlying the intangible fair value measurements performed as of March 31, 2008 was the discount rate. Northwest determined the discount rate using the Weighted Average Cost of Capital (“WACC”) of the airline industry, which we measured using a Capital Asset Pricing Model (“CAPM”). The CAPM in our valuation of goodwill and indefinite-lived intangibles utilized a 50% debt and 50% equity structure. The historical average debt-to-equity structure of the major airlines since 1990 is also approximately 50% debt and 50% equity, which was similar to Northwest’s debt-to-equity structure at emergence. The return on debt was measured using a bid-to-yield analysis of major airline corporate bonds and the expected market rate of return for equity was measured based on the risk free rate, the airline industry beta, and risk premiums based on the Federal Reserve Statistical Release H. 15 or Ibbotson® Stocks, Bonds, Bills, and Inflation® Valuation Yearbook, Edition 2008. These factors resulted in an 11% discount rate. This compares to an 11% discount rate used at emergence and a 10.5% discount rate on our impairment testing date of October 1, 2007, which were each based on consistent application of the methodology described above.

- (2) The valuation of investments in affiliates consisted of Northwest’s investment in Midwest. This investment was measured at fair value based on an income approach, which included significant unobservable inputs (Level 3). The unobservable inputs generally include cash flow projections and a discount rate developed using a CAPM, which utilized a similar approach to the discussion of the CAPM above. However, the industry peer set for Midwest considered other mid-sized airlines similar to Midwest and resulted in a 17.5% discount rate. Due to Northwest’s position as a minority investor, current cash flow projections would result in the majority investor receiving all of the expected excess cash flows of the entity.

Purchase Accounting Measurements. On the Closing, Date Northwest revalued its assets and liabilities in accordance with the guidance of SFAS No. 141. As such, many of these assets and liabilities were recorded at fair value on a non-recurring basis as described in SFAS No. 157. These changes in value did not result in gains or losses, but were instead an input to the calculation of goodwill. The revaluations were recorded as of the Closing Date:

Post-Merger				
Successor				
Fair Value	Quoted Prices		Significant	Significant
	in Active	Markets for		
	Identical	Observable	Inputs	Valuation
	Assets	Inputs	Inputs	

(In millions)	Measurement	(Level 1)	(Level 2)	(Level 3)	Technique
Flight equipment, net	\$ 7,954	N/A	\$ 7,954	N/A	(A)
Goodwill (1)	4,572	N/A	N/A	4,572	(A),(B),(C)
International routes and other intangible assets (1)	2,702	N/A	N/A	2,702	(A),(C)
Property and equipment, net	598	N/A	598	N/A	(A),(B)
Operating leases	88	N/A	88	N/A	(A)
Computer software (2)	80	N/A	N/A	80	(B)
Non-operating equipment	80	N/A	80	N/A	(A)
Property leased to others	13	N/A	13	N/A	(A)
Deferred debt issue costs (3)	–	N/A	N/A	–	(A)

	Post-Merger				
	Successor				
Debt and capital lease obligations	\$ 6,239	N/A	\$ 6,239	N/A	(A),(C)
Frequent flyer liability (4)	2,034	N/A	N/A	2,034	(A)
Operating leases	224	N/A	224	N/A	(A)

- (1) Post-Merger Successor Company goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed resulting from the application of SFAS No. 141 on the Closing Date. International routes and other intangible assets are identified by type in “Note 4 – Goodwill and Intangibles.” Northwest’s fair value measurements for goodwill, international routes and other intangible assets included significant unobservable inputs (Level 3), which generally include the Company’s five-year business plan, 12-months of historical revenues and expenses by city pair, Company projections of available seat miles, revenue passenger miles, load factors, and operating costs per available seat mile, and a discount rate. These factors resulted in a 13% discount rate on the Closing Date, measured consistent with the CAPM approach described in Note (1) under the table in the Impairment Test Measurements section above.
- (2) Computer software was revalued using the cost approach and adjusted for obsolescence.
- (3) Deferred debt issue costs have no market value as they have no ongoing benefit. Therefore, deferred debt issue costs were written down to zero as part of purchase accounting.
- (4) The frequent flyer liability was measured at fair value based on an analysis of how a hypothetical transaction to transfer this liability might be negotiated in the market. Assumptions used in this measurement include the price of a frequent flyer mile based on actual ticket prices for similarly restricted tickets, estimates about the number of miles that will never be used by customers, and projections of the timing over which the miles will be used.

2007 Fresh-Start Reporting Measurement. The Company revalued its assets and liabilities at fair value on the Effective Date as required by SOP 90-7 using the guidance for measurement found in SFAS No. 141. The gains and losses related to these fair value adjustments were recorded on the Pre-Merger Predecessor Company. The following revaluations were recorded as of the Effective Date:

	Pre-Merger Successor				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)	Valuation Technique
(In millions)	As of June 1, 2007				

<b>ASSETS</b>											
Flight equipment	\$	6,699	\$	–	\$	6,699	\$	–	\$	(1,068)	(A),(B)
Goodwill (1)		6,257		–		–		6,257		–	(A),(B),(C)
International routes and other intangible assets (1)		5,166		–		946		4,220		4,513	(A),(C)
Other property and equipment		546		–		546		–		69	(A),(B)
Non-operating flight equipment and property leased to others		282		–		282		–		(47)	(A),(B)
Flight equipment spare parts and maintenance and operating supplies		248		–		248		–		31	(A),(B)
Equity investments		124		–		124		–		111	(A),(C)
Computer software		120		–		120		–		46	(B)
Other		147		–		147		–		21	(A)
Prepaid rents and deferred costs		37		–		37		–		(56)	(A)
										<u>\$</u>	<u>3,620</u>

(In millions)	Pre-Merger Successor										
	As of June 1, 2007	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant		Total Gains (Losses)	Valuation Technique					
			Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)							
<b>LIABILITIES</b>											
Debt and obligations under capital leases	\$	6,687	\$	–	\$	6,687	\$	–	\$	(22)	(A),(C)
Deferred frequent flyer liability (2)		1,972		–		–		1,972		(1,559)	(C)
Air traffic liability		1,857		–		1,857		–		(259)	(A)
Deferred credits and other liabilities		125		–		125		–		158	(A)
										<u>\$</u>	<u>(1,682)</u>

- (1) Pre-Merger Successor Company goodwill represents the excess of the reorganization value over the fair value of the net tangible and intangible assets acquired and the liabilities assumed. International routes and other intangible assets are identified by type in “Note 4 – Goodwill and Intangibles.” With the exception of the value of Northwest’s trade name, these valuations included significant unobservable inputs (Level 3), which generally included the Company’s five-year Business Plan, 12-months of historical revenues and expenses by city pair, Company projections of available seat miles, revenue passenger miles, load factors, and operating costs per available seat mile. The valuations also included market verifiable sources, such as licensing information, royalty rates and macroeconomic factors.
- (2) The frequent flyer liability was measured at fair value based on an analysis of how a hypothetical transaction to transfer this liability might be negotiated in the market. Assumptions used in this measurement include the price of a frequent flyer mile based on actual ticket prices for similarly restricted tickets, estimates about the number of miles that will never be used by customers, and projections of the timing when the miles will be used.

## Note 6 – Voluntary Reorganization Under Chapter 11 Proceedings

*Background and General Bankruptcy Matters.* The following discussion provides general background information regarding the Company’s Chapter 11 cases, and is not intended to be an exhaustive summary. Detailed information pertaining to the bankruptcy filings

may be obtained at <http://www.nwa-restructuring.com>. Information contained on the Company's Web site is not incorporated into these financial statements.

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. On May 18, 2007, the Bankruptcy Court entered an order approving and confirming the Debtors' First Amended Joint and Consolidated Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as confirmed, the "Plan" or "Plan of Reorganization"). The Plan became effective and the Debtors emerged from bankruptcy protection on May 31, 2007 (the "Effective Date"). On the Effective Date, the Company implemented fresh-start reporting in accordance with SOP 90-7.

As a result of the application of fresh-start reporting in accordance with SOP 90-7 upon the Company's emergence from bankruptcy on May 31, 2007, the financial statements prior to June 1, 2007 are not comparable with the financial statements for periods on or after June 1, 2007. References to "Successor Company" refer to the Company on or after June 1, 2007, after giving effect to the application of fresh-start reporting. References to "Predecessor Company" refer to the Company prior to June 1, 2007. See "Note 7 – Fresh-Start Reporting" for further details.

*Claims Resolution Process.* Pursuant to terms of the Plan of Reorganization, approximately 225.8 million shares of the Pre-Merger Successor Company's common stock will be issued to holders of allowed general unsecured claims and 8.6 million shares will be issued to holders who also held a guaranty claim from the Debtors. Once a claim is allowed consistent with the claims resolution process as provided in the Plan, the claimant is entitled to a distribution of new common stock. Pursuant to the terms of the Merger Agreement, each outstanding share of Northwest common stock (including shares issuable pursuant to Northwest's Plan of Reorganization) was converted into and became exchangeable for 1.25 shares of Delta common stock. Approximately 228.0 million shares of the Pre-Merger Successor Company's common stock (or 285.1 million Post-Merger shares of Delta common stock) have been issued and distributed through January 2, 2009, in respect of valid unsecured and guaranty claims. In total, there are approximately 6.4 million remaining shares of the Pre-Merger Successor Company's new common stock (or 8.0 million Post-Merger shares of Delta common stock) held in reserve under the terms of the Plan of Reorganization.

The Company estimates that its unsecured claims to be allowed will not exceed \$8.2 billion. Differences between claim amounts filed and the Company's estimates are being investigated and will be resolved in connection with the claims resolution process. However, there will be no further financial impact to the Company associated with the settlement of such unsecured claims, as the holders of all allowed unsecured claims against the Pre-Merger Predecessor Company will receive, under the Plan of Reorganization, Delta common stock based on the pro-rata amount of Northwest shares held in reserve. Secured claims were deemed unimpaired under the Plan and were satisfied upon either reinstatement of the obligations in the Pre-Merger Successor Company, surrendering the collateral to the secured party, or by making full payment in cash.

## **Note 7 – Fresh-Start Reporting**

Upon emergence from its Chapter 11 proceedings on May 31, 2007, the Company adopted fresh-start reporting in accordance with SOP 90-7. The Company's emergence from Chapter 11 resulted in a new reporting entity with no retained earnings or accumulated deficit. Accordingly, the Company's consolidated financial statements for periods prior to June 1, 2007 are not comparable to consolidated financial statements presented on or after June 1, 2007.

Fresh-start reporting reflects the value of the Company as determined in the confirmed Plan of Reorganization. Under fresh-start reporting, the Company's asset values were remeasured and allocated in conformity with SFAS No. 141. The excess of reorganization value over the fair value of net tangible and identifiable intangible assets acquired and liabilities assumed was recorded as Goodwill in the accompanying Consolidated Balance Sheet. In addition, fresh-start reporting also required that all liabilities, other than deferred taxes and

pension and other postretirement benefit obligations, be stated at fair value or at the present values of the amounts to be paid using appropriate market interest rates. Deferred taxes are determined in conformity with SFAS No. 109.

Estimates of fair value represent the Company's best estimates based on its valuation models, which incorporated industry data and trends and relevant market rates and transactions. The estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company.

To facilitate the calculation of the enterprise value of the Pre-Merger Successor Company, Northwest's financial advisors assisted management in the preparation of a valuation analysis for the Pre-Merger Successor Company's common stock to be distributed as of the Effective Date to the unsecured creditors. The enterprise valuation included (i) a 40% weighting towards a comparable company analysis based on financial ratios and multiples of comparable companies, which were then applied to the financial projections developed by the Company to arrive at an enterprise value; and (ii) a 60% weighting towards a discounted cash flow analysis which measures the projected multi-year, un-levered free cash flows of the Company to arrive at an enterprise value.

The estimated enterprise value and corresponding equity value were highly dependent upon achieving the future financial results set forth in the five-year financial projections included in the Company's Plan of Reorganization, as well as the realization of certain other assumptions. The equity value of the Pre-Merger Successor Company was calculated to be a range of approximately \$6.45 billion to \$7.55 billion. Based on claims trading prior to the Company's Effective Date and the trading value of the Company's common stock post emergence, the equity value of the Pre-Merger Successor Company was estimated to be \$6.45 billion for purposes of preparing its financial statements. The estimates and assumptions made in this valuation were inherently subject to significant uncertainties and the resolution of contingencies beyond the reasonable control of the Company.

As part of the provisions of SOP 90-7, on June 1, 2007 we were required to adopt all accounting guidance that would be effective within the subsequent twelve-month period.

The following Fresh-Start Condensed Consolidated Balance Sheet illustrates the financial effects on the Company resulting from the implementation of the Plan of Reorganization and the adoption of fresh-start reporting. This Fresh-Start Condensed Consolidated Balance Sheet reflects the effect of consummating the transactions contemplated in the Plan of Reorganization, including settlement of various liabilities, issuance of certain securities, incurrence of new indebtedness, repayment of old indebtedness, and other cash payments.

The effects of the Plan of Reorganization and fresh-start reporting on the Company's Consolidated Balance Sheet are as follows:

(In millions)	(a) Pre-Merger Predecessor May 31, 2007	(b) Debt Discharge & Reclassification	(c) New Credit Facility Financing Transactions	(d) New Equity Issued	(e) Fresh-Start Adjustments	(f) Pre-Merger Successor Reorganized June 1, 2007
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash, cash equivalents and unrestricted short-term investments	\$ 2,465	\$ (20)	\$ -	\$ 750	\$ -	\$ 3,195
Restricted cash, cash equivalents and short-term investments	974	-	-	-	170	1,144
Accounts receivable, less allowance	587	-	-	-	(9)	578
Flight equipment spare parts and maintenance and operating supplies	217	-	-	-	31	248

Prepaid expenses and other	254	-	-	(22)	(51)	181
Total current assets	4,497	(20)	-	728	141	5,346

#### PROPERTY AND EQUIPMENT

Net flight equipment and net flight equipment under capital lease	7,767	-	-	-	(1,068)	6,699
Other property and equipment, net	477	-	-	-	69	546
Total property and equipment, net	8,244	-	-	-	(999)	7,245

#### OTHER ASSETS

Goodwill	18	-	-	-	6,239	6,257
International routes and other intangible assets	653	-	-	-	4,513	5,166
Investments in affiliated companies	22	-	-	-	143	165
Other	739	-	-	-	(267)	472
Total other assets	1,432	-	-	-	10,628	12,060

<b>Total Assets</b>	<b>\$ 14,173</b>	<b>\$ (20)</b>	<b>\$ -</b>	<b>\$ 728</b>	<b>\$ 9,770</b>	<b>\$ 24,651</b>
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#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### CURRENT LIABILITIES

Air traffic liability/deferred frequent flyer liability	\$ 2,006	\$ -	\$ -	\$ -	\$ 274	\$ 2,280
Accrued compensation and benefits	445	4	-	-	(20)	429
Accounts payable	1,538	179	-	-	5	1,722
Current maturities of long-term debt and capital lease obligations	218	305	(10)	-	-	513
Current maturities of long-term debt - exit financing	-	-	10	-	-	10
Other	87	-	-	-	(49)	38
Total current liabilities	4,294	488	-	-	210	4,992

##### LONG-TERM OBLIGATIONS

Long-term debt and obligations under capital leases	4,149	1,993	(1,215)	-	22	4,949
Exit financing	-	-	1,215	-	-	1,215
Total long-term obligations	4,149	1,993	-	-	22	6,164

##### DEFERRED CREDITS AND OTHER LIABILITIES

Long-term pension and postretirement health care benefits	86	3,786	-	-	(426)	3,446
Deferred frequent flyer liability	-	-	-	-	1,549	1,549
Deferred income taxes	4	-	-	-	1,127	1,131
Other	275	125	-	-	(209)	191
Total deferred credits and other liabilities	365	3,911	-	-	2,041	6,317



LIABILITIES SUBJECT TO COMPROMISE						
COMPROMISE	14,350	(14,350)	-	-	-	-
PREFERRED REDEEMABLE STOCK						
SUBJECT TO COMPROMISE	275	(275)	-	-	-	-
COMMON STOCKHOLDERS' EQUITY (DEFICIT)						
Predecessor Company common stock, additional paid-in capital and treasury stock	495	-	-	-	(495)	-
Retained earnings (accumulated deficit)	(8,655)	1,763	-	-	6,892	-
Accumulated other comprehensive income (loss)	(1,100)	-	-	-	1,100	-
Successor Company common stock and additional paid-in capital	-	6,450	-	728	-	7,178
Total common stockholders' equity (deficit)	(9,260)	8,213	-	728	7,497	7,178
Total Liabilities and Stockholders' Equity (Deficit)						
	<u>\$ 14,173</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ 9,770</u>	<u>\$ 24,651</u>

(a) *Debt Discharge and Reclassification.* This column reflects the discharge of \$8.2 billion of liabilities subject to compromise pursuant to the terms of the Plan of Reorganization. Pursuant to the Plan, the holders of general unsecured claims and guaranty claims together will receive approximately 234 million common shares of the Pre-Merger Successor Company in satisfaction of such claims.

This column also reflects the Pre-Merger Successor Company's reinstatement of \$6.4 billion of secured liabilities which had been classified as liabilities subject to compromise on the Pre-Merger Predecessor Company's balance sheet, consisting of the following:

- \$3.8 billion represents the reinstatement of pension and other post-retirement benefit plan liabilities;
- \$2.3 billion reflects the reinstatement of secured debt, including accrued interest; and
- \$0.3 billion is associated with accruals for priority payments and other payments required under the Plan.

Additionally, this column reflects the payment of \$20 million for cash cures and convenience class payments to certain unsecured creditors pursuant to the Plan, and the reclassification of \$125 million of pre-petition deferred liabilities and credits that were reclassified out of liabilities subject to compromise, and subsequently written off as part of the fresh-start adjustments.

- (b) *New Credit Facility Financing Transactions.* In connection with the consummation of the Plan of Reorganization, on the Effective Date, the Company's existing \$1.225 billion Bank Credit Facility was converted into the exit financing in accordance with its terms. See "Note 9 - Long-Term Debt and Short-Term Borrowings" for further details.
- (c) *New Equity Issued.* This column reflects \$728 million in net proceeds received on the Effective Date from the Company's Rights Offering.
- (d) *Fresh-Start Adjustments.* Fresh-start adjustments were recorded on the Effective Date to reflect asset values at their estimated fair values and liabilities at their estimated fair value or the present value of amounts to be paid, including the following:

- \$4.5 billion of incremental intangible assets were recorded in conjunction with the estimated fair value of the Company's international route authorities, slots and other intangible assets;
- \$1.5 billion was recorded to recognize the additional estimated fair value of the Company's frequent flyer liability;
- The balance of the Company's flight equipment was decreased by \$1.1 billion to its estimated fair value;
- The Company's deferred tax liability balance was increased by \$1.1 billion in conjunction with recording the estimated fair value of certain indefinite-lived intangible assets;
- The pension and other postretirement benefits liability balances were reduced by \$0.4 billion due to the required remeasurement at emergence. The weighted-average discount rate used in our remeasurement was 6.17% at May 31, 2007, compared with a weighted-average discount rate of 5.93% as of our December 31, 2006 remeasurement date;
- The Company's air traffic liability balance was increased by \$0.3 billion to its estimated fair value; and
- Entries were recorded to eliminate the Pre-Merger Predecessor Company's equity balances and establish the opening equity balances of the Pre-Merger Successor Company.

Additionally, goodwill of \$6.2 billion was recorded to reflect the excess of the Pre-Merger Successor Company's reorganization value over the value of net tangible and identifiable intangible assets acquired and liabilities assumed.

## Note 8 – Reorganization Related Items

In accordance with SOP 90-7, the financial statements for the Pre-Merger Predecessor Company periods distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company. In connection with our bankruptcy proceedings, implementation of our Plan of Reorganization and adoption of fresh-start reporting, the Company recorded the following largely non-cash reorganization income/(expense) items:

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

	<b>Pre-Merger</b>	
	<b>Predecessor</b>	
	Period From January 1 to May 31, 2007	Year Ended December 31, 2006
<b>(In millions)</b>		
Discharge of unsecured claims and liabilities (a)	\$ 1,763	\$ –
Revaluation of frequent flyer obligations (b)	(1,559)	–
Revaluation of other assets and liabilities (c)	2,816	–
Employee-related charges (d)	(312)	(1,362)
Abandonment of aircraft and buildings (d)	(323)	(129)
Restructured aircraft lease/debt charges (d)	(74)	(1,598)
Professional fees	(60)	(63)
Other (d)	(700)	(13)
Reorganization items, net	<u>\$ 1,551</u>	<u>\$ (3,165)</u>

- (a) The gain on discharge of unsecured claims and liabilities relates to the Company's unsecured claims as of the Petition Date and the discharge of unsecured claims established as part of the bankruptcy process. In accordance with the Plan of Reorganization, the Company discharged its estimated \$8.2 billion in unsecured creditor obligations in exchange for the distribution of approximately 234 million

common shares of the Pre-Merger Successor Company valued at emergence at \$6.45 billion. Accordingly, the Company recognized a non-cash reorganization gain of approximately \$1.8 billion.

- (b) The Company revalued its frequent flyer miles to estimated fair value as a result of fresh-start reporting, which resulted in a \$1.6 billion non-cash reorganization charge.
- (c) In accordance with fresh-start reporting, the Company revalued its assets at their estimated fair value and revalued its liabilities at estimated fair value or the present value of amounts to be paid. This resulted in a non-cash reorganization gain of \$2.8 billion, primarily as a result of newly recognized intangible assets, offset partially by reductions in the fair value of tangible property and equipment.
- (d) Prior to emergence, the Company recorded its final provisions for allowed or projected unsecured claims including employee-related Association of Flight Attendants – Communication Workers of America (“AFA-CWA”) contract related claims, other employee related claims, claims associated with restructured aircraft lease/debt, and municipal bond obligation related settlements.

Reorganization items recorded during the twelve months ended December 31, 2006, largely consisted of aircraft restructurings, employee claims, pension plan curtailment charges and aircraft rejection charges.

## Note 9 – Long-Term Debt and Short-Term Borrowings

Long-term debt as of December 31, 2008 and 2007 consisted of the following (with interest rates as of December 31, 2008):

(In millions)	Post-Merger	Pre-Merger
	Successor	Successor
	2008	2007
Aircraft enhanced equipment trust certificates due through 2022, 6.0% weighted-average rate (1)	\$ 1,735	\$ 1,421
Aircraft secured loans due through 2025, 5.7% weighted-average rate (2)	4,003	3,743
Bank Credit Facilities due through 2010, 3.3% weighted-average rate (3)	904	1,214
Other secured debt & equipment financing due through 2020, 5.8% weighted-average rate (4)	551	451
Real estate and land notes due through 2031, 3.0% weighted-average rate	160	134
Total secured debt	7,353	6,963
Add net unamortized valuation premium (discount)	(1,678)	(2)
Total debt	5,675	6,961
Less current maturities	382	446
Total Long-term debt	\$ 5,293	\$ 6,515

- (1) At December 31, 2008, direct obligations of Northwest included the \$1.7 billion of equipment notes underlying the pass-through trust certificates issued for 89 aircraft. Interest on the pass-through trust certificates is payable quarterly or semi-annually.
- (2) The Company took delivery of and financed 23 CRJ900 and 27 Embraer 175 aircraft during the twelve months ended December 31, 2008, resulting in an increase of \$886 million in aircraft secured loans. At December 31, 2008, 155 aircraft collateralized \$4 billion of secured loans.

On July 15, 2008, the Company closed on a financing of ten B757-200 aircraft through the issuance of \$106 million of debt. Four of the ten B757-200 aircraft were delivered to the Company in 1986 and the related debt has a five year term. The other six aircraft were delivered in 1996 and the related debt has a seven year term.

- (3) *Bank Credit Facility.* On August 21, 2006, Northwest entered into a \$1.225 billion Senior Corporate Credit Facility (“Bank Credit Facility”) consisting of a \$1.05 billion term loan facility and a \$175 million revolving credit facility which was fully drawn. Pursuant to the Third Amendment, dated as of September 15, 2008, to the Bank Credit Facility, the final maturity date of the Bank Credit Facility is the earlier of (i) the date on which Northwest is merged with and into Delta and (ii) December 31, 2010. The Company made two scheduled \$10.5 million principal repayments on August 21, 2007 and August 21, 2008 as well as a \$300 million repayment on the Closing Date required by the Third Amendment. These repayments have reduced the size of the Bank Credit Facility to a \$773 million term loan facility and a \$131 million revolving credit facility. Loans drawn under the revolving credit facility may be borrowed and repaid at the Company’s discretion. Up to \$75 million of the revolving credit facility may be utilized by the Company as a letter of credit facility. Both loan facilities under the Bank Credit Facility bear interest, at Northwest’s option, at LIBOR plus 2.00% or an index rate plus 1.0%. Letter of credit fees will be charged at the same LIBOR credit spread as on the borrowings plus 12.5 basis points. To the extent that the revolving credit facility is not utilized, the Company is required to pay an undrawn commitment fee of 50 basis points per annum. The Bank Credit Facility has a credit rating of BB- from Standard & Poor’s Rating Services (“S&P”) and B1 from Moody’s Investors Service, Inc. (“Moody’s”), is secured by a first lien on the Company’s Pacific route authorities and is guaranteed by NWA Corp. The Bank Credit Facility also allows the Company to grant a pari-passu lien in the Pacific route authorities to secure up to \$150 million of exposure arising from hedging trades entered into with Bank Credit Facility lenders. The Company currently secures \$114 million of such exposure with these pari-passu liens. The interest rate as of December 31, 2008 was 3.44% on the term loan facility and 2.59% on the revolving credit facility based on the different LIBOR interest periods applicable to the term loan facility and the revolving credit facility. The Bank Credit Facility remained outstanding after the Closing Date.

The Bank Credit Facility contains financial covenants that require the Company to maintain (1) unrestricted cash, cash equivalents and short-term investments of not less than \$750 million, (2) a minimum total collateral coverage ratio (defined as the ratio of (x) the appraised value of the collateral to (y) the sum of the aggregate outstanding exposure under the Bank Credit Facility, the aggregate termination value of certain hedging agreements and certain pari-passu obligations) of 150% and (3) a minimum ratio of consolidated EBITDAR to consolidated fixed charges. Compliance by the Company with this financial covenant has been waived through March 31, 2009 followed by a phase-in period as set forth below:

Number of Months Covered	Period Ending	Required Coverage Ratio
Three	June 30, 2009	1.00 to 1.0
Six	September 30, 2009	1.10 to 1.0
Nine	December 31, 2009	1.20 to 1.0
Twelve	March 31, 2010	1.30 to 1.0
Twelve	June 30, 2010	1.40 to 1.0
	September 30, 2010 and each quarter	
Twelve	ending thereafter	1.50 to 1.0

For purposes of calculating this ratio, EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, aircraft rents, and other adjustments to operating income. Fixed charges are defined as interest expense and aircraft rent expense (without giving effect to any acceleration of rental expense and certain other items). Additionally, certain aircraft sublease rental income is excluded from EBITDAR and reduces aircraft rental expense in fixed charges.

*\$500 Million Revolving Credit Facility.* In October 2008, Northwest entered into a \$500 million revolving credit facility with three banks (“\$500 Million Credit Facility”) consisting of a \$300 million tranche that matures in October 2009 (“Tranche 1”) and a \$200 million tranche that matures in October 2011 (“Tranche 2”). Both tranches terminate on any earlier date that Northwest is no longer a separate

legal entity and an operating airline, including a merger with and into Delta. Borrowings under Tranche 1 bear interest, at Northwest's option, at LIBOR plus 3.5% or an index rate plus 2.0%. Borrowings under Tranche 2 bear interest, at Northwest's option, at LIBOR plus 4.5% or an index rate plus 3.0%. Borrowings under both Tranche 1 and Tranche 2 can be prepaid without penalty and amounts prepaid can be re-borrowed. The \$500 Million Credit Facility remained outstanding after the Closing Date. As of December 31, 2008, there were no outstanding borrowings under the facility.

Northwest's obligations under the \$500 Million Credit Facility are guaranteed by NWA Corp. and certain of Northwest's subsidiaries. The \$500 Million Credit Facility and related guarantees are secured by substantially all of Northwest's and the guarantors' unencumbered assets as of October 29, 2008.

The \$500 Million Credit Facility requires ongoing compliance with financial covenants requiring the Company to maintain (1) unrestricted cash, cash equivalents and short-term investments, together with the undrawn amount of the \$500 Million Credit Facility ("Cash Liquidity"), of not less than \$1.25 billion, (2) a minimum collateral coverage threshold (defined as the appraised value of certain eligible collateral) of not less than \$625 million and (3) a minimum ratio of EBITDAR to consolidated fixed charges that is currently the same as the Bank Credit Facility.

The Bank Credit Facility and the \$500 Million Credit Facility each contain events of default customary for financings of their type, including cross-defaults to other material indebtedness. The credit facilities also include events of default specific to the airline business, including the maintenance of pledged slots and routes. Upon the occurrence of an event of default, the outstanding obligations under either the Bank Credit Facility or the \$500 Million Credit Facility may be accelerated and become due and payable immediately. Additionally, if at any time Cash Liquidity is less than \$2.75 billion, the commitment of each lender under the \$500 Million Credit Facility is reduced by 50%. On December 9, 2008, the agreement was amended to reduce the Cash Liquidity requirement to \$2.5 billion. This amendment expired at the close of business on February 9, 2009 and the Cash Liquidity requirement was adjusted back to \$2.75 billion for the remainder of the agreement.

- (4) On July 15, 2008, the Company closed on a financing of 17 spare engines through the issuance of \$77 million of debt. The debt has a seven year term.

On December 16, 2008, the Company renewed its accounts receivable financing facility, dated November 29, 2007. This facility, originally scheduled to mature on November 28, 2008, was renewed to March 2009 and the facility size was reduced from \$150 million to \$125 million. As of December 31, 2008, the entire \$100 million available under this facility was drawn. While any portion of the facility remains undrawn, the Company pays a commitment fee on the undrawn amount.

## Debt Maturity Table

Maturities of long-term debt for the five years subsequent to December 31, 2008 are as follows:

(In millions)	2009	2010	2011	2012	2013	Thereafter	Total
Aircraft enhanced equipment trust certificates	\$ 170	\$ 135	\$ 293	\$ 143	\$ 223	\$ 771	\$ 1,735
Aircraft secured loans	284	302	306	337	452	2,322	4,003
Bank Credit Facility	10	894	–	–	–	–	904
Other secured debt and equipment financing	221	55	70	23	25	157	551
Real estate and land notes	–	36	–	–	–	124	160
Total secured debt	685	1,422	669	503	700	3,374	7,353
Add net unamortized valuation discount	(303)	(310)	(194)	(174)	(157)	(540)	(1,678)
Total long-term debt	\$ 382	\$ 1,112	\$ 475	\$ 329	\$ 543	\$ 2,834	\$ 5,675

Under some of the debt instruments included above, agreements with the lenders require that the Company meet certain financial covenants, such as unrestricted cash balances and fixed charges coverage ratios. The Company's secured debt is collateralized by liens on substantially all of the Company's assets, including, but not limited to, accounts receivable, certain owned aircraft, certain owned spare engines, spare parts, flight simulators, ground equipment, landing slots, international routes, equity interests in certain of the Company's domestic subsidiaries, intellectual property and real property. As of the Closing Date, the Company, as a wholly owned subsidiary of Delta, became a party to the guarantee of Delta's senior secured debt. The Company was in compliance with the covenants and collateral requirements related to all of its debt agreements as of December 31, 2008. While the Company anticipates that it will remain in compliance with such covenants and collateral requirements, these measures will depend upon the many factors affecting operating performance and the market values of assets.

As of December 31, 2008 and 2007 there were no short-term borrowings.

#### Note 10 – 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.

At December 31, 2008, future minimum lease payments for capital leases and non-cancelable operating leases with initial or remaining terms of more than one year are as follows:

(In millions)	Capital	Operating Leases	
	Leases	Aircraft	Non-aircraft
2009	\$ 9	\$ 378	\$ 193
2010	9	390	184
2011	9	337	159
2012	9	300	142
2013	9	261	122
Thereafter	194	1,671	1,318
	239	3,337	2,118
Less sublease rental income		–	29
Total minimum operating lease payments		\$ 3,337	\$ 2,089
Less amounts representing interest	148		
Present value of future minimum capital lease payments	\$ 91		
Total capital leases	\$ 91		
Less current obligations under capital leases	2		
Long-term obligations under capital leases	\$ 89		

Rental expense for all operating leases consisted of the following:

(In millions)	Post-Merger	Pre-Merger			
	Successor	Successor		Predecessor	
Period From	Period From	Period From	Period From	Year Ended	
October 30 to	January 1 to	June 1 to	January 1 to	December 31,	
December 31,	October 29,	December 31,	May 31,	December 31,	
2008	2008	2007	2007	2006	

Gross rental expense	\$ 122	\$ 575	\$ 379	\$ 291	\$ 727
Sublease rental income	(23) (1)	(117) (1)	(86) (1)	(72) (1)	(338)
Net rental expense	\$ 99	\$ 458	\$ 293	\$ 219	\$ 389

(1) Mesaba was acquired by Northwest Airlines on April 24, 2007 and became a wholly-owned consolidated subsidiary, which reduced sublease rental income upon consolidating Mesaba for reporting purposes.

At December 31, 2008 the Company leased 126 of the 449 aircraft it operates; all 126 were operating leases. The above table also includes operating leases for 124 aircraft operated by and subleased to Pinnacle. The base term lease expiration dates are from 2009 to 2025 for aircraft under operating leases.

The Company's aircraft leases can generally be renewed for terms ranging from one to eight years at rates based on the aircraft's fair market value at the end of the lease term. All 250 aircraft lease agreements provide the Company with purchase options during the lease, at the end of the lease, or both.

### Note 11 – Earnings (Loss) Per Share Data

The following table sets forth the computation of basic and diluted earnings (loss) per common share:

	Pre-Merger			
	Successor		Predecessor	
	Period From	Period From	Period From	Twelve Months
	January 1 to	June 1 to	January 1 to	Ended
	October 29,	December 31,	May 31,	December 31,
	2008	2007	2007	2006
<b>(In millions, except per share data)</b>				
<b>Numerator:</b>				
Net income (loss) applicable to common stockholders	\$ (5,462)	\$ 342	\$ 1,751	\$ (2,835)
Effect of dilutive securities:				
Gain on discharge of convertible debt	–	–	(82)	–
Gain on discharge of Series C Preferred Stock	–	–	(60)	–
Adjusted net income (loss) for diluted earnings (loss) per share	\$ (5,462)	\$ 342	\$ 1,609	\$ (2,835)
<b>Denominator:</b>				
Weighted-average shares outstanding for basic and diluted earnings (loss) per share	263.6	262.2	87.4	87.3
Effect of dilutive securities:				
Contingently convertible debt	–	–	19.1	–
Restricted stock units and stock options	–	0.2	–	–
Series C Preferred Stock	–	–	6.2	–
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings (loss) per share	263.6	262.4	112.7	87.3
<b>Basic earnings (loss) per common share:</b>	\$ (20.72)	\$ 1.30	\$ 20.03	\$ (32.48)
<b>Diluted earnings (loss) per common share:</b>	\$ (20.72)	\$ 1.30	\$ 14.28	\$ (32.48)



On the Closing Date, the Company became a wholly owned subsidiary of Delta and the shares of NWA Corp., which traded under the symbol “NWA”, ceased trading on, and were delisted from, the NYSE. As a result the Company is not presenting Post-Merger Successor Company earnings (loss) per share data for the period from October 30 to December 31, 2008.

*Pre-Merger Successor Company EPS.* In accordance with SFAS No. 128, *Earnings per Share* (“SFAS No. 128”), basic and diluted earnings per share were computed by dividing net income by the weighted-average number of shares of common stock outstanding for the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007, respectively. SFAS No. 128 requires that the entire 234 million shares to be issued to holders of unsecured and guaranty claims be considered outstanding for purposes of calculating earnings per share as these shares will ultimately be issued to unsecured creditors once the allocation of disputed unsecured claims is completed.

At October 29, 2008, approximately 6 million stock options to purchase shares of the Pre-Merger Successor Company’s common stock were outstanding but excluded from the computation of diluted earnings per share because the Company reported a net loss for the period from January 1 to October 29, 2008.

At December 31, 2007, approximately 16 million restricted stock units and stock options to purchase shares of the Pre-Merger Successor Company’s common stock were outstanding but excluded from the computation of diluted earnings per share because the effect of including the shares would have been anti-dilutive.

*Pre-Merger Predecessor Company EPS.* Pre-Merger Predecessor Company basic earnings per share was computed based on the Predecessor’s final weighted-average shares outstanding.

At May 31, 2007, stock options to purchase approximately 7 million shares of common stock were outstanding but excluded from the computation of diluted earnings per share because the effect of including the shares would have been anti-dilutive.

For the year ended December 31, 2006, approximately 19 million incremental shares related to dilutive securities were not included in the diluted earnings per share calculation because the Company reported a net loss for the period.

Additionally, approximately 6 million shares of Series C Preferred Stock were excluded from the effect of dilutive securities for the year ended December 31, 2006 because the Company reported a net loss for the period.

Total employee stock options outstanding of approximately 7 million as of December 31, 2006 were not included in diluted securities because the Company reported a net loss for the year ended December 31, 2006.

## **Note 12 – Stock-Based Compensation**

On the Effective Date, the 2007 Plan of the Pre-Merger Successor Company provided for in the Plan of Reorganization became effective. The 2007 Plan was a stock-based incentive compensation plan, under which the Compensation Committee of the Board of Directors had the authority to grant equity-based awards including stock options, stock appreciation rights, restricted stock, restricted stock units, and/or other stock-based awards, including performance-based awards. Each of these awards may be granted alone, in conjunction with, or in tandem with other awards under the 2007 Plan. Awards may be to any employee of the Company or its subsidiaries. The number of participants participating in the 2007 Plan varied from year to year. At its inception, the 2007 Plan provided that 21.3 million shares of common stock of the Pre-Merger Successor Company were available for issuance under the plan. On the Closing Date, the Company became a wholly-owned

subsidiary of Delta. All vesting awards were fully accelerated and converted into 1.25 shares of Delta common stock or stock options. Vested options of employees terminated within two years of change in control remain outstanding for three years post termination.

The Company adopted SFAS No. 123R using the modified-prospective transition method, effective January 1, 2006. Under SFAS No. 123R, non-cash compensation expense for equity awards is recognized over the vesting period of the awards, generally the required service period. Under the terms of awards granted in connection with the Company's emergence from bankruptcy, a portion of the shares subject to such awards vested immediately with the remaining shares vesting in one year or over four years; in addition, the shares subject to emergence related awards that vested on or before May 2008 were also subject to a disgorgement provision if the participant voluntarily terminates his or her employment prior to the one year anniversary of the Effective Date. Under SFAS No. 123R, the corresponding expense was recognized over this implied service period. For awards containing the disgorgement provision, the tables below exclude the portion of such awards that vested prior to May 31, 2008. The Company uses straight-line recognition for awards with installment vesting. SFAS No. 123R also requires the Company to estimate forfeitures of stock awards as of the grant date of the award.

Pre-Merger Successor Company. The compensation expense related to stock options and restricted stock units granted to employees, which is quantified below, does not represent payments actually made to these employees. Rather, the amounts represent the non-cash compensation expense recognized by the Company in connection with these awards for financial reporting purposes. The actual value of these awards to the recipients will depend on the trading price of the Company's stock when the awards vest.

*Stock Options.* Stock option awards are granted with an exercise price equal to the closing sales price of the Company's common stock on the date of grant. Generally, outstanding employee stock option awards vest over four years and have a 10-year term.

The fair value of option awards are estimated on the date of grant using the Black-Scholes option pricing model based on several assumptions. The risk-free interest rate for periods within the term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield on our common stock is assumed to be zero since in the past the Company has not paid dividends and has no current plans to do so. The expected market price volatility assumption was developed considering both historical and implied volatilities of the trading prices of other airlines' stocks for awards granted in 2007 and 2008. Volatility data was not considered for the Company due to its bankruptcy. The expected life of the options was developed using the simplified method under Staff Accounting Bulletin ("SAB") No. 107, Topic 14, *Share-Based Payments* because the Company does not have sufficient historical exercise data.

The weighted-average fair value of options granted during the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007 was determined based on the following assumptions:

	<u>Pre-Merger</u>	
	<u>Successor</u>	
	<u>October 29, 2008</u>	<u>December 31, 2007</u>
Risk-free interest rate	3.07% - 3.69%	3.45% - 5.11%
Dividend yield	0.0%	0.0%
Expected market price volatility	57% - 64%	53% - 56%
Expected life of options (years)	5 - 6	6

A summary of the stock option activity for the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007 is as follows:

	<u>Pre-Merger</u>
	<u>Successor</u>

	October 29, 2008			December 31, 2007		
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
(Shares in thousands)						
Outstanding at beginning of period	5,806	\$ 21.63		–	\$ –	–
Granted	132	16.92		5,878	21.64	
Exercised	–	–		–	–	
Forfeited or expired	(121)	21.86		(72)	22.00	
Outstanding at end of period	5,817	21.52	8.68	5,806	21.63	9.52
Vested or expected to vest at end of period	5,817	21.52	8.68	5,381	21.65	9.42
Exercisable at end of period (1)	5,817	21.52	8.68	28	22.00	0.17

(1) 2007 excludes 1.2 million shares subject to vested options due to the disgorgement provision discussed above and the requirements of SFAS No. 123R.

The weighted-average grant date fair value of options granted in the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007 was approximately \$4.66 and \$12.19 per share, respectively. There were no options exercised during the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007. The aggregate intrinsic value of the outstanding options at October 29, 2008 and December 31, 2007 was \$0.1 million and zero, respectively.

The compensation expense related to stock options continued to be recognized over the service period until the closing of the Merger, at which time vesting was accelerated and each option was converted to 1.25 Delta option. The Company recorded in Merger expense a non-cash charge for stock compensation expense of approximately \$39.2 million as a result of the accelerated vesting of outstanding options.

*Restricted Stock Units.* The fair value of restricted stock units (“RSUs”) is determined based on the closing sales price of the Company’s common stock on the date of grant. Generally, outstanding RSUs vest in one year or over four years.

A summary of the status of the Company’s RSUs for the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007 is as follows:

	Pre-Merger		Successor	
	October 29, 2008		December 31, 2007	
(Shares in thousands)	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Unvested at beginning of period	10,137	\$ 24.58	–	\$ –
Granted	231	9.40	10,298	24.59
Vested (1)	(10,243)	24.23	(56)	25.15
Forfeited	(125)	24.87	(105)	25.15
Unvested at end of period	–	–	10,137	24.58

(1) 2007 excludes 1.8 million shares subject to vested RSUs due to the disgorgement provision discussed above and the requirements of SFAS No. 123R.

The compensation expense related to these RSUs continued to be recognized over the remaining employee service period until the closing of the Merger, at which time vesting was accelerated and each share was converted to 1.25 Delta share. The Company recorded in Merger expense a non-cash charge for stock compensation of approximately \$117.7 million as a result of the accelerated vesting of outstanding RSUs.

*Other Awards.* The Company also issued certain awards that are accounted for as a liability because such awards provide for settlement in cash. During the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007, the Company granted approximately 0.4 million and 0.7 million RSUs to be settled in cash, respectively. Each cash-settled RSU represents the right to receive a cash payment equal to the closing sales price of the Company's common stock multiplied by the number of shares subject to the award on the applicable vesting date. The Company also granted approximately nine thousand and 0.4 million in stock appreciation rights ("SARs") during the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007, respectively. SARs provide participants the right to receive the excess (if any) of the fair market value of the number of shares of common stock subject to the award at the time of exercise over the exercise price of the SAR. The cash-settled RSUs vest in one year or over four years and the SARs vest over a four year period. The Company paid \$8.7 million and \$2.2 million to settle share-based liabilities for the period from January 1 to October 29, 2008 and the period from June 1 to December 31, 2007, respectively.

The compensation expense related to these RSUs and SARs continued to be recognized over the remaining employee service period until the closing of the Merger, at which time vesting was accelerated and each share was converted to 1.25 Delta share. The Company recorded in Merger expense approximately \$7.1 million for RSUs and approximately \$0.7 million for SARs as a result of the accelerated vesting of outstanding shares.

The total stock-based non-cash compensation expense related to stock awards was approximately \$87.0 million and \$73.2 million for the periods ended October 29, 2008 and December 31, 2007, respectively. The total stock-based non-cash compensation expense related to liability awards was approximately \$2.5 million and \$2.8 million for the periods ended October 29, 2008 and December 31, 2007, respectively.

*Post-Merger Successor Company.* In connection with the closing of the Merger, an equity-based program sponsored by Delta was adopted under the Delta Air Lines, Inc. 2007 Performance Compensation Plan. This Merger Award Program included grants to employees of Northwest in the form of unrestricted common stock, restricted shares of common stock, and/or non-qualified stock options that will settle in Delta common shares with an expense allocation to Northwest. The Company recorded \$307 million related to the unrestricted common stock as those awards vested immediately. The restricted shares of common stock and the non-qualified stock options vest over three years. The Company recorded \$1.8 million and \$0.5 million in stock compensation expense for restricted stock and stock options, respectively.

*Other.* There was no corresponding tax benefit in 2008 or 2007 related to the stock-based compensation, as the Company records a full valuation allowance against its deferred tax assets due to the uncertainty regarding the ultimate realization of those assets. See "Note 14 – Income Taxes" for additional information.

### Note 13 – 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	Pension, Other Postretirement and Long-Term Disability Benefits	Adjustment to Adopt SFAS No. 158	Unrealized Gain (Loss) on Investments	Accumulated Other Comprehensive Income (Loss)
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#### Predecessor; Pre-Merger

<i>Balance at January 1, 2005</i>	\$	(11)\$	6 \$	(1,557) \$	– \$	(6) \$	(1,568)
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Before tax amount	-	(10)	699	(224)	3	468
Tax effect	-	-	-	-	-	-
Net-of-tax amount	-	(10)	699	(224)	3	468
<i>Balance at December 31, 2006</i>	(11)	(4)	(858)	(224)	(3)	(1,100)
Before tax amount	11	4	858	224	3	1,100
Tax Effect	-	-	-	-	-	-
Net-of-tax amount	11	4	858	224	3	1,100
<i>Balance at May 31, 2007</i>	-	-	-	-	-	-
<b>Successor; Pre-Merger</b>						
<i>Balance at June 1, 2007</i>	-	-	-	-	-	-
Before tax amount	-	(3)	(199)	-	-	(202)
Tax Effect	-	-	-	-	-	-
Net-of-tax amount	-	(3)	(199)	-	-	(202)
<i>Balance at December 31, 2007</i>	-	(3)	(199)	-	-	(202)
Before tax amount	-	3	199	-	-	202
Tax Effect	-	-	-	-	-	-
Net-of-tax amount	-	3	199	-	-	202
<i>Balance at October 29, 2008</i>	-	-	-	-	-	-
<b>Successor; Post-Merger</b>						
<i>Balance at October 30, 2008</i>	-	-	-	-	-	-
Before tax amount	-	(199)	(1,433)	-	(7)	(1,639)
Tax Effect	-	-	-	-	-	-
Net-of-tax amount	-	(199)	(1,433)	-	(7)	(1,639)
<i>Balance at December 31, 2008</i>	<u>\$ -</u>	<u>\$ (199)</u>	<u>\$ (1,433)</u>	<u>\$ -</u>	<u>\$ (7)</u>	<u>\$ (1,639)</u>

**Note 14 – Income Taxes**

Income tax expense (benefit) consisted of the following:

	Post-Merger		Pre-Merger			
	Successor		Successor		Predecessor	
(In millions)	Period From	Period From	Period From	Period From	Period From	Year Ended
	October 30 to	October 30 to	January 1 to	June 1 to	January 1 to	December 31,
	December 31,	December 31,	October 29,	December 31,	May 31,	December 31,
	2008	2008	2008	2007	2007	2006
Current:						

Federal	\$ (1)	\$ 1	\$ -	\$ -	\$ -
Foreign	-	4	2	1	8
State	-	1	-	-	-
	(1)	6	2	1	8
Deferred:					
Federal	-	(202)	208	(3)	(37)
Foreign	-	-	(1)	-	-
State	-	(15)	15	-	-
	-	(217)	222	(3)	(37)
Total income tax expense (benefit)	\$ (1)	\$ (211)	\$ 224	\$ (2)	\$ (29)

Reconciliations of the statutory rate to the Company's income tax expense (benefit) were as follows:

	Post-Merger	Pre-Merger			
	Successor	Successor	Predecessor	Predecessor	Predecessor
(In millions)	Period From October 30 to December 31, 2008	Period From January 1 to October 29, 2008	Period From June 1 to December 31, 2007	Period From January 1 to May 31, 2007	Year Ended December 31, 2006
Statutory rate applied to income (loss) before income taxes	\$ (189)	\$ (1,985)	\$ 198	\$ 612	\$ (1,003)
Add (deduct):					
State income tax expense (benefit) net of federal benefit	(9)	(35)	10	28	(45)
Non-deductible expenses	3	1,224	15	25	23
Adjustment to valuation allowance and other income tax accruals	195	582	-	(665)	1,023
Other	(1)	3	1	(2)	(27)
Total income tax expense (benefit)	\$ (1)	\$ (211)	\$ 224	\$ (2)	\$ (29)

The Company accounts for income taxes in accordance with SFAS No. 109, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the tax effect of temporary differences between the financial reporting and tax bases of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be realized. Based on the consideration of all available evidence, the Company has provided a valuation allowance on its net deferred tax assets recorded beginning in the first quarter 2003. The Company continues to maintain a valuation allowance against its net deferred tax assets, exclusive of indefinite-lived deferred tax liabilities, due to the uncertainty regarding the ultimate realization of those assets.

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

	Post-Merger	Pre-Merger
	Successor	Successor
(In millions)	2008	2007
Deferred tax liabilities:		
Accounting basis of property and equipment in excess of tax basis	\$ 1,796	\$ 1,710
Accounting basis of indefinite-lived intangible assets in excess of tax basis	963	1,424
Accounting basis of definite-lived intangible assets in excess of tax basis	1	437

Accounting basis of long-term debt in excess of tax basis	627	–
Other	27	17
Total deferred tax liabilities	<u>3,414</u>	<u>3,588</u>
Deferred tax assets:		
Expenses not yet deducted for tax purposes	378	185
Reorganization charges not yet deducted for tax purposes	516	869
Pension and postretirement benefits	2,027	1,395
Deferred revenue	750	718
Net operating loss carryforward	1,946	1,316
Alternative minimum tax credit carryforward	137	137
Other	270	53
Total deferred tax assets	<u>6,024</u>	<u>4,673</u>
Valuation allowance for deferred tax assets	<u>(3,573)</u>	<u>(2,216)</u>
Net deferred tax assets	<u>2,451</u>	<u>2,457</u>
Net deferred tax liability	<u>\$ 963</u>	<u>\$ 1,131</u>

The following table shows the current and noncurrent deferred tax assets (liabilities), recorded on our Consolidated Balance Sheets at December 31:

	<u>Post-Merger</u>	<u>Pre-Merger</u>
	<u>Successor</u>	<u>Successor</u>
	2008	2007
Current deferred tax asset, net	\$ 131	\$ 72
Noncurrent deferred tax liabilities, net	<u>(1,094)</u>	<u>(1,203)</u>
Total deferred tax liabilities, net	<u>\$ (963)</u>	<u>\$ (1,131)</u>

The current and noncurrent components of our deferred tax balances are generally based on the balance sheet classification of the asset or liability creating the temporary difference. If the deferred tax asset or liability is not based on a component of our balance sheet, such as our net operating loss (“NOL”) carryforwards, the classification is presented based on the expected reversal date of the temporary difference. Our valuation allowance has been classified as current or noncurrent based on the percentages of current and noncurrent deferred tax assets to total deferred tax assets.

At December 31, 2008, the Company has certain federal deferred tax assets available for use in the regular tax system and the alternative minimum tax (“AMT”) system. The deferred tax assets available in the regular tax system include: NOL carryforwards of \$5.3 billion, AMT credits of \$137 million, general business tax credits of \$5 million and foreign tax credits of \$23 million. The deferred tax assets available in the AMT system are: NOL carryforwards of \$5.8 billion and foreign tax credits of \$20 million. AMT credits available in the regular tax system have an unlimited carryforward period and all other deferred tax assets in both systems are available for years beyond 2008, expiring in 2009 through 2027.

The Company also has the following deferred tax assets available at December 31, 2008, for use in certain states: NOL carryforwards with a tax benefit value of approximately \$149 million are available for years beyond 2008, expiring in 2009 through 2027, and state job tax credits of \$7 million are available for years beyond 2008, expiring in 2009 through 2011.

With the adoption of fresh-start reporting, a valuation allowance of \$2.4 billion was recorded. As a result of purchase accounting based on the Merger, the valuation allowance was adjusted to \$2.7 billion. Beginning January 1, 2009, pursuant to SFAS No. 141(R), any reduction in this valuation allowance will be reflected through the income tax provision.



An ownership change under Internal Revenue Code Section 382 occurred in connection with the Company's bankruptcy Plan of Reorganization. However, the Company does not believe that such change has any material impact on the Company's ability to use its NOL carryforwards and other tax attributes. A second ownership change under Internal Revenue Code Section 382 occurred in connection with the Merger. The Company does not believe that such change has any material impact on the Company's ability to use its NOL carryforwards and other tax attributes.

In June 2006, the FASB issued FIN 48, which clarifies SFAS No. 109. FIN 48 prescribes a consistent recognition threshold and criteria for measurement of uncertain tax positions for financial statement purposes. FIN 48 requires the financial statement recognition of an income tax benefit when the Company determines that it is "more likely than not" the tax position will be ultimately sustained. The Company adopted FIN 48 on January 1, 2007. As of December 31, 2008, the Company had no unrecognized tax benefits. During the quarter ended December 31, 2008, the Company decreased its reserve for unrecognized tax benefits by approximately \$3 million as a result of a resolution of a state tax controversy. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Post-Merger		Pre-Merger	
	Successor	Successor	Successor	Predecessor
	Period From	Period From	Period From	Period From
	October 30 to	January 1 to	June 1 to	January 1 to
	December 31,	October 29,	December 31,	May 31,
(In millions)	2008	2008	2007	2007
Balance at beginning of period	\$ 3	\$ 3	\$ 5	\$ 5
Additions based on tax positions related to the current year	–	–	–	–
Additions for tax positions of prior years	–	–	2	–
Reductions for tax positions of prior years	–	–	(2)	–
Settlements	(3)	–	(2)	–
Lapse of statute of limitations	–	–	–	–
Balance at end of period	\$ –	\$ 3	\$ 3	\$ 5

Open tax years for federal and state income tax purposes are 2002 and 2004 through 2008.

The Company had no accrued interest or penalties at December 31, 2008. If the Company did record accrued interest or penalties they would be recorded in interest expense and operating expense, respectively. Prior to the Closing Date the Company recorded interest and penalties in income tax expense. As of the Closing Date the Company has conformed to Delta's policy of recording interest and penalties in interest expense and operating expense.

#### Note 15 – Commitments

The Company's firm orders for seven new aircraft to be operated by Northwest consist of scheduled deliveries for two Airbus A320 aircraft in 2012 and five Airbus A319 aircraft from 2013 through 2014.

Committed expenditures for these aircraft and related equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$63.3 million in 2009, \$27.1 million in 2010, \$20.8 million in 2011, \$112.8 million in 2012, \$90.2 million in 2013 and \$128.4 million in 2014. 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. Financing commitments or cancellation rights are available to the Company for all aircraft on firm order. Under these financing commitments, third parties have agreed to finance, on a long-term secured basis, a substantial portion of the purchase price of the covered aircraft. The Company has excluded from the committed expenditures above its order for 18 787-8 aircraft. The Boeing Company ("Boeing") has informed the Company that Boeing will be unable to meet the contractual delivery schedule for these aircraft. The Company is in discussions with Boeing regarding this situation.

## Note 16 – Contingencies

*Legal 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.

*War Risk Insurance.* Following the events of September 11, 2001, commercial aviation insurers materially curtailed war risk coverage and increased insurance premiums. Subsequently, the FAA was mandated to offer U.S. airlines war risk insurance. The coverage was recently extended to March 31, 2009, from its previous expiration of December 31, 2008 and the Secretary of Transportation has the discretion to extend coverage through May 31, 2009. While the government may again extend the period that it provides war risk coverage, there is no assurance that this will occur, or if it does, how long the extension will last, what will be included in the coverage, or at what cost the coverage will be provided. Commercial war risk insurance in amounts and scope adequate for our operations is not currently available at reasonable prices. Should the U.S. government stop providing war risk insurance in its current form to the U.S. airline industry, it is expected that the premiums charged by commercial aviation insurers for this coverage, if available at all, would be higher than the premium currently charged by the government and the coverage materially more restrictive. Commercial aviation insurers could further increase insurance premiums and reduce or cancel coverage 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. If we are unable to obtain adequate war risk insurance, our business could be materially and adversely affected.

If we were to be involved in an accident, we could be exposed to significant tort liability. Although we carry insurance to cover damages arising from such accidents, resulting tort liability could be higher than our policy limits which could negatively impact our financial condition.

*General Indemnifications.* The Company is the lessee under many commercial real estate leases. It is common in these transactions for us, as the lessee, to agree to indemnify the lessor and the lessor's related parties for tort, environmental and other liabilities that arise out of, or relate to, our use or occupancy of the leased premises. This type of indemnity would typically make us responsible to indemnified parties for liabilities arising out of the conduct of, among others, contractors, licensees and, in many cases, invitees at or in connection with the use or occupancy of the leased premises. This indemnity normally excludes any liabilities caused by the gross negligence (or, in some cases, the negligence) and willful misconduct of the indemnified parties.

The Company's aircraft and other equipment lease and financing agreements typically contain provisions requiring us, as the lessee or obligor, to indemnify the other parties to those agreements, including certain of those parties' related persons, against virtually any liabilities that might arise from the condition, use or operation of the aircraft or such other equipment. The Company believes that its insurance would cover most of the exposure to such liabilities and related indemnities associated with the types of lease and financing agreements described above, including real estate leases. However, the Company's insurance does not typically cover environmental liabilities.

Certain of our aircraft and other financing transactions include provisions which require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In certain of these financing transactions, the Company also bears the risk of certain changes in tax laws that would subject payments to non-U.S. lenders to withholding taxes.

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, 2008, the total outstanding amount of these LOCs was \$93.0 million (excluding an additional \$128.8 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 17 – Pension and Other Postretirement Health Care Benefits

The Company has several defined benefit pension plans and defined contribution 401(k)-type plans covering substantially all of its employees. Northwest froze future benefit accruals for its defined benefit Pension Plans for Salaried Employees, Pilot Employees, and Contract Employees effective August 31, 2005, January 31, 2006, and September 30, 2006, respectively. Replacement coverage was provided for these employees through 401(k)-type defined contribution plans or in the case of IAM represented employees, the IAM National Multi-Employer Plan.

Northwest also sponsors various contributory medical and dental 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 subsidized medical and non-subsidized 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 Pension Protection Act of 2006 (“2006 Pension Act”) was signed into law on August 17, 2006. The 2006 Pension Act allows commercial airlines to elect special funding rules for defined benefit plans that are frozen. The unfunded liability for a frozen defined benefit plan may be amortized over a fixed 17-year period. The unfunded liability is defined as the actuarial liability calculated using an 8.85% interest rate minus the fair market value of plan assets. Northwest elected the special funding rules for frozen defined benefit plans under the 2006 Pension Act effective October 1, 2006. As a result of this election (1) the funding waivers that Northwest received for the 2003 plan year contributions were deemed satisfied under the 2006 Pension Act, and (2) the funding standard account for each Plan had no deficiency as of September 30, 2006. New contributions that came due under the 2006 Pension Act funding rules were paid while Northwest was in bankruptcy and must continue to be paid going forward. If the new contributions are not paid, the future funding deficiency that would develop will be based on the regular funding rules rather than the special funding rules.

It is Northwest’s policy to fund annually at least the minimum contribution as required by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). However, as a result of the commencement of Northwest’s Chapter 11 case, Northwest did not make minimum cash contributions to its defined benefit pension plans that were due after September 14, 2005. Subsequent to Northwest’s bankruptcy filing and prior to its election under the 2006 Pension Act, Northwest paid the normal cost component of the plans’ minimum funding requirements relating to service rendered post-petition and certain interest payments associated with its 2003 Contract Plan and Salaried Plan year waivers. As noted above, effective October 1, 2006, Northwest elected the special funding rules available to commercial airlines.

As a result of Northwest’s Chapter 11 filing, we appointed an independent fiduciary for all of our tax-qualified defined benefit pension plans to pursue, on behalf of the plans, claims to recover minimum funding contributions due under federal law, to the extent that Northwest is not continuing to fund the plans due to bankruptcy prohibitions. The independent fiduciary subsequently withdrew all of the claims that the independent fiduciary filed in our Chapter 11 Case following our election of the special funding rules under the 2006 Pension Act.

Congress enacted, and the president signed into law on December 13, 2007, a change in the retirement age for pilots from age 60 to 65. Due to this legislative change, the Company has updated its retirement assumptions for pilots and assumes that certain pilots will continue to work past age 60. This change had an immaterial impact on Northwest’s overall pension benefit and other postretirement obligations.

In September 2006, the FASB issued SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans* (“SFAS No. 158”) which amends SFAS No. 87, *Employers’ Accounting for Pensions* (“SFAS No. 87”) and SFAS No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions* (“SFAS No. 106”) to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects. The measurement date,

the date at which the benefit obligation and plan assets are measured, is required to be the company's fiscal year end. The Company historically had and continues to utilize a fiscal year-end measurement date. SFAS No. 158 was effective for publicly-held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The adoption of SFAS No. 158 increased the Company's long-term pension and other postretirement benefit liabilities, as well as the Predecessor Company's equity deficit by \$224 million as of December 31, 2006. SFAS No. 158 does not affect the results of operations.

Northwest's 2008 calendar year contributions to its frozen defined benefit plans under the provisions of the 2006 Pension Act and the replacement plans were approximately \$139 million. Northwest's 2009 calendar year contributions to its frozen defined benefit plans under the provisions of the 2006 Pension Act and the replacement plans will approximate \$134 million.

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

(In millions)	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
<b>Change in benefit obligations:</b>				
Benefit obligations at beginning of year	\$ 9,170	\$ 9,373	\$ 760	\$ 898
Service cost	19	45	23	23
Interest cost	565	553	46	49
Plan amendments	-	-	(52)	(119)
Actuarial loss and other	(427)	(299)	(161)	(27)
Benefits paid	(520)	(502)	(41)	(64)
Benefit obligations at end of period	<u>8,807</u>	<u>9,170</u>	<u>575</u>	<u>760</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	6,304	6,278	4	5
Actual return on plan assets and other	(1,959)	449	-	-
Employer contributions	64	79	41	63
Benefits paid	(520)	(502)	(42)	(64)
Fair value of plan assets at end of period	<u>3,889</u>	<u>6,304</u>	<u>3</u>	<u>4</u>
Funded status at end of period - net underfunded	<u>\$ (4,918)</u>	<u>\$ (2,866)</u>	<u>\$ (572)</u>	<u>\$ (756)</u>

The accumulated benefit obligations for all defined benefit pension plans were \$8.8 billion and \$9.1 billion at December 31, 2008 and 2007, respectively. The Company's pension plans with accumulated benefit obligations in excess of plan assets as of December 31 were as follows:

(In millions)	Post-Merger	Pre-Merger
	Successor	Successor
	2008	2007
Projected benefit obligations	\$ 8,796	\$ 9,143
Accumulated benefit obligations	8,769	9,123
Fair value of plan assets	3,879	6,273

*Amounts recognized in the statement of financial position as of December 31 consist of:*

(In millions)	Pension Benefits		Other Benefits	
	Post-Merger	Pre-Merger	Post-Merger	Pre-Merger
	Successor	Successor	Successor	Successor
	2008	2007	2008	2007
<b>Assets</b>				
Noncurrent assets	\$ -	\$ 3	\$ -	\$ -
Total assets	\$ -	\$ 3	\$ -	\$ -
<b>Liabilities</b>				
Current liability	\$ (28)	\$ (27)	\$ (40)	\$ (43)
Noncurrent liability	(4,890)	(2,842)	(532)	(713)
Total liabilities	\$ (4,918)	\$ (2,869)	\$ (572)	\$ (756)
<b>Accumulated other comprehensive loss (income), pre-tax</b>				
Net loss (gain)	\$ 1,356 (1)	\$ 199	\$ 73	\$ 8
Prior service cost (credit)	-	-	-	-
Total other comprehensive income	\$ 1,356	\$ 199	\$ 73	\$ 8

(1) The Company remeasured the benefit obligation at October 29, 2008 for purchase accounting at a weighted average discount rate of 7.82%. The December 31, 2008 year-end valuation was measured at a weighted average discount rate of 6.44% thus driving the majority of the \$1.4 billion in accumulated other compressive loss.

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

(In millions)	Pension Benefits		Other Benefits	
	Post-Merger	Pre-Merger	Post-Merger	Pre-Merger
	Successor	Successor	Successor	Successor
	2008	2007	2008	2007
Discount rate	6.44 %	6.31 %	6.50 %	6.24 %
Rate of future compensation increase (1)	3.50 %	3.50 %	n/a	n/a

(1) Not applicable to frozen plans.

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

(In millions)	Pension Benefits		Pension Benefits			
	Post-Merger		Pre-Merger			
	Successor		Successor	Predecessor		
	Period From October 30 to December 31, 2008		Period From January 1 to October 29, 2008	Period From June 1 to December 31, 2007	Period From January 1 to May 31, 2007	Year Ended December 31, 2006
<b>Defined benefit plan costs</b>						
Service cost	\$ 1	\$ 18	\$ 26	\$ 19	\$ 116	
Interest cost	95	470	328	225	533	
Expected return on plan assets	(57)	(467)	(337)	(207)	(484)	
Amortization of prior service cost	-	-	-	-	30	

Recognized net actuarial loss and other events	2	1	–	18	87
Net periodic benefit cost	41	22	17	55	282
Defined contribution plan costs	19	90	41	23	53
Total benefit cost	<u>\$ 60</u>	<u>\$ 112</u>	<u>\$ 58</u>	<u>\$ 78</u>	<u>\$ 335</u>

(In millions)	Other Benefits		Other Benefits			
	Post-Merger		Pre-Merger			
	Successor		Successor		Predecessor	
	Period From October 30 to December 31, 2008	Period From January 1 to October 29, 2008	Period From June 1 to December 31, 2007	Period From January 1 to May 31, 2007	Year Ended December 31, 2006	
Defined benefit plan costs						
Service cost	\$ 2	\$ 21	\$ 13	\$ 10	\$ 30	
Interest cost	6	40	27	22	59	
Expected return on plan assets	–	–	–	–	–	
Amortization of prior service cost	–	–	–	(15)	(21)	
Recognized net actuarial loss and other events	–	–	–	16	38	
Net periodic benefit cost	8	61	40	33	106	
Defined contribution plan costs	–	–	–	–	–	
Total benefit cost	<u>\$ 8</u>	<u>\$ 61</u>	<u>\$ 40</u>	<u>\$ 33</u>	<u>\$ 106</u>	

Related to the freezing of Northwest's defined benefit plans covering domestic employees in 2006, Northwest recorded net pension curtailment charges of \$283 million as a component of reorganization expense.

*Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009:*

(In millions)	Pension Benefits	Other Benefits
Net loss (gain)	\$ 18	\$ 1

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

	Pension Benefits		Other Benefits	
	Post-Merger	Pre-Merger	Post-Merger	Pre-Merger
	Successor	Successor	Successor	Successor
	2008	2007	2008	2007
Discount rate (1)	7.82 %	6.17 %	8.00 %	6.17 %
Expected long-term return on plan assets	8.75 %	9.00 %	5.00 %	5.00 %
Rate of future compensation increase (2)	3.50 %	3.50 %	n/a	n/a

- (1) The discount rates used for the period from January 2008 through October 2008 for Pension Benefits and Other Benefits were 6.31% and 6.24%, respectively.
- (2) Not applicable to frozen plans.

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, 2008 and 2007:

Asset Category	Target	Plan Assets	
		Post-Merger	Pre-Merger
		Successor	Successor
		2008	2007
Domestic stocks	35.0%	<b>36.5%</b>	42.7%
International stocks	25.0%	<b>23.3%</b>	27.1%
Private markets	10.0%	<b>17.0%</b>	9.0%
Long-duration bonds	15.0%	<b>17.6%</b>	15.7%
High yield bonds	5.0%	<b>5.2%</b>	5.1%
Cash	0.0%	<b>0.4%</b>	0.0%
Real estate	10.0%	<b>0.0%</b>	0.4%
Total	100.0%	<b>100.0%</b>	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 35% domestic equities with an expected rate of return of 9.75%; 25% international equities with an expected rate of return of 9.95%; 10% private markets with an expected rate of return of 12.80%; 15% long-duration bonds with an expected rate of return of 6.25%; 5% high yield bonds with an expected rate of return of 9.75%; and 10% real estate equities with an expected rate of return of 8.75%.

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009. The rate was assumed to decrease 0.5% per year reaching 5.0% in 2015 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 (1)	\$ 0.8	\$ (0.7)
Effect on accumulated postretirement benefit obligations	44.1	(39.0)

(1) Effect on total of service and interest cost components for the period November through December 2008.

*The 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
2009	\$ 514	\$ 44
2010	512	45
2011	523	45
2012	540	44
2013	560	43
Years 2014-2018	3,133	236

## **Note 18 – Risk Management**

The Company recognizes all derivatives on the balance sheet at fair value. The Company uses derivatives as cash flow hedges to manage the price risk of fuel, its exposure to foreign currency fluctuations, and its exposure to interest rates. For cash flow hedges that qualify for special hedge accounting treatment under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS No. 133”), the effective portion of the derivative’s gain or loss is 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. For all other derivatives, gains and losses are recorded in earnings each period.

*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 (“yen”). In 2008, the Company’s yen-denominated net cash inflow was approximately 79.3 billion yen (\$732 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. As of December 31, 2008, the Company had hedged approximately 32.1% of its anticipated 2009 yen-denominated sales. The 2009 yen hedges consist of forward contracts which hedge approximately 25.7% of yen-denominated sales at an average rate of 100.1 yen per U.S. dollar and collar options which hedge approximately 6.4% of yen-denominated sales with a rate range between 99.5 and 103.5 yen per U.S. dollar. As of December 31, 2008, a pre-tax unrealized loss of approximately \$22 million was outstanding in Accumulated other comprehensive income associated with the yen hedge contracts. Hedging gains or losses are recorded in revenue when transportation is provided. The yen financial instruments utilized to hedge yen-denominated cash flows resulted in a realized loss of \$29.1 million in 2008. As a result of not having any yen hedges in place in 2007, the Company did not realize a gain or loss.

As of December 31, 2008, the Company had no outstanding hedges for any of its 2009 anticipated Canadian dollar denominated sales. The Canadian dollar financial instruments utilized to hedge Canadian dollar-denominated cash flows in 2008 resulted in a realized gain of \$22.7 million.

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.

As of December 31, 2008, the Company had economically hedged the price of approximately 22% of its projected fuel requirements for 2009, through a combination of collars, three-way collars and swap agreements. All of the Company's existing fuel derivative contracts will expire on or before December 31, 2009.

The crude oil collars, which hedge the price of approximately 9% of the Company's projected fuel requirements for 2009, provide upside protection beginning, on average, with a crude oil equivalent price of \$110.25 per barrel, and payment obligations beginning, on average, with a crude oil equivalent price of \$88.28 per barrel. The three-way crude oil collars, which hedge the price of approximately 8% of the Company's projected fuel requirements for 2009, provide upside protection beginning, on average, with a crude oil equivalent price of \$132.02 per barrel and capped, on average, at \$157.99 per barrel, and payment obligations beginning, on average, with a crude oil equivalent price of \$114.01 per barrel. The three-way heating oil collars, which hedge the price of approximately 1% of the Company's projected fuel requirements for 2009, provide upside protection beginning, on average, with a heating oil equivalent price of \$174.30 per barrel and are capped, on average, at \$205.13 per barrel, and payment obligations beginning, on average, with a heating oil equivalent price of \$143.47 per barrel. The crude oil swaps hedge approximately 1% of the Company's projected 2009 fuel requirements and provide upside protection at an average crude oil equivalent price of \$100.35 per barrel. The 2009 jet fuel swap agreements hedge approximately 3% of the Company's projected 2009 fuel requirements and provide upside protection at a jet fuel equivalent price of \$160.94 per barrel and are capped, on average, at \$199.50 per barrel.

In December 2008, the Company entered into three-way crude oil collar contracts which completely offset existing third and fourth quarter 2009 three-way crude oil collar contracts. The Company paid \$67.4 million for these offsetting contracts, effectively settling the existing third and fourth quarter contracts which had previously hedged approximately 3% of the Company's projected 2009 fuel requirements.

In accordance with SFAS No. 133, we record the fair value of our fuel hedge contracts on our Consolidated Balance Sheets. Prior to the Merger, the Company had no fuel derivative contracts outstanding that were designated for special hedge accounting treatment under SFAS No. 133, and therefore had no related unrealized gains (losses) in Accumulated other comprehensive income. On the Closing Date, certain existing fuel derivative contracts were designated as cash flow hedges which qualify for special hedge accounting treatment. As a result, pre-tax unrealized losses on the designated fuel hedge contracts totaling approximately \$71 million were deferred in Accumulated other comprehensive income between the Closing date and December 31, 2008. Any losses related to these balances will be realized in aircraft fuel expense when the anticipated aircraft fuel purchases being hedged and the related contracts are settled.

We believe these designated fuel hedge contracts will be highly effective during the remainder of their term in offsetting changes in cash flow attributable to the hedged risk. We perform both a prospective and retrospective assessment to this effect at least quarterly, including assessing the possibility of a counterparty default. If we determine that a derivative is no longer expected to be highly effective, we

discontinue hedge accounting prospectively and recognize subsequent changes in fair value of the hedge to other income (expense) on our Consolidated Statements of Operations rather than deferring such amounts in Accumulated other comprehensive income on our Consolidated Balance Sheets.

Prior to the Merger and for those fuel derivative contracts that did not qualify or were not designated for special hedge accounting treatment after the Merger, the Company records any changes in the contracts' values as mark-to-market adjustments through the Consolidated Statement of Operations on a monthly basis. During 2008, the Company recognized \$752.0 million of fuel derivative net losses as increases in fuel expense, including \$383.5 million of unrealized losses related to fuel derivative contracts that will settle in 2009. Effective on the Closing Date the Company discontinued allocating mark-to-market adjustments to regional carrier expense for fuel consumed by our non-consolidated Airlink partners to conform with Delta's accounting policies. Prior to the Merger, the Company recognized \$48.3 million of fuel derivative net losses as increases in Regional carrier expenses, including \$26.2 million of unrealized losses related to fuel derivative contracts that will settle in 2009. During 2007, the Company recognized \$112.9 million of fuel derivative net gains as reductions in fuel expense, including \$18.7 million of unrealized gains related to fuel derivative contracts that settled in 2008. Effective June 2007, the Company began allocating mark-to-market adjustments to Regional carrier expenses for fuel consumed by our non-consolidated Airlink partners. For the seven months ended December 31, 2007, the Company recognized \$10.6 million of fuel derivative net gains as reductions in Regional carrier expenses, including \$1.7 million of unrealized gains related to fuel derivative contracts that settled in 2008. During 2006, the Company recognized \$39.3 million of fuel derivative net losses as additional fuel expense, including \$2.7 million of unrealized losses related to fuel derivative contracts that settled in 2007.

In accordance with our fuel hedge agreements, counterparties may require us to fund the margin associated with our loss position on these contracts. The amount of the margin, if any, is periodically adjusted based on the fair value of the underlying fuel hedge contracts. We do not offset margin amounts funded to counterparties against the fair value of the obligations recorded for our fuel hedge contracts.

The cash margin we provide to counterparties is recorded in Hedge margin receivable or Restricted cash, as appropriate, on our Consolidated Balance Sheets. All cash flows associated with purchasing and selling fuel hedge contracts are classified as operating cash flows on our Consolidated Statements of Cash Flows. As of December 31, 2008, payments classified as Hedge margin receivable on the Consolidated Balance Sheet totaled \$526 million.

*Interest Rates.* The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest expense from floating rate debt instruments. During June 2006, the Company entered into individual interest rate cap hedges related to three floating rate debt instruments; these interest rate cap hedges had a total cumulative notional amount of \$371 million as of December 31, 2008. During February 2008, the Company entered into individual interest rate swap hedges related to two floating rate debt instruments. Additionally, during October 2008, the Company entered into ten interest rate swap hedges related to ten floating debt instruments. The interest rate swap hedges had a total cumulative notional amount as of December 31, 2008 of \$1.4 billion. The objective of the interest rate cap and swap hedges is to protect the anticipated payments of interest (cash flows) on the designated debt instruments from adverse market interest rate changes. The maturity date of each of the interest rate cap and swap hedges corresponds exactly with the maturity dates of the designated debt instruments. As of December 31, 2008, the Company has recorded approximately \$95 million of unrealized pre-tax losses in Accumulated other comprehensive income associated with these hedges.

## **Note 19 – Related Party Transactions**

*Delta Air Lines, Inc.* On October 29, 2008, the Company completed its Merger. Subsequent to the Merger, the Company entered into a \$300 million intercompany credit facility with Delta ("Delta Credit Facility"). The Delta Credit Facility currently matures on December 21, 2009 and bears interest at the rate of 1.78% per annum. Interest on unpaid principal is paid quarterly. As of December 31, 2008, the Company had receivables of \$42.5 million from Delta and payables of \$227.3 million to Delta for a net payable position of \$184.8 million. Included in the \$227.3 million of payables to Delta was \$200 million which was drawn on the Delta Credit Facility and classified in Due to parent

company on the Consolidated Balance Sheets as of December 31, 2008. The Company drew the remaining \$100 million available under the Delta Credit Facility on February 3, 2009. On February 4, 2009, the Company amended the size of the Delta Credit Facility from \$300 million to \$750 million and drew an additional \$200 million made available by the amendment. The following is a summary of the changes in the net payable position with Delta for the period from October 30 to December 31, 2008:

(In millions)	<u>Post-Merger</u>
	<u>Successor</u>
	<u>Period From</u>
	<u>October 30 to</u>
	<u>December 31,</u>
	<u>2008</u>
Balance at beginning of period	\$ -
Net cash remitted to (received from) parent	(227.3)
Net intercompany (purchases) sales	42.5
Balance at end of period	<u>\$ (184.8)</u>

*Pinnacle.* On November 29, 2007, the Company entered into a stock redemption agreement with Pinnacle, pursuant to which Pinnacle repurchased the Company's 11.4% equity interest in Pinnacle common stock for \$32.9 million. The Company recorded a loss on the sale of common stock of \$14.2 million in the fourth quarter 2007. In January 2008, the Company sold the Preferred Series A share it held in Pinnacle for proceeds of \$20 million. The Company no longer holds any equity interests in Pinnacle as a result of the common and preferred stock sales.

Northwest and Pinnacle have entered into an airline services agreement, under which Northwest determines Pinnacle's commuter aircraft scheduling. The agreement is structured as a capacity purchase agreement whereby Northwest pays Pinnacle to operate the flights on Northwest's behalf and Northwest is entitled to all revenues associated with those flights. Under this agreement, Northwest paid \$490 million, \$533 million, and \$596 million for the years ended December 31, 2008, 2007 and 2006, respectively. The Company had payables of \$20 million and \$22 million to Pinnacle as of December 31, 2008 and 2007, respectively. As of December 31, 2008, the Company has leased 124 CRJ200 aircraft, which are in turn subleased to Pinnacle. As part of its overall restructuring efforts, the Company evaluated its airline services agreements with its regional carriers, initiated a request for proposal from its existing and other regional carrier operators, and obtained Bankruptcy Court approval of the Amended Pinnacle ASA between the Company and Pinnacle on January 11, 2007.

*Aeronautical Radio, Inc.* On October 25, 2007 the Company, together with certain other major airlines sold Aeronautical Radio, Inc. ("ARINC") to Radio Acquisition Corp., an affiliate of The Carlyle Group. For its 15.75% equity interest in ARINC, the Company received cash proceeds of \$97 million.

## 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:

(In millions)	<u>Post-Merger</u>	<u>Pre-Merger</u>			
	<u>Successor</u>	<u>Successor</u>		<u>Predecessor</u>	
	<u>Period From</u>	<u>Period From</u>	<u>Period From</u>	<u>Period From</u>	<u>Year Ended</u>
	<u>October 30 to</u>	<u>January 1 to</u>	<u>June 1 to</u>	<u>January 1 to</u>	<u>December 31,</u>
	<u>December 31,</u>	<u>October 29,</u>	<u>December 31,</u>	<u>May 31,</u>	<u>December 31,</u>
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>2006</u>

Domestic	\$ 1,326	\$ 7,466	\$ 4,925	\$ 3,347	\$ 8,561
Pacific, principally Japan	449	2,420	1,683	1,063	2,711
Atlantic	247	1,664	996	514	1,296
Total operating revenues	\$ 2,022	\$ 11,550	\$ 7,604	\$ 4,924	\$ 12,568

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 are summarized below:

(In millions, except per share amounts)	Pre-Merger			Post-Merger	
	Successor			Successor	
	1st Quarter	2nd Quarter	3rd Quarter	Period From October 1 to October 29	Period From October 30 to December 31
<b>2008:</b>					
Operating revenues	\$ 3,127	\$ 3,576	\$ 3,798	\$ 1,049	\$ 2,022
Operating income (loss)	(4,053)	(300)	(216)	(586)	(405)
Net income (loss)	\$ (4,139)	\$ (377)	\$ (317)	\$ (629)	\$ (539)
<i>Basic and diluted earnings (loss) per common share</i>	\$ (15.78)	\$ (1.43)	\$ (1.20)	\$ (2.37)	
	Pre-Merger				
	Predecessor		Successor		
		Period From April 1 to May 31	Period From June 1 to June 30	3rd Quarter	4th Quarter
<b>2007:</b>					
Operating revenues	\$ 2,873	\$ 2,051	\$ 1,130	\$ 3,378	\$ 3,096
Operating income (loss)	201	162	195	459	87
Net income (loss)	\$ (292)	\$ 2,043	\$ 106	\$ 244	\$ (8)
<i>Basic earnings (loss) per common share</i>	\$ (3.34)	\$ 23.37	\$ 0.41	\$ 0.93	\$ (0.03)
<i>Diluted earnings (loss) per common share</i>	\$ (3.34)	\$ 16.87	\$ 0.41	\$ 0.93	\$ (0.03)
	Pre-Merger				
	Predecessor				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
<b>2006:</b>					
Operating revenues	\$ 2,890	\$ 3,291	\$ 3,407	\$ 2,980	
Operating income (loss)	(15)	295	366	94	
Net income (loss)	\$ (1,104)	\$ (285)	\$ (1,179)	\$ (267)	
<i>Basic and diluted earnings (loss) per common share</i>	\$ (12.65)	\$ (3.27)	\$ (13.50)	\$ (3.06)	

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

(In millions)	Pre-Merger				Post-Merger
	Successor				Successor
	1st Quarter	2nd Quarter	3rd Quarter	Period From October 1 to October 29	Period From October 30 to December 31
<b>2008:</b>					
Goodwill and other indefinite-lived intangibles impairment	\$ (3,917)	\$ 76	\$ -	\$ -	\$ -
Merger related expenses	-	-	-	(224)	(333)
Impact on net income (loss) from unusual items	<u>\$ (3,917)</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ (224)</u>	<u>\$ (333)</u>

	Pre-Merger				
	Predecessor		Successor		
		Period From April 1 to May 31	Period From June 1 to June 30	3rd Quarter	4th Quarter
	1st Quarter				
<b>2007:</b>					
Gain (loss) on sale of assets	\$ -	\$ -	\$ -	\$ -	\$ (14)
Reorganization items	(393)	1,944	-	-	-
Impact on net income (loss) from unusual items	<u>\$ (393)</u>	<u>\$ 1,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14)</u>

	Pre-Merger			
	Predecessor			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>2006:</b>				
Severance expenses	\$ -	\$ -	\$ -	\$ (23)
Reorganization items	(975)	(464)	(1,431)	(295)
Impact on net income (loss) from unusual items	<u>\$ (975)</u>	<u>\$ (464)</u>	<u>\$ (1,431)</u>	<u>\$ (318)</u>

#### Note 22 – Subsequent Events (Unaudited)

In December 2008, we announced two additional voluntary workforce reduction programs for U.S. non-pilot employees to align staffing with planned capacity reductions. Approximately 18,000 employees were eligible for these programs by notifying us of their decision to participate in the period which began in January 2009 and ended in February 2009 (the “Election Period”). We did not record any charge for these programs at December 31, 2008, because we could not reasonably estimate on that date who would elect to participate in the programs. During the Election Period, approximately 1,500 employees decided to participate. Accordingly, we expect to record \$30 million to \$40 million in restructuring charges during the March 2009 quarter for these programs.

#### 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, 2008, management performed an evaluation under the supervision and with the participation of the Company’s President and Chief Executive Officer and 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 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 Vice President and Chief Financial Officer of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008. 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, 2008 was effective. The Company’s independent registered public accounting firm has issued an attestation report on the Company’s internal control over financial reporting. This report appears on page 70.

**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

#### The Board of Directors and Shareholders Northwest Airlines Corporation

We have audited Northwest Airlines Corporation’s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Northwest Airlines Corporation’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 included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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

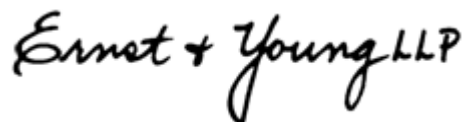


accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition 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, Northwest Airlines Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, 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 as of December 31, 2008 (Post-merger Successor) and as of December 31, 2007 (Pre-merger Successor), and the related consolidated statements of operations, common stockholders' equity (deficit), and cash flows for the period from October 30, 2008 to December 31, 2008 (Post-merger Successor), the period from January 1, 2008 to October 29, 2008 (Pre-merger Successor), the seven months ended December 31, 2007 (Pre-merger Successor), the 5 months ended May 31, 2007 (Pre-merger Predecessor), and for the year ended December 31, 2006 (Pre-merger Predecessor). Our report dated March 2, 2009 expressed an unqualified opinion.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Minneapolis, Minnesota  
March 2, 2009

**Item 9B. OTHER INFORMATION**

None.

**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Omitted under the reduced disclosure format permitted by General Instruction I(2)(c) of Form 10-K.

**Item 11. EXECUTIVE COMPENSATION**

Omitted under the reduced disclosure format permitted by General Instruction I(2)(c) of Form 10-K.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Omitted under the reduced disclosure format permitted by General Instruction I(2)(c) of Form 10-K.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

Omitted under the reduced disclosure format permitted by General Instruction I(2)(c) of Form 10-K.

**Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

## Audit Fees

The aggregate fees billed to the Company by Ernst & Young for services rendered during 2008 and 2007 were as follows:

*Audit Fees.* Fees for audit services totaled approximately \$3,954,000 in 2008 and approximately \$4,704,000 in 2007, including fees associated with the annual audit of the financial statements, audit of internal controls over financial reporting, the reviews of the Company's quarterly reports on Form 10-Q, services in connection with regulatory filings, accounting consultations, and other audits required by regulation or contract.

*Audit-Related Fees.* Fees for audit-related services totaled approximately \$338,000 in 2008 and approximately \$243,000 in 2007. Audit-related services principally include audits of the Company's employee benefit plans and due diligence procedures on potential mergers.

*Tax Fees.* Fees for tax services, including tax compliance, tax advice and tax planning including expatriate tax services, totaled approximately \$367,000 in 2008 and approximately \$236,000 in 2007.

*All Other Fees.* Fees for all other services totaled \$2,000 in 2008 and \$1,500 in 2007 for a subscription to online technical resources.

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## 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.

	<u>Page</u>
<a href="#"><u>Consolidated Balance Sheets—December 31, 2008 and December 31, 2007</u></a>	17-18
<a href="#"><u>Consolidated Statements of Operations—For the period from October 30 to December 31, 2008, the period from January 1 to October 29, 2008, the period from June 1 to December 31, 2007, the period from January 1 to May 31, 2007, and for the year ended December 31, 2006</u></a>	19
<a href="#"><u>Consolidated Statements of Cash Flows—For the period from October 30 to December 31, 2008, the period from January 1 to October 29, 2008, the period from June 1 to December 31, 2007, the period from January 1 to May 31, 2007, and for the year ended December 31, 2006</u></a>	20
<a href="#"><u>Consolidated Statements of Common Stockholders' Equity (Deficit)—For the period from October 30 to December 31, 2008, the period from January 1 to October 29, 2008, the period from June 1 to December 31, 2007, the period from January 1 to May 31, 2007, and for the year ended December 31, 2006</u></a>	21-22
<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	23

**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.

**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 Amended and Restated Certificate of Incorporation of Northwest Airlines Corporation (filed as Exhibit 3.1 to NWA Corp.' s Registration Statement on Form 8-A filed on May 18, 2007 and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws of Northwest Airlines Corporation (filed as Exhibit 3.2 to NWA Corp.' s Current Report on Form 8-K filed on October 31, 2008 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 Amended and Restated 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 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 Airport Use and Lease Agreement dated as of June 1, 2005 between Wayne County Airport Authority and Northwest Airlines, Inc. (filed as Exhibit 10.3 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).

- 10.2 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. (filed as Exhibit 10.4 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.3 Amendment to Airline Operating Agreement and Terminal Building Lease Minneapolis-St. Paul International Airport dated as of March 29, 2002 between the Metropolitan Airports Commission and Northwest Airlines, Inc. (filed as Exhibit 10.5 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
- 10.4 Second Amendment to Airline Operating Agreement and Terminal Building Lease Minneapolis-St. Paul International Airport dated as of November 15, 2004 between the Metropolitan Airports Commission and Northwest Airlines, Inc. (filed as Exhibit 10.6 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
- 10.5 Third Amendment to Airline Operating Agreement and Terminal Building Lease Minneapolis-St. Paul International Airport dated as of May 9, 2007 by and between the Metropolitan Airports Commission and Northwest Airlines, Inc. (filed as Exhibit 10.7 to NWA Corp.' s Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).

- 10.6 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).
- 10.7 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).
- 10.8 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).
- 10.9 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).
- 10.10 Form of Credit Agreement to be entered into pursuant to Exhibits 10.10 and 10.13 (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).
- 10.11 Form of Mortgage to be entered into pursuant to Exhibits 10.10 and 10.13 (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).
- 10.12 A330 Financing Letter Agreement dated as of January 24, 2006 between Northwest Airlines, Inc. and AVSA S.A.R.L. (filed as Exhibit 10.3 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.13 Form of Credit Agreement to be entered into pursuant to Exhibit 10.16 by Northwest Airlines, Inc. and Airbus Financial Services (filed as Exhibit 10.4 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.14 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).

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- 10.15 Super Priority Debtor in Possession and Exit Credit and Guarantee Agreement dated as of August 21, 2006 among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lenders and agents (filed as Exhibit 10.1 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference).

- 10.16 First Amendment dated as of March 9, 2007 to the Super Priority Debtor in Possession and Exit Credit and Guarantee Agreement dated as of August 21, 2006 among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lenders and agents (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated herein by reference).
- 10.17 Second Amendment dated as of April 30, 2008 to the Super Priority Debtor in Possession and Exit Credit and Guarantee Agreement dated as of August 21, 2006 among Northwest Airlines Corporation, Northwest Airlines, Inc. and various lenders and agents (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
- 10.18 Third Amendment dated as of September 15, 2008 to the Super Priority Debtor in Possession and Exit Credit and Guarantee Agreement dated as of August 21, 2006 among Northwest Airlines Corporation, Northwest Airlines, Inc. and various lenders and agents (filed as Exhibit 99.1 to NWA Corp.'s Current Report on Form 8-K filed on September 17, 2008 and incorporated herein by reference).
- 10.19 Route Security Agreement dated as of August 21, 2006 between Northwest Airlines, Inc. and Citicorp USA, Inc., as Collateral Agent (filed as Exhibit 10.2 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference).
- 10.20 Equity Commitment Agreement dated as of February 12, 2007 among Northwest Airlines Corporation, Northwest Airlines, Inc. and J.P. Morgan Securities Inc. (filed as Exhibit 10.2 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated herein by reference).
- 10.21 Credit Agreement dated as of October 29, 2008 among Northwest Airlines, Inc., Northwest Airlines Corporation, certain subsidiaries of Northwest Airlines, Inc., various lenders and U.S. Bank National Association, as Administrative Agent.
- 10.22 First Amendment dated as of December 9, 2008 to the Credit Agreement dated as of October 29, 2008 among Northwest Airlines, Inc., Northwest Airlines Corporation, certain subsidiaries of Northwest Airlines, Inc., various lenders and U.S. Bank National Association, as Administrative Agent.
- \*10.23 Northwest Airlines, Inc. Excess Pension Plan for Salaried Employees (2001 Restatement) (filed as Exhibit 10.28 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference).
- \*10.24 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).
- \*10.25 Third Amendment of Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement) (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
- \*10.26 2007 Stock Incentive Plan (filed as Exhibit 99.2 to NWA Corp.'s Current Report on Form 8-K filed on May 29, 2007 and incorporated herein by reference).
- \*10.27 Amendment No. 1 to the Northwest Airlines Corporation 2007 Stock Incentive Plan (filed as Exhibit 10.2 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and incorporated herein by reference).
- \*10.28 Amendment No. 2 to the Northwest Airlines Corporation 2007 Stock Incentive Plan (filed as Exhibit 10.5 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).

- \*10.29 Form of Award Agreement for Non-Qualified Stock Options Granted to Employees under the Northwest Airlines Corporation 2007 Stock Incentive Plan (filed as Exhibit 99.5 to NWA Corp.' s Current Report on Form 8-K filed on May 29, 2007 and incorporated herein by reference).
- \*10.30 Amendment No. 1 to Form of Award Agreement for Non-Qualified Stock Options Granted to Employees under the Northwest Airlines Corporation 2007 Stock Incentive Plan (filed as Exhibit 10.7 to NWA Corp.' s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 12.2 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Requirements.
- 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 directors or executive officers of NWA Corp. or 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 2, 2009

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 Edward H. Bastian, Terry W. Mackenthun 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 2<sup>nd</sup> day of March 2009 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ EDWARD H. BASTIAN

Edward H. Bastian  
President and Chief Operating Officer (principal executive officer) and Director

/s/ RICHARD B. HIRST

Richard B. Hirst  
Director

/s/ TERRY W. MACKENTHUN

Terry W. Mackenthun  
Vice President & Chief Financial Officer (principal financial officer)

/s/ PAUL A. JACOBSON

Paul A. Jacobson  
Director

/s/ ANNA M. SCHAEFER

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

NORTHWEST AIRLINES CORPORATION

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	Additions		Deductions – Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts – Describe		
<b>Period from October 30, 2008 to December 31, 2008 - Post-Merger Successor Company</b>					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 6	\$ 1	\$ –	\$ 1 <sup>(1)</sup>	\$ 6
Accumulated allowance for depreciation of flight equipment spare parts	–	3	–	–	3
<b>Period from January 1, 2008 to October 29, 2008 - Pre-Merger Successor Company</b>					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 4	\$ 6	\$ –	\$ 4 <sup>(1)</sup>	\$ 6
Accumulated allowance for depreciation of flight equipment spare parts	10	16	–	26 <sup>(4)</sup>	–
<b>Period from June 1, 2007 to December 31, 2007 - Pre-Merger Successor Company</b>					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 6	\$ 5	\$ –	\$ 7 <sup>(1)</sup>	\$ 4
Accumulated allowance for depreciation of flight equipment spare parts	–	10	1 <sup>(2)</sup>	1 <sup>(3)</sup>	10



**Period from January 1, 2007 to May 31, 2007 - Pre-Merger Predecessor Company**

Allowances deducted from asset accounts:

Allowance for doubtful accounts	\$	14	\$	3	\$	–	\$	11 <sup>(1)</sup>	\$	6
Accumulated allowance for depreciation of flight equipment spare parts		255		2		3 <sup>(2)</sup>		260 <sup>(3)</sup>		–

**Year Ended December 31, 2006 - Pre-Merger Predecessor Company**

Allowances deducted from asset accounts:

Allowance for doubtful accounts	\$	12	\$	6	\$	–	\$	4 <sup>(1)</sup>	\$	14
Accumulated allowance for depreciation of flight equipment spare parts		243		11		4 <sup>(2)</sup>		3 <sup>(3)</sup>		255

(1) Uncollectible accounts written off, net of recoveries

(2) Interaccount transfers

(3) Adjustments as required for the adoption of fresh-start reporting on June 1, 2007, dispositions and write-offs

(4) Adjustments as required for the application of purchase accounting on October 29, 2008, dispositions and write-offs

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**CREDIT AGREEMENT**

**by and among**

**NORTHWEST AIRLINES, INC.,**

**as Borrower,**

**NORTHWEST AIRLINES CORPORATION,**

**MCH, INC.,**

**COMPASS AIRLINES, INC.,**

**MESABA AVIATION, INC.,**

**NWA FUEL SERVICES CORPORATION,**

**NORTHWEST AEROSPACE TRAINING CORPORATION,**

**NWA RETAIL SALES INC.,**

**and MLT INC.,**

**as Guarantors,**

**THE LENDERS FROM TIME TO TIME PARTIES HERETO,**

**U.S. BANK NATIONAL ASSOCIATION,**

**as Lead Arranger, Joint Book Runner and Administrative Agent,**

**CITIGROUP GLOBAL MARKETS INC. and MORGAN STANLEY BANK, N.A.,**

**as Co-Lead Arrangers and Joint Book Runners**

Dated as of October 29, 2008

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## CREDIT AGREEMENT

This Credit Agreement (“Agreement”), dated as of October 29, 2008, is made and entered into by and among NORTHWEST AIRLINES, INC., a corporation organized under the laws of the State of Minnesota (the “Borrower”), NORTHWEST AIRLINES CORPORATION, a corporation organized under the laws of the State of Delaware (including, from and after the Initial Delta Merger Date, as defined below, the surviving corporation of the Initial Delta Merger, as defined below, “Holdings”), MCH, INC., a corporation organized under the laws of the State of Delaware (“MCH”), COMPASS AIRLINES, INC., a corporation organized under the laws of the State of Delaware (“Compass”), MESABA AVIATION, INC., a corporation organized under the laws of the State of Minnesota (“Mesaba”), NWA FUEL SERVICES CORPORATION, a corporation organized under the laws of the State of New York (“NWA Fuel”), NORTHWEST AEROSPACE TRAINING CORPORATION, a corporation organized under the laws of the State of Delaware (“Northwest Aerospace”), NWA RETAIL SALES INC., a corporation organized under the laws of the State of Minnesota (“NWA Retail”), and MLT INC., a corporation organized under the laws of the State of Minnesota (“MLT”) (Holdings, MCH, Compass, Mesaba, NWA Fuel, Northwest Aerospace, NWA Retail and MLT each individually a “Guarantor” and, collectively, the “Guarantors”), each entity that is a party hereto from time to time as a lender (each individually a “Lender” and, collectively, the “Lenders”), U.S. BANK NATIONAL ASSOCIATION, a national banking association (“U.S. Bank”), as a Lender and Letter of Credit Issuer, lead arranger and joint book runner and as administrative agent for the Secured Creditors, as defined below (in such capacity, the “Agent”), CITIBANK, N.A., a national banking association, as a Lender, CITIGROUP GLOBAL MARKETS INC., as co-lead arranger and joint book runner, and MORGAN STANLEY BANK, N.A., a national banking association, as a Lender, co-lead arranger and joint book runner.

WHEREAS, the Borrower and each Guarantor have requested the Lenders to make available to the Borrower a secured revolving credit facility (capitalized terms used in these recitals having the meanings assigned thereto in the preamble hereto); and

WHEREAS, the Lenders are willing to make such credit facility available, on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings (and such meanings shall be equally applicable to both the singular and plural form of the terms defined, as the context may require):

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“Account Control Agreement” means, in respect of a deposit account, sweep account linked thereto or other securities account owned by the Borrower or a Guarantor, an agreement among the Borrower or such Guarantor, as the case may be, the Agent, acting on behalf of the Secured Creditors and other Persons to the extent provided in the Agency Agreement, and the bank or the securities intermediary or financial institution, as applicable, with which such account is maintained, in respect of such account, in each case in form and substance reasonably satisfactory to the Agent.

“Acquisition” means an acquisition, the consideration for which is paid (in whole or in part) in cash (it being understood that any deferred purchase price or assumed Indebtedness due within one year after any such acquisition shall be treated as paid in cash as of the date of such acquisition), by any Person of (a) the Capital Stock of any other Person which, upon consummation of such acquisition, becomes a Subsidiary of such Person, (b) assets constituting all or substantially all of the assets of any other Person, (c) assets constituting an operating unit or division of any other Person, (d) one or more Routes in a single transaction or series of related transactions to the extent that the cash consideration for the acquisition of such Routes exceeds \$50,000,000, (e) Intellectual Property used in connection with the operation of an air passenger or cargo business by any other Person purchased outside the ordinary course of business from any such Person in a single transaction or series of related transactions to the extent that the cash consideration for the acquisition of such Intellectual Property exceeds \$25,000,000 and (f) Flight Equipment from any other Person (other than a manufacturer) in a single transaction or series of related transactions to the extent the cash consideration for the acquisition of such Flight Equipment exceeds \$100,000,000, including any such acquisition in connection with the establishment of a low cost air passenger business.

“Adjusted Daily LIBOR Rate” means, with respect to each day, the rate determined by dividing the Daily LIBOR Rate in effect on such day by 1.00 minus the LIBOR Reserve Percentage.

“Adjusted LIBOR Rate” means, with respect to each Interest Period applicable to a LIBOR Advance, the rate determined by dividing the LIBOR Rate for such Interest Period by 1.00 minus the LIBOR Reserve Percentage.

“Advance” means any portion of the outstanding Loans by a Lender as to which one of the available interest rate options and, if pertinent, an Interest Period, is applicable. Subject to the terms and conditions hereof, an Advance may be a LIBOR Advance or a Base Rate Advance, and a LIBOR Advance may be a One-Month LIBOR Advance, a Two-Month LIBOR Advance or a Three-Month LIBOR Advance.

“Affiliate” means as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct



or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“Agency Agreement” means that certain Agency Agreement dated as of October 29, 2008, between U.S. Bank and JPMorgan Chase Bank, N.A., in each case in the capacity or capacities referred to therein.

“Agent” has the meaning given in the preamble.

“Aggregate Commitment Amount” means, as of any date, the sum of the Commitment Amounts of all the Lenders.

“Aircraft” means any “Aircraft”, as defined in any of the Aircraft Mortgages.

“Aircraft Fuel” has the meaning given in the Security Agreement.

“Aircraft Mortgages” means the NWA Aircraft Mortgage, the Compass Aircraft Mortgage and the Mesaba Aircraft Mortgage.

“Airport Authority” means any city or any public or private board or other body or organization chartered or otherwise established for the purpose of administering, operating or managing airports or related facilities, which in each case is an owner, administrator, operator or manager of one or more airports or related facilities.

“Applicable Lending Office” means, for each Lender and for each type of Advance, the office of such Lender identified as such Lender’s Applicable Lending Office on the signature pages hereof or such other domestic or foreign office of such Lender (or of an Affiliate of such Lender) as such Lender may specify from time to time, by notice given pursuant to Section 10.4, to the Agent and the Borrower as the office by which its Advances of such type are to be made and maintained.

“Applicable Margin” means:

- (a) for LIBOR Advances,
  - (i) 3.50% for Tranche 1 Loans; and
  - (ii) 4.50% for Tranche 2 Loans; and
- (b) for Base Rate Advances,
  - (i) 2.00% for Tranche 1 Loans; and
  - (ii) 3.00% for Tranche 2 Loans.

“Applicable Termination Date” means, for any Loan, the earlier of (a) (I) if such Loan is a Tranche 1 Loan, the Tranche 1 Termination Date, and (II) if such Loan is a Tranche 2 Loan, the Tranche 2 Termination Date, (b) the date on which the Borrower ceases to be a separate legal entity and an operating airline, including, without limitation,

the Final Delta Consolidation Date, and (c) the date on which the Aggregate Commitment Amount is reduced to zero or the Commitments are terminated, pursuant to Section 2.17, Section 7.1 or otherwise.

“Appraisal Report” means an appraisal in form and substance reasonably satisfactory to the Agent and prepared by the Non-Real Estate Appraisers or the Real Estate Appraisers, as applicable, that certifies, at the time of determination, the Current Appraised Value of the applicable Collateral.

“Appraised Collateral” means Collateral that is Mortgaged Aircraft Collateral, Appraised FAA Slots, Spare Parts owned by the Borrower, Japanese Real Property Assets or any other individual asset that constitutes Collateral and is included in an Appraisal Report.

“Appraised FAA Slots” means FAA Slots that constitute “Collateral” as defined in the Slot and Gate Security Agreement and are included in an Appraisal Report.

“Appraisers” means the Non-Real Estate Appraisers and the Real Estate Appraisers.

“Assigned Engine Lease” has the meaning given in the NWA Aircraft Mortgage.

“Bailee Letter” means an agreement in form and substance reasonably satisfactory to the Agent executed by a Person who is or may from time to time be in possession of property of the Borrower, pursuant to which such Person, subject to exceptions reasonably acceptable to the Agent, (i) acknowledges the Agent’s Lien in such property and (ii) agrees that, upon notice from the Agent, such Person will dispose of such property only in accordance with the Agent’s directions.

“Base Rate” means, as of any date of determination, the greatest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50%, and (c) the Adjusted Daily LIBOR Rate in effect and reset each Business Day plus 2.00%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or the Adjusted Daily LIBOR Rate, as applicable.

“Base Rate Advance” means an Advance with respect to which the interest rate is determined by reference to the Base Rate.

“Board” means the Board of Governors of the Federal Reserve System or any successor thereto.

“Borrower” has the meaning given in the preamble.

“Borrowing Request” means a request substantially in the form of Exhibit I hereto and executed by a Responsible Officer of the Borrower.

“Business Day” means any day (other than a Saturday, Sunday or legal holiday in the State of Minnesota or the State of New York) on which commercial banks are permitted to be open in Minneapolis, Minnesota and New York, New York; provided that, if any such day relates to a LIBOR Advance, the Adjusted LIBOR Rate or the Adjusted Daily LIBOR Rate, such day must also be a day on which dealings in U.S. Dollar deposits are conducted by and between banks in the London interbank Eurodollar market.

“Cape Town Convention” means the official English language texts of the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment which were signed in Cape Town, South Africa (together with the Regulations and Procedures issued by the Supervisory Authority for the International Registry and all other rules, amendments, supplements, modifications and revisions thereto), as in effect in any applicable jurisdiction and as the same may be amended from time to time.

“Capital Lease Obligations” means as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

“Cases” means the voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York filed on September 14, 2005, by Holdings, the Borrower and certain other Affiliates and certain of the Borrower’s domestic Subsidiaries.

“Cash Equivalent Securities” means cash or:

- (a) marketable securities (i) issued or directly and unconditionally guaranteed as to interest and principal by the United States government or (ii) issued by any agency of the United States the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one year or less after the date of issuance;
  - (b) certificates of deposit issued by U.S. Bank and maturing within one year or less after the date of issuance;
- or

- (c) short-term commercial paper issued by U.S. Bank carrying ratings of A-1+ from S&P and P-1 from Moody’s.

“Cash Liquidity” means, at any time, the sum of (a) (I) unrestricted cash and cash equivalents of Holdings and its Subsidiaries at such time and (II) unrestricted short term investments of Holdings and its Subsidiaries at such time, excluding, however, in the case of both clause (I) and clause (II), any such cash, cash equivalents or short term investments on deposit or held in any of the Pledged Dual-Control Accounts, Excluded Accounts or Escrow Accounts, and (b) the Undrawn Facility Amount at such time.

“Cash Liquidity Report” means a report certified by a Responsible Officer of the Borrower substantially in the form of Exhibit D (with such changes as may be reasonably approved by the Agent).

“Certificated Air Carrier” means a Citizen of the United States holding a carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49, for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo.

“Citicorp Credit Agreement” means that certain Super Priority Debtor In Possession and Exit Credit and Guarantee Agreement, dated as of August 21, 2006, among Holdings, the Borrower, certain Affiliates thereof, the several banks and other financial institutions or entities from time to time parties thereto as lenders, Citicorp USA, Inc., as administrative agent, and certain other parties, as amended to date and as may be amended, restated, modified, supplemented or amended and restated from time to time

“Citicorp Credit Agreement Obligations” means “Obligations” under and as defined in the Citicorp Credit Agreement.

“Citizen of the United States” has the meaning provided in Section 40102(a)(15) of Title 49.

“Class D Certificates” has the meaning given in the Security Agreement.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collateral” means the property of the Borrower and the Guarantors, as applicable, upon which a Lien is purported to be created by any Security Document; provided that “Collateral” shall not include any such property Disposed of in accordance with the terms of Section 6.5.

“Collateral Coverage Shortfall Deposit” has the meaning given in Section 6.1(c).

“Collateral Coverage Threshold” means \$625,000,000.

“Collateral Event” means, with respect to an item of Collateral, any of the events described below:

(a) with respect to any and all Appraised FAA Slots affected thereby, (i) the occurrence of any event, including the Borrower’s or any applicable Guarantor’s abandonment or failure to comply with any applicable Use or Lose Rule, that would allow the FAA, the DOT, any other Governmental Authority or any Airport Authority to withdraw, cancel, suspend or terminate the Borrower’s or such Guarantor’s authority to hold or use any of the Appraised FAA Slots at any one airport, or (ii) any withdrawal, retirement, reallocation, re-characterization or revision thereof by the FAA, the DOT, any other Governmental Authority or any Airport Authority (A) in connection with or as a consequence of the merger, as contemplated by the Merger Agreement, of the Borrower and Delta (including the Initial Delta Merger), or (B) pursuant to or as a consequence of any regulatory changes (including, without limitation, the issuance, effectiveness or implementation of 14 C.F.R. Part 93 Subpart C), or any judicial or administrative determination in any petition, action or proceeding (with the resulting appraisal under Section 5.6(c), in the case of clause (i) or clause (ii), being an appraisal of the Appraised FAA Slots at such airport);

(b) the failure of any material assumption contained in any Appraisal Report or Collateral Report or otherwise bearing on the Current Appraised Value of any Eligible Collateral from time to time to be true, except to the extent such failure would not reasonably be expected to affect in a materially adverse manner the Current Appraised Value of the applicable Appraised Collateral, or the value assigned to the applicable Collateral in such Collateral Report or otherwise, as applicable, in each case as determined by the Agent or the Required Lenders; or

(c) without limiting the generality of clause (b) above, (i) any failure of the Borrower or any applicable Guarantor to maintain insurance in accordance with the provisions of this Agreement or any Security Document with respect to such item of Collateral, and (ii) any Event of Loss with respect to such item of Collateral.

“Collateral Report” means a report certified by a Responsible Officer of the Borrower substantially in the form of Exhibit B (with such changes as may be reasonably approved by the Agent).

“Collateralization Requirements” means the covenant set forth in Section 6.1(c) and the Deposit Requirement.

“Commitment” means, with respect to a Lender, the agreement of such Lender to make Loans to the Borrower in an aggregate principal amount outstanding at any time not to exceed such Lender’s Commitment Amount (or, if the term “Commitment” is used specifically in respect of Tranche 1 Loans or Tranche 2 Loans, a portion thereof equal to such Lender’s Tranche 1 Commitment Amount or Tranche 2 Commitment Amount,

respectively) upon the terms and subject to the conditions and limitations of this Agreement.

“Commitment Amount” means, with respect to a Lender, the sum of (a) such Lender’s Tranche 1 Commitment Amount and (b) such Lender’s Tranche 2 Commitment Amount (to the extent that such Lender has any such Commitment).

“Commitment Fees” has the meaning specified in Section 2.18(b).

“Commonly Controlled Entity” means an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

“Compass” has the meaning given in the preamble.

“Compass Aircraft Mortgage” means that certain Equipment Mortgage and Security Agreement dated as of the date hereof, between Compass and the Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time, including by way of any Mortgage Supplement (as defined therein).

“Compliance Certificate” means a certificate of a Responsible Officer of the Borrower substantially in the form of Exhibit C (with such changes as may be reasonably approved by the Agent).

“Consolidated EBITDAR” means for any period, without duplication, the consolidated operating income of Holdings and its Subsidiaries for such period (calculated on a consolidated basis in accordance with GAAP and in a manner consistent with the consolidated financial statements of Holdings and its Subsidiaries for the preceding periods plus (i) consolidated aircraft operating rental expenses of Holdings and its Subsidiaries that were deducted in arriving at the amount of such consolidated operating income for such period (excluding total consolidated aircraft operating rental income received by Holdings and/or its Subsidiaries during such period under leases with non-consolidated third-party operators to the extent such income was excluded from Consolidated Fixed Charges for such period) plus (ii) amortization and depreciation that were deducted in arriving at the amount of such consolidated operating income for such period plus (iii) interest income of Holdings and its Subsidiaries during such period plus (iv) all government reimbursements in cash for losses incurred as a result of developments affecting the aviation industry (including, without limitation, terrorist acts and epidemic diseases) plus (v) any non-recurring non-cash charges of Holdings and its Subsidiaries recorded during such period (excluding any such charge incurred in the ordinary course of business that constitutes an accrual of or a reserve for cash charges for any future period), all as determined on a consolidated basis in accordance with GAAP; plus (vi) cash or non-cash non-recurring charges resulting from the Borrower’s fleet restructuring during the Cases and professional fees and other direct bankruptcy costs related to the Cases, provided, however, that cash payments made in such period or in any future period in respect of such noncash charges (excluding any such charge incurred

in the ordinary course of business that constitutes an accrual of or a reserve for cash charges for any future period) shall be subtracted in calculating Consolidated EBITDAR in the period when such payments are made, and provided further that Consolidated EBITDAR shall be calculated without giving effect to any acceleration of flight equipment rental expense after August 21, 2006 required as a result of the Borrower’s decision to remove an aircraft or aircraft class from the operating fleet of the Borrower.

“Consolidated Fixed Charges” means for any period, the total consolidated interest expense (excluding (x) fees and expenses incurred in connection with the Second Amendment, dated as of April 30, 2008, to the Citicorp Credit Agreement, and the Third Amendment, dated as of September 15, 2008, to the Citicorp Credit Agreement and (y) non-cash merger-related adjustments incurred in connection with the Initial Delta Merger) of Holdings and its Subsidiaries for such period (calculated without regard to

any limitations on the payment thereof) plus, without duplication, that portion of Capital Lease Obligations of Holdings and its Subsidiaries representing the interest factor for such period, plus (i) the total consolidated aircraft operating rental expenses of Holdings and its Subsidiaries for such period less (ii) the total consolidated aircraft operating rental income received by Holdings and/or its Subsidiaries during such period under leases with non-consolidated third-party operators but only if, in the case of any such lease, such rental income was received at a time when the applicable non-consolidated third-party operator was not in default in the payment of any obligation due and owing under such lease which remains uncured, all as determined on a consolidated basis in accordance with GAAP, provided that Consolidated Fixed Charges shall be calculated without giving effect to any acceleration of flight equipment rental expense required as a result of the Borrower's decision to remove an aircraft or aircraft class from the operating fleet of the Borrower.

“Contingent Obligations” means, as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations (“primary obligations”) of any other Person (other than Holdings or any of its Subsidiaries) (the “primary obligor”), in any manner, whether directly or indirectly, including any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof, provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or; if less, the maximum amount of such-primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the

maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Currency Exchange Rate Protection Agreement” means any foreign currency exchange agreement, currency swap agreement or other similar agreement or arrangement entered into for the purpose of hedging foreign currency risk.

“Current Appraised Value” means, at any time, an amount expressed in U.S. Dollars equal to:

(a) in the case of Appraised Collateral other than Spare Parts and Japanese Real Property Assets, the fair market value thereof as reflected in the most recent Appraisal Report obtained in respect of such Collateral in accordance with this Agreement and delivered to the Agent, so long as such Appraisal Report was certified and delivered not more than one year prior to such time (provided, however, that in the case of any Aircraft that has been Parked for a period of more than thirty (30) days, such Appraisal Report shall have been certified and delivered after such 30-day period with respect to such Aircraft);

(b) (i) in the case of Spare Parts owned by the Borrower, the aggregate of the values for each Spare Part stock number by category (airframe, avionics or engine parts, as applicable) calculated as the product of (A) the then current book value for each such stock number and (B) a fraction, the numerator of which is the fair market value for such stock number (as reported in the applicable Appraisal Report) and the denominator of which is the book value for such stock number (as reported in the applicable Appraisal Report), and (ii) in the case of Spare Parts owned by Compass or Mesaba, the book value thereof as reflected in the financial statements most recently delivered to the Agent under Section 5.1;

(c) in the case of Aircraft Fuel, the applicable amount thereof, in gallons, reflected in the Borrower's consolidated financial statements and reported in the applicable Collateral Report as of the end of the most recently-ended calendar month as being owned by the Borrower at the fifteen locations in the United States with the highest volumes of Aircraft Fuel owned thereby, multiplied by the price per gallon in U.S. Dollars of jet fuel published under the heading "Spot Price Assessments: U.S. Gulf Coast: Pipeline: Jet Kerosene" in the issue of Platt's Oilgram (or such other source as the Agent may in its reasonable discretion select) that reports prices effective on the last day of such month or, if such day is not a Business Day, the immediately preceding Business Day;

(d) in the case of Japanese Real Property Assets, the net book value thereof as reported in the Borrower's consolidated financial statements as of the end of the most recently-ended calendar month;

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(e) in the case of the Class D Certificates, the lesser of (i) \$38,000,000 and (ii) an amount otherwise determined in accordance herewith; and

(f) in the case of other Eligible Collateral, the value determined in accordance herewith and most recently reported by the Borrower in a Collateral Report,

each such value or amount in the case of clauses (b) through (f) referred to in this definition to be (x) determined in a manner reasonably satisfactory to the Agent and (y) subject to reserves and other criteria established from time to time by the Agent in its commercially reasonable discretion; provided, however, that if at any time (A) an Event of Loss or any other Collateral Event occurs with respect to any Collateral, (B) the Agent requests a new Appraisal Report or Collateral Report in respect of any Collateral pursuant to Section 5.6(c) and the Borrower does not deliver such Appraisal Report or Collateral Report, as applicable, within a reasonable time after such request, or (C) any Collateral is not, or for any reason ceases, to be Eligible Collateral, the "Current Appraised Value" of such Collateral shall be zero.

"Daily LIBOR Rate" means, with respect to any date of determination, the average offered rate for deposits in United States Dollars on such date for an assumed interest period of one month, which appears on Reuters Screen, LIBOR01 Page, or any successor thereto, as of 11:00 a.m. London time (or such other time as of which such rate appears), or the rate for such deposits determined by the Agent at such time based on such other published service of general application as shall be selected by the Agent for such purpose.

"Default" means an event that, with the giving of notice (whether such notice is required under Section 7.1, or under some other provision of this Agreement, or otherwise) or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that, at such time (a) has failed to make a Loan or any Advance thereunder required pursuant to the terms of this Agreement, (b) has failed to pay to the Agent or any Lender any amount owed by such Lender pursuant to the terms of this Agreement, (c) has repudiated its Commitment or any portion thereof, or (d) has been deemed insolvent or has become subject to a bankruptcy, receivership or insolvency proceeding, or to a receiver, trustee or similar official.

"Delta" means Delta Air Lines, Inc., a Delaware corporation.

"Delta-JPMCB Agreement" means that certain First Lien Revolving Credit and Guaranty Agreement dated as of April 30, 2007 among Delta, the subsidiaries of Delta party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the other agents party thereto, as the same may be amended, restated, modified, supplemented, extended, refinanced or amended and restated from time to time.



“Delta-JPMCB Obligations” means the “First Priority Obligations” as defined in the Delta-JPMCB Agreement.

“Delta-GSCP Agreement” means that certain Second Lien Term Loan and Guaranty Agreement dated as of April 30, 2007 among Delta, the subsidiaries of Delta party thereto, the lenders party thereto, Goldman Sachs Credit Partners L.P., as administrative agent and collateral agent, and the other agents party thereto, as the same may be amended, restated, modified, supplemented, extended, refinanced or amended and restated from time to time.

“Delta-GSCP Obligations” means the “Second Priority Obligations” as defined in the Delta-GSCP Agreement.

“Delta Obligations” means the Delta-JPMCB Obligations and the Delta-GSCP Obligations, collectively.

“Deposit Requirement” has the meaning given in Section 2.10(a).

“Dispose” means, with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof (whether voluntary or involuntary, but excluding, however, the creation or imposition of any Lien). The terms “Dispose”, “Disposition” and “Disposed of” have correlative meanings.

“DOT” means the United States Department of Transportation and any successor thereto.

“Effective Date” means October 29, 2008.

“Eligible Collateral” means Collateral constituting (a) Receivables, Flight Simulators, Mortgaged Aircraft Collateral, other Equipment, Appraised FAA Slots, Japanese Real Property Assets, Aircraft Fuel, the Class D Certificates and any Collateral Coverage Shortfall Deposits on deposit in the Specified Investment Account, and (b) additional assets as to which each of the requirements set forth in Section 5.15 has been satisfied, in the case of both clause (a) and clause (b) solely (i) to the extent owned or held by the Borrower or a Guarantor and on which the Agent has a valid and perfected first priority Lien (subject to Permitted Liens but no other Liens) for the benefit of the Secured Creditors and (ii) as to which no Collateral Event has occurred and is continuing; provided, however, that none of the following shall constitute “Eligible Collateral”: (w) any Receivable that does not constitute a “non-traffic trade receivable” as reflected in the Borrower’s most recent consolidated financial statements, or is 90 or more days past due, or (x) any Aircraft Fuel that is in the possession of a Person that has not delivered to the Agent a Bailee Letter, or (y) any Equipment subject to a title registration statute that is not registered pursuant to such statute or, if so registered, as to which the Agent is not noted on the certificate of title therefor issued by the applicable Governmental Authority or such certificate or title has been issued thereby but has not been delivered to the Agent or its designee, or (z) any assets described in clause (b) of this definition, until

the 91st day after the date on which all the requirements of clauses (a) and (b) of the final sentence of Section 5.15 have been satisfied in respect of such assets.

“Environmental Laws” means any and all foreign, federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, natural resource damage, costs of environmental investigation, remediation or monitoring, administrative oversight, costs, fines or penalties), resulting from or based upon (a) violation of any Environmental Law or requirement of any Airport Authority relating to environmental matters, (b) the generation, use, handling, transportation, storage, treatment, disposal or the arrangement for disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement, lease or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permits” means any and all permits, licenses, approvals, registrations, notifications, exemptions and any other authorization issued pursuant to or required under any Environmental Law or by any Airport Authority with respect to environmental matters.

“Equipment” has the meaning given in the Security Agreement.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means each trade or business (whether or not incorporated) that together with Holdings or any of its Subsidiaries would be deemed to be a “single employer” within the meaning of Section 414(b), (c) or (o) of the Code.

“Escrow Accounts” means accounts of the Borrower or any Guarantor, solely to the extent any such accounts hold funds set aside by the Borrower or any Subsidiary to manage the collection and payment of amounts collected, withheld or incurred by the Borrower or such Subsidiary for the benefit of third parties relating to: (a) federal income tax withholding and backup withholding tax, employment taxes, transportation excise taxes and charges incurred in connection with airport security and screenings and any other security related charges that may be imposed on the Borrower or any Guarantor, (b) any and all state and local income tax withholding, employment taxes and related charges and fees and similar taxes, charges and fees, including, but not limited to, state and local payroll withholding taxes, unemployment and supplemental unemployment taxes, disability taxes, workman’ s or workers’ compensation charges and related charges and fees, (c) state and local taxes imposed on overall gross receipts, sales and use taxes,

fuel excise taxes and hotel occupancy taxes, (d) passenger facility fees and charges collected on behalf of and owed to any Airport Authority, Foreign Aviation Authority, the Department of Homeland Security, the FAA or any other federal, state or local administrators, institutions, authorities, agencies and entities, (e) other similar federal, state or local taxes, charges and fees (including without limitation any amount required to be withheld or collected under applicable law), (f) fees, charges and disbursements payable to any Airport Authority and (g) other funds held in trust for an identified beneficiary in an aggregate amount pursuant to this clause (g) not to exceed \$10,000,000; in each case, held in escrow accounts, trust funds or other segregated accounts, plus accrued interest.

“Event of Default” means any of the events specified in Section 7.1(a) through (j), provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Event of Loss” means, with respect to any Collateral, any of the following: (a) any material loss, destruction or damage of such Collateral or (b) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such Collateral, or confiscation of such Collateral or the requisition of the use of such Collateral, and with respect to Mortgaged Aircraft Collateral, shall include (in addition to any such loss, destruction, damage, condemnation, seizure, taking, confiscation or requisition) any “Event of Loss” as such term is defined in the applicable Aircraft Mortgage.

“Excluded Account” means each deposit account, sweep account linked thereto and other securities account listed on Schedule 1.1-E hereto.

“FAA” shall mean the Federal Aviation Administration of the United States of America and any successor thereto.

“FAA Slots” means all “slots” as defined in 14 CFR Sections 93.36 and 93.213(a)(2), as may be amended or re-codified from time to time, in each case of the Borrower and, if applicable, any other Guarantor, now held or hereafter acquired (other than “slots” that have been permanently allocated to another air carrier and in which the Borrower and, if applicable, any Guarantor holds temporary use rights).

“Facility” means the Commitments and the extensions of credit made thereunder.

“Federal Funds Rate” means, for any period of determination, a fluctuating interest rate per annum (based on a 360 day year) equal for each day during such period to the weighted average of the rates of interest charged on overnight federal funds transactions, with member banks of the Federal Reserve System only, as reasonably determined by the Agent.

“Fee Letter” means that certain letter agreement between the Borrower and the Agent, dated October 29, 2008, concerning certain fees payable to the Agent.

“Field Audit” means one or more field examinations conducted by a Field Auditor of the Borrower’s or the Guarantors’ accounts receivable and books and records related thereto and all tangible Collateral, the results of which are reasonably satisfactory to the Agent in all respects.

“Field Auditor” shall mean the Agent or its Affiliates, appraisers or other advisors who may be retained by the Agent to conduct a Field Audit.

“Final Delta Consolidation Date” shall mean the date on which the Borrower is merged with and into Delta.

“Flight Equipment” means aircraft, airframes or engines and all parts incorporated or installed in or attached or made a part of the aircraft, airframes or engines.

“Flight Simulators” has the meaning given in the Security Agreement.

“Foreign Aviation Authorities” means any foreign governmental, quasi-governmental, regulatory or other agencies, public corporations or private entities that exercise jurisdiction over the authorization (a) to serve any foreign point on each of the Routes and/or to conduct operations related to foreign points on the Routes and Supporting Route Facilities and/or (b) to hold and operate any Foreign Slots.

“Foreign Slot” means all of the rights and operational authority, now held or hereafter acquired, of the Borrower and, if applicable, a Guarantor, to conduct one landing or takeoff at a specific time or in a specific time period on a specific day of the week at each non-U.S. airport served in conjunction with the Borrower’s, or, if applicable, a Guarantor’s operations over a Route, other than “slots” which have been permanently allocated to another air carrier and in which the Borrower and, if applicable, any Guarantor, hold temporary use rights.

“Fuel Hedging Agreement” means any swap, collars, forward, future or derivative transactions or options or similar agreements or arrangements involving, or settled by reference to, fuel commodities.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time.

“Gate Interests” means all of the right, title, privilege, interest, and authority now or hereafter acquired or held by the Borrower or, if applicable, a Guarantor in connection with the right to use or occupy holdroom and passenger boarding and deplaning space in any airport terminal located in the United States at which the Borrower conducts scheduled operations.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities

exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

“Guaranty” means the guaranty set forth in Article VIII.

“Guarantor” and “Guarantors” each have the meaning given in the preamble (and such terms include any Person that joins this Agreement as a Guarantor pursuant to Section 5.15).

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature that are regulated pursuant to, or could reasonably be expected to give rise to liability under, any Environmental Law.

“Hedging Obligations” means, as to any Person, all obligations and liabilities of such Person under any Interest Rate Protection Agreement, Fuel Hedging Agreement or Currency Exchange Rate Protection Agreement, which are payable upon the termination of such agreement.

“Holdings” has the meaning given in the preamble.

“Immediately Available Funds” means funds with good value on the day and in the city in which payment is received, in each case in United States Dollars.

“Indebtedness” means as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services but excluding trade accounts payable and accrued expenses incurred in the ordinary course of business, (ii) the maximum amount available to be drawn under all letters of credit issued for the account of such Person and all unpaid drawings in respect of such letters of credit, (iii) all Indebtedness of the types described in clause (i), (ii), (iv), (v), (vi) or (vii) of this definition secured by any Lien on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person (to the extent of the value of the respective property), (iv) Capital Lease Obligations, (v) all obligations of such person to pay a specified purchase price for goods or services, whether or not delivered or accepted, *i.e.* take-or-pay and similar obligations, (vi) all Contingent Obligations of such Person and (vii) all Hedging Obligations under any Interest Rate Protection Agreement or any Currency Exchange Rate Protection Agreement.

“Initial Delta Merger” means the merger of Nautilus Merger Corporation with and into Holdings (which shall result in Holdings’ becoming a Subsidiary of Delta) as contemplated by and pursuant to the Merger Agreement.

“Initial Delta Merger Date” means the date on which the Initial Delta Merger occurs.

“Intellectual Property” means, collectively, all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Period” means, with respect to each LIBOR Advance, the period commencing on the date of such Advance or on the last day of the immediately preceding Interest Period, if any, applicable to an outstanding Advance and ending one, two or three months thereafter, as the Borrower may elect in the applicable notice of borrowing, continuation or conversion; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(c) any Interest Period applicable to an Advance on a Loan that would otherwise end after a date that is an Applicable Termination Date in respect of any Loan shall end on such Applicable Termination Date.

“Interest Rate Protection Agreement” means any interest rate swap agreement, interest rate cap agreement, interest collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

“International Registry” means “International Registry” as defined in the Cape Town Convention.

“Investments” has the meaning given in Section 6.10.

“Japanese Insurance Pledge Agreement” means that certain Insurance Claims Pledge Agreement, dated on or about the date hereof, from the Borrower to the Agent and the Lenders, as the same may be amended, supplemented, restated or otherwise modified from time to time.

“Japanese Real Property Mortgage” means one or more mortgages, deeds of trust or equivalent documents in respect of the Japanese Real Property Assets securing the Obligations, as the same may be amended, restated, modified, supplemented, extended or amended and restated from time to time.

“Japanese Real Property Assets” means those certain parcels of real property owned by the Borrower and described in Schedule 1.1-A (as may be amended from time to time with the consent of the Agent), together with, in each case, all buildings, improvements, facilities, easements and other property and rights incidental or appurtenant to the ownership of such parcel of real property (including all collateral described in the applicable Japanese Real Property Mortgage and/or the Japanese Insurance Pledge Agreement).

“LAX Two” means LAX TWO CORP., a non-profit California mutual benefit corporation.

“Lender” and “Lenders” each have the meaning given in the preamble.

“Letter of Credit” means an irrevocable letter of credit issued by the Agent pursuant to this Agreement for the account of the Borrower.

“Letter of Credit Collateral Account” means account no. 410000798 maintained by the Borrower with U.S. Bank captioned “NWA Letter of Credit Collateral Account”, as such account may be re-numbered or re-captioned from time to time, all sub-accounts of such account, and any duplicate, corollary or replacement account of such account, which in all events shall be a restricted account subject to an Account Control Agreement and a Safekeeping Agreement and pledged to the Agent pursuant to the Security Agreement to secure the Obligations.

“Letter of Credit Collateralization Amount” means, in respect of any Letter of Credit requested by the Borrower or issued by the Letter of Credit Issuer hereunder, an amount equal to 103% of the maximum amount that would be available to be drawn under such Letter of Credit if issued or is available to be drawn under an issued Letter of Credit, as applicable, as the same shall be reduced, if applicable, from time to time in accordance with the terms of the applicable Letter of Credit.

“Letter of Credit Collateralization Requirement” has the meaning given in Section 2.13.

“Letter of Credit Exposure” means the sum of (a) the aggregate remaining available amount of all issued and outstanding Letters of Credit and (b) Unpaid Drawings.

“Letter of Credit Issuer” means U.S. Bank National Association.

“Letter of Credit Sub-Limit” means \$50,000,000.

“LIBOR Advance” means an Advance designated as such in a notice of borrowing under Section 2.2 or a notice of continuation or conversion under Section 2.6, which Advance shall have an interest period of one, two or three months.

“LIBOR Rate” means, with respect to each Interest Period applicable to a LIBOR Advance, the average offered rate for deposits in United States Dollars for delivery of such deposits on the first day of such Interest Period, for the number of days in such Interest Period, which appears on Reuters Screen, LIBOR01 Page, or any successor thereto, as of 11:00 a.m. London time (or such other time as of which such rate appears) two Business Days prior to the first day of such Interest Period, or the rate for such deposits determined by the Agent at such time based on such other published service of general application as shall be selected by the Agent for such purpose; provided, however, that in lieu of determining the rate in the foregoing manner, the Agent may determine the rate based on rates at which United States Dollar deposits are offered to the Agent in the interbank Eurodollar market at such time for delivery in Immediately Available Funds on the first day of such Interest Period in an amount approximately equal to the Advance by the Agent to which such Interest Period is to apply.

“LIBOR Reserve Percentage” means, as of any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board, for determining the maximum reserve requirement (including any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System, with deposits comparable in amount to those held by the Agent, in respect of “Eurocurrency Liabilities” as such term is defined in Regulation D of the Board. The rate of interest applicable to any outstanding LIBOR Advances shall be adjusted automatically on and as of the effective date of any change in the LIBOR Reserve Percentage.

“Lien” means any mortgage, pledge, hypothecation, assignment, security deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

“Loan” and “Loans” each have the meaning given in Section 2.1.

“Loan Date” means the date of the making of any Loans hereunder.

“Loan Documents” means this Agreement, the Notes and each Security Document.

“Material Adverse Effect” means a material adverse effect on the financial condition or results of operations of the Borrower, the Guarantors and their Subsidiaries taken as a whole.

“Merger Agreement” means that certain Agreement and Plan of Merger dated as of April 14, 2008, by and among Delta, Nautilus Merger Corporation and Holdings, as the same may be amended, restated, modified, supplemented or amended and restated from time to time.

“Mesaba” has the meaning given in the preamble.

“Mesaba Aircraft Mortgage” means that certain Equipment Mortgage and Security Agreement dated as of the date hereof, between Mesaba and the Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time, including by way of any Mortgage Supplement (as defined therein).

“Moody's” means Moody's Investors Service, Inc.

“Mortgaged Aircraft Collateral” shall mean all of the “Collateral”, as defined in any of the Aircraft Mortgages.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA with respect to which the Borrower or any of its ERISA Affiliates is an “employer” as defined in Section 3(5) of ERISA.

“Non-Real Estate Appraisers” means (a) Simat, Helliesen & Eichner, Inc., (b) BK Associates, Inc. and (c) Morton, Beyer & Agnew, and such other appraisal firm or firms as may be retained by the Agent, in consultation with the Borrower, from time to time.

“Note” means a promissory note of the Borrower in the form of Exhibit E hereto, in each case as the same may be amended, restated, replaced or modified from time to time.

“NWA Aircraft Mortgage” means that certain Equipment Mortgage and Security Agreement dated as of the date hereof, between the Borrower and the Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time, including by way of any Mortgage Supplement (as defined therein).

“Obligations” means the Borrower's and each Guarantor's obligations in respect of the due and punctual payment of principal and interest on the Loans and Unpaid Drawings when and as due, whether by acceleration or otherwise and all fees, expenses, indemnities, reimbursements and other obligations of the Borrower and each Guarantor under this Agreement or any other Loan Document (including all interest, fees, costs and other charges accruing after the commencement of any case, proceeding or other action relating to the bankruptcy insolvency or reorganization of the Borrower or any Guarantor, whether or not allowed in such proceeding or other action), in all cases whether now existing or hereafter arising or incurred and whether direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or sole, joint, several or joint and several, and including, without limitation, any Letter of Credit Exposure.



“Officer’s Certificate” means, with respect to the Borrower or any Guarantor, a certificate executed by a Responsible Officer of such Person in his/her capacity as such.

“One-Month LIBOR Advance” means a LIBOR Advance with an Interest Period of one month.

“Parked” means, as to any Aircraft, that such Aircraft has been removed from service, other than (a) Aircraft temporarily grounded for maintenance being actively conducted and (b) Aircraft that are included as part of a long-term FAA approved storage plan.

“Payroll Accounts” means deposit accounts used only for payroll.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Pension Plan” means any plan (other than a Multiemployer Plan) described in Section 4021(a) of ERISA, and not excluded pursuant to Section 4021(b) of ERISA, with respect to which the Borrower or any Guarantor or any of such Person’s ERISA Affiliates is a “contributing sponsor” as defined in Section 4001(a)(13) of ERISA and each such plan for the five year period immediately following the last date on which the Borrower or any of its ERISA Affiliates contributed or had an obligation to contribute to such plan.

“Percentage” means, with respect to any Lender, the percentage equivalent of a fraction, the numerator of which is the Commitment Amount of such Lender and the denominator of which is the Aggregate Commitment Amount.

“Permitted Liens” has the meaning given in Section 6.3.

“Person” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Petty Cash Accounts” means deposit or securities accounts of the Borrower and Guarantors holding aggregate balances in an amount not to exceed \$15,000,000 at any time.

“Pledged Account” means each deposit account, sweep account linked thereto and other securities account (not including any Escrow Account, Petty Cash Account or Payroll Account or any account described in Schedule 1.1-B hereto that, prior to the Effective Date, was pledged to secure obligations or liabilities of the Borrower or any Guarantor or any of their Subsidiaries that do not arise under the Loan Documents) from time to time owned by the Borrower or a Guarantor or any of their respective Subsidiaries and located in the United States, including, without limitation each of the Pledged Exclusive-Control Accounts and each of the Pledged Dual-Control Accounts.

“Pledged Cash” means, at a specified time, the value of deposit accounts, sweep accounts linked thereto and other securities accounts, other than the Pledged Dual-Control Accounts, owned by the Borrower and the Guarantors in which, in each case, the Agent has a perfected first priority security interest securing the Obligations.

“Pledged Dual-Control Accounts” means each deposit account, sweep account linked thereto and other securities account listed on Schedule 1.1-C hereto.

“Pledged Exclusive-Control Accounts” means each deposit account, sweep account linked thereto and other securities account listed on Schedule 1.1-D hereto.

“Prime Rate” means the rate of interest from time to time publicly announced by the Agent as its “prime rate”. The Agent may lend to its customers at rates that are at, above or below the Prime Rate. Such rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. U.S. Bank or any other Lender may make commercial or other loans at, above or below such rate.

“Rating Agency” means S&P or Moody’ s, as the case may be.

“Real Estate Appraisers” means HIRO & REAS Network, Inc. and such other appraisal firm or firms as may be retained by the Agent, in consultation with the Borrower, from time to time.

“Receivables” has the meaning given in the Security Agreement.

“Regulatory Change” means any change after the Effective Date in federal, state or foreign laws or regulations or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including any Lender under any federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dumping, or disposing into the indoor or outdoor environment (including the abandonment or discarding of barrels, containers and other closed receptacles containing any hazardous substance or pollutant or contaminant).

“Replaced Lender” has the meaning set forth in Section 2.29.

“Replacement Lender” has the meaning set forth in Section 2.29.

“Required Lenders” means, at any time, (i) in respect of matters affecting only the Tranche 2 Commitments or the Tranche 2 Loans, the holder or all of the holders of the Tranche 2 Commitments or the Tranche 2 Loans, and (ii) in respect of other matters, one or more Lenders the sum of whose Commitment Amounts constitutes 50% or more of the Aggregate Commitment Amount, unless any Lender has a Commitment Amount equal to 50% or more of the Aggregate Commitment Amount, in which case “Required Lenders” means one or more Lenders the sum of whose Commitment Amounts constitutes more than 66 2/3 % of the Aggregate Commitment Amount, and unless any Lender has a Commitment Amount equal to more than 66 2/3 % thereof, in which case “Required Lenders” means the Lender with the largest Commitment Amount plus one other Lender; provided, however, that (i) for purposes of this definition, “Lender” shall be deemed to exclude any Defaulting Lender and “Aggregate Commitment Amount” shall be deemed to exclude the Commitment Amount of any Defaulting Lender and (ii) after each of the

Applicable Termination Dates has been reached, all the references in the foregoing definition to Commitments shall be deemed to be references to the Total Outstandings.

“Requirement of Law” means, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer” means, as to any Person, the chief executive officer, president, chief financial officer, treasurer or chief accounting officer of such Person, but in any event, with respect to financial matters, the chief financial officer, treasurer or chief accounting officer of such Person.

“Restricted Payments” has the meaning given in Section 6.6.

“Routes” means the routes for which the Borrower or, if applicable, a Guarantor, holds or hereafter acquires the requisite authority to operate pursuant to Title 49 or other applicable law, including, without limitation, applicable frequencies, exemption and certificate authorities, Fifth-Freedom Rights and “behind/beyond rights”.

“S&P” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies.

“Safekeeping Agreement” means an agreement between the Borrower and U.S. Bank in respect of an account maintained with U.S. Bank.

“SEC” means the Securities and Exchange Commission.

“Secured Creditors” means the Agent, the Lenders and the Letter of Credit Issuer.

“Security Agreement” means the Security Agreement dated as of the date hereof, executed and delivered by the Borrower and certain Guarantors in favor of the Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time.

“Security Documents” means the Security Agreement, the Slot and Gate Security Agreement, the Japanese Real Property Mortgage, the Japanese Insurance Pledge Agreement, the Aircraft Mortgages, and any other document or instrument made by any Person in favor of any of the Secured Creditors or the Agent for the benefit of the Secured Creditors to secure or guaranty all or any portion of the Obligations.

“Significant Subsidiary” means any Subsidiary that would be a “significant subsidiary” of the Borrower or any Guarantor within the meaning of the SEC’s Regulation S-X.

“Slot and Gate Security Agreement” means the Slot and Gate Security Agreement dated as of the date hereof, executed and delivered by the Borrower in favor of the Agent, as the same may be amended, supplemented, restated or otherwise modified from time to time.

“Spare Parts” means “Spare Parts”, as defined in any of the Aircraft Mortgages.

“Spare Parts Locations” means, with respect to the Borrower, Compass and Mesaba, “Designated Locations”, as such term is defined in the NWA Aircraft Mortgage, the Compass Aircraft Mortgage or the Mesaba Aircraft Mortgage, as applicable.

“Specified Investment Account” means account no. 410000797 maintained by the Borrower with U.S. Bank captioned “NWA Specified Investment Account”, as such account may be re-numbered or re-captioned from time to time, all sub-accounts of such account, and any duplicate, corollary or replacement account of such account, which in all events shall be a restricted account subject to an Account Control Agreement and a Safekeeping Agreement and pledged to the Agent pursuant to the Security Agreement to secure the Obligations.

“Subsidiary” means (i) any corporation more than 50% of whose stock having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time; provided, however, that (a) LAX Two and its Subsidiaries shall be deemed not to be Subsidiaries of Holdings or any of its Subsidiaries for all purposes of this Agreement (including the calculation of the financial covenants and the definitions relating thereto) and the other Loan Documents.

“Supporting Route Facilities” means gates, ticket counters and other facilities assigned, allocated, leased, or made available to the Borrower at airports used in the operation of scheduled service over a Route.

“Termination Event” means a “reportable event” described in Section 4043 of ERISA or in the regulations thereunder (excluding events for which the requirement for notice of such reportable event has been waived by the PBGC).

“Three-Month LIBOR Advance” means a LIBOR Advance with an Interest Period of three months.

“Title 49” means Title 49 of the United States Code, which, among other things, recodified and replaced the U.S. Federal Aviation Act of 1958, and the regulations promulgated pursuant thereto or any subsequent legislation that amends, supplements or supersedes such provisions.

“Total Outstandings” means, as of any date of determination, the aggregate unpaid principal balance of the Loans outstanding on such date.

“Tranche 1 Commitment” means each Lender’s Commitment in respect of Tranche 1 Loans.

“Tranche 2 Commitment” means each Lender’s Commitment in respect of Tranche 2 Loans.

“Tranche 1 Commitment Amount” means, with respect to a Lender, initially the amount set forth opposite such Lender’s name on Exhibit A in the column entitled “Tranche 1 Commitment Amount”, but as the same may be reduced from time to time hereunder, pursuant to Sections 2.9, 2.17, 7.2 or otherwise.

“Tranche 2 Commitment Amount” means, with respect to a Lender, initially the amount (if any) set forth opposite such Lender’s name on Exhibit A in the column entitled “Tranche 2 Commitment Amounts”, but as the same may be reduced from time to time hereunder, pursuant Sections 2.9, 2.17, 7.2 or otherwise.

“Tranche 1 Loans” means Loans made pursuant to the Tranche 1 Commitments.

“Tranche 2 Loans” means Loans made pursuant to the Tranche 2 Commitments.

“Tranche 1 Termination Date” means October 28, 2009.

“Tranche 2 Termination Date” means October 28, 2011.

“Tranches” means the Tranche 1 Commitments and the Tranche 2 Commitments.

“Two-Month LIBOR Advance” means a LIBOR Advance with an Interest Period of two months.

“Undrawn Facility Amount” means, at any time, the aggregate amount of the Unused Commitments.

“United States” or “U.S.” means the United States of America.

“Unpaid Drawing” has the meaning specified in Section 2.15.

“Unused Commitment” means, with respect to any Lender as of any date of determination, the amount by which such Lender’s Commitment Amount exceeds such Lender’s Percentage of the Total Outstandings as of such date.

“U.S. Bank” has the meaning given in the preamble.

“Use or Lose Rule” means, with respect to the Slots, the terms of 14 C.F.R. Sections 93.44 and 93.227.

Section 1.2 Accounting Terms and Calculations. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP; provided that, if the Borrower notifies the Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof, including as a result of fresh start accounting principles, on the operation of such provision (or if the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, including as a result of fresh start accounting principles, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.3 Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise stated the word “from” means “from and including” and the word “to” or “until” each means “to but excluding”.

Section 1.4 Times of Day. All references to times of day in this Agreement shall be references to Minneapolis, Minnesota time unless otherwise specifically provided.

Section 1.5 Other Definitional Terms. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections, Exhibits, schedules and like references are to this Agreement unless otherwise expressly provided and shall be deemed to include any modification, amendment or restatement of the same. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” Unless the context in which used herein otherwise clearly requires, “or” has the inclusive meaning represented by the phrase “and/or.” The singular includes the plural and the plural, the singular unless the context otherwise clearly requires. All incorporations by reference of covenants, terms, definitions or other provisions from other agreements are incorporated into this Agreement as if such provisions were fully set forth herein, and such incorporation shall include all necessary definitions and related provisions from such

other agreements but including only amendments thereto agreed to by the Required Lenders (or, if the consent of all of the Lenders to such amendments is required by Section 10.1, all of the Lenders), and shall survive any termination of such other agreements until such time as no Commitment or obligation to issue Letters of Credit hereunder is in effect, the Notes and all of the other Obligations have been paid in full and no Letters of Credit remain outstanding.

## ARTICLE II

### CREDIT FACILITY

#### Terms of Lending

Section 2.1 Lending Commitments. On the terms and subject to the conditions hereof, each Lender severally agrees to make loans (each a “Loan” and collectively, “Loans”) to the Borrower from time to time during the period from the Effective Date to the Applicable Termination Date, in an aggregate amount at any time outstanding not to exceed such Lender’ s Percentage of the Aggregate Commitment Amount (and in no event exceeding such Lender’ s Commitment Amount). Loans hereunder shall be made by the several Lenders ratably in the proportion of their respective Percentages. Loans may be obtained and maintained, at the election of the Borrower but subject to the limitations hereof, as LIBOR Advances or Base Rate Advances.

Section 2.2 Procedures for Loans. Any request by the Borrower for a Loan shall be irrevocable and shall be in writing, or by telephone promptly confirmed in writing or by e-mail or fax, and must be given so as to be received by the Agent not later than (i) 1:00 p.m. on a Business Day that is three Business Days prior to the date of any Loan requested as a LIBOR Advance or (ii) 1:00 p.m. on a Business Day that is the date of any Loan requested as a Base Rate Advance. Each request for Loans hereunder shall include a Borrowing Request and shall specify (i) the requested Loan Date, (ii) the aggregate amount of Loans to be made on such date, and (iii) whether such Loans are to be funded as LIBOR Advances (and, if so, whether the duration of the initial Interest Rate applicable thereto is to be one month, two months or three months) or as Base Rate Advances. The aggregate amount of Loans specified in any such request shall be in a minimum amount of (x) in the case of Base Rate Advances, \$1,000,000 or a whole multiple thereof and (y) in the case of LIBOR Advances, \$10,000,000 and whole multiples of \$5,000,000 in excess thereof. The Agent may rely on any telephone request for Loans hereunder which it believes in good faith to be genuine; and the Borrower hereby waives the right to dispute the Agent’ s record of the terms of such telephone request. The Agent shall promptly notify each other Lender of the receipt of such request, the matters specified therein, and of such Lender’ s ratable share of the requested Loans. On the requested Loan Date, each Lender shall provide its share of the requested Loans to the Agent in Immediately Available Funds not later than 2:30 p.m. Unless either the Agent or the Required Lenders determine that any applicable

condition specified in Article III has not been satisfied, the Agent will make available to the Borrower at the Agent's principal office in Minneapolis, Minnesota in Immediately Available Funds not later than 3:00 p.m. on the requested Loan Date the amount of the requested Loans to the extent that the Lenders have funded their respective shares thereof (other than the proceeds of the Loans made pursuant to Section 2.13, which, on the applicable Loan Date, shall not be made available to the Borrower but shall be deposited by the Agent into the Letter of Credit Collateral Account in accordance with Section 2.13). Each request for a Loan hereunder shall be deemed a representation by the Borrower that on the date of such request and the applicable Loan Date and after giving effect to such Loan, the applicable conditions specified in Article III have been and will be satisfied.

Section 2.3 Distributions by Agent. The Agent shall not be required to make any amount available to the Borrower hereunder except to the extent the Agent shall have received such amounts from the Lenders as set forth herein, provided, however, that unless the Agent shall have been notified by a Lender prior to the time any Loan is to be made hereunder that such Lender does not intend to make its pro rata share of such Loan available to the Agent, the Agent may (but is not required to) assume that such Lender has made such pro rata share available to the Agent prior to such time, and the Agent may in reliance upon such assumption make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable borrowing available to the Agent, then the applicable Lender and the Borrower severally agree to pay to the Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Advances. If the Borrower and such Lender shall pay such interest to the Agent for the same or an overlapping period, the Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable borrowing to the Agent, then the amount so paid shall constitute such Lender's Loan included in such borrowing. Any payment by the Borrower under this Section 2.3 shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Agent.

Section 2.4 Pro Rata Allocation of Loans Between Tranches.

(a) Any Loan hereunder shall be deemed to have been made (i) pursuant to each Lender's Tranche 1 Commitment in an amount equal to the product of the principal amount of such Loan and a fraction the numerator of which is such Lender's Tranche 1 Commitment Amount (or zero in the absence of such a Commitment) and the denominator of which is such Lender's Commitment Amount, in each case as of the date when such Loan is made, and (ii) pursuant to each Lender's Tranche 2 Commitment in an amount equal to the product of the principal amount of such Loan and a fraction the numerator of which is such Lender's Tranche 2 Commitment Amount (or zero in the absence of such a Commitment) and the denominator of which is such Lender's Commitment Amount, in each case as of the date when such Loan is made.



(b) Any reduction in the Commitment Amount of any Lender hereunder (except a reduction of its Tranche 1 Commitment Amount to zero as a result of the occurrence of the Tranche 1 Termination Date) shall be a reduction of both such Lender's Tranche 1 Commitment Amount and such Lender's Tranche 2 Commitment Amount, in proportion to the ratio of such Lender's Tranche 1 Commitment Amount or such Lender's Tranche 2 Commitment Amount, as applicable, to such Commitment Amount.

Section 2.5 Notes. The Loans of each Lender shall be evidenced by a single Note payable to the order of such Lender in a principal amount equal to such Lender's Commitment Amount originally in effect (except that the Loans of any Lender whose Tranche 1 Commitment Amount and Tranche 2 Commitment Amount each exceed zero shall be evidenced by a separate

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Note in a principal amount equal to such Lender's Tranche 1 Commitment Amount and such Lender's Tranche 2 Commitment Amount, as applicable). Upon receipt of any Lender's Note from the Borrower, the Agent shall transmit such Note to such Lender. Each Lender shall enter in its ledgers and records the amounts of the various Loans and Advances made, converted or continued and the payments made in respect thereof, and each Lender is authorized by the Borrower to enter on a schedule attached to its Note a record of such Loans, Advances and payments; provided, however, that the failure by any Lender to make any such entry or any error in making such entry shall not limit or otherwise affect the obligation of the Borrower hereunder or on the Notes, and, in all events, the principal amounts owing by the Borrower in respect of the Notes shall be the aggregate amount of all Loans made by the Lenders less all payments of principal thereof made by the Borrower.

Section 2.6 Conversions and Continuations. On the terms and subject to the limitations hereof, the Borrower shall have the option at any time and from time to time to convert all or any portion of the Advances into Base Rate Advance or LIBOR Advances (whether One-Month LIBOR Advances, Two-Month LIBOR Advances or Three-Month LIBOR Advances), or to continue a LIBOR Advance as such; provided, however, that a LIBOR Advance may be so converted or continued only on the last day of the Interest Period applicable thereto and, if the Required Lenders so notify the Borrower, no Advance may be converted to or continued as a LIBOR Advance if a Default or Event of Default has occurred and is continuing on the proposed date of conversion or continuation. Advances may be converted to, or continued as, LIBOR Advances as to the aggregate amount of the Advances of all Lenders so converted or continued, of \$10,000,000 or in whole multiples of \$5,000,000 in excess thereof. The Borrower shall give the Agent written notice of any conversion or continuation of any Advances and such notice must be given so as to be received by the Agent not later than 1:00 p.m. on a Business Day that is three Business Days prior to requested date of such conversion or continuation in the case of a continuation of, or conversion to, LIBOR Advances and on the date of the requested conversion to Base Rate Advances. Each such notice shall specify (a) the amount to be continued or converted, (b) the date for the continuation or conversion (which must be (i) the last day of the preceding Interest Period for any continuation or conversion of LIBOR Advances, and (ii) a Business Day in the case of continuations as or conversions to LIBOR Advances and a Business Day in the case of

conversions to Base Rate Advances), and (c) in the case of conversions to or continuations of LIBOR Advances, the Interest Period applicable thereto. Any notice given by the Borrower under this Section 2.6 shall be irrevocable. If the Borrower shall fail to notify the Agent of the continuation of any LIBOR Advances within the time required by this Section 2.6, such Advances shall, after the last day of the Interest Period applicable thereto, be converted to Base Rate Advances. All conversions and continuations of Advances must be made uniformly and ratably among the Lenders. Notwithstanding anything to the contrary, the Borrower shall not maintain more than five outstanding LIBOR Advances at any time.

Section 2.7 Interest Rates, Interest Payments and Default Interest. Interest shall accrue and be payable on the Loans as follows:

(a) Subject to subparagraph (c) below, each LIBOR Advance shall bear interest on the unpaid principal amount thereof during the Interest Period applicable thereto at a rate per annum equal to the sum of (i) the Adjusted LIBOR Rate for such Interest Period, plus (ii) the Applicable Margin.

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(b) Subject to subparagraph (c) below, each Base Rate Advance shall bear interest on the unpaid principal amount thereof at a variable rate per annum equal to the sum of (i) the Base Rate, plus (ii) the Applicable Margin.

(c) Upon the occurrence and during the continuation of any Event of Default, each Advance shall, at the option of the Required Lenders, as notified to the Borrower, bear interest (i) during the balance of any Interest Period applicable to such Advance and in any event until such Event of Default is cured or waived in accordance herewith, at a rate per annum equal to the sum of the rate applicable to such Advance during such Interest Period plus 2.0%, and (ii) otherwise, at a rate per annum equal to the sum of (1) the Base Rate, plus (2) the Applicable Margin for Base Rate Advances, plus (3) 2.0%.

(d) Interest shall be payable (i) with respect to each LIBOR Advance on the last day of the Interest Period applicable thereto, (ii) with respect to any Base Rate Advance, on the last day of each month, and (iii) with respect to each Advance, on the Applicable Termination Date for the related Loan (or, if earlier, the date on which the amount of such Advance is otherwise due hereunder); provided that interest under Section 2.7(c) shall be payable on demand.

Section 2.8 Repayment. Unless required to be paid earlier hereunder, whether under Section 2.9(b) or otherwise, the unpaid principal balance of each of the Loans, together with all accrued and unpaid interest thereon, shall be due and payable on the Applicable Termination Date.

Section 2.9 Mandatory Prepayments and Related Reductions of Commitments; Simultaneous and Pro Rata Payments Across Tranches.

(a) Notwithstanding any other provision hereof, if at any time Cash Liquidity is less than \$2,750,000,000, then (i) each Lender's Commitment Amount shall immediately, automatically and permanently be reduced to an amount equal to 50% of such Lender's Commitment Amount at such time and (ii) if the Total Outstandings exceed 50% of the Aggregate Commitment

Amount immediately prior to the reduction of the Commitments under clause (i), the Borrower shall prepay Loans within two Business Days of such occurrence in an aggregate principal amount equal to the amount of such excess.

(b) Notwithstanding any other provision hereof but without prejudice to any right under Section 2.11 to reborrow amounts prepaid, if at any time any principal amount or interest (or fee or other amount) in respect of a Tranche 1 Loan (or a related Advance) becomes due and payable hereunder, the principal of and interest on (and each fee and other amount in respect of) each outstanding Tranche 2 Loan (or related Advance) that originally was required to be made simultaneously with such Tranche 1 Loan under Sections 2.2 and 2.4(a), and would not otherwise be due and payable hereunder, shall be due and payable at the same time as such Tranche 1 Loan.

(c) If at any time Total Outstandings exceed the Aggregate Commitment Amount, the Borrower shall immediately repay to the Agent for the account of the Lenders the amount of such excess.

(d) Any amounts paid or prepaid on the Loans under this Section 2.9 or Section 2.15(c) shall be paid to the Agent for distribution to each Lender in proportion to its share of outstanding Loans. Any such payments shall be applied first against any Base Rate Advances and then to LIBOR Advances in order starting with the LIBOR Advances having the shortest time to the end of the applicable Interest Period. If any payment or prepayment of Loans is required under this Section 2.9 or Section 2.15(c), the Borrower shall pay any related amounts required to be paid under Section 2.26.

#### Section 2.10 Deposit Requirement and Commitment Termination – Cash Liquidity.

(a) If (i) at any time Cash Liquidity is less than \$2,250,000,000, or (ii) an Event of Default has occurred and is continuing, the Borrower shall deposit, within two Business Days thereafter in the case of clause (i), and immediately in the case of clause (ii), Cash Equivalent Securities having a value (as determined by the Agent in its reasonable discretion) at least equal to 103% of Total Outstandings (including accrued and unpaid interest, fees and other amounts due hereunder) in the Specified Investment Account (such requirement being referred to as the “Deposit Requirement”); provided, however, that for purposes of determining compliance with the Deposit Requirement, the amount of any Collateral Coverage Shortfall Deposits then on deposit in the Specified Investment Account shall be excluded. If the Borrower’s obligation to make such deposit arose solely under the foregoing clause (i), no Event of Default has occurred that is continuing and the Current Appraised Value of the Eligible Collateral is not less than the Collateral Coverage Threshold, immediately after the Borrower is able to demonstrate to the Agent’s satisfaction that Cash Liquidity is greater than \$2,250,000,000, the Borrower shall be entitled to withdraw Cash Equivalent Securities on deposit in the Specified Investment Account to the extent that the value thereof (as determined by the Agent in its reasonable discretion) exceeds the amount of any Collateral Coverage Shortfall Deposits then on deposit in the Specified Investment Account.

(b) Without limiting any other right or remedy, if the Borrower fails to comply with the Deposit Requirement the Agent may transfer cash and other property held in any of the Pledged Accounts to the Specified Investment Account in an amount sufficient to satisfy the Deposit Requirement.

Section 2.11 Optional Prepayments. The Borrower may prepay Base Rate Advances and LIBOR Advances, in whole or in part, at any time, without premium or penalty; provided that such prepayment shall be made on a Business Day and the Borrower shall give prior notice to the Agent of any such prepayment under this Section 2.11 not later than 1:00 p.m. on such Business Day. Each partial prepayment shall be in an aggregate amount for all the Lenders of (x) in the case of Base Rate Advances, \$1,000,000 or a whole multiple

thereof, and (y) in the case of LIBOR Advances, \$10,000,000, or if greater, in whole multiples of \$5,000,000 in excess thereof; provided that if a LIBOR Advance is prepaid on a day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to [Section 2.26](#). Amounts paid or prepaid on Loans under this [Section 2.11](#) may be reborrowed upon the terms and subject to the conditions and limitations of this Agreement.

### Terms of the Letter of Credit Facility

Section 2.12 Letters of Credit. Upon the terms and subject to the conditions of this Agreement, the Letter of Credit Issuer agrees to issue Letters of Credit for the account of the Borrower from time to time between the Effective Date and the second anniversary of the Effective Date, in such amounts in U.S. Dollars as the Borrower shall request; provided, however, that no Letter of Credit will be issued in any amount that, after giving effect to such issuance and the concomitant Loans to be made pursuant to [Section 2.13](#) in connection with such issuance, would cause (i) the Letter of Credit Exposure to exceed the Letter of Credit Sub-Limit or (ii) Total Outstandings to exceed the Aggregate Commitment Amount.

Section 2.13 Procedures for Letters of Credit; Letter of Credit Collateral Account. Each request for a Letter of Credit shall be made by the Borrower in writing, by facsimile transmission or electronic conveyance received by the Agent together with a request pursuant to [Section 2.2](#) for Loans in an aggregate principal amount equal to the Letter of Credit Collateralization Amount for the requested Letter of Credit, for the purpose of funding the Letter of Credit Collateral Account as provided below, and specifying the requested issuance date for such Letter of Credit, no later than 2:00 p.m. on a Business Day that is not later than one Business Day prior to the last day specified in [Section 2.2](#) for making such request for Loans. Without limiting the provisions of [Section 2.2](#) in respect of such request for Loans, each request for a Letter of Credit shall be deemed a representation by the Borrower that on the date of issuance of such Letter of Credit and after giving effect thereto the applicable conditions specified in Article III have been and will be satisfied. The Letter of Credit Issuer may require that the related request for the issuance of a Letter of Credit be made on such letter of credit application and reimbursement agreement form as the Letter of Credit Issuer may from time to time specify, along with satisfactory evidence of the authority and incumbency of the officials of the Borrower making such request. The Agent shall promptly notify the Letter of Credit Issuer and the other Lenders of the receipt of such request and the matters specified therein, including the related request for Loans and such other matters as the Agent is to notify the Lenders under [Section 2.2](#). On the requested Loan Date, the Agent shall deposit the proceeds of the Loans so requested by the Borrower into the Letter of Credit Collateral Account, and the Borrower hereby requests, directs and authorizes the Agent to so deposit the proceeds of such Loans and agrees that each disbursement of the proceeds of such Loans shall constitute delivery of those funds at the Borrower's direction and for the Borrower's benefit as if such funds had been advanced to the Borrower. The Letter of Credit Issuer shall not be obligated to issue any Letter of Credit hereunder unless the amount so deposited is equal to the Letter of Credit Collateralization Amount for the requested Letter of Credit (such condition being referred to herein as the "Letter of Credit Collateralization Requirement") and each other condition thereto set forth in

Article III has been satisfied. On the date of each issuance of a Letter of Credit the Agent shall send notice to the other Lenders of such issuance.

Section 2.14 Terms of Letters of Credit. Letters of Credit shall not have a term longer than one year, except as otherwise agreed by the Borrower and the Letter of Credit Issuer. All Letters of Credit must expire not later than five days prior to the Tranche 2 Termination Date.

Section 2.15 Agreement to Repay Letter of Credit Drawings; Withdrawals from Letter of Credit Collateral Account.

(a) If the Letter of Credit Issuer has received documents purporting to draw under a Letter of Credit that the Letter of Credit Issuer believes conform to the requirements of the Letter of Credit, or if the Letter of Credit Issuer has decided that it will comply with the Borrower's written or oral request or authorization to pay a drawing on any Letter of Credit that the Letter of Credit Issuer does not believe conforms to the requirements of the Letter of Credit, it will notify the Borrower of that fact. The Borrower shall reimburse the Letter of Credit Issuer by 10:30 a.m. on the day on which such drawing is to be paid in Immediately Available Funds in an amount equal to the amount of such drawing. Any portion of a drawing under a Letter of Credit not reimbursed as set forth above on the date of such drawing is an "Unpaid Drawing."

(b) Without limiting any other right of the Letter of Credit Issuer, the Borrower authorizes the Agent to transfer, for the benefit of the Letter of Credit Issuer, net proceeds of Cash Equivalent Securities on deposit in the Letter of Credit Collateral Account at any time in the amount of any Unpaid Drawing.

(c) Upon the expiration or return (undrawn) of any Letter of Credit, the reduction of the stated amount of any applicable Letter of Credit in accordance with the terms thereof and the resulting reduction in the Letter of Credit Collateralization Amount, the reimbursement in full of the Letter of Credit Issuer by the Borrower under this Section 2.15 following one or more payments on account of draws under a Letter of Credit in an aggregate amount equal to the stated amount of such Letter of Credit or any transfer from the Letter of Credit Collateral Account by the Agent pursuant to Section 2.15(b), the Borrower shall immediately repay Loans in an aggregate principal amount equal to the amount (if any) then remaining on deposit in the Letter of Credit Collateral Account pursuant to the deposit under Section 2.13 of the Letter of Credit Collateralization Amount in respect of such Letter of Credit (or, in the case of such a reduction of such Letter of Credit Collateralization Amount or such transfer from the Letter of Credit Collateral Account by the Agent (without duplication), Loans in an aggregate principal amount equal to the lesser of (i) the amount of such reduction or the amount so transferred, as applicable, and (ii) the Total Outstandings). If at any time the value (as determined in the Agent's reasonable discretion) of Cash Equivalent Securities on deposit in the Letter of Credit Collateral Account exceeds the aggregate amount of the Letter of Credit Collateralization Amounts for all then-outstanding Letters of Credit, no Event of Default has occurred and is continuing and the Current Appraised Value of the Eligible Collateral is not less than the Collateral Coverage Threshold, the Agent shall promptly transfer to the Borrower net proceeds of Cash Equivalent Securities therein to the extent necessary to eliminate such excess.

Section 2.16 Obligations Absolute. The obligation of the Borrower under Section 2.15 to repay the Letter of Credit Issuer for any amount drawn on any Letter of Credit and to repay the Loans under Section 2.15(c) shall be absolute, unconditional and irrevocable, shall continue for so long as any Letter of Credit is outstanding notwithstanding any termination of this Agreement, and shall be paid strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances:

- (a) any lack of validity or enforceability of any Letter of Credit;
- (b) the existence of any claim, setoff, defense or other right which the Borrower may have or claim at any time against any beneficiary, transferee or holder of any Letter of Credit (or any Person for whom any such beneficiary, transferee or holder may be acting), the Letter of Credit Issuer, the Agent or any Lender or any other Person, whether in connection with a Letter of Credit, this Agreement, the transactions contemplated hereby, or any unrelated transaction; or
- (c) any statement or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever.

Neither the Letter of Credit Issuer nor the Agent nor any Lender nor officers, directors or employees of any thereof shall be liable or responsible for, and the obligations of the Borrower to the Agent and the Lenders shall not be impaired by:

- (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary, transferee or holder thereof in connection therewith;
- (ii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, even if such documents or endorsements should, in fact, prove to be in any or all respects invalid, insufficient, fraudulent or forged;
- (iii) the acceptance by the Letter of Credit Issuer of documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; or
- (iv) any other action of the Letter of Credit Issuer in making or failing to make payment under any Letter of Credit if in good faith and in conformity with U.S. or foreign laws, regulations or customs applicable thereto.

Notwithstanding the foregoing, the Borrower shall have a claim against the Letter of Credit Issuer, and the Letter of Credit Issuer shall be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Borrower which the Borrower proves were caused by the Letter of Credit Issuer's willful misconduct or gross negligence in determining whether documents presented under any Letter of Credit comply with the terms thereof.

#### General

Section 2.17 Optional Reduction of Commitment Amounts or Termination of Commitments. The Borrower may, at any time, upon not less than five Business Days' prior written notice to the Agent, reduce the Commitment Amounts, ratably (both among the Lenders and between the Tranches), with any such reduction in a minimum aggregate amount for all the Lenders of \$10,000,000, or, if more, in an integral multiple of \$5,000,000; provided, however, that the Borrower may not at any time reduce the Aggregate Commitment Amount below the

Total Outstandings. The Borrower may, at any time when there is no Letter of Credit or Unpaid Drawing outstanding, upon not less than three Business Days prior written notice to the Agent, terminate the Commitments in their entirety. Upon termination of the Commitments pursuant



to this Section 2.17, the Borrower shall pay to the Agent for the account of the Lenders the full amount of all outstanding Advances, all accrued and unpaid interest thereon, all unpaid Commitment Fees accrued to the date of such termination, any indemnities payable with respect to Advances pursuant to Section 2.25 and all other unpaid Obligations of the Borrower to the Agent, the Lenders and the Letter of Credit Issuer hereunder.

Section 2.18 Certain Fees.

- (a) Upfront Fees. On or prior to the Effective Date, the Borrower shall pay to the Agent for the account of each Lender an upfront fee in an amount equal to 2.00% of such Lender's initial Commitment Amount.
- (b) Commitment Fees. The Borrower shall pay to the Agent for the account of each Lender fees (the "Commitment Fees") in an amount determined by applying 0.50% per annum to the average daily Unused Commitment of such Lender for each calendar quarter during the period from the Effective Date to the date on which such Lender ceases to have any Commitment. Such Commitment Fees are payable in arrears at the end of each calendar quarter and, in the case of any Lender, on the date on which such Lender ceases to have any Commitment.
- (c) Agent's Fees. On or before the Effective Date, the Borrower will pay to the Agent the fees that are payable as of the Effective Date plus, thereafter, all other fees payable, as set forth in the Fee Letter.
- (d) Letter of Credit Fees. In respect of each Letter of Credit, the Borrower shall pay to the Agent for the account of the Letter of Credit Issuer, on demand, all issuance, amendment, drawing and other fees regularly charged by the Letter of Credit Issuer to its letter of credit customers, together with a fronting fee at the per annum rate of 0.125% of the original face amount of each Letter of Credit for the period from the date of issuance to the scheduled expiration date of such Letter of Credit, and all out-of-pocket expenses incurred by the Agent in connection with the issuance, amendment, administration or payment of any Letter of Credit.

Section 2.19 Computation. Commitment Fees and interest on Loans shall be computed on the basis of actual days elapsed and a year of 360 days (or, as to Base Rate Advances, a year of 365/366 days).

Section 2.20 Payments. Payments and prepayments of principal of, and interest on, the Loans and all fees, expenses and other obligations under this Agreement payable to the Agent, the Lenders or the Letter of Credit Issuer shall be made without setoff or counterclaim in Immediately Available Funds not later than 11:00 a.m. on the dates called for under this Agreement and the Notes to the Agent at its main office in Minneapolis, Minnesota. Funds received after such time shall be deemed to have been received on the next Business Day. The Agent will promptly distribute in like funds to each Lender its ratable share of each such payment of principal, interest and fees received by the Agent for the account of the Lenders.

Whenever any payment to be made hereunder or on the Notes shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day (provided, however, that any such payment that is stated to be due on the Tranche 1 Termination Date shall be made on the next preceding Business Day) and, in the case of a payment of principal, such extension or shortening of time shall be taken into account in the computation of any interest thereon.

Section 2.21 Use of Loan Proceeds. The proceeds of each Loan, and each Letter of Credit, shall be used for the Borrower's general business purposes in a manner not in conflict with any of the Borrower's covenants in this Agreement.

Section 2.22 Basis for Determining Interest Rate Not Ascertainable, Inadequate or Unfair. If with respect to any Interest Period:

(a) deposits in United States Dollars (in the applicable amounts) are not being offered to any Lender in the relevant market for such Interest Period, or

(b) the Agent, in consultation with the Lenders, determines that the LIBOR Rate as determined pursuant to the definition thereof will not adequately and fairly reflect the cost of maintaining or funding the LIBOR Loans for such Interest Period,

the Agent shall forthwith give notice thereof to the Borrower which notice shall set forth in detail the basis for such notice, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the LIBOR Rate shall not be available to the Borrower as an interest rate option on any Loans, and (ii) all of the then outstanding LIBOR Loans shall automatically convert to Base Rate Loans immediately. Interest accrued on each such LIBOR Loan prior to any such conversion shall be due and payable on the date of such conversion together with any funding losses and other amounts due under Section 2.26.

Section 2.23 Increased Cost. If any Regulatory Change:

(a) shall subject any Lender (or its Applicable Lending Office) to any tax, duty or other charge with respect to its LIBOR Advances, its Notes or its obligation to make LIBOR Advances or shall change the basis of taxation of payment to any Lender (or its Applicable Lending Office) of the principal of or interest on its LIBOR Advances or any other amounts due under this Agreement in respect of its LIBOR Advances or its obligation to make LIBOR Advances (except for changes in the rate of tax on the overall net income of such Lender or its Applicable Lending Office imposed by the jurisdiction in which such Lender's principal office or Applicable Lending Office is located); or

(b) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board, but excluding with respect to any LIBOR Advance any such requirement to the extent included in calculating the applicable Adjusted LIBOR Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender's Applicable Lending Office or against Letters of Credit or shall impose on any Lender (or its Applicable Lending Office) or the interbank Eurodollar market any other condition affecting its LIBOR Advances, its Notes or its obligation to make LIBOR Advances or affecting any Letter of Credit; and

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(c) the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any LIBOR Advance or issuing or maintaining any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Notes, then, within 30 days after demand by such Lender (with a copy to the Agent),

the Borrower shall pay to the applicable Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction. Each Lender will promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section 2.23 and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. If any Lender fails to give such notice within 45 days after it obtains knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 2.23, only be entitled to payment under this Section 2.23 for costs incurred from and after the date 45 days prior to the date that such Lender does give such notice. A certificate of any Lender claiming compensation under this Section 2.23, setting forth the additional amount or amounts to be paid to it hereunder and stating in reasonable detail the basis for the charge and the method of computation, shall be conclusive in the absence of error. In determining such amount, any Lender may use any reasonable averaging and attribution methods. Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable with respect to any Interest Period shall not constitute a waiver of such Lender's rights to demand compensation for any increased costs or reduction in amounts received or receivable in any subsequent Interest Period.

Section 2.24 Illegality. If any Regulatory Change shall make it unlawful or impossible for any Lender to make, maintain or fund any LIBOR Advances, such Lender shall notify the Borrower and the Agent, whereupon the obligation of such Lender to make or continue, or to convert any Advances to, LIBOR Advances shall be suspended until such Lender notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist. Before giving any such notice, such Lender shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Lender, be

otherwise disadvantageous to such Lender. If such Lender determines that it may not lawfully continue to maintain any LIBOR Advances to the end of the applicable Interest Periods, all of the affected Advances shall be automatically converted to Base Rate Advances as of the date of such Lender' s notice, and upon such conversion the Borrower shall indemnify such Lender in accordance with Section 2.26.

Section 2.25 Capital Adequacy. In the event that any Regulatory Change reduces or shall have the effect of reducing the rate of return on any Lender' s capital or the capital of its parent corporation (by an amount such Lender deems material) as a consequence of its Commitments and/or its Loans and/or any Letters of Credit to a level below that which such Lender or its parent corporation could have achieved but for such Regulatory Change (taking into account such Lender' s policies and the policies of its parent corporation with respect to capital adequacy), then the Borrower shall, within 30 days after written notice and demand from such Lender (with a copy to the Agent), pay to such Lender additional amounts sufficient to

compensate such Lender or its parent corporation for such reduction. If any Lender fails to give such notice within 45 days after it obtains knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 2.25, only be entitled to payment under this Section 2.25 for diminished returns as a result of such reduction for the period from and after the date 45 days prior to the date that such Lender does give such notice. Any determination by such Lender under this Section 2.25 and any certificate as to the amount of such reduction given to the Borrower by such Lender shall be final, conclusive and binding for all purposes, absent error.

Section 2.26 Funding Losses: LIBOR Advances. The Borrower shall compensate each Lender, upon its written request, for all losses, expenses and liabilities (including any interest paid by such Lender to lenders of funds borrowed by it to make or carry LIBOR Advances to the extent not recovered by such Lender in connection with the re-employment of such funds and including loss of anticipated profits) which such Lender may sustain: (i) if for any reason, other than a default by such Lender, a funding of a LIBOR Advance does not occur on the date specified therefor in the Borrower's request or notice as to such Advance under Section 2.2 or 2.6, or (ii) if, for whatever reason (including, but not limited to, acceleration of the maturity of Advances following an Event of Default), any repayment of a LIBOR Advance, or a conversion pursuant to Section 2.24, occurs on any day other than the last day of the Interest Period applicable thereto. A Lender's request for compensation shall set forth the basis for the amount requested and shall be final, conclusive and binding, absent error.

Section 2.27 Discretion of Lenders as to Manner of Funding. Each Lender shall be entitled to fund and maintain its funding of LIBOR Advances in any manner it may elect, it being understood, however, that for the purposes of this Agreement all determinations hereunder (including, but not limited to, determinations under Section 2.26) shall be made as if such Lender had actually funded and maintained each LIBOR Advance during the Interest Period for such Advance through the purchase of deposits having a maturity corresponding to the last day of the Interest Period and bearing an interest rate equal to the LIBOR Rate for such Interest Period.

Section 2.28 Taxes.

(a) Any and all payments by the Borrower hereunder or under the Notes shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges of withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income and franchise taxes imposed on it in lieu of net income taxes (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes").

(b) The Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes imposed on or paid by such Lender or the Agent and any penalties, interest and expenses (except as such are attributable to the gross negligence or willful misconduct of any Lender or the Agent) with respect thereto. Payments on this indemnification shall be made within 30 days from the date such Lender or the Agent makes written demand therefor, provided that such Lender or the Agent, as the case may be, shall have provided the Borrower with evidence reasonably satisfactory to the Borrower of payment of such Tax or Other Tax.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to on the signature page hereof, a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish or shall cause such payor to furnish to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms “United States” and “United States person” shall have the meanings specified in Section 7701 of the Code.

(e) Each Lender, as of the date it becomes a party hereto and as of the date on which it changes its Applicable Lending Office, represents to the Borrower and the Agent that it is either (i) an entity organized under the laws of the United States or any State thereof or (ii) is entitled to complete exemption from United States withholding tax imposed on or with respect to any payments, including fees, to be made pursuant to this Agreement (x) under an applicable provision of a tax convention to which the United States is a party or (y) because it is acting through a branch, agency or office in the United States and any payment to be received by it hereunder is effectively connected with a trade or business in the United States. Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Agent, on or before the day on which such Lender becomes a Lender, a duly completed and signed copy of either Form W-8BEN with Part II completed or Form W-8ECI of the United States Internal Revenue Service. Form W-8BEN shall include the foreign Lender’s United States taxpayer identification number if required under the current regulations to claim exemption from withholding pursuant to a tax convention. Thereafter and from time to time, each such Lender shall submit to the Borrower and the Agent such additional duly completed and signed copies of one or the other of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) reasonably requested by the Borrower or the Agent and (ii) required and permitted under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all payments to be received by such Lender hereunder. Upon the request of the Borrower or the Agent, each Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Agent a certificate on Internal Revenue Service Form W-9 or such substitute form as is reasonably satisfactory to the Borrower and the Agent to the effect that it is such a United States person.

(f) Without duplication of any amounts paid pursuant to Section 2.28(a), if the Borrower shall be required by law or regulation to make any deduction, withholding or backup withholding of any taxes, levies, imposts, duties, fees, liabilities or similar charges of the United States of America, any possession or territory of the United States of America (including the Commonwealth of Puerto Rico) or any area subject to the jurisdiction of the United States of America from any payments to a Lender pursuant to any Loan Document in respect of the Obligations payable to such Lender then or thereafter outstanding, the Borrower shall make such withholdings or deductions and pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with applicable law.

(g) If the Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.28, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.28 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of the Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent or such Lender in the event the Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection (g) shall not be construed to require the Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(h) Each Lender hereby agrees that, upon the occurrence of any circumstances entitling such Lender to indemnification pursuant to this Section 2.28, such Lender shall use reasonable efforts to designate a different lending office if the making of such a change would avoid the need for, or materially reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the sole discretion of such Lender, be materially disadvantageous to such Lender.

Section 2.29 Replacement of Certain Lenders. If any Lender shall be become and remain a Defaulting Lender or shall avail itself of the benefits of Section 2.22, 2.23, 2.24, 2.25, or 2.28, then the Borrower may, at its sole expense and effort, upon not less than five Business Days' notice to the applicable Lender and the Agent, require such Lender (the "Replaced Lender") to assign and delegate, without recourse (pursuant to an assignment agreement substantially in the form of Exhibit G hereto and in accordance with and subject to the restrictions contained in, and consents required by, Section 10.6), all of its interests, rights and obligations under this Agreement and the other Loan Documents to a replacement lender that qualifies as a "Transferee" under Section 10.6(c) (a "Replacement Lender") that shall assume such obligations (which assignee may be another Lender, if such other Lender accepts such assignment and delegation), provided that: (a) the Borrower shall have paid to the Agent any fee specified in Section 10.6 (c) and shall have paid the Replaced Lender any amounts payable under Section 2.26; (b) the Replaced Lender shall have received payment of an amount equal to the

outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the Replacement Lender or the Borrower; (c) in the case of any such assignment resulting from a claim for



compensation or payments required to be made, such assignment will result in a reduction in such compensation or payments thereafter; and, in a case to which Section 2.22 or 2.24 applies, such assignment will remove the applicable impediment with respect to LIBOR Advances; (d) the interests, rights, duties and obligations of all Lenders similarly situated are similarly assigned to Replacement Lenders; and (e) no such assignment conflicts with any Requirement of Law. Notwithstanding the foregoing, a Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.30 Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 9.9 are several and not joint. The failure of any Lender to make any Loan or to make any payment under Section 9.9 on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 9.9.

### ARTICLE III

#### CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent to Initial Loans. The obligation of the Lenders to make any Loans hereunder and of the Letter of Credit Issuer to issue any Letter of Credit hereunder shall be subject to the fulfillment of the following conditions:

- (a) Documents. The Agent shall have received the following in sufficient counterparts (except for the items described in clauses (ii) and (iii) below) for each Lender:
  - (i) This Agreement, duly executed by a duly authorized officer (or officers) of the Borrower, each Guarantor, each Lender and the Agent and dated the Effective Date.
  - (ii) A Note drawn to the order of each Lender in the principal amount of such Lender' s Tranche 1 Commitment Amount and, if applicable, a Note so drawn in the principal amount of such Lender' s Tranche 2 Commitment Amount, in each case duly executed by a duly authorized officer (or officers) of the Borrower and dated the Effective Date.
  - (iii) The Japanese Real Property Mortgage, duly executed by a duly authorized officer (or officers) of the Borrower and U.S. Bank, dated the Effective Date, together with:

(A) payment by the Borrower of registration taxes required for applications for registrations, preliminary registrations, conversion of preliminary registrations into registrations, deletion of registrations and other related applications contemplated therein;

(B) registration certificates (*toukizumishou*) for title to the Japanese Real Property Assets, and other registration certificates for security interests and lease agreement regarding Japanese Real Property Assets as to which the registrations and preliminary registrations shall be deleted thereunder;

(C) related powers of attorney as executed by the Borrower, Wings Finance Y.K., and Hibiya Enterprise Y.K.;

(D) a certificate of impression of registered seal (*inkan shoumei-sho*) of the Borrower issued by the competent Legal Affairs Bureau of Japan;

(E) a certificate of matters registered on the commercial registry (*rireki jikou shoumei-sho*) of the Borrower issued by the competent Legal Affairs Bureau of Japan;

(F) related instruments evidencing grounds for registration (*touki gen-in shoumei jouhou*) required for the applications contemplated therein, as executed by the Borrower, Wings Finance Y.K., and Hibiya Enterprise Y.K.;

(G) certificates of matters registered on closed commercial registry (*heisa jikou shoumei-sho*) of Wings Finance Y.K. and Hibiya Enterprise Y.K. issued by the competent Legal Affairs Bureau of Japan;

(H) any other documents requested by the Agent or the judicial scrivener designated by the Agent, which may be required for the applications for the registration, preliminary registration, conversion of the preliminary registration into registration, deletion of registrations and other related applications contemplated therein;

(I) an acceptance of applications for (i) registration of the *ne-teitou-ken* mortgages in favor of U.S. Bank and (ii) change of the registered office of the Borrower in the past contemplated therein, issued by the Narita Branch Office of the Chiba Legal Affairs Bureau; and

(J) an acceptance of application for (i) preliminary registration of the *ne-teitou-ken* mortgage in favor of U.S. Bank, (ii) complete deletion of (a) the registration of the *ne-teitou-ken* mortgage in favor of Wings Finance Y.K., (b) the registration of the *ten-teitou-ken* mortgage in favor of Hibiya Enterprise Y.K., (c) the preliminary registration of a lease

agreement in favor of Hibiya Enterprise Y.K., and (d) the preliminary registration of transfer of the *ne-teitou-ken* mortgage referred to in item (a) above from Wings Finance Y.K. to Hibiya Enterprise Y.K., (iii) change of the registered office of the Borrower in relation to change of the registered office of Borrower in the past, and (iv) change of the corporate name of Wings Finance Y.K. in relation to change

of the corporate name of Wings Finance Y.K. in the past, issued by the Minato Branch Office of the Tokyo Legal Affairs Bureau.

(iv) The Japanese Insurance Pledge Agreement, duly executed by a duly authorized officer (or officers) of the Borrower and U.S. Bank and dated the Effective Date, together with:

(A) consents of the insurance companies providing the insurance policies subject to the pledge contemplated therein, with a date certification (*kakutei hizuke*) by a notary public (*koushounin*) in Japan; and

(B) the insurance certificates for the insurance policies subject to the pledge contemplated therein.

(v) The NWA Aircraft Mortgage, the Compass Aircraft Mortgage and the Mesaba Aircraft Mortgage, each duly executed by a duly authorized officer (or officers) of each party thereto and dated the Effective Date.

(vi) The Security Agreement, duly executed by a duly authorized officer (or officers) of each party thereto and dated the Effective Date.

(vii) The Slot and Gate Security Agreement, duly executed by a duly authorized officer (or officers) of each party thereto and dated the Effective Date.

(viii) Any pledged Collateral (together with undated stock powers, endorsements and slot transfer documents, as applicable, executed in blank to be held by the Agent) required to be delivered under the Security Documents, and all other documents, certificates, forms and filing fees necessary to perfect and protect the Liens created under the Security Documents, including, without limitation, financing statements in form and substance reasonably acceptable to the Agent, as may be required to grant, continue and maintain an enforceable first priority security interest in the Collateral (subject to the terms hereof and of the other Loan Documents) in accordance with the Uniform Commercial Code as enacted in all relevant jurisdictions and any other applicable law.

(ix) An Account Control Agreement in respect of each Pledged Account, duly executed by a duly authorized officer (or officers) of the Borrower or the Guarantor that owns such account, as applicable, the relevant depository bank or securities intermediary or financial institution, as applicable, and the Agent.

(x) A Safekeeping Agreement and an Account Control Agreement with respect to the Specified Investment Account and with respect to the Letter of Credit Collateral Account, each duly executed by a duly authorized officer (or officers) of the Borrower, U.S. Bank and (in the case of each such Account Control Agreement) the Agent, and dated the Effective Date.

(xi) Appraisal Reports from (1) the Non-Real Estate Appraisers in respect of all Appraised Collateral other than the Japanese Real Property Assets, and (2) the Real Estate Appraisers in respect of the Japanese Real Property Assets.

(xii) One or more certificates of insurance, showing casualty and liability insurance coverage, in form and substance reasonably satisfactory to the Agent, and evidence satisfactory to the Agent that the Agent is named as lender's loss payee, mortgagee and/or additional insured, as applicable, with respect to the Collateral on such policies as to which the Agent has reasonably requested that it be so named.

(xiii) A Bailee Letter from each Person other than the Borrower that, pursuant to contractual or other arrangements in effect as of the date hereof, from time to time possesses Aircraft Fuel owned by the Borrower in any of the 15 locations identified in Schedule 3.2, in each case duly executed by a duly authorized officer (or officers) of each party thereto.

(xiv) A consent agreement from Pinnacle Airlines, Inc. in respect of each Assigned Engine Lease, in each case in form and substance reasonably satisfactory to the Agent and duly executed by a duly authorized officer (or officers) of each party thereto.

(xv) The Fee Letter, duly executed by a duly authorized officer (or officers) of each party thereto.

(xvi) the Agency Agreement, duly executed by a duly authorized officer (or officers) of each party thereto.

(xvii) A certificate of an officer of the Borrower and each Guarantor dated as of the Effective Date and certifying:

(A) as to the organizational documents of the Borrower or such Guarantor;

(B) as to the incumbency, names, titles and signatures of the officers of the Borrower or such Guarantor authorized to execute the Loan Documents to which such Person is a party and, as to the Borrower, to request Loans and Letters of Credit; and

(C) a copy of the corporate resolutions of the Borrower or such Guarantor authorizing the execution, delivery and performance of the Loan Documents to which such Person is a party, certified as of the Effective Date by the Secretary or an Assistant Secretary thereof.

(xviii) A certificate of good standing for the Borrower and each Guarantor in the jurisdiction of its incorporation or other organization, certified by the appropriate governmental officials as of a date acceptable to the Agent.

(xix) An Officer' s Certificate from the Borrower certifying:

(A) as to the truth of the representations and warranties contained in the Loan Documents as though made on and as of the date hereof, except to the extent that any such representation or warranty relates to a specified date, in which case such representation or warranty shall be or shall have been true and correct in all material respects as of such date;

(B) as to the absence of any event occurring and continuing, or resulting from the execution and delivery of the Loan Documents, that constitutes a Default or an Event of Default; and

(C) as to the Current Appraised Value of the Eligible Collateral.

(xx) An Officer' s Certificate of the Borrower with respect to Cash Liquidity on the Effective Date, certified as of the Effective Date and in form and substance reasonably satisfactory to the Agent. Cash Liquidity on the Effective Date, as evidenced by such Officer' s Certificate, shall not be less than \$3,430,000,000.

(b) Lien Searches; International Registry Searches. The Agent shall have received UCC, judgment and tax lien searches conducted in the jurisdictions in which the Borrower and the Guarantors are incorporated or otherwise organized or such other jurisdictions as the Agent may reasonably require and Lien searches conducted in the recording office of the FAA and, with respect to the applicable Mortgaged Aircraft Collateral, Lien searches conducted with the International Registry and "priority search certificates" (as defined in the Regulations and Procedures for the International Registry), all as may be reasonably satisfactory to the Agent (dated as of a date reasonably satisfactory to the Agent), reflecting the absence of Liens on the applicable Mortgaged Aircraft Collateral other than Liens permitted hereunder and as may be reasonably satisfactory to the Agent and the absence of registrations on the International Registry with respect to the applicable Mortgaged Aircraft Collateral other than the registrations contemplated herein, and (in the case of the searches conducted at the recording office of the FAA and the International Registry) indicating that the Borrower, Compass or Mesaba, as applicable, is the registered owner of each of the aircraft and other assets intended to be covered by the applicable Aircraft Mortgage.

(c) Financial Information and Appraisals. The Lenders shall have received and be satisfied with each Appraisal Report and with such financial information as may be reasonably requested by the Agent.

(d) Opinions of Counsel. The Agent and the Lenders shall have received from each of Thaddeus J. Marciniak, Esq., Dorsey & Whitney LLP, Daugherty, Fowler, Peregrin, Haught & Jenson and Nagashima Ohno & Tsunematsu, counsel to the Borrower and the Guarantors, a written opinion, addressed to each of the Secured Creditors, covering such matters as may reasonably be requested by the Agent, and each such opinion shall have been delivered to the Agent in sufficient counterparts for each Lender.

(e) Security Documents; Filing and Recording. All Security Documents (or financing statements with respect thereto) shall have been appropriately filed or recorded to the satisfaction of the Agent, and the priority and perfection of the Liens created by the Security Documents shall have been established to the satisfaction of the Agent and its counsel; provided, however, that the conditions set forth in this subsection (e) will be deemed to be satisfied with respect to the Japanese Real Property Assets as of the date on which the Agent receives the documents identified in subsections (a)(iii)(I) and (J) above. Without limiting the foregoing, the Agent shall have received evidence satisfactory to it of the filing for recordation with the FAA of each of the Aircraft Mortgages and registration with the International Registry of the International Interests, as defined in the Cape Town Convention, intended to be created thereby (together with any other necessary documents, instruments, affidavits or certificates) as the Agent may deem reasonably necessary to perfect and protect the Liens created thereby.

(f) Fees and Expenses. The Agent shall have received for itself and for the account of the other Secured Creditors all fees and other amounts due and payable by the Borrower on or prior to the Effective Date, including the reasonable fees and expenses of counsel to the Agent payable pursuant to Section 10.2.

Section 3.2 Conditions Precedent to all Loans and Letters of Credit. The obligation of the Lenders to make any Loans hereunder and of the Letter of Credit Issuer to issue any Letter of Credit hereunder shall be subject to the fulfillment of the following additional conditions:

(a) Notices and Requests. The Agent shall have received the Borrower's request for such Loans as required under Section 2.2 and, if applicable, its application for such Letter of Credit as specified under Section 2.13.

(b) Representations and Warranties. The representations and warranties contained in the Loan Documents shall be true and correct in all material respects on and as of the date of each Loan and the date of issuance of each Letter of Credit, with the same force and effect as if made on such date, except to the extent that any such representation or warranty relates to a specified date, in which case such representation or warranty shall be true and correct in all material respects as of such date.

(c) No Default; Collateral Coverage; Related Officer's Certificate. No Default or Event of Default shall have occurred and be continuing on the Effective Date or on the date of any Loan or the date of issuance of any Letter of Credit or will exist

after giving effect to any Loan or the issuance of any Letter of Credit. Without limiting the foregoing, each of the Collateralization Requirements shall have be satisfied, and the Current Appraised Value of the Eligible Collateral shall not be less than the Collateral Coverage Threshold, in each case at the time of, and after giving effect to, each Loan and the issuance of each Letter of Credit. The Borrower shall have delivered to the Agent, together with the request for such Loan or the issuance of such Letter of Credit, as applicable, an Officer' s Certificate, certifying that each of the conditions set forth in this Section 3.2(c) is satisfied on such date.

(d) Absence of Litigation and Other Proceedings. There shall be no actions, suits or proceedings or investigations pending or threatened with respect to Holdings or any of its Subsidiaries or any of their respective properties that have had, or could reasonably be expected to have, a Material Adverse Effect or affect the legality, validity, binding effect or enforceability of any Loan Document.

(e) Consents. All governmental and third party consents and approvals necessary in connection with the financing contemplated hereby shall have been obtained, in form and substance reasonably satisfactory to the Agent, and be in full force and effect.

(f) Fees and Expenses. The Agent shall have received for itself and for the account of the other Secured Creditors all fees and other amounts due and payable by the Borrower on or prior to the applicable Loan Date or the date of issuance of such Letter of Credit, including the reasonable fees and expenses of counsel to the Agent payable pursuant to Section 10.2 to the extent requested to be paid.

(g) Compliance. The Borrower and each Guarantor shall have performed and complied in all material respects with all agreements, terms and conditions contained in this Agreement and the other Loan Documents required to be performed or complied with by the Borrower or such Guarantor, as applicable, prior to or simultaneously with the Effective Date.

(h) Other Matters. All corporate and legal proceedings relating to the Borrower and its Subsidiaries, and all instruments and agreements in connection with the transactions contemplated by this Agreement, shall be satisfactory in scope, form and substance to the Agent, the Lenders and their respective counsel and the Agent' s counsel, and the Agent shall have received all information and copies of all documents, including records of corporate proceedings, as any Lender or such counsel may reasonably have requested in connection therewith, such documents where appropriate to be certified by proper corporate or governmental authorities.



## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

To induce the Agent and the Lenders to enter into this Agreement and to make Loans and to induce the Letter of Credit Issuer to issue Letters of Credit the Borrower and each Guarantor hereby jointly and severally represent and warrant as follows:

Section 4.1 Financial Condition. The audited consolidated balance sheets of Holdings and its Subsidiaries as at December 31, 2007, and the related consolidated statements of operations, of common stockholders' deficit and of cash flows for the fiscal year ended on such date, reported on by Ernst & Young LLP present fairly in all material respects the consolidated financial condition of such entities as at such date, and the consolidated results of their operations and their consolidated cash flows for the respective fiscal years then ended. The unaudited condensed consolidated balance sheets of Holdings and its Subsidiaries as at June 30, 2008, and the related unaudited condensed consolidated statements of income and cash flows for the six-month period ended on such date, present fairly in all material respects the consolidated financial condition of such entities as at such date and the consolidated results of their operations and their consolidated cash flows for the six-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto (in the case of such annual statements), have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein).

Section 4.2 No Change. Since June 30, 2008, no event or circumstance has arisen that constitutes a Material Adverse Effect.

Section 4.3 Corporate Existence; Compliance. The Borrower and each of the Guarantors (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and presently proposes to engage in, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where it is required to be so qualified and where the failure to be so qualified would have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law (including, without limitation, Environmental Laws) and Contractual Obligations except to the extent that the failure to comply therewith would not, in the aggregate, have a Material Adverse Effect.

Section 4.4 Corporate Power; Authorization; Enforceable Obligations. The Borrower and each of the Guarantors has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder. The Borrower and each of the Guarantors has taken all necessary corporate action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the extensions of credit on the terms and conditions of this Agreement. No material consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person, is required in connection with the extensions of credit hereunder

or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and any such other consent, authorization, filing, notice or other act required to be made or obtained after the Effective Date in the ordinary course of business or in order to perfect the Liens granted under the Security Documents. Each Loan Document to which the Borrower or any of the Guarantors is a party has been duly executed and delivered on behalf of the Borrower and each such Guarantor, as applicable. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and

binding obligation of each of the Borrower and any Guarantor that is party thereto, enforceable against each such Person in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 4.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings and other extensions of credit hereunder and the use of the proceeds thereof will not violate in any material respect any material Requirement of Law or any material Contractual Obligation of Holdings or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation.

Section 4.6 Litigation; Properties.

(a) There are no actions, suits or proceedings or investigations pending or threatened with respect to Holdings or any of its Subsidiaries or any of their respective properties that have had, or could reasonably be expected to have, a Material Adverse Effect or affect the legality, validity, binding effect or enforceability of any Loan Document.

(b) Except with respect to any matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, (i) the Borrower and each Guarantor is currently in compliance with all, and has not violated any, Environmental Laws and/or requirements of any Airport Authority with respect to environmental matters and maintains and complies with all, and has not violated any, Environmental Permits and (ii) none of the Borrower or the Guarantors has (x) become subject to any Environmental Liability, or (y) received written or, to the knowledge of the Borrower or the Guarantors, verbal notice of any pending or, to the knowledge of the Borrower or the Guarantors, threatened claim with respect to any Environmental Liability, and there is no reasonable basis for any Environmental Liability.

(c) The Borrower and the Guarantors have good title to the Collateral and (except as would not reasonably be expected to have a Material Adverse Effect) to each of the properties and assets reflected on the financial statements referred to in Section 4.1 hereof; in each case subject to Permitted Liens.

(d) Except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (i) each of the Borrower and the Guarantors owns, or is licensed to use, all trademarks, trade names, copyrights, patents and other intellectual property material and necessary to its business and (ii) the use thereof by such Borrower or Guarantor, to the Borrower's or such Guarantor's knowledge, does not infringe upon the rights of any other Person in such rights or property.

(e) As of the Effective Date, neither the Borrower nor any Guarantor has received any written notice of a pending or contemplated condemnation proceeding affecting any Japanese Real Property Asset.

Section 4.7 Federal Regulation. Not more than 25% of the value of the assets of the Borrower, or of Holdings and its Subsidiaries on a consolidated basis, constitutes "margin stock" within the meaning of such term under Regulation U. Neither the making of any Loan nor the use of the proceeds of any thereof will violate or be inconsistent with the provisions of Regulation T, U or X of the Board.

#### Section 4.8 ERISA

(a) As of each Loan Date: (i) each Pension Plan has been operated and administered in compliance with all applicable requirements of ERISA and, if intended to qualify under Section 401(a) or 403(a) of the Code, in compliance with all applicable requirements of such provision except where the failure to so comply would not result in, taking all instances in the aggregate, liability in excess of \$2,000,000; (ii) full payment has been made by each of Holdings and its Subsidiaries or any of its ERISA Affiliates of all amounts which such Persons are required under the terms of each Pension Plan and Multiemployer Plan to have paid as contributions to such Pension Plan and Multiemployer Plan except where the failure to so comply, taking all instances in the aggregate, would not result in liability in excess of \$2,000,000; (iii) none of the Pension Plans had an accumulated funding deficiency as (defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent plan year of such Pension Plan; (iv) no Termination Event has occurred or, to the best knowledge of Holdings or any of its Subsidiaries, is expected by such Person to occur with respect to any Pension Plan or Multiemployer Plan such that any such Person or any of its ERISA Affiliates would incur, taking all instances in the aggregate, liabilities in excess of \$10,000,000 (such liability to include, without limitation, any liability to the PBGC or to any other party under Section 4062, 4063 and 4064 of ERISA or to any Multiemployer Plan determined under Section 4201 et seq. of ERISA) resulting from or associated with all such Termination Events.

(b) Neither Holdings nor any of its Subsidiaries nor any of their ERISA Affiliates has engaged in any transaction in connection with which any such entity has been or could be subjected to either a tax imposed by Section 4975 of the Code or the corresponding civil penalty assessed pursuant to Sections 502(i) and 502(l) of ERISA, which penalties and taxes for all such transactions are in an aggregate amount in excess of \$2,500,000. Using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of Title IV of ERISA, the aggregate liabilities of Holdings and its

Subsidiaries, the Borrower and its Subsidiaries and their ERISA Affiliates to all Multiemployer Plans in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each such Multiemployer Plan ended prior to the Loan Date would not have a material adverse effect upon the results of operation or financial condition of Holdings or any of its Subsidiaries. Neither Holdings nor any of its Subsidiaries maintains or contributes to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) which provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA or any employee pension benefit plan (as defined in Section 3(2) of ERISA) the obligations with respect to which would have a material adverse effect on the ability of any such Person to perform its obligations under this Agreement.

Section 4.9 Investment Company Act. Neither the Borrower nor any Guarantor is an “investment company,” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended.

Section 4.10 Subsidiaries. As of the Effective Date, Schedule 4.10 correctly sets forth the percentage ownership (direct and indirect) of the Borrower and each of the Guarantors in each of their respective Subsidiaries.

Section 4.11 Use of Proceeds. The proceeds of the Loans, and each Letter of Credit, shall be used for the Borrower’s general business purposes in a manner not in conflict with any of the Borrower’s covenants in this Agreement.

Section 4.12 True and Complete Disclosure. All factual information (taken as a whole) furnished by or on behalf of the Borrower or any Guarantor in writing to the Agent or any Lender for purposes of or in connection with this Agreement, the other Loan Documents or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of any such Persons in writing to any Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided.

Section 4.13 Air Carrier. The Borrower is a Certificated Air Carrier. The Borrower possesses all necessary certificates, franchises, licenses, permits, rights, designations, authorizations, exemptions, concessions, frequencies and consents which relate to the operation of the Routes flown by it and the conduct of its business and operations as currently conducted except where failure to so possess would not, in the aggregate, have a Material Adverse Effect.

Section 4.14 Slot Utilization. Except for matters which would not reasonably be expected to have a Material Adverse Effect, the Borrower and the Guarantors, as applicable, are utilizing, or causing to be utilized, their FAA Slots and Foreign Slots in a manner consistent with applicable rules, regulations, laws and contracts in order to preserve both their respective right to hold and operate such FAA Slots and Foreign Slots, taking into account any waivers or other relief granted by the FAA, other applicable U.S. Governmental Authority, Airport Authority or Foreign Aviation Authorities. Except as would not reasonably be expected to have a Material

Adverse Effect, neither the Borrower nor any Guarantor has received any written notice from the FAA, other applicable U.S. Governmental Authority, Airport Authority or Foreign Aviation Authorities, or is aware of any other event or circumstance, that would be reasonably likely to impair its right to hold and operate any of its FAA Slots or Foreign Slots.

Section 4.15 Route Utilization. The Borrower and the Guarantors, as applicable, hold the requisite authority to operate each of their respective Routes pursuant to Title 49, applicable foreign law, and the applicable rules and regulations of the FAA, the DOT and any applicable Foreign Aviation Authorities, and have, at all times after being awarded each such Route, complied with all of the terms, conditions and limitations of each such certificate or order issued by the DOT and the applicable Foreign Aviation Authorities regarding such Route and with all applicable provisions of Title 49, applicable foreign law, and the applicable rules and regulations of the FAA, the DOT and any

Foreign Aviation Authorities regarding such Route, except to the extent that such non-compliance could not reasonably be expected to have a Material Adverse Effect. There exists no failure of the Borrower or any applicable Guarantor to comply with such terms, conditions or limitations that gives the FAA, the DOT or any applicable Foreign Aviation Authorities the right to terminate, cancel, suspend, withdraw or modify in any materially adverse respect the rights of the Borrower or the Guarantors, as applicable, in any such Route, except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect.

#### Section 4.16 Security Documents.

(a) Each of the Security Documents is in full force and effect, is effective to secure the Obligations under this Agreement, and is enforceable in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(b) Except as expressly stated therein, each security interest or other Lien that is purported to be granted under any of the Security Documents constitutes a perfected first priority security interest or other Lien, as applicable, in favor of the Agent for the benefit of the Secured Creditors in the Collateral subject thereto (to the extent such perfection and priority can be obtained under the Uniform Commercial Code or any other applicable statute, or by filing any requisite filings with the FAA or registration with the International Registry, and provided, with respect to Equipment that is subject to a title registration statute, that neither notation of the Agent on a title certificate issued under such statute nor delivery of such a title certificate to the Agent shall be required hereunder except to the extent that the Borrower asserts that such Equipment constitutes "Eligible Collateral" hereunder) and such security interests (i) are continuing, valid and enforceable, and (ii) are not subject to any defense, counterclaim or setoff.

Section 4.17 Pledged Accounts. Each and every deposit account, sweep account linked thereto and other securities account owned or held by the Borrower or any of the Guarantors, except Escrow Accounts, Petty Cash Accounts, Payroll Accounts and accounts

outside the United States, is listed on Schedule 1.1-B, Schedule 1.1-C, Schedule 1.1-D or Schedule 1.1-E hereto.

## ARTICLE V

### AFFIRMATIVE COVENANTS

From the date hereof and until such time as no Commitment or obligation to issue Letters of Credit hereunder is in effect, the Notes and all of the other Obligations have been paid in full and no Letters of Credit remain outstanding, unless the Required Lenders shall otherwise consent in writing, the Borrower and each Guarantor shall, and shall cause each of their Subsidiaries to:

Section 5.1 Financial Statements. Furnish to the Agent and each of the Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of Holdings, a copy of the SEC Form 10-K filed by Holdings with the SEC for such fiscal year, or, if no such Form 10-K was so filed by Holdings for such fiscal year, the audited consolidated balance sheet of Holdings and its Subsidiaries as at the end of such fiscal year and the related audited consolidated statements of operations, of common stockholders' equity and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported by Ernst & Young or other independent certified public

accountants of nationally recognized standing, which report shall be without a “going concern” or like qualification or exception, or, in respect of any fiscal year, without qualification arising out of the scope of the audit; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of Holdings, a copy of the SEC Form 10-Q filed by Holdings with the SEC for such quarterly period, or, if no such Form 10-Q was so filed by Holdings with respect to any such quarterly period, the unaudited consolidated balance sheet of Holdings and its Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of operations for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer of Holdings, as the case may be, as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein). Information required to be delivered pursuant to this Section 5.1 (to the extent not made available as set forth above) shall be deemed to have been delivered to the Agent or a Lender on the date on which the Borrower provides written notice to the Agent or such Lender, as applicable, that such information has been posted on the Borrower’s website on the Internet at <http://www.nwa.com> (to the extent such information has been posted or is available as described in such notice).

Section 5.2 Certificates; Other Information. Furnish to the Agent (and the Agent shall, subject to the final sentence of this Section 5.2, promptly following receipt thereof furnish to the Lenders):

- (a) concurrently with the delivery of the financial statements referred to in Section 5.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;
- (b) concurrently with the delivery of any financial statements pursuant to Section 5.1, (i) a certificate of a Responsible Officer of each of Holdings and the Borrower stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) a Compliance Certificate as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be;
- (c) not more than 90 days following the commencement of each fiscal year of the Borrower, a budget of the Borrower and its Subsidiaries in reasonable detail for each fiscal month of such fiscal year as is customarily prepared by management for its internal use setting forth, with appropriate discussion, the principal assumptions upon which such budget is based;
- (d) within five days after the same are sent, copies of all financial statements and reports that Holdings sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that Holdings may make to, or file with, the SEC;
- (e) promptly after any senior financial or legal officer of the Borrower or any Guarantor obtains knowledge of the occurrence of an “Event of Default” as defined in the Citicorp Credit Agreement, or, following the Initial Delta Merger Date, an “Event of Default” as defined in the Delta-JPMCB Agreement or the Delta-GSCP Agreement, notice thereof and a statement of such Responsible Officer setting forth the details thereof and any action taken or proposed to be taken in respect thereof;
- (f) promptly after a Responsible Officer obtains knowledge of the receipt of any environmental audits or reports (whether prepared by personnel of the Borrower or any Affiliate thereof or by independent consultants) that relate to (i) any Japanese Real Property Assets or (ii) any Environmental Liability that relates to Japanese Real Property Assets or could reasonably be expected to have a Material Adverse Effect, notification thereof, together with copies thereof and a statement of a Responsible Officer of the Borrower setting forth the details thereof and any action taken or proposed to be taken in respect thereof;
- (g) (I) not more than 25 days after the end of each calendar month, a Collateral Report as of the end of such calendar month; (II) on the one-year anniversary hereof and on the one-year anniversary of any Appraisal Report delivered to the Agent after the Effective Date with respect to any Eligible Collateral except Japanese Real Property Assets, one or more Appraisal Reports, (III) if an Event of Default has occurred and is continuing, at the request of the Agent and from time to time, one or more



Appraisal Reports in respect of any Appraised Collateral, and (IV) promptly upon the occurrence of any Event of Loss or other Collateral Event as a result of which the Current Appraised Value of the Eligible Collateral is less than the Collateral Coverage Threshold, a revised Collateral Report reflecting the corresponding change in the Current Appraised Value of the Eligible Collateral;

- (h) on the first Business Day of each calendar week, a Cash Liquidity Report as of the last Business Day of the immediately preceding calendar week;
- (i) promptly after a Responsible Officer obtains knowledge thereof, notice of any Collateral Event;
- (j) promptly, such information as to the FAA Slots and the Gate Interests as the Agent may from time to time reasonably request; and
- (k) promptly, such additional financial and other information as the Agent may from time to time reasonably request.

Information required to be delivered pursuant to this Section 5.2 (to the extent not made available as set forth above) shall be deemed to have been delivered to the Agent on the date on which the Borrower provides written notice to the Agent that such information has been posted on the Borrower's website on the Internet at <http://www.nwa.com> (to the extent such information has been posted or is available as described in such notice).

If any notice or other communication delivered pursuant to this Section 5.2, or otherwise pursuant to this Agreement, contains any material non-public information, the Borrower, or Affiliate thereof, if applicable, shall, at the time of such delivery, notify the Agent that such communication or notice contains material non-public information. If a Lender has notified the Agent that it does not want to receive material non-public information, the Agent will not forward to such Lender any notice or communication which is identified by the Borrower as including such information until such Lender notifies the Agent otherwise.

Section 5.3 Payment of Taxes. Pay, discharge or otherwise satisfy, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which material penalties attach thereto, and all material lawful claims which, if unpaid, might become a Lien or charge upon any properties of the Borrower, any Guarantor or any of their Subsidiaries, provided that neither the Borrower nor any Guarantor nor any of their Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim (i) which is being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of management) with respect thereto in accordance with GAAP or (ii) the nonpayment of which would not have a Material Adverse Effect.

Section 5.4 Maintenance of Existence; Compliance.

(a) Except as permitted by Section 6.4, do all things necessary to preserve and keep in full force and effect its existence and material rights, authority and franchises, unless the failure to keep in full force and effect any such right, authority or franchise would not have a Material Adverse Effect.

(b) Comply with all applicable laws, rules, regulations and orders of any Airport Authority (with respect to environmental matters) or Governmental Authority applicable to it or its property (including Environmental Laws), and all Contractual Obligations, except where such noncompliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) To the extent the following are required by Environmental Laws, any Governmental Authority or any requirements of an Airport Authority relating to environmental matters, conduct any and all investigations, studies, sampling and testing and take any and all necessary remedial action in connection with the presence, storage, use, disposal, transportation or Release of any Hazardous Materials for which the Borrower or the Guarantors or their respective Subsidiaries is, or would reasonably be expected to be, liable (except, in each case, to the extent, and only to the extent, that (i) the Borrower's or the Guarantors' or their respective Subsidiaries' liability for or any requirement of an Airport Authority with respect to any such presence, storage, use, disposal, transportation or Release of any Hazardous Materials is being contested in good faith and by appropriate proceedings diligently conducted by such Persons, (ii) such remedial action is taken by other Persons responsible for such remedial action through an indemnification of the Borrower or the Guarantors or any Subsidiary thereof or (iii) such non-compliance would not in any case or in the aggregate have a Material Adverse Effect). In the event that the Borrower or the Guarantors or any of their respective Subsidiaries undertakes any such investigation, study, sampling, testing or remedial action with respect to any Hazardous Materials, the Borrower and the Guarantors will cause such action to be completed in compliance in all material respects with all applicable Environmental Laws and all applicable requirements of Airport Authorities relating to environmental matters.

Section 5.5 Maintenance of Property; Insurance.

(a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and from time to time make in such properties and equipment all needed and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner customary for companies in similar businesses, except where the failure to keep such properties and equipment in good repair, working order and condition or to make such repairs, renewals, replacements, extensions, additions, betterments or improvements would not have a Material Adverse Effect.

(b) In addition to the requirements of subsection (c) below and any requirements set forth in the Security Documents, (i) keep its properties (other than the Mortgaged Aircraft Collateral, as to which only the provisions of the Aircraft Mortgages shall apply) insured at all times, against such risks, including fire and other risks insured

against by extended coverage, and on such term and conditions, as is prudent and customary with U.S. based companies of the same or similar size in the same or similar businesses provided that the Agent and the Lenders agree and acknowledge that the insurance coverages provided as of the Closing Date satisfy such criteria as of the Closing Date; (ii) maintain in full force and effect public

liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Borrower or any Guarantor, as the case may be, in such amounts and with such deductibles as are customary with companies of the same or similar size in the same or similar businesses and in the same geographic area provided that the Agent and the Lenders agree and acknowledge that the insurance coverages provided as of the Closing Date satisfy such criteria as of the Closing Date; and (iii) maintain such other insurance or self insurance as may be required by law.

(c) Maintain business interruption insurance in amounts that are reasonably satisfactory to the Agent and as is customary in the United States domestic airline industry for major United States air carriers having both substantial domestic and international operations.

(d) All such insurance referred to in subsection (b) above with respect to the Collateral (other than the Mortgaged Aircraft Collateral, as to which only the provisions of the Aircraft Mortgages shall apply) shall (i) contain a lender' s loss payable or mortgagee endorsement, as applicable, in favor of the Agent, on behalf of the Secured Creditors, in all loss or damage insurance policies, (ii) name the Agent, for the benefit of the Secured Creditors, as additional insured for liability insurance policies, (iii) provide that no cancellation or material change thereof shall be effective until at least thirty (30) days after written notice thereof to the Agent and permit the Agent to cure any default with respect to applicable outstanding premiums, (iv) provide that once the Agent has given notice of the occurrence of an Event of Default, no loss in excess of \$5,000,000 shall be adjusted or otherwise settled without the prior written consent of the Agent, and (v) state that none of the Agent, any of the Lenders, nor any other Secured Creditor shall be responsible for premiums, commissions, club calls, assessments or advances.

(e) Promptly deliver to the Agent copies of any material notices received from its insurers with respect to insurance programs required by the Terrorism Risk Insurance Act of 2002 (as extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007) and procure and maintain in force the insurance that is offered in such programs to the same extent maintained by companies of the same or similar size in the same or similar businesses.

(f) No less frequently than annually, but in any event prior to expiration of any insurance policy maintained in connection herewith or in connection with any Security Document, furnish to the Agent certificates of insurance with respect to insurance maintained by the Borrower or any Guarantor, as the case may be, which certificates evidence compliance by the Borrower and the Guarantors with the insurance requirements set forth herein and in any of the Security Documents and contain signatures of duly authorized representatives of Aon, Marsh & McLennan or another

insurance broker as may be reasonably acceptable to the Agent, at all times prior to policy termination, cessation or cancellation.

(g) Make available at the Borrower' s headquarters, upon the reasonable request of the Agent and upon reasonable prior notice, all insurance policies maintained by the Borrower and the Guarantors for the review of the Agent and any agents or representatives thereof.

Section 5.6 Inspection of Property; Books and Records; Discussions; Appraisal and Audits.

(a) Maintain or cause to be maintained at all times true and complete books and records in all material respects in a manner consistent with GAAP in all material respects of the financial operations of the Borrower and the Guarantors and provide the Agent and its representatives and advisors reasonable access to all such books and records (subject to requirements under any confidentiality agreements, if applicable), as well as any appraisals of the Collateral, during regular business hours, in order that the Agent may upon reasonable prior notice and with reasonable frequency, but in any event, so long as no Event of Default has occurred and is continuing, no more than one time per year, examine and make abstracts from such books, accounts, records, appraisals and other papers, and permit the Agent and its representatives and advisors to confer with the officers of the Borrower and the Guarantors and representatives (provided that the Borrower shall be given the right to participate in such discussions with such representatives) of the Borrower and the Guarantors, all for the purpose of verifying the accuracy of the various reports delivered by the Borrower or the Guarantors to the Agent or the Lenders pursuant to this Agreement or for otherwise ascertaining compliance with this Agreement; and at any reasonable time and from time to time during regular business hours, upon reasonable notice to the Borrower, permit the Agent and any agents or representatives (including, without limitation, appraisers) thereof to visit the properties of the Borrower and the Guarantors and to conduct examinations of and to monitor the Collateral, in each case at the expense of the Borrower (provided, that the Borrower shall only be required to pay reasonable out-of-pocket expenses and shall not be required to pay the expenses of more than one such visit a year unless an Event of Default has occurred and is continuing).

(b) Grant access to and the right to inspect all final reports, final audits (and draft reports and audits where no final reports or audits are available) and other similar internal information of the Borrower or any Guarantor relating to the Japanese Real Property Assets with respect to environmental matters upon reasonable notice, and obtain any third party verification of matters relating to the Release or alleged Release of Hazardous Materials at the Japanese Real Property Assets and compliance with Environmental Laws and requirements of Airport Authorities with respect to environmental matters reasonably requested by the Agent at any time and from time to time.

(c) Cooperate with the Field Auditor such that the Agent shall receive one or more Field Audits establishing the value of the Appraised Collateral or other Collateral, as the case may be, (i) on the date upon which any additional property or assets may be

pledged as Collateral to the Agent to secure Obligations, but only with respect to such additional Collateral, (ii) promptly at the request of the Agent (which, so long as no Event of Default has occurred and is continuing, shall occur no more than once per year) and (iii) upon a change in any Requirements of Law applicable to any material assets that constitute Collateral, which change could reasonably be expected to result in the Current Appraised Value of the Eligible Collateral falling below the Collateral Coverage Threshold. In addition to the foregoing requirements, if at any time the Agent reasonably believes that a Collateral Event has occurred, it may request the delivery of an updated Appraisal Report or Collateral Report, as applicable, with respect to the affected Collateral, and the Borrower and the Guarantors shall cooperate with the Appraiser or Field Auditor, as applicable, to ensure that the Agent receives the same. The Borrower may from time to time cause to be delivered subsequent Appraisal Reports if it believes that the affected item of Appraised Collateral has a higher Current Appraised Value than that reflected in the most recent Appraisal Report delivered.

Section 5.7 Notices. Promptly give notice to the Agent and each Lender of:

(a) (i) the occurrence of any Default or Event of Default and (ii) any litigation or governmental proceeding pending against or affecting the Borrower or any Guarantor or any of their Subsidiaries or any of its or their respective properties which is likely to have a Material Adverse Effect; and

(b) the following events, as soon as possible and in any event within 15 days after the Borrower or any Guarantor knows or has reason to know thereof, if such events, individually or in the aggregate have had or would have a Material Adverse Effect: (i) the occurrence of any Termination Event with respect to any Pension Plan, a failure to make any required contribution to a Pension Plan, the creation of any Lien in favor of the PBGC or a Pension Plan or any withdrawal from, or the termination, reorganization or insolvency of, any Multiemployer Plan or Pension Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, reorganization or insolvency of, any Pension Plan.

Each notice pursuant to this Section 5.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower and, if applicable, any Affiliate thereof, proposes to take with respect thereto.

Section 5.8 Performance of Obligations. Perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound, except where the failure to perform would not have a Material Adverse Effect.

Section 5.9 End of Fiscal Years; Fiscal Quarters. For financial reporting purposes, end Holdings' and each of its Subsidiaries' (i) fiscal years on December 31 of each year and (ii) fiscal quarters on March 31, June 30, September 30 and December 31 of each year.

Section 5.10 Air Carrier Status; Maintenance. Ensure that at all times (i) Borrower is all times a Certificated Air Carrier and (ii) the Borrower and, if applicable, any Guarantor, possesses and maintains all necessary certificates, exemptions, franchises, licenses,

permits, designations, rights, concessions, Gate Interests, authorizations, frequencies and consents that are material to the operation of the FAA Slots, the Routes and the Foreign Slots utilized by it and the conduct of its business and operations as currently conducted except, in any

case described in this clause (ii), where the failure to do so, either individually or in the aggregate, could not be reasonably likely to have a Material Adverse Effect.

Section 5.11 ERISA.

(a) As soon as practicable and in any event within fifteen days after the Borrower or any Guarantor or any of their ERISA Affiliates knows or has reason to know of the occurrence of any (i) Termination Event in connection with any Pension Plan, (ii) non-exempt “prohibited transaction” as described in Section 406 of ERISA or Section 4975 of the Code, (iii) accumulated funding deficiency or application to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code, (iv) institution pursuant to Section 515 of ERISA to collect a delinquent contribution, or (v) material liability by the Borrower or any Guarantor or any of their Subsidiaries pursuant to any employee welfare benefit plan (as defined in Section 3(1) of ERISA) that provides benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or any employee pension benefit plan (as defined in Section 3(2) of ERISA) in addition to the liability for benefits existing on the Effective Date pursuant to any such welfare or pension plan or plans in connection with any Pension Plan or Multiemployer Plan or any trust created thereunder, if as a result of such event or transaction, considered together with other such events and transactions occurring within the prior two years, the Borrower, the Guarantors and their ERISA Affiliates incur or could reasonably expect to incur liabilities from all such events and transactions in excess of \$5,000,000, the Borrower or such Guarantor, as applicable, shall deliver to each of the Lenders a certificate, signed by an Authorized Officer of the Borrower or such Guarantor, specifying the nature thereof, what action the Borrower or such Guarantor or such ERISA Affiliate has taken, is taking or proposes to take with respect thereto, and any action taken or threatened by the Internal Revenue Service, Department of Labor, PBGC, Pension Plan or Multiemployer Plan, as applicable, to be taken with respect thereto (together with copies of all relevant notices or other communications received from such entity). For the purposes of this Section 5.11, the Borrower or a Guarantor shall be deemed to have knowledge of all facts known by the plan “administrator” (as defined in Section 3(16)(A) of ERISA) of any Pension Plan of which such the Borrower or such Guarantor, as applicable, or any of such Person’s ERISA Affiliates is the “plan sponsor” (as defined in Section 3(16)(B) of ERISA).

(b) To the extent reasonably requested by any Lender, as soon as practicable and in any event within 30 days after the filing of a Form 5500 series annual report by the Borrower, any Guarantor or any of their ERISA Affiliates with the Internal Revenue Service with respect to each Pension Plan, the Borrower or such Guarantor, as applicable, shall furnish to such Lender a copy of such Form 5500 series annual report and the Schedule B (Actuarial Information) thereto (and shall make available for inspection by such Lender at reasonable times copies of the full annual report with respect to each Pension Plan).

Section 5.12 Slot Utilization. Utilize the FAA Slots and Foreign Slots in a manner consistent in all material respects with applicable regulations, rules, laws and contracts in order to preserve its right to hold and operate the FAA Slots and Foreign Slots, taking into account any waivers or other relief granted to the Borrower by the FAA, any other applicable Governmental Authority or any Airport Authority or Foreign Aviation Authorities, except, in each case, as would not reasonably be expected to have a Material Adverse Effect.

Section 5.13 Route Utilization. Utilize the Routes in a manner consistent in all material respects with applicable regulations, rules, treaties, foreign law and contracts in order to preserve its right to hold and operate the Routes and maintain access to the Supporting Route Facilities sufficient to ensure its ability to retain its rights in and to the Routes, taking into account any waivers or other relief granted to the Borrower by the FAA, any other applicable Governmental Authority, any Airport Authority or any applicable Foreign Aviation Authorities, except, in each case, as would not reasonably be expected to have a Material Adverse Effect.

Section 5.14 Spare Parts. Segregate all Spare Parts from any other spare parts, and keep all Spare Parts owned by the Borrower, Compass and Mesaba in Spare Parts Locations under the applicable Aircraft Mortgage, except to the extent permitted in such Aircraft Mortgage. The Spare Parts will be maintained by or on behalf of the Borrower or Compass or Mesaba, as applicable, as required by the applicable Aircraft Mortgage.

Section 5.15 Additional Collateral. The Borrower may from time to time submit a request to the Agent for additional assets owned by the Borrower, any Guarantor or any of their Subsidiaries to be subjected to a Lien in favor the Agent for the benefit of the Secured Creditors to secure the Obligations, provided that such assets are of a similar type and nature and of the same general classification or asset class as Eligible Collateral subject to such Lien on the Effective Date and are otherwise acceptable to the Agent in its reasonable discretion. Any such request shall be submitted in writing together with (i) a description of the relevant owner and such assets, (ii) any related Appraisal Reports and other information, and an Officer' s Certificate, demonstrating to the Agent' s reasonable satisfaction that the foregoing requirements of this Section 5.15 are satisfied, and (iii) such other information as the Agent may reasonably request. If the Agent determines that the request meets the requirements of this Section 5.15, (a) the Borrower shall deliver to the Agent documentation sufficient to cause such assets to be subjected to Lien in favor of the Agent and take such other actions as may be required to demonstrate to the Agent' s reasonable satisfaction that such Lien constitutes a perfected first priority Lien (subject to Permitted Liens but no other Liens) securing the Obligations and (b) if such assets are owned by a Person other than the Borrower that is not already a Guarantor, the Borrower shall cause to be delivered to the Agent a joinder to this Agreement in the form of Exhibit F (whereupon such owner shall be deemed a "Guarantor" hereunder).

Section 5.16 Further Assurances. Execute any and all further documents and instruments, and take all further actions, that may be required or advisable under applicable law, the Cape Town Convention or by the FAA, or that the Agent may reasonably request, in order to create, grant, establish, preserve, protect and perfect the validity, perfection and priority of the Liens and security interests created or intended to be created by the Security Documents, to the extent required under this Agreement or the Security Documents, including, without limitation,

amending, amending and restating, supplementing, assigning or otherwise modifying, renewing or replacing (a) any Aircraft Mortgage or other agreements, instruments or documents relating thereto, in each case as may be reasonably requested by the Agent, in order to (i) create interests (including, but not limited to, International Interests, Assignments, Prospective International Interests, Prospective Assignments, Sales, Prospective Sales, Assignments of Associated Rights and Subordinations, in each case as defined in the Cape Town Convention) that may be registered and/or assigned under the Cape Town Convention, (ii) create, grant, establish, preserve, protect and perfect the Liens in favor of the Agent for the benefit of the Secured Creditors to the fullest extent possible under the Cape Town Convention, including, where necessary, the subordination of other rights or interests and (iii) realize the benefit of the remedial provisions that are contemplated by the Cape Town Convention and (b) the Japanese Insurance Pledge Agreement and any Japanese Mortgage, in order to create, grant, establish, preserve, protect and perfect the Liens in favor of the Secured Creditors, or the Agent for the benefit of the Secured Creditors, from time to



time, including in connection with any sale, assignment, transfer or other Disposition hereunder of any portion of a Lender' s Commitments, Loans and/or Advances to another Person or any such sale, assignment, transfer or other Disposition that may be proposed from time to time.

## ARTICLE VI

### NEGATIVE COVENANTS

From the date hereof and until such time as no Commitment or obligation to issue Letters of Credit hereunder is in effect, the Notes and all of the other Obligations have been paid in full and no Letters of Credit remain outstanding, unless the Required Lenders shall otherwise consent in writing, the Borrower and each Guarantor shall not, and shall cause each of their Subsidiaries not to, directly or indirectly:

#### Section 6.1 Financial Condition Covenants.

(a) Cash Liquidity. Permit Cash Liquidity to be less than \$1,250,000,000 at any time.

(b) Consolidated EBITDAR to Consolidated Fixed Charges. Permit the ratio of (A) Consolidated EBITDAR (excluding from the calculation thereof one-time fees, costs, and expenses incurred in connection with the transactions contemplated by the Merger Agreement (whether or not consummated), provided that the portion of such fees, costs and expenses payable in cash and excluded from the calculation of Consolidated EBITDAR shall not exceed \$150,000,000 in the aggregate), to (B) Consolidated Fixed Charges for any period of four consecutive fiscal quarters ending with any fiscal quarter set forth below (or with respect to the fiscal quarters ending on June 30, 2009, September 30, 2009, and December 31, 2009, the period commencing on April 1, 2009, and ending on the last day of such fiscal quarter) to be less than the ratio set forth below opposite such fiscal quarter:

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<u>Fiscal Quarter(s) Ended</u>	<u>Consolidated EBITDAR to Consolidated Fixed Charges</u>
6/30/09	1.00 to 1.00
9/30/09	1.10 to 1.00
12/31/09	1.20 to 1.00
3/31/10	1.30 to 1.00
6/30/10	1.40 to 1.00
9/30/10 and thereafter	1.50 to 1.00

For the avoidance of doubt, compliance with the above ratio will not be tested for the fiscal quarters ending December 31, 2008, and March 31, 2009.

(c) Collateral Coverage. Permit the Current Appraised Value of the Eligible Collateral to be less than the Collateral Coverage Threshold; provided that if (x) upon (1) delivery of an Appraisal Report, a Field Audit or a Collateral Report to the Agent in accordance herewith, (2) the establishment of reserves or other criteria by the Agent pursuant to clause (y) of the definition herein of "Current Appraised Value", or (3) the occurrence of any Event of Loss or other Collateral Event, and (y) as a result thereof it is determined (solely with respect to determining compliance with this Section 6.1(c)) that the Current Appraised Value of the Eligible Collateral is less than the Collateral Coverage Threshold, neither a Default nor an Event of Default shall be deemed to have occurred under this Section 6.1(c) if, within two Business Days after the date (as applicable) of (i) the delivery of such Appraisal Report, Field Audit or Collateral Report, (ii) the establishment of such reserves or other criteria by the Agent or (iii) the occurrence of such Event

of Loss or other Collateral Event, the Borrower (or the Agent, in the case of a deposit deemed to be in furtherance of a Collateral Coverage Shortfall Deposit pursuant to the terms of any of the Aircraft Mortgages) deposits in the Specified Investment Account Cash Equivalent Securities having a value (as determined by the Agent in its reasonable discretion) at least equal to the difference between the Collateral Coverage Threshold and the Current Appraised Value of the Eligible Collateral (any such deposit being referred to as a "Collateral Coverage Shortfall Deposit"); provided further that if the Borrower thereafter provides additional Collateral that is not a Collateral Coverage Shortfall Deposit and such additional Collateral becomes "Eligible Collateral" under clause (b) of the definition of that term and no Event of Default has occurred that is continuing, the Agent shall promptly thereafter transfer to the Borrower in Immediately Available Funds net proceeds of Cash Equivalent Securities then on deposit in the Specified Investment Account in an amount equal to the lesser of the Current Appraised Value of such additional Collateral and the amount of any Collateral Coverage Shortfall Deposits then on deposit in the Specified Investment Account so long as, after giving effect to such transfer, the Current Appraised Value of the Eligible Collateral would be equal to or greater than the Collateral Coverage Threshold.

Section 6.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness secured by a Lien in excess in the aggregate for Holdings and its Subsidiaries of \$750,000,000 at any time outstanding except:

- (a) Indebtedness of the Borrower or a Guarantor pursuant to any Loan Document;
- (b) intercompany Indebtedness among Holdings and its Subsidiaries;
- (c) Indebtedness outstanding on the Effective Date and listed on Schedule 6.2(c) and any refinancings, refundings, renewals or extensions thereof but only to the extent that such refinancing, refunding, renewal or extension does not increase the principal amount of such Indebtedness outstanding immediately prior to such refinancing, refinancings, renewal or extensions (except to the extent that such increase is permitted under the \$750,000,000 limitation set forth above in this Section) and that the Lien securing such Indebtedness is not spread to cover any additional properties;
- (d) Indebtedness (including industrial revenue bonds) in respect of tax-exempt government sponsored financings relating to the acquisition, leasing or improvement of property in connection with its business and any refinancing, refunding, renewal or extension thereof but only to the extent that such refinancing, refunding, renewal or extension does not increase the principal amount of such Indebtedness outstanding immediately prior to such refinancing, refunding, renewal or extension (except to the extent such increase is permitted under the \$750,000,000 limitation set forth above in this Section) and that the Lien securing any such Indebtedness shall only cover the property financed thereby;
- (e) Indebtedness of Holdings or any of its Subsidiaries incurred in connection with (i) the acquisition of aircraft (including Indebtedness secured by aircraft purchase agreements) so long as such Indebtedness is incurred not later than 18 months after the acquisition thereof and (ii) the acquisition of other assets so long as such Indebtedness is incurred not later than 120 days after the acquisition thereof and any refinancing, refunding, renewal or extension thereof but only to the extent that such refinancing, refunding, renewal or extension does not increase the principal amount of such Indebtedness outstanding immediately prior to such refinancing, refunding, renewal or extension (except to the extent such increase is permitted under the \$750,000,000 limitation set forth above in this Section), and that the Lien securing any such Indebtedness shall only cover the property financed thereby;
- (f) Indebtedness in respect of margin requirements under fuel hedging contracts, provided that the Liens securing such Indebtedness shall be limited to such fuel hedging contracts;
- (g) existing Indebtedness to U.S. Bank;
- (h) from and after the Initial Delta Merger Date, guaranties of the Delta Obligations; provided, however, that the aggregate principal amount of the Delta Obligations guaranteed pursuant to this Section 6.2(h) shall not exceed \$2,500,000,000; and provided, further, that neither the Borrower nor any Guarantor may grant a Lien on

any of the Collateral to secure the guaranty of the Delta Obligations permitted under this Section 6.2(h);

(i) Citicorp Credit Agreement Obligations; and

(j) Indebtedness incurred in connection with financing the Borrower's aircraft which were either (i) previously leased by the Borrower and acquired by the Borrower during the Cases or (ii) released from pre-petition Liens during the Cases.

Section 6.3 Liens. Create, incur, assume or suffer to exist any Lien upon or in respect of any Collateral or any proceeds or income in respect thereof, whether now owned or hereafter acquired, except for (Liens described below are herein referred to as "Permitted Liens"):

(a) inchoate Liens for taxes not yet due or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Borrower) have been established in accordance with GAAP;

(b) Liens (other than any Lien imposed by ERISA) imposed by law which were incurred in the ordinary course of business and which have not arisen to secure Indebtedness for borrowed money, such as carriers', warehousemen's and mechanics' Liens, statutory landlord's Liens, and other similar Liens and governmental charges arising in the ordinary course of business, and which either (x) do not in the aggregate materially detract from the value of the Collateral, or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries, and are not, individually or together, reasonably likely to have a Material Adverse Effect or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(c) Liens (where there has been no execution or levy and no pledge or delivery of property as security therefor) arising out of judgments or awards against the Borrower or any of its Subsidiaries with respect to which an appeal or proceeding for review is being prosecuted in good faith and which judgment or award shall be vacated, discharged, satisfied or stayed or bonded pending appeal within 60 days from the entry thereof;

(d) Liens created pursuant to the Security Documents;

(e) rights in respect of Mortgaged Aircraft Collateral under agreements or arrangements to the extent permitted by the terms of Sections 2.02(b) and 2.03(b) of each of the Aircraft Mortgages;

(f) rights of the lessees under leases of Appraised FAA Slots, and rights of counterparties to trades with respect to Appraised FAA Slots, in each case that are not prohibited by the Slot and Gate Security Agreement;

(g) (i) any Liens or other interests of any airport or Airport Authority on any Supporting Route Facilities arising out of the Borrower's use of such Supporting Route Facilities and (ii) any Liens on any Supporting Route Facilities outside the United States imposed by any Governmental Authority outside the United States so long as, in each

case, the Borrower is contesting the imposition of such Lien in good faith by appropriate proceedings to the extent that such a contest is permitted and the Borrower is disputing the imposition of such Lien;

(h) from and after the Initial Delta Merger Date, Liens on the Dual-Control Pledged Accounts and Liens on assets other than the Collateral, in each case securing Indebtedness permitted under Section 6.2(h).

Section 6.4 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its property or business, except that, so long as no Default or Event of Default exists, or would result therefrom, Holdings may consummate the Initial Delta Merger.

Section 6.5 Disposition of Collateral.

(a) Convey, sell, lease, transfer or otherwise dispose of (whether voluntarily or involuntarily (it being understood that loss of property due to theft, destruction, confiscation, prohibition on use or similar event shall constitute a disposal for purposes of this covenant)), or remove or substitute, any Eligible Collateral or, except in the ordinary course of its business, other Collateral, or take any action that could materially diminish the fair market value of the Collateral taken as a whole, or agree to do any of the foregoing other than, in each case, as set forth in and in accordance with the Security Documents.

(b) Directly or indirectly create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of the Borrower to create, incur, assume or suffer to exist any Lien on any Collateral.

Section 6.6 Restricted Payments. Declare or pay any dividend (other than stock dividends on its capital stock with the same or a junior class of stock with respect to which such stock dividend is being paid) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of Holdings, the Borrower or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of Holdings or any Subsidiary (collectively, "Restricted Payments"), except that any Subsidiary of Holdings may make Restricted Payments to the Borrower or any Subsidiary of Holdings.

Section 6.7 Transactions with Affiliates. Enter into any transaction or series of related transactions with any Affiliate of the Borrower or any Guarantor or any of their respective Subsidiaries, other than on terms and conditions substantially as favorable to such Person or such Subsidiary thereof as would reasonably be obtained by such Person or such subsidiary at that time in a comparable arm's length transaction with a Person other than an Affiliate, provided that the foregoing restrictions shall not apply to (a) customary fees paid to members of the Board of Directors (in their capacity as such) of the Borrower and its Subsidiaries, (b) Restricted Payments permitted by Section 6.6, (c) Indebtedness permitted by Sections 6.2(b) and 6.2(i), (d) Investments permitted by Sections 6.10(c), 6.10(d) and 6.10(g),

and (e) from and after the Initial Delta Merger Date, transactions in connection with the integration of the operations of the Borrower with the operations of Delta.

Section 6.8 Lines of Business. Make any material change in the lines of business in which it is engaged as of the Effective Date.

Section 6.9 ERISA. Neither the Guarantor nor any of the Guarantors will, or will permit any of their respective Subsidiaries or ERISA Affiliates to:

(a) engage in any transaction in connection with which Holdings or any of its ERISA Affiliates could be subject to either a tax imposed by Section 4975(a) of the Code or the corresponding civil penalty assessed pursuant to Section 502(i) of ERISA, which penalties and taxes for all such transactions could be in an aggregate amount in excess of \$2,500,000;

(b) permit to exist any accumulated funding deficiency, for which a waiver has not been obtained from the Internal Revenue Service, with respect to any Pension Plan in an aggregate amount greater than \$5,000,000; or

(c) permit to exist any failure to make contributions or any unfunded benefits liability which creates, or with the passage of time would create, a statutory lien or requirement to provide security under ERISA or the Code in favor of the PBGC or any Pension Plan, Multiemployer Plan or other entity in an aggregate amount in excess of \$5,000,000.

Section 6.10 Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

(a) non-cash consideration received in connection with sales and dispositions of assets;

(b) investments in cash, Cash Equivalent Securities and other cash equivalents and short term investments;

(c) Investments consisting of loans advanced by one or more of the Borrower and the Guarantors to any Person that owns, directly or indirectly, all of the issued and outstanding equity interest in Holdings in an aggregate outstanding principal amount not exceeding \$250,000,000 at any time, provided that after giving effect to any such Investment, no Default or Event of Default shall have occurred and be continuing;

(d) intercompany loans permitted by Section 6.2(b);

(e) any Acquisition permitted by Section 6.11;

(f) other Investments in an aggregate principal amount not exceeding \$250,000,000 at any time, provided that after giving effect to any such Investment, no Default or Event of Default shall have occurred, and be continuing;

(g) guaranties of the Delta Obligations under Section 6.2(h);

(h) any other guaranties of Indebtedness permitted under Section 6.2; and

(i) on or after the Initial Delta Merger Date, intercompany loans by the Borrower to Delta in an amount outstanding not to exceed at any time the amount of the Total Outstandings, so long as (x) no Event of Default has occurred and (y) the Agent has a valid and perfected first priority Lien in the Borrower's right, title and interest in and to such loans and notes evidencing Delta's obligations in respect of such loans.

Section 6.11 Acquisitions. Make any Acquisition (excluding any Acquisition permitted as an Investment under Section 6.10(a), (b) or (f) unless, after giving effect to any such Acquisition, the sum of (x) Cash Liquidity minus the Undrawn Facility Amount and (y) the aggregate unused availability under committed credit facilities available to Holdings and its Subsidiaries (including the Undrawn Facility Amount hereunder) is at least \$1,500,000,000 and no Default or Event of Default shall have occurred and be continuing, provided, however, that any Acquisition of Flight Equipment from any other Person (other than a manufacturer) in a single transaction or series of related transactions may be made even if after giving effect to any such Acquisition, the sum of (x) Cash Liquidity minus the Undrawn Facility Amount and (y) the aggregate unused availability under committed credit facilities available to Holdings and its Subsidiaries (including the Undrawn Facility Amount hereunder) is less than \$1,500,000,000, as long as (i) no Event of Default shall have occurred and be continuing immediately prior or after giving affect to such Acquisition, (ii) the cash consideration for such Acquisition does not exceed \$250,000,000 and (iii) if the cash consideration for such Acquisition exceeds \$100,000,000, such excess is financed by a Person that is not an Affiliate of the Borrower or any Guarantor within 180 days of such Acquisition.

Section 6.12 Restrictions on Accounts; Foreign Accounts.

(a) Open, acquire or own any deposit account, sweep account linked thereto or other securities account (other than any Escrow Account, Petty Cash Account, Payroll Account or account located outside the United States) that was not owned by the Borrower or such Guarantor, as applicable, on the Effective Date.

(b) Permit the aggregate value of cash and other assets held in any deposit account, sweep account linked thereto or other securities account (other than any Petty Cash Accounts or Payroll Accounts) outside of the United States by the Borrower, the Guarantors and their Subsidiaries at any time (as converted to U.S. Dollars, if applicable, at currency exchange rates prevailing at such time) to be more than \$100,000,000 at any time.

Section 6.13 Aircraft Fuel Supply. Permit the supply of Aircraft Fuel owned by the Borrower to be less than an amount sufficient to operate the airline business or businesses of the Borrower and its Subsidiaries in the ordinary course for at least seven days.

## ARTICLE VII

### DEFAULTS

Section 7.1 Events of Default. If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan, or any other amount payable hereunder or under any other Loan Document,



within five Business Days after any such interest or other amount becomes due in accordance with the terms hereof, provided that the Agent shall have informed the Borrower of the amount owing; or

(b) any representation or warranty made or deemed made the Borrower or any Guarantor herein or in any other Loan Document or that is contained in any certificate furnished by any such Person at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made, and such default shall continue unremedied for a period of 30 days after written notice to the Borrower by the Agent or the Required Lenders; or

(c) the Borrower or any Guarantor shall default in the observance or performance of any agreement contained in Section 2.9(a), Section 2.10(a), Section 2.15(c), Section 5.10, Section 6.1(c), Section 6.3 (other than a default arising from a nonconsensual Lien), Section 6.4, Section 6.5, or Section 6.6 or (without limiting the foregoing) shall fail to comply with either of the Collateralization Requirements; or

(d) the Borrower or any Guarantor shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days (or 15 days with respect to Section 6.1(a) or (b), or three Business Days in the case of Section 5.2(g)(I) or (h)) after notice to the Borrower from the Agent or the Required Lenders; or

(e) an “Event of Default”, as defined in the Citicorp Credit Agreement, shall occur and shall be continuing, whether or not resulting in the exercise of any rights or remedies; or

(f) (i) the Borrower or any Guarantor or any of their Significant Subsidiaries shall commence any case, proceeding or other action (A) 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 it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, conservator, custodian or other similar official for all or substantially all of its assets, or the Borrower or any Guarantor or any of their Significant Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced

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against the Borrower or any Guarantor or any of their Significant Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged and unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or any Guarantor or any of their Significant Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or substantially all of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any Guarantor or any of their Significant Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower or any

Guarantor or any of their Significant Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any “reportable event” as described in Section 4043 of ERISA or the regulations thereunder (excluding those events for which the requirement for notice has been waived by the PBGC), or any other event or condition, which the Required Lenders determine constitutes reasonable grounds under Section 4042 of ERISA for the termination of any Pension Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer or liquidate any Pension Plan shall occur; or

(ii) a trustee shall be appointed by a United States District Court to administer any Pension Plan; or

(iii) the PBGC shall institute proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan; or

(iv) Holdings or any of its ERISA Affiliates shall become liable to the PBGC or any other party under Section 4062, 4063 or 4064 of ERISA with respect to any Pension Plan; or

(v) Holdings or any of its ERISA Affiliates shall become liable to any Multiemployer Plan under Section 4201 et seq. of ERISA; or

(vi) any Pension Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof unless a waiver of such standard or extension of any amortization period is granted under Section 412 of the Code; or

(vii) a contribution required to be made to a Pension Plan or a Multiemployer Plan shall not be timely made; or

(viii) the Borrower or any Guarantor or any Subsidiary of Holdings or any ERISA Affiliate has incurred or is likely to incur a liability to or on account

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of a Plan under Section 502(i), or 502(l) of ERISA or Section 4975 of the Code; or

(ix) the Borrower or any Guarantor or any of their Subsidiaries has incurred or is likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(1) of ERISA) that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or employee pension benefit plans (as defined in Section 3(2) of ERISA) other than Pension Plans,

if as of the date thereof or any subsequent date, the sum of each the Borrower and the Guarantors and its ERISA Affiliates’ various liabilities (such liabilities to include, without limitation, any liability to the PBGC or to any other party under Section 4062, 4063 or 4064 of ERISA with respect to any Pension Plan, or to any Multiemployer Plan under Section 4201 et seq. of ERISA, and to be

calculated after giving effect to the tax consequences thereof) as a result of such events listed in subclauses (i) through (ix) above exceeds \$100,000,000; or

(h) one or more judgments or decrees shall be entered against the Borrower or any Guarantor or any of their Subsidiaries involving a liability of \$25,000,000 or more in the case of any one such judgment or decree or \$50,000,000 or more in the aggregate for all such judgments and decrees (in each case to the extent not paid or fully covered by insurance provided by a carrier that has acknowledged coverage) and any such judgments or decrees shall not have been vacated, discharged, satisfied or stayed or bonded pending appeal within 60 days from the entry thereof; or

(i) the Guaranty shall cease, for any reason, to be in full force and effect or the Borrower or any Guarantor or any Affiliate of the Borrower or any Guarantor shall so assert; or

(j) any of the Security Documents shall cease, for any reason, to be in full force and effect, or the Borrower or any Guarantor, any Affiliate of the Borrower or any Guarantor shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby or the Borrower or any Guarantor shall assert in writing the invalidity, unenforceability or lack of priority of such Liens; or

(k) on the Initial Delta Merger Date, or at any time thereafter until the Borrower and each Guarantor becomes a guarantor under the Delta-JPMCB Agreement and the Delta-GSCP Agreement, the amount of Pledged Cash shall be less than \$3,315,000,000,

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower or any Guarantor, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall immediately become due and payable, or (B) if such event is any other Event of Default, with the consent of the Required Lenders, the Agent may, or upon the request of the Required Lenders,

the Agent shall, by notice to the Borrower, declare the Commitments to be terminated forthwith, and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement or any other Loan Document to be due and payable forthwith, whereupon the same shall immediately terminate and become due and payable, as the case may be; provided, however, that in all events the Agent shall take such action as may be required to be taken by the Agent under Section 7.2 hereof. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower. In addition to the remedies set forth above, the Agent may exercise any other remedies provided for by this Agreement and the Security Documents in accordance with the terms hereof and thereof or any other remedies provided by applicable law.

Section 7.2 Presumptive Prepayment and Commitment Reduction at Lender' s Request Upon Event of Default – Specified Investment Account Proceeds. Without limiting any other right or remedy under this Agreement or any other Loan Document, if an Event of Default has occurred and is continuing, the Agent shall, upon notice from any Lender requesting such action, (i) by giving notice to the Borrower (except in the case of an Event of Default specified in clause (i) or (ii) of Section 7.1(f) with respect to the Borrower), require the Borrower to immediately prepay outstanding Loans in an aggregate principal amount equal to the lesser of (x) the aggregate principal amount of the Loans then Outstanding and (y) the value (as determined by the Agent in its reasonable discretion) of all Cash Equivalent Securities

then on deposit in the Specified Investment Account reduced by an amount equal to the sum of all Collateral Coverage Shortfall Deposits then on deposit in the Specified Investment Account, whereupon the Borrower shall immediately prepay Loans in such aggregate principal amount (and any amounts required to be paid under Section 2.26) and the Commitments of all Lenders shall be permanently reduced accordingly, and (ii) direct disposition of the net proceeds of such Cash Equivalent Securities to each Lender in accordance with such Lender's Percentage, in furtherance of such prepayment obligation; provided, however, that the Agent shall not be required to take such action if, prior 4:30 p.m. on the second Business Day following the Agent's receipt of such notice, Lenders whose total Commitment Amounts are equal to more than 66 2/3% of the Aggregate Commitment Amount advise the Agent in writing that such action should not be taken.

Section 7.3 Offset. In addition to the remedies set forth in Section 7.2, upon the occurrence of any Event of Default and thereafter while the same be continuing, the Borrower and each Guarantor hereby irrevocably authorize each Lender to set off any Obligations owed to such Lender against all deposits and credits of the Borrower or any Guarantor with, and any and all claims of the Borrower or any Guarantor against, such Lender. Such right shall exist whether or not such Lender shall have made any demand hereunder or under any other Loan Document, whether or not the Obligations, or any part thereof, or deposits and credits held for the account of the Borrower is or are matured or unmatured, and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to such Lender or the Lenders. Each Lender agrees that, as promptly as is reasonably possible after the exercise of any such setoff right, it shall notify the Borrower and the Agent of its exercise of such setoff right; provided, however, that the failure of such Lender to provide such notice shall not affect the validity of the exercise of such setoff rights. Nothing in this Agreement shall be deemed a waiver

or prohibition of or restriction on any Lender to all rights of banker's lien, setoff and counterclaim available pursuant to law.

## ARTICLE VIII

### GUARANTY

Section 8.1 The Guaranty. To induce the Agent and Lenders to enter into this Agreement and to make the Loans and to induce the Letter of Credit Issuer to issue Letters of Credit and in recognition of the direct benefits to be received by the Guarantors herefrom and therefrom, each Guarantor hereby jointly and severally, unconditionally and irrevocably guarantees as primary obligor and not merely as surety the full and prompt payment and performance of the Obligations when due, whether upon maturity, by acceleration or otherwise, to each of the Secured Creditors. If any or all of the Obligations of the Borrower to any of the Secured Creditors becomes due and payable

hereunder, each Guarantor unconditionally promises on a joint and several basis to pay such Obligations to such Secured Creditor, or order, on demand, in lawful money of the United States, together with any and all expenses that may be incurred by such Secured Creditor in collecting any of the Obligations.

Section 8.2 Bankruptcy; Reinstatement. Each Guarantor jointly and severally, unconditionally and irrevocably guarantees the payment of any and all of the Obligations of the Borrower to each of the Secured Creditors, whether or not due or payable by the Borrower, upon the occurrence in respect to the Borrower of any of the events specified in Section 7.1(f), and unconditionally promises to pay such Obligations to such Secured Creditor, or order, on demand, in lawful money of the United States. Each Guarantor further agrees that its guaranty hereunder shall continue to be effective or reinstated if at any time payment, or any part thereof, of the Obligations is rescinded or must otherwise be restored by any of the Secured Creditors, upon the bankruptcy or reorganization of the Borrower or a Guarantor, or otherwise.

Section 8.3 Nature of Liability. The liability of each Guarantor hereunder is exclusive and independent of any security for or other guaranty of the Obligations of the Borrower, whether executed by each Guarantor, any other guarantor or any other Person. The liability of each Guarantor hereunder shall not be affected or impaired by (a) any direction as to application of payment by the Borrower or any other Person; (b) any other continuing or other guaranty, undertaking or maximum liability of a Guarantor or of any other Person as to the Obligations of the Borrower; (c) any payment on or in reduction of any such other guaranty or undertaking; (d) any dissolution, termination, increase or decrease, or change in personnel by the Borrower; or (e) any payment made to any of the Secured Creditors on the Obligations that such Secured Creditor repays to the Borrower or a Guarantor (including by depositing the proceeds with a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or a Guarantor) pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Guarantor waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

Section 8.4 Independent Obligation. The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor or the Borrower, and a

separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any other Guarantor or the Borrower and whether or not any other Guarantor or the Borrower be joined in any such action or actions. Each Guarantor waives, to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any

payment by the Borrower or other circumstances that operate to toll any statute of limitations as to the Borrower shall operate to toll the statute of limitations as to each Guarantor.

Section 8.5 Authorization. Each Guarantor authorizes each of the Secured Creditors without notice or demand (except as shall be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to (a) renew, compromise, extend, increase, accelerate or otherwise change the time for payment of, or otherwise change the terms of, the Obligations or any part thereof in accordance with this Agreement, including any increase or decrease of the rate of interest thereon; (b) take and hold security from any Guarantor or any other Person for the payment of this guaranty or the Obligations and exchange, enforce, waive or release any such security; (c) apply such security and direct the order or manner of sale thereof as the Secured Creditors in their discretion may determine; and (d) release or substitute any one or more endorsers, Guarantors, the Borrower or other obligors.

Section 8.6 Reliance. It is not necessary for any of the Secured Creditors to inquire into the capacity or powers of the Borrower or the officers, directors, partners or agents acting or purporting to act on its behalf, and any Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

Section 8.7 Subordination. Any indebtedness of the Borrower now or hereafter held by any Guarantor is hereby subordinated to the Obligations of the Borrower to the Secured Creditors. If the Agent, after an Event of Default has occurred and is continuing, so requests, then such indebtedness of the Borrower to such Guarantor shall be collected, enforced and received by such Guarantor as trustee for the Secured Creditors and be paid over to the Secured Creditors on account of the Obligations of the Borrower to the Secured Creditors, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any indebtedness of the Borrower to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination.

Section 8.8 Waiver.

(a) Each Guarantor waives any right (except as shall be required by applicable statute and cannot be waived) to require the Secured Creditors to (a) proceed against the Borrower, any Guarantor or any other Person; (b) proceed against or exhaust any security granted by the Borrower, any other Guarantor or any other Person; or (c) pursue any other remedy in the Secured Creditors' power whatsoever. Each Guarantor waives any defense based on or arising out of any defense of the Borrower, any other Guarantor or any other Person other than payment in full of the Obligations, including, without limitation, any defense based on or arising out of the disability of the Borrower, any other Guarantor or any other Person, the unenforceability of the Obligations or any part thereof

from any cause, or the cessation from any cause of the liability of the Borrower other than payment in full of the Obligations. The Secured Creditors may, at their election, foreclose on any security held by them by one or more judicial or nonjudicial sales (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Secured Creditors may have against the Borrower or any other Person, or any security, without affecting or impairing in any way the liability of each Guarantor hereunder except to the extent the Obligations have been paid. Each Guarantor waives any defense arising out of any such election by the Secured Creditors, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any other Person or any security. Until no Commitment or obligation to issue Letters of Credit is in effect, the Notes and all other Obligations have been paid in full and no Letters of Credit remain outstanding, each Guarantor agrees that it will not exercise any right of subrogation, waives any right to enforce any remedy that any of the Secured Creditors now has or may hereafter have against the Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by the Secured Creditors.

(b) Each Guarantor waives all presentments, demands for performance, protests and notices, including, without limitation, notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this guaranty, and notices of the existence, creation or incurring of new or additional Obligations. Each Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that each Guarantor assumes and incurs hereunder, and agrees that the Secured Creditors shall have no duty to advise any Guarantor of information known to them regarding such circumstances or risks.

Section 8.9 Limitation on Enforcement. The Lenders agree that no Lender shall have any right individually to seek to enforce or to enforce this guaranty, it being understood and agreed that such rights and remedies may be exercised only by the Agent for the benefit of the Secured Creditors upon the terms of this Agreement.

## **ARTICLE IX**

### **THE AGENT**

The following provisions shall govern the relationship of the Agent with the Lenders:

Section 9.1 Appointment and Authorization. Each Lender appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such respective powers under the Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto. Neither the Agent nor any of its directors, officers or employees shall be liable for any action taken or omitted to be taken by it under or in connection with the Loan Documents, except for its own gross negligence or willful misconduct. The Agent shall act as an independent contractor in performing its obligations as Agent



hereunder and nothing herein contained shall be deemed to create any fiduciary relationship among or between the Agent, the Borrower or the Lenders.

Section 9.2 Note Holders. The Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Agent, signed by such payee and in form satisfactory to the Agent.

Section 9.3 Consultation With Counsel. The Agent may consult with legal counsel selected by it and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

Section 9.4 Loan Documents. The Agent shall not be under a duty to examine or pass upon the validity, effectiveness, genuineness or value of any of the Loan Documents or any other instrument or document furnished pursuant thereto, and the Agent shall be entitled to assume that the same are valid, effective and genuine and what they purport to be.

Section 9.5 U.S. Bank and Affiliates. With respect to its Commitments and the Loans made by it, U.S. Bank shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Agent consistently with the terms thereof. U.S. Bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower, the Guarantors and/or their Affiliates and accept payments or effect payments, by setoff or otherwise, in connection with any other agreement or relationship with the Borrower, the Guarantors and/or their Affiliates without having any obligation to account for or share such payments with any Lender or any other Person, in each case as if U.S. Bank were not the Agent.

Section 9.6 Action by Agent.

(a) Except as may otherwise be expressly stated in this Agreement, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights which may be vested in it by, or with respect to taking or refraining from taking any action or actions which it may be able to take under or in respect of, the Loan Documents. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence as it deems appropriate of the Required Lenders or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Agent shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to the Loan Documents or applicable law. The Agent shall be entitled to rely, and shall be fully protected and shall incur no liability in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, electronic mail or other message, telex

or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of

legal counsel (including counsel to the Loan Parties), independent accountants and other experts selected by the Agent.

(b) The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Lender, the Borrower or a Guarantor referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that the Agent receives such a notice, the Agent shall give notice thereof to the Lenders. The Agent shall take such action with respect to such Default or Event of Default as may be required hereby or as shall be reasonably directed by the Required Lenders, provided that unless and until the Agent shall have received such directions the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

(c) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Agent is hereby irrevocably authorized by each relevant Lender (without requirement of notice to or consent of any such Lender) to take any action requested by the Borrower having the effect of releasing any Collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by Section 6.5 or (ii) under the circumstances described in paragraph (d) below.

(d) At such time as no Commitment or obligation to issue Letters of Credit hereunder is in effect, the Notes and all of the other Obligations have been paid in full and no Letters of Credit remain outstanding, the Collateral shall (without the requirement of notice or consent of any Lender) be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Agent and the Borrower under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person and the net proceeds of any Cash Equivalent Securities remaining on deposit in the Specified Investment Account and the Letter of Credit Collateral Account shall be promptly transferred to the Borrower at its direction in Immediately Available Funds.

Section 9.7 Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of the Borrower, any Guarantor or any of their Affiliates, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its

own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower, the Guarantors and their Affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions

in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of Borrower, the Guarantors and their Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower, any Guarantor or any of their Affiliates that may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 9.8 Notices of Event of Default. In the event that the Agent shall have acquired actual knowledge of any Event of Default or Default, the Agent shall promptly give notice thereof to the Lenders.

Section 9.9 Indemnification. Each Lender severally agrees to indemnify the Agent, as Agent (to the extent the Borrower is required to reimburse or indemnify the Agent therefor hereunder but does not reimburse or indemnify the Agent), ratably according to such Lender' s Percentage at the time of the circumstances or conduct giving rise to such liability occurred (or, if no Commitment was then in effect, such Lender' s Percentage as in effect immediately prior to the date on which all of the Commitments ceased to be in effect) from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on or incurred by the Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Agent under the Loan Documents, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent' s gross negligence or willful misconduct. No payment by any Lender under this Section 9.9 shall relieve the Borrower of any of its obligations under this Agreement.

Section 9.10 Payments and Collections. All funds received by the Agent in respect of any payments made by the Borrower on the Loans or Commitment Fees shall be distributed forthwith by the Agent among the Lenders, in like currency and funds as received, ratably according to each Lender' s Percentage (and, with respect to any Lender with both Tranche 1 Loans and Tranche 2 Loans, ratably among such Lender' s Tranche 1 Loans and Tranche 2 Loans). If any Event of Default has occurred and is continuing, all funds received by

the Agent, whether as payments by the Borrower or any Guarantor or as realization on Collateral or on any guaranties or otherwise, shall (except as may otherwise be required by law) be distributed by the Agent in the following order: (a) first to the Agent or any Lender who has incurred unreimbursed costs of collection with respect to any Obligations hereunder, ratably to the Agent and each Lender in the proportion that the costs incurred by the Agent or such Lender bear to the total of all such costs incurred by the Agent and all Lenders; (b) next to the Agent for the account of the Lenders (in accordance with their respective Percentages or, if no Commitment is in effect, such Lender's Percentage as in effect immediately prior to the date on which all of the Commitments ceased to be in effect (and, with respect to any Lender with both Tranche 1 Loans and Tranche 2 Loans, ratably among such Lender's Tranche 1 Loans and Tranche 2 Loans) for application on the Loans; and (c) next to the Agent for the account of the

Lenders (in accordance with their respective Percentages or, if no Commitment is in effect, such Lender' s Percentage as in effect immediately prior to the date on which all of the Commitments ceased to be in effect) for any unpaid Commitment Fees owing by the Borrower hereunder.

Section 9.11 Sharing of Payments. If any Lender shall receive and retain any payment, voluntary or involuntary, whether by setoff, application of deposit balance or security, or otherwise, in respect of Indebtedness under this Agreement or the Notes in excess of such Lender' s share thereof as determined under this Agreement, then such Lender shall purchase from the other relevant Lenders (other than any Defaulting Lender) for cash and at face value and without recourse, such participation in the Notes held by such other Lenders as shall be necessary to cause such excess payment to be shared ratably as aforesaid with such other Lenders; provided, however, that if such excess payment or part thereof is thereafter recovered from such purchasing Lender, the related purchases from the other Lenders shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. Without limiting the generality of the foregoing, this Section shall apply to proceeds of the Japanese Real Property Assets received by U.S. Bank including any such proceeds received pursuant to the Japanese Real Property Mortgage or the Japanese Insurance Pledge Agreement; provided, however, that any action taken by or on behalf of U.S. Bank in respect of the Japanese Real Property Assets, the Japanese Real Property Mortgage or the Japanese Insurance Pledge Agreement shall be deemed for purposes of this Agreement to have been taken by U.S. Bank in its capacity as Agent.

Section 9.12 Advice to Lenders. The Agent shall forward to the Lenders copies of all notices, financial reports and other communications received hereunder from the Borrower by it as Agent, excluding, however, notices, reports and communications which by the terms hereof are to be furnished by the Borrower directly to each Lender.

Section 9.13 Defaulting Lender.

(a) Remedies Against a Defaulting Lender. In addition to the rights and remedies that may be available to the Agent or the Borrower under this Agreement or applicable law, if at any time a Lender is a Defaulting Lender such Defaulting Lender' s right to participate in the administration of the Loans, this Agreement and the other Loan Documents, including without limitation, any right to vote in respect of, to consent to or to direct any action or inaction of the Agent or to be taken into account in the calculation of the Required Lenders, shall be suspended while such Lender remains a Defaulting Lender. If a Lender is a Defaulting Lender because it has failed to make timely payment to the Agent of any amount required to be paid to the Agent hereunder (without giving effect to any notice or cure periods), in addition to other rights and remedies which the Agent or the Borrower may have under the immediately preceding provisions or otherwise, the Agent shall be entitled (i) to collect interest from such Defaulting Lender on such delinquent payment for the period from the date on which the payment was due until the date on which the payment is made at the Federal Funds Rate, (ii) to withhold or setoff and to apply in satisfaction of the defaulted payment and any related interest, any

amounts otherwise payable to such Defaulting Lender under this Agreement or any other Loan Document until such defaulted payment and related interest has been paid in full and such default no longer exists and (iii) to bring an action or suit against such

Defaulting Lender in a court of competent jurisdiction to recover the defaulted amount and any related interest. Any amounts received by the Agent in respect of a Defaulting Lender's Loans shall not be paid to such Defaulting Lender and shall be held uninvested by the Agent and either applied against the purchase price of such Loans under the following subsection (b) or paid to such Defaulting Lender upon the default of such Defaulting Lender being cured.

(b) Purchase from Defaulting Lender. Any Lender that is not a Defaulting Lender shall have the right, but not the obligation, in its sole discretion, to acquire all of a Defaulting Lender's Commitments. If more than one Lender exercises such right, each such Lender shall have the right to acquire such proportion of such Defaulting Lender's Commitments on a pro rata basis. Upon any such purchase, the Defaulting Lender's interest in its Loans and its rights hereunder (but not its liability in respect thereof or under the Loan Documents or this Agreement to the extent the same relate to the period prior to the effective date of the purchase) shall terminate on the date of purchase, and the Defaulting Lender shall promptly execute all documents reasonably requested to surrender and transfer such interest to the purchaser thereof subject to and in accordance with the requirements set forth in Section 10.6, including an assignment in form acceptable to the Agent. The purchase price for the Commitments of a Defaulting Lender shall be equal to the amount of the principal balance of the Loans outstanding and owed by the Borrower to the Defaulting Lender. The purchaser shall pay to the Defaulting Lender in Immediately Available Funds on the date of such purchase the principal of and accrued and unpaid interest and fees on the Loans made by such Defaulting Lender hereunder (it being understood that such accrued and unpaid interest and fees may be paid pro rata to the purchasing Lender and the Defaulting Lender by the Agent at a subsequent date upon receipt of payment of such amounts from the Borrower). Prior to payment of such purchase price to a Defaulting Lender, the Agent shall apply against such purchase price any amounts retained by the Agent pursuant to the last sentence of the immediately preceding subsection (a). The Defaulting Lender shall be entitled to receive amounts owed to it by the Borrower under the Loan Documents which accrued prior to the date of the default by the Defaulting Lender, to the extent the same are received by the Agent from or on behalf of the Borrower. There shall be no recourse against any Lender or the Agent for the payment of such sums except to the extent of the receipt of payments from any other party or in respect of the Loans.

Section 9.14 Resignation By Agent. If at any time the Agent shall deem it advisable, in its sole discretion, it may submit to each of the Lenders and the Borrower a written notification of its resignation as Agent under this Agreement. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent, which successor Agent shall (unless an Event of Default has occurred and is continuing) be reasonably acceptable to the Borrower. If no successor Agent shall have been so appointed and shall have accepted such appointment within 45 days after the retiring Agent's giving of notice of its resignation, then the retiring Agent may, on behalf of the Lenders,

appoint an Agent which shall be a Lender or a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$100,000,000. Any such resignation shall be effective upon the appointment of a successor Agent. Upon the acceptance of

any appointment as the Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations, under this Agreement and the other Loan Documents. After the retiring Agent's resignation hereunder as the Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as the Agent under this Agreement and any other Loan Document.

## **ARTICLE X**

### **MISCELLANEOUS**



Section 10.1 Modifications. Subject to the terms of this Section, any term of this Agreement or any other Loan Document may be amended with the written consent of the Borrower and any Guarantor that is a party thereto and the Required Lenders; provided that no amendment, modification or waiver of any provision of this Agreement or any other Loan Document or consent to any departure therefrom by the Borrower or other party thereto shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given. The Agent may enter into amendments or modifications of, and grant consents and waivers to departure from the provisions of, those Loan Documents to which the Lenders are not signatories without the Lenders' joining therein, provided the Agent has first obtained the separate prior written consent to such amendment, modification, consent or waiver from the Required Lenders. Notwithstanding the foregoing, no such amendment, modification, waiver or consent shall:

(a) reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or modify any of the provisions of this Agreement or any Note (including any reimbursement obligations for letters of credit) with respect to the payment or repayment thereof, including without limitation, the extension of any time for any scheduled payment of principal, without the consent of all Lenders affected thereby; or

(b) increase the amount or extend the time of any Commitment of any Lender, without the consent of all Lenders; or

(c) reduce the rate or extend the time of payment of any fee payable to a Lender, without the consent of all Lenders affected thereby; or

(d) except as may otherwise be expressly provided in Sections 9.6(c) or 9.6(d), release any material portion of Collateral securing, or any guaranties for, all or any part of the Obligations without the consent of all the Lenders (provided, however, that any Collateral Disposed of in a transaction permitted hereby may be released by the Agent without further consent from any Lender) or consent to the transfer or assignment by the Borrower of any of its rights and obligations under this Agreement or the other Loan Documents; or

- (e) amend Section 6.5(a) or Section 9.6(d) without the consent of all the Lenders; or
- (f) amend the definition of Required Lenders or otherwise reduce the percentage of the Lenders required to approve or effectuate any such amendment, modification, waiver, or consent, without the consent of all the Lenders; or
- (g) amend Section 9.10 or Section 10.6(c) without the consent of all the Lenders; or
- (h) amend Section 2.9, Section 6.1 or either of the Collateralization Requirements without the consent of all the Lenders; or
- (i) amend any of the foregoing Sections 10.1(a) through (h) without the consent of all the Lenders; or
- (j) amend any provision of this Agreement relating to the Agent in its capacity as Agent without the consent of the Agent; or
- (k) amend the Letter of Credit Collateralization Requirement or any other provision of this Agreement relating to the issuance of Letters of Credit without the consent of the Agent, all Lenders and the Letter of Credit Issuer.

Section 10.2 Expenses. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to pay or reimburse the Agent and each Lender upon demand for all reasonable out-of-pocket expenses paid or incurred by the Agent and such Lender including filing and recording costs and fees, charges and disbursements of outside counsel to the Agent and such Lender (determined on the basis of such counsel's generally applicable rates, which may be higher than the rates such counsel charges the Agent or such Lender in certain matters) and/or the allocated costs of in-house counsel incurred from time to time, in connection with the negotiation, preparation, approval, review, execution, delivery, administration, amendment, modification, syndication, interpretation, collection and enforcement of this Agreement and the other Loan Documents and any commitment letters relating thereto. The Borrower shall also reimburse the Agent and each Lender upon demand for all reasonable out-of-pocket expenses (including expenses of legal counsel) paid or incurred by the Agent or any Lender in connection with (A) the collection and enforcement of this Agreement and any other Loan Document and (B) the collection of Loans made hereunder, reimbursement of Unpaid Drawings and other Obligations, including all such out-of-pocket expenses paid or incurred during any work-out, restructuring or negotiations in respect thereof. The obligations of the Borrower under this Section shall survive any termination of this Agreement.

Section 10.3 Waivers; Cumulative Remedies. No failure on the part of the Agent or the holder of a Note to exercise and no delay in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The remedies herein and in the other Loan Documents provided are cumulative and not exclusive of any remedies provided by law.

Section 10.4 Notices. Except when telephonic notice is expressly authorized by this Agreement, any notice or other communication to any party in connection with this

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Agreement shall be in writing and shall be sent by manual delivery, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed to such party at the address specified on the signature page hereof, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by facsimile transmission, from the first Business Day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed; provided, however, that any notice to the Agent or any Lender under Article II hereof shall be deemed to have been given only when received by the Agent or such Lender.

Section 10.5 Taxes. The Borrower agrees to pay, and save the Secured Creditors harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of this Agreement or the other Loan Documents or the issuance of the Notes or Letters of Credit hereunder, which obligation of the Borrower shall survive the termination of this Agreement.

Section 10.6 Successors and Assigns; Disposition of Loans; Transferees.

(a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign its rights or delegate its obligations hereunder or under any other Loan Document without the prior written consent of all the Lenders.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions or Affiliates of such Lender (“Participants”) participating interests in any Loan or other Obligation owing to such Lender, any Note held by such Lender, and any Commitment of such Lender, or any other interest of such Lender hereunder. In the event of any such sale by a Lender of participating interests to a Participant, (i) such Lender’s obligations under this Agreement to the other parties to this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible for the performance thereof, (iii) such Lender shall remain the holder of any such Note for all purposes under this Agreement, (iv) the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement and (v) the agreement pursuant to which such Participant acquires its participating interest herein shall provide that such Lender shall retain the sole right and responsibility to enforce the Obligations, including, without limitation the right to consent or agree to any amendment, modification, consent or waiver with respect to this Agreement or any other Loan Document, provided that such agreement may provide that such Lender will not consent or agree to any such amendment, modification, consent or waiver with respect to the matters set forth in Sections 10.1(a) through (i) without the prior consent of such Participant. Each Borrower agrees that if amounts outstanding under this Agreement, the Notes and the Loan Documents are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have, to the extent permitted by applicable law, the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note or other Loan Document to the same extent as if the amount of its participating

interest were owing directly to it as a Lender under this Agreement or any Note or other Loan Document; provided, however, that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 9.11. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.22, 2.23, 2.24, 2.25, 2.26, 2.27, 2.28 and 10.2 with respect to its participation in the Commitments; provided, that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Each Lender may at any time sell, assign, transfer, or otherwise Dispose of any portion of its Commitments, the Loans and/or Advances (each such interest so Disposed of being herein called a “Transferred Interest”) only (i) to any recognized U.S., Canadian, European, Australian, Chinese, Taiwanese or Japanese bank, without consent, or (ii) to (A) any other bank or financial institution (not including any hedge fund or private equity firm or fund) or (B) if an Event of Default has occurred and is continuing, any hedge fund or private equity firm or fund, in the case of either clause (A) or clause (B) with the consent of the Agent and the Required Lenders (which shall not include the Lender requesting approval thereof) and, unless an Event of Default has occurred and is continuing, the consent of Borrower (any such Person referred to in either clause (A) or clause (B) being referred to as a “Transferee”); provided, however, that (x) such consent of the Agent, the Required Lenders and, if applicable, the Borrower shall not be unreasonably withheld, (y) the minimum aggregate amount of the sum of the Commitments and/or Loans which are the subject of the assignment shall be \$25,000,000 unless such assignment while an Event of Default has occurred and is continuing in which case the minimum aggregate sum shall be \$5,000,000, and (z) a Lender may Dispose of a Transferred Interest only pursuant to a written agreement substantially in the form of Exhibit G hereto and upon payment to the Agent by the parties to such disposition of a processing and recording fee in the amount of \$3,500 (provided such fee shall not be payable with respect to assignments by a Lender to its Affiliates). The Borrower agrees that each Transferee shall be entitled to the benefits of Sections 2.22, 2.23, 2.24, 2.25, 2.26, 2.27, 2.28 and 10.2 with respect to its Transferred Interest and that each Transferee may exercise any and all rights of banker’s lien, setoff and counterclaim as if such Transferee were a direct lender to the Borrower. If any Lender makes any assignment to a Transferee, then upon notice to the Borrower such Transferee, to the extent of such assignment (unless otherwise provided therein), shall become a “Lender” hereunder and shall have all the rights and obligations of such Lender hereunder and such Lender shall be released from its duties and obligations under this Agreement to the extent of such assignment.

(d) Each Lender may disclose to any Transferee or Participant and to any prospective Transferee or Participant any and all information in such Lender’s possession concerning the Borrower, the Guarantors or any of their Subsidiaries that has been delivered to such Lender by or on behalf of any such Person pursuant to this Agreement or has been delivered to such Lender by or on behalf of such Person in connection with such Lender’s credit evaluation of any such Person prior to entering into this Agreement,

provided that prior to disclosing such information, such Lender shall cause such prospective Transferee or Participant to execute and deliver to the Borrower and the Agent a confidentiality agreement substantially in the form of Exhibit H or such other form reasonably acceptable to the Borrower and the Agent.

(e) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in or pledge all or any portion of its rights under and interest in this Agreement and any Note held by it in favor of any federal reserve bank in accordance with Regulation A of the Board or U. S. Treasury Regulation 31 CFR § 203.14, and such federal reserve bank may enforce such pledge or security interest in any manner permitted under applicable law, provided that any payment in respect of such rights made by the Borrower to or for the account of such Lender in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such rights to the extent of such payment. No such grant of a security interest or pledge shall release such Lender from its obligations hereunder.

(f) The Agent shall, on behalf of the Borrower, maintain at its address a copy of each assignment agreement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of demonstrable error, and the Borrower, the Guarantors, the Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Commitments, the Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement and the other Loan Documents. Any assignment of any Commitment and/or Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time during regular business hours and from time to time upon reasonable prior notice.

#### Section 10.7 Confidentiality of Information.

(a) Subject to the provisions of clause (b) of this Section, each Lender shall hold all non-public information obtained pursuant to the requirements of this Agreement that has been identified in writing as such by the Borrower or any Guarantor in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to affiliates of such Lender or disclosures to any bona fide prospective transferee or participant in connection with the contemplated transfer of any Loan or Commitment or participation therein or as required or requested by any Governmental Authority or representative thereof or pursuant to legal process or to such Lender's attorneys, affiliates or independent auditors, provided that unless specifically prohibited by applicable law or court order, each Lender shall notify the Borrower of any request by any Governmental Authority or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender or Affiliate by such Governmental Authority) for disclosure to a Governmental Authority of any such non-public information prior to disclosure of such information; and provided further, that in no event shall any Lender be obligated or required to return any materials furnished by

the Borrower or any Guarantor or any of their Subsidiaries, provided that, in the case of disclosure to any prospective transferee or participant, such Person executes an agreement with such Lender containing provisions substantially in the form of Exhibit H or such other form as may be reasonably acceptable to the Borrower and the Agent; and provided further that neither any Lender nor the

Agent shall be liable for any damages arising from the use by others of non-public information or other materials obtained through the internet, Intralinks or similar information transmission systems in connection with the Loan Documents or any transactions contemplated thereunder.

(b) The Borrower and each Guarantor hereby acknowledges and agrees that each Lender may share with any of its affiliates any information related to Holdings or any of its Subsidiaries (including, without limitation, any nonpublic customer information regarding the creditworthiness of Holdings or any of its Subsidiaries), provided such Persons shall be subject to the provisions of this Section to the same extent as such Lender.

Section 10.8 Governing Law and Construction. **THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF MINNESOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS OF THE UNITED STATES APPLICABLE TO NATIONAL BANKS.** Whenever possible, each provision of this Agreement and the other Loan Documents and any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be interpreted in such manner as to be effective and valid under such applicable law, but, if any provision of this Agreement, the other Loan Documents or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be held to be prohibited or invalid under such applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement, the other Loan Documents or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto.

Section 10.9 Consent to Jurisdiction. **AT THE OPTION OF THE AGENT, THIS AGREEMENT AND (EXCEPT AS MAY OTHERWISE BE SPECIFICALLY PROVIDED THEREIN) THE OTHER LOAN DOCUMENTS MAY BE ENFORCED IN ANY FEDERAL COURT OR MINNESOTA STATE COURT SITTING IN HENNEPIN COUNTY; AND THE BORROWER AND THE GUARANTORS EACH CONSENT TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVE ANY ARGUMENT THAT VENUE IN ANY SUCH FORUM IS NOT CONVENIENT. IN THE EVENT THE BORROWER OR ANY GUARANTOR COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, THE AGENT AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.**

Section 10.10 Waiver of Jury Trial. **EACH OF THE BORROWER, THE GUARANTORS, THE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING**

**OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS  
CONTEMPLATED HEREBY OR THEREBY.**

Section 10.11 Survival of Agreement. All representations, warranties, covenants and agreement made by the Borrower herein or in the other Loan Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be deemed to have been relied upon by the Lenders and shall survive the making of the Loans by the Lenders and the execution and delivery to the Lenders by the Borrower of the Notes, regardless of any investigation made by or on behalf of the Lenders, and shall continue in full force and effect as long as any Obligation is outstanding and unpaid and so long as the Commitments have not been terminated; provided, however, that the obligations of the Borrower under Sections 10.2, 10.5 and 10.12 shall survive payment in full of the Obligations and the termination of the Commitments.

Section 10.12 Indemnification. The Borrower and each of the Guarantors hereby agrees to defend, protect, indemnify and hold harmless each of the Secured Creditors and their respective Affiliates and the directors, officers, employees, attorneys and agents of each of the Secured Creditors and their respective Affiliates (each of the foregoing being an “Indemnitee” and all of the foregoing being collectively the “Indemnitees”) from and against any and all claims, actions, damages, liabilities, judgments, costs and expenses (including all reasonable fees and disbursements of counsel which may be incurred in the investigation or defense of any matter) imposed upon, incurred by or asserted against any Indemnitee, whether direct, indirect or consequential and whether based on any federal, state, local or foreign laws or regulations (including securities laws, environmental laws, commercial laws and regulations), under common law or on equitable cause, or on contract or otherwise:

(a) by reason of, relating to or in connection with the execution, delivery, performance or enforcement of any Loan Document, any commitments relating thereto, or any transaction contemplated by any Loan Document; or

(b) by reason of, relating to or in connection with any credit extended or used under the Loan Documents or any act done or omitted by any Person, or the exercise of any rights or remedies thereunder, including the acquisition of any collateral by the Secured Creditors by way of foreclosure of the Lien thereon, deed or bill of sale in lieu of such foreclosure or otherwise;

provided, however, that the Borrower shall not be liable to any Indemnitee for any portion of such claims, damages, liabilities and expenses resulting from such Indemnitee’s gross negligence or willful misconduct. In the event this indemnity is unenforceable as a matter of law as to a particular matter or consequence referred to herein, it shall be enforceable to the full extent permitted by law.

This indemnification applies, without limitation, to any act, omission, event or circumstance existing or occurring on or prior to the later of each of the Applicable Termination Dates or the



date of payment in full of the Obligations, including specifically Obligations arising under clause (b) of this Section. The indemnification provisions set forth above shall be in addition to any liability the Borrower may otherwise have. Without prejudice to the survival of any other obligation of the Borrower hereunder the indemnities and obligations of the Borrower contained in this Section shall survive the payment in full of the other Obligations.

Section 10.13 Captions. The captions or headings herein and any table of contents hereto are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

Section 10.14 Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement and understanding between the Borrower, the Guarantors, the Agent and the Lenders with respect to the subject matter hereof and thereof. This Agreement supersedes all prior agreements and understandings relating to the subject matter hereof. Nothing contained in this Agreement or in any other Loan Document, expressed or implied, is intended to confer upon any Persons other than the parties hereto any rights, remedies, obligations or liabilities hereunder or thereunder, except as expressly provided herein or therein.

Section 10.15 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 10.16 Borrower and Guarantor Acknowledgments. The Borrower and each of the Guarantors hereby acknowledges that (a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents, (b) neither the Agent nor any other Secured Creditor has any fiduciary relationship to the Borrower, the relationship being solely that of debtor and creditor, (c) no joint venture exists between the Borrower or the Guarantors and any of the Secured Creditors, and (d) none of the Secured Creditors undertakes any responsibility to the Borrower or any of the Guarantors to review or inform such Person of any matter in connection with any phase of the business or operations of such Person, and each such Person shall rely entirely upon its own judgment with respect to its business, and any review, inspection or supervision of, or information supplied to, the Borrower or any Guarantor by any of the Secured Creditors is for the protection of the Secured Creditors and neither the Borrower nor any Guarantor or third party is entitled to rely thereon.

*(Signature pages follow)*

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**NORTHWEST AIRLINES, INC.**

By: /s/ Daniel B. Matthews

Name: Daniel B. Matthews

Title: Sr. Vice President & Treasurer

Address:  
2700 Lone Oak Parkway  
Eagan, Minnesota 55121  
Fax: (612) 726-7123  
Attention: President

**NORTHWEST AIRLINES CORPORATION**

By: /s/ Daniel B. Matthews  
Name: Daniel B. Matthews  
Title: Sr. Vice President & Treasurer

Address:  
2700 Lone Oak Parkway  
Eagan, Minnesota 55121  
Fax: (612) 726-7123  
Attention: President

**MCH, INC.**

By: /s/ Daniel B. Matthews  
Name: Daniel B. Matthews  
Title: Vice President & Treasurer

Address:  
1000 Blue Gentian Road  
Suite 225  
Eagan, Minnesota 55121  
Fax: (651) 367-5390  
Attention: President

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**COMPASS AIRLINES, INC.**

By: /s/ Daniel B. Matthews  
Name: Daniel B. Matthews  
Title: Vice President & Treasurer

Address:  
4501 Singer Court  
Suite 130  
Chantilly, Virginia 20151  
Fax: (703) 802-1436  
Attention: President

**MESABA AVIATION, INC.**

By: /s/ Michael L. Miller

Name: Michael L. Miller

Title: Vice President & Secretary

Address:

1000 Blue Gentian Road

Suite 200

Eagan, Minnesota 55121

Fax: (651) 367-5394

Attention: President

**NWA FUEL SERVICES CORPORATION**

By: /s/ David E. Zanussi

Name: David E. Zanussi

Title: President

Address:

Dept. A4192

2700 Lone Oak Parkway

Eagan, Minnesota 55121

Fax: (612) 726-4851

Attention: President

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**NORTHWEST AEROSPACE TRAINING  
CORPORATION**

By: /s/ Daniel B. Matthews

Name: Daniel B. Matthews

Title: Vice President & Treasurer

Address:

2600 Lone Oak Point

Eagan, Minnesota 55121

Fax: (612) 726-6046

Attention: President

**NWA RETAIL SALES INC.**

By: /s/ Daniel B. Matthews

Name: Daniel B. Matthews

Title: Vice President & Treasurer

Address:  
c/o Northwest Airlines, Inc.  
2700 Lone Oak Parkway  
Eagan, Minnesota 55121  
Fax: (612) 726-7123  
Attention: President

**MLT INC.**

By: /s/ Daniel B. Matthews  
Name: Daniel B. Matthews  
Title: Vice President & Treasurer

Address:  
4660 West 77th Street  
Edina, Minnesota 55435  
Fax: (651) 367-8462  
Attention: President

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**U.S. BANK NATIONAL ASSOCIATION,**  
in its individual corporate capacity and as Agent

By: /s/ Mark R. Olmon  
Name: Mark R. Olmon  
Title: Senior Vice President

Address and Applicable Lending Office:  
800 Nicollet Mall  
BC-MN-H03Q  
Minneapolis, Minnesota 55402-4302  
Fax: (612) 303-2257  
Attention: Mark Olmon

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**CITIBANK, N.A.**

By: /s/ James J. McCarthy  
Name: James J. McCarthy  
Title: Managing Director & Vice President

Address and Applicable Lending Office:  
1615 Brett Road

New Castle, Delaware 19720

Fax: (212) 994-0847

Attention: Dan Digiacobbe

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**MORGAN STANLEY BANK, N.A.**

By: /s/ Daniel Twenge

Name: Daniel Twenge

Title: Authorized Signatory

Address and Applicable Lending Office:

One Utah Center

201 South Main Street, 5th Floor

Salt Lake City, Utah 84111

Fax: (718) 233-0967

Attention: Carrie D. Johnson

With a copy to:

1000 Lancaster Street

Baltimore, MD 21202

Fax: (718) 233-2140

Attention: Loan Servicing

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**FIRST AMENDMENT TO CREDIT AGREEMENT**

This First Amendment to Credit Agreement (this "Amendment"), dated as of December 9, 2008, is made and entered into by and among NORTHWEST AIRLINES, INC., a corporation organized under the laws of the State of Minnesota (the "Borrower"), NORTHWEST AIRLINES CORPORATION, a corporation organized under the laws of the State of Delaware ("Holdings"), MCH, INC., a corporation organized under the laws of the State of Delaware ("MCH"), COMPASS AIRLINES, INC., a corporation organized under the laws of the State of Delaware ("Compass"), MESABA AVIATION, INC., a corporation organized under the laws of the State of Minnesota ("Mesaba"), NWA FUEL SERVICES CORPORATION, a corporation organized under the laws of the State of New York ("NWA Fuel"), NORTHWEST AEROSPACE TRAINING CORPORATION, a corporation organized under the laws of the State of Delaware ("Northwest Aerospace"), NWA RETAIL SALES INC., a corporation organized under the laws of the State of Minnesota ("NWA Retail"), MLT INC., a corporation organized under the laws of the State of Minnesota ("MLT"), and each other subsidiary of the Borrower or Holdings that becomes a party to the Credit Agreement referenced below (together with Holdings, MCH, Compass, Mesaba, NWA Fuel, Northwest Aerospace, NWA Retail and MLT, each individually a "Guarantor", and, collectively, the "Guarantors"), each entity that is a party to such Credit Agreement from time to time as a lender (each individually a "Lender" and, collectively, the "Lenders"), U.S. BANK NATIONAL ASSOCIATION, a national banking association ("U.S. Bank"), as a Lender and Letter of Credit Issuer and as administrative agent for the Secured Creditors, as defined in the Credit Agreement (in such capacity, the "Agent"), CITIBANK, N.A., a national banking association, as a Lender, and MORGAN STANLEY BANK, N.A., a national banking association, as a Lender.

On October 29, 2008, the parties hereto entered into a Credit Agreement, dated as of such date (as such agreement may be amended, restated, modified, supplemented or amended and restated from time to time, the "Credit Agreement"), the Security Agreement and certain other Loan Documents (each as defined in the Credit Agreement), and, thereafter, the Initial Delta Merger was effected and, following such merger, the Borrower and the Guarantors assumed and granted certain security interests with respect to certain obligations under the Delta-JPMCB Agreement and the Delta-GSCP Agreement (each as defined in the Credit Agreement).

The Borrower and the Guarantors have requested that the Lenders agree to amend certain provisions of the Credit Agreement, waive certain breaches under the Loan Documents, and consent to certain actions by the Borrower and the Guarantors, and the Lenders are willing to do so, in each case subject to the terms and conditions of this Amendment.

Simultaneously herewith, the Borrower, the Guarantors and the Agent are entering into that certain First Amendment to Security Agreement, dated as of the date hereof (the "Security Agreement Amendment").

ACCORDINGLY, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

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Section 1. Definitions. All terms defined in the Credit Agreement that are not otherwise defined herein shall have the meanings given them in the Credit Agreement.

Section 2. Amendments. The Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is amended by adding or amending and restating, as applicable, the following definitions:

“Agency Agreement” means that certain Agency Agreement dated as of October 29, 2008, between U.S. Bank and JPMorgan Chase Bank, N.A., in each case in the capacity or capacities referred to therein, as the same may be amended, supplemented, restated or otherwise modified from time to time.

“Applicable 50% Reduction Threshold” means (i) during the period from and including December 10, 2008, through and including February 9, 2009, \$2,500,000,000, and (ii) at any other time, \$2,750,000,000.

“Cash Liquidity” means, at any time, the sum of (a) (I) unrestricted cash and cash equivalents of Holdings and its Subsidiaries at such time and (II) unrestricted short term investments of Holdings and its Subsidiaries at such time, excluding, however, in the case of both clause (I) and clause (II), (x) any such cash, cash equivalents or short term investments on deposit or held in any of the Pledged Dual-Control Accounts, Excluded Accounts and Escrow Accounts and (y) on and after April 30, 2009, any such cash, cash equivalents or short term investments on deposit or held in the Reserve Primary Fund Account and (b) the Undrawn Facility Amount at such time.

“Reserve Primary Fund Account” means Reserve Primary Fund account no. 82217773, as such account may be re-numbered or re-captioned from time to time, all sub-accounts of such account, and any duplicate, corollary or replacement account of such account.

(b) Section 1.1 of the Credit Agreement is further amended by amending and restating in its entirety clause (b) of the definition therein of “Current Appraised Value” to read as follows:

(b) (i) in the case of Spare Parts owned by the Borrower, the aggregate of the values for each Spare Part stock number by category (airframe, avionics or engine parts, as applicable) calculated as the product of (A) the book value thereof as reflected in the financial statements most recently delivered to the Agent under Section 5.1 for each such stock number and (B) a fraction, the numerator of which is the fair market value for such stock number (as reported in the applicable Appraisal Report) and the denominator of which is the book value for such stock number (as reported in the applicable Appraisal Report), and (ii) in the case of Spare Parts owned by Compass or Mesaba, the book value thereof as reflected in the financial statements most recently delivered to the Agent under Section 5.1;



- (c) Section 1.5 of the Credit Agreement is amended by adding the following at the end thereof:

For the avoidance of doubt, the terms “securities account” and “securities accounts”, when used in this Agreement or in any other Loan Document, include, without limitation, any shares or beneficial or other interests in any mutual fund, money market fund or other investment fund, arrangement or other similar structure, whether or not maintained with a securities intermediary or registered directly with the issuer or any transfer agent, trustee or other registered owner of any such shares.

- (d) Section 2.9(a) of the Credit Agreement is amended and restated in its entirety to read as follows:

(a) Notwithstanding any other provision hereof, if at any time Cash Liquidity is less than the Applicable 50% Reduction Threshold, then (i) each Lender’s Commitment Amount shall immediately, automatically and permanently be reduced to an amount equal to 50% of such Lender’s Commitment Amount at such time and (ii) if the Total Outstandings exceed 50% of the Aggregate Commitment Amount immediately prior to the reduction of the Commitments under clause (i), the Borrower shall prepay Loans within two Business Days of such occurrence in an aggregate principal amount equal to the amount of such excess.

- (e) Section 3.1(a)(ix) of the Credit Agreement is amended and restated in its entirety to read as follows:

(ix) In respect of each Pledged Account that is not an Excluded Account, an Account Control Agreement, duly executed by a duly authorized officer (or officers) of the Borrower or the Guarantor that owns such account, as applicable, the relevant depository bank or securities intermediary or financial institution, as applicable, and the Agent.

- (f) Section 5.2(h) of the Credit Agreement is amended and restated in its entirety to read as follows:

(h) (I) on each Business Day during the period from and including December 10, 2008, through and including February 9, 2009, a Cash Liquidity Report as of the immediately preceding Business Day, and (II) on the first Business Day of each calendar week that does not commence during the period described in the foregoing clause (I), a Cash Liquidity Report as of the last Business Day of the immediately preceding calendar week;

- (g) Section 7.1(c) of the Credit Agreement is amended and restated in its entirety to read as follows:

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(c) the Borrower or any Guarantor shall default in the observance or performance of any agreement contained in Section 2.9(a), Section 2.10(a), Section 2.15(c), Section 5.10, Section 6.1(c), Section 6.3 (other than a default arising from a nonconsensual Lien), Section 6.4, Section 6.5, Section 6.6, or the last sentence of Section 4(j)(vii) of the Security Agreement or (without limiting the foregoing) shall fail to comply with either of the Collateralization Requirements; or

(h) Exhibit D to the Credit Agreement is amended and restated in its entirety to read as set forth in Exhibit A to this Amendment.

(i) Schedule 1.1-C to the Credit Agreement is amended and restated in its entirety to read as set forth in Schedule A to this Amendment.

(j) Schedule 1.1-D to the Credit Agreement is amended and restated in its entirety to read as set forth in Schedule B to this Amendment.

(k) Schedule 1.1-E to the Credit Agreement is amended and restated in its entirety to read as set forth in Schedule C to this Amendment.

### Section 3. Certain Consents and Waivers Relating to Accounts.

(a) The Borrower and the Guarantors each acknowledge that, as of the Effective Date, the Borrower owned account no. 2370770113039 at Smith Barney, a division of Citigroup Global Markets, Inc., notwithstanding the Borrower's and each Guarantor's representation and warranty under Section 4.17 of the Credit Agreement that each and every deposit account, sweep account linked thereto and other securities account owned or held by the Borrower or any of the Guarantors, except Escrow Accounts, Petty Cash Accounts, Payroll Accounts and accounts outside the United States, was listed on Schedule 1.1-B, Schedule 1.1-C, Schedule 1.1-D or Schedule 1.1-E to the Credit Agreement. Subject to the terms and conditions set forth herein, the Lenders hereby waive the breach described in the foregoing sentence and any Event of Default under Section 7.1(b) of the Credit Agreement on account of such breach.

(b) Subject to the terms and conditions set forth herein, the Lenders:

(i) consent to the closure, not later than the fifth Business Day after the date hereof, of each of the deposit or securities accounts listed on Schedule D hereto (the "Closed Accounts"), in each case by the Borrower or the Guarantor that owns such account, and to the closure by the Borrower of the Reserve Primary Fund Account as soon as the Borrower is able to do so; and

(ii) waive, in respect of each of the Closed Accounts and, solely until April 30, 2009, the Reserve Primary Fund Account, the requirement set forth in Section 4(j)(vii) of the Security Agreement, and the condition set forth in Section 3.1(a)(ix) of the Credit Agreement, as to the delivery of an Account Control Agreement in respect of such account.

(c) The waivers and consents set forth in this Section 3 each shall be effective only in this specific instance and for the specific purpose for which they are given, and none of such waivers and consents shall entitle the Borrower or any Guarantor to any other or further waiver or consent in any similar or other circumstances.

Section 4. Conditions Precedent to Effectiveness. This Amendment shall become effective when the Agent has received each of the following, each in form and substance reasonably acceptable to the Agent and each of the Lenders:

(a) this Amendment, duly executed by a duly authorized officer (or officers) of the Borrower, each of the Guarantors, the Agent and the Lenders;

(b) an amendment to the Agency Agreement, duly executed by a duly authorized officer (or officers) of each of the parties thereto;

(c) an Officer' s Certificate;

(d) a certificate of good standing for Holdings in the jurisdiction of its incorporation and a certificate of merger reflecting the Initial Delta Merger, certified by the appropriate governmental officials as of a date acceptable to the Agent; and

(e) payment of the fee referred to in Section 5 below for each Lender.

Section 5. Amendment Fee. On or prior to the date hereof, the Borrower shall pay to the Agent for the account of each Lender an amendment fee equal to 0.0625% of such Lender' s initial Commitment Amount. Such fee shall be deemed fully earned by each Lender when due.

Section 6. Representations and Warranties. The Borrower and each of the Guarantors hereby represent and warrant as follows:

(a) The Borrower and each of the Guarantors have the corporate power and authority, and the legal right, to make, deliver and perform this Amendment and the Credit Agreement as amended hereby. The Borrower and each of the Guarantors have taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment and the Credit Agreement as amended hereby. No material consent or authorization of, filing with, notice to or other act by or in respect of, any

Governmental Authority or any other Person is required in connection with the extensions of credit under the Credit Agreement as amended hereby or with the execution, delivery, performance, validity or enforceability of this Amendment or the Credit Agreement as amended hereby, except any such consent, authorization, filing, notice or other act required to be made or obtained after the Effective Date in the ordinary course of business. This Amendment has been duly executed and delivered on behalf of the Borrower and each Guarantor. This Amendment and the Credit Agreement as amended hereby each constitute a legal, valid and binding obligation of each of the Borrower and each Guarantor, enforceable against each such Person in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights

generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(b) The execution and delivery of this Amendment and the performance of this Amendment and the Credit Agreement as amended hereby, and the other Loan Documents, the borrowings and other extensions of credit under the Credit Agreement as amended hereby and the use of the proceeds thereof will not violate in any material respect any material Requirement of Law or any material Contractual Obligation of Holdings or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation.

(c) Each of the representations and warranties set forth in the Credit Agreement as amended hereby and the other Loan Documents is true and correct in all material respects as of the date hereof, except to the extent that such representation and warranty relates to a specified date, in which case such representation or warranty was true and correct in all material respects as of such date.

(d) No event has occurred and is continuing that constitutes a Default or an Event of Default, except as specifically waived under Section 3. Without limiting the foregoing, each of the Collateralization Requirements is satisfied, and the Current Appraised Value of the Eligible Collateral (based on the Collateral Report delivered for the month ending October 31, 2008 with respect to Aircraft Fuel) is not less than the Collateral Coverage Threshold, in each case as of the date hereof.

Section 7. Release. The Borrower and each Guarantor hereby absolutely and unconditionally release and forever discharge the Agent and each of the Lenders, and any and all affiliates, insurers, successors and assigns thereof, together with all of the present and former directors, officers, agents, employees and attorneys-in-fact of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description that the Borrower or any Guarantor has had, now has or has made claim to have against any such

Person for or by reason of any act, omission, matter, cause or thing whatsoever arising on or before the date of this Amendment in any way relating to or arising out of the Loan Documents or any action taken or omitted under the Loan Documents, whether such claims, demands and causes of action are matured or unmatured or known or unknown.

Section 8. Costs and Expenses. Without limiting the generality of Section 10.2 of the Credit Agreement, the Borrower shall pay or reimburse the Agent and each Lender upon demand for all reasonable out-of-pocket expenses paid or incurred by the Agent or such Lender in connection with this Amendment and the Security Agreement Amendment.

Section 9. Consent to Security Agreement Amendment and Related Filings. Each of the Lenders hereby consents to the Security Agreement Amendment and to the filing of amendments to Financing Statements reflecting amendments effected thereby.

Section 10. Miscellaneous. Except as amended by this Amendment, all of the terms and conditions of the Credit Agreement shall remain in full force and effect. All references in the Credit

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Agreement to “this Agreement” shall be deemed to refer to the Credit Agreement as amended hereby. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment by signing any such counterpart. The validity, construction and enforceability of this Amendment shall be governed by the internal laws of the State of Minnesota, without giving effect to conflict of laws principles thereof, but giving effect to federal laws of the United States applicable to national banks.

*(Signature pages follow)*

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IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first written above.

**NORTHWEST AIRLINES, INC.**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: CFO

**MCH, INC.**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

**MESABA AVIATION, INC.**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

**NORTHWEST AEROSPACE TRAINING CORPORATION**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

**MLT INC.**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

**NORTHWEST AIRLINES CORPORATION**

By: /s/ Mona Warwar  
Name: Mona Warwar  
Title: Vice President - Corporate Tax

**COMPASS AIRLINES, INC.**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

**NWA FUEL SERVICES CORPORATION**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

**NWA RETAIL SALES INC.**

By: /s/ Terry Mackenthun  
Name: Terry Mackenthun  
Title: Vice President

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**U.S. BANK NATIONAL ASSOCIATION,**  
in its individual corporate capacity and as Agent

By: /s/ Mark R. Olmon  
Name: Mark R. Olmon  
Title: Senior Vice President

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**CITIBANK, N.A.**

By: /s/ James J. McCarthy

Name: James J. McCarthy

Title: Managing Director & Vice President

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**MORGAN STANLEY BANK, N.A.**

By: /s/ Melissa James

Name: Melissa James

Title: Authorized Signatory

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## NORTHWEST AIRLINES CORPORATION

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)

	Post-Merger		Pre-Merger				
	Successor	Successor	Successor	Predecessor	Predecessor	Predecessor	Predecessor
	Period from October 30 to December 31, 2008	Period from January 1 to October 29, 2008	Period from June 1 to December 31, 2007	Period from January 1 to May 31, 2007	Year ended December 31		
					2006	2005	2004
<b>Earnings:</b>							
Income (loss) before income taxes and cumulative effect of accounting change	\$ (540)	\$ (5,673)	\$ 566	\$ 1,749	\$ (2,864)	\$ (2,457)	\$ (861)
<b>Less:</b>							
Income (loss) from less than 50% owned investees	-	-	2	-	1	(14)	8
Capitalized interest	1	9	9	6	10	10	8
<b>Add:</b>							
Fixed charges, from below	173	574	408	322	745	865	791
Amortization of interest capitalized	-	-	-	3	8	8	8
<b>Adjusted earnings</b>	<b>\$ (368)</b>	<b>\$ (5,108)</b>	<b>\$ 963</b>	<b>\$ 2,068</b>	<b>\$ (2,122)</b>	<b>\$ (1,580)</b>	<b>\$ (78)</b>
<b>Fixed charges:</b>							
Rent expense representative of interest (1)	\$ 41	\$ 191	\$ 126	\$ 97	\$ 180	\$ 255	\$ 248
Interest expensed and capitalized, issuance costs, amortization of debt discounts and premiums and interest of preferred security holder (2)	132	383	282	225	565	610	543
<b>Fixed charges</b>	<b>\$ 173</b>	<b>\$ 574</b>	<b>\$ 408</b>	<b>\$ 322</b>	<b>\$ 745</b>	<b>\$ 865</b>	<b>\$ 791</b>
<b>Ratio of earnings to fixed charges</b>	<b>- (3)</b>	<b>- (3)</b>	<b>2.36</b>	<b>6.42</b>	<b>- (3)</b>	<b>- (3)</b>	<b>- (3)</b>

(1) Calculated as one-third of rentals, which is considered representative of the interest factor.

(2) Subsequent to its Chapter 11 filing and prior to its emergence, the Company recorded post-petition interest expense on pre-petition obligations only to the extent it believed the interest would be paid during the bankruptcy proceeding or that it was probable that the interest would be an allowed claim.

(3) Earnings were inadequate to cover fixed charges by \$541 million for the period from October 30, 2008 through December 31, 2008, \$5.68 billion for the period from January 1, 2008 through October 29, 2008, and \$2.87 billion, \$2.45 billion, and \$869 million for the years ended December 31, 2006, 2005, and 2004.



## NORTHWEST AIRLINES CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
AND PREFERRED STOCK REQUIREMENTS

(Dollars in millions)

	Post-Merger		Pre-Merger				
	Successor	Successor	Successor	Predecessor	Predecessor	Predecessor	Predecessor
	Period from October 30 to December 31, 2008	Period from January 1 to October 29, 2008	Period from June 1 to December 31, 2007	Period from January 1 to May 31, 2007	Year ended December 31		
					2006	2005	2004
<b>Earnings:</b>							
Income (loss) before income taxes and cumulative effect of accounting change	\$ (540)	\$ (5,673)	\$ 566	\$ 1,749	\$ (2,864)	\$ (2,457)	\$ (861)
Less:							
Income (loss) from less than 50% owned investees	–	–	2	–	1	(14)	8
Capitalized interest	1	9	9	6	10	10	8
Add:							
Fixed charges, from below	173	574	408	322	745	887	820
Amortization of interest capitalized	–	–	–	3	8	8	8
<b>Adjusted earnings</b>	<b>\$ (368)</b>	<b>\$ (5,108)</b>	<b>\$ 963</b>	<b>\$ 2,068</b>	<b>\$ (2,122)</b>	<b>\$ (1,558)</b>	<b>\$ (49)</b>
<b>Fixed charges:</b>							
Rent expense representative of interest (1)	\$ 41	\$ 191	\$ 126	\$ 97	\$ 180	\$ 255	\$ 248
Interest expensed and capitalized, issuance costs, amortization of debt discounts and premiums and interest of preferred security holder (2)	132	383	282	225	565	610	543
Preferred stock requirements	–	–	–	–	–	22	29
<b>Fixed charges and preferred stock requirements</b>	<b>\$ 173</b>	<b>\$ 574</b>	<b>\$ 408</b>	<b>\$ 322</b>	<b>\$ 745</b>	<b>\$ 887</b>	<b>\$ 820</b>
<b>Ratio of earnings to fixed charges and preferred stock requirements</b>							
	<u>–(3)</u>	<u>–(3)</u>	<u>2.36</u>	<u>6.42</u>	<u>–(3)</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 and prior to its emergence, the Company recorded post-petition interest expense on pre-petition obligations only to the extent it believed the interest would be paid during the bankruptcy proceeding or that it was probable that the interest would be an allowed claim.

(3) Earnings were inadequate to cover fixed charges by \$541 million for the period from October 30, 2008 through December 31, 2008, \$5.68 billion for the period from January 1, 2008 through October 29, 2008, and \$2.87 billion, \$2.45 billion, and \$869 million for the years ended December 31, 2006, 2005, and 2004.



**Certification by the Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Edward H. Bastian, certify that:

1. I have reviewed this annual report on Form 10-K of Northwest Airlines Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 officer 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 2, 2009

/s/ EDWARD H. BASTIAN

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Edward H. Bastian

President and Chief Operating Officer

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**Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Terry W. Mackenthun, certify that:

1. I have reviewed this annual report on Form 10-K of Northwest Airlines Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 officer 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 2, 2009

/s/ TERRY W. MACKENTHUN

Terry W. Mackenthun

Vice President and Chief Financial Officer

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**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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward H. Bastian, President and Chief Operating 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 2, 2009

/s/ EDWARD H. BASTIAN

Edward H. Bastian

President and Chief Operating 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.

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**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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terry W. Mackenthun, 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 2, 2009

/s/ TERRY W. MACKENTHUN

Terry W. Mackenthun

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.

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