

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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NORTHWEST AIRLINES CORP

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number 0-23642

NORTHWEST AIRLINES CORPORATION

(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 55121

(Address of principal executive offices) (Zip Code)

(612) 726-2111

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Quarterly Interest Bonds due 2039

**Name of each exchange on
which registered**

The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Name of each exchange on which registered

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 /x/ 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. /x/

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 28, 2002 was \$1.08 billion.

As of February 28, 2002, there were 85,758,746 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on May 3, 2002.

PART I

Item 1. BUSINESS

Northwest Airlines Corporation ("NWA Corp." and, together with its subsidiaries, the "Company"), is the indirect parent corporation of Northwest Airlines, Inc. ("Northwest"). Northwest operates the world's fourth largest airline, as measured by 2000 revenue passenger miles ("RPMs"), and is engaged in the business of transporting passengers and cargo. Northwest began operations in 1926. Northwest's business focuses on the development of a global airline network through its strategic assets that include:

domestic hubs at Detroit, Minneapolis/St. Paul and Memphis;

an extensive Pacific route system with a hub in Tokyo;

a trans-Atlantic alliance with KLM Royal Dutch Airlines ("KLM"), which operates through a hub in Amsterdam; and

a global alliance with Continental Airlines, Inc. ("Continental").

Northwest has developed strategies that are designed to utilize these assets to the Company's competitive advantage. These strategies focus on providing safe, reliable, convenient and consistent air transportation. In addition, the Company's frequent flyer program, customer service enhancements and targeted fare promotions are designed to maintain and improve its competitive position.

Operations and Route Network

Northwest operates substantial domestic and international route networks and directly serves more than 145 cities in 24 countries in North America, Asia and Europe. Northwest had 54.1 million enplanements and flew 73.13 billion RPMs in 2001.

Northwest has exclusive marketing agreements with two regional carriers: Mesaba Aviation, Inc. ("Mesaba") and Express Airlines I, Inc., a wholly-owned subsidiary of NWA Corp., which will be renamed Pinnacle Airlines, Inc. ("Pinnacle Airlines"). Under the agreements, these regional carriers operate their flights under the Northwest "NW" code and are identified as Northwest Airlink carriers. The primary purpose of these marketing agreements is to provide more frequent service to small and mid-sized cities, which increases connecting traffic at Northwest's hubs.

In 2001, Northwest acquired 21 50-seat Bombardier Canadian Regional Jet ("CRJ") 200 series aircraft, bringing the total number of CRJ-200 aircraft in operation to 30. Over the next four years, Northwest is scheduled to take delivery of 24 additional new CRJ-200 regional jets and 75 44-seat CRJ-440 regional jets. The 30 CRJ-200 aircraft presently in operation are subleased to and operated by Pinnacle Airlines. These aircraft enable Northwest to provide access to markets that do not have enough traffic to support mainline jet service, but are beyond the range of turboprop aircraft. They will also allow for increased service to existing markets and upgraded service to markets currently served with 30-seat turboprops. Northwest also leases and subleases 36 69-seat AVRO RJ85 aircraft to Mesaba. The extended range, speed, and greater comfort of regional jets increases demand, resulting in expanded traffic through Northwest's hubs and improved efficiency in linking smaller markets to hub cities.

During the past several years, Northwest has strengthened its network through the addition of several new alliance partners. Long-term alliances are the most effective way for Northwest to enter global markets that it would not be able to serve alone and, due to the synergies shared by the partners, these alliances are the most economic way to expand globally. Alliances improve the travel experience through code-sharing, integration of frequent flyer programs, the ability to check luggage through to the passenger's final destination and reciprocal airport lounge access, while also providing route and schedule coordination, joint marketing, sharing of airport facilities and services and joint procurement of certain goods and services. Northwest and its alliance partners currently provide a global network to over 748

cities in 116 countries in the U.S., Canada, Asia, India, the South Pacific, Europe, the Middle East, Africa, Mexico, the Caribbean, Central America and South America.

Domestic System

Northwest's domestic route system serves the U.S., Mexico, Canada and the Caribbean. Northwest operates its domestic system through its hubs at Detroit, Minneapolis/St. Paul and Memphis. The hub system gathers passengers from the hub and surrounding cities and provides more frequent local and connecting service than if each route were served on a nonstop point-to-point basis. As part of its alliance with Continental, Northwest's passengers are also able to connect through Continental's hubs in Newark, Houston and Cleveland to additional cities not previously served by Northwest.

Northwest's hubs provide connections that feed traffic into its eight gateway cities for international service. Northwest operates international flights from its Detroit and Minneapolis/St. Paul hubs as well as from Boston, Honolulu, Los Angeles, Miami, New York, San Francisco, Seattle and Washington, D.C. With its Airlink carriers, Northwest also operate service to cities in Mexico, Canada and the Caribbean.

Detroit. Northwest and its Airlink carriers together serve over 130 cities from Detroit. For the nine months ended September 30, 2001, Northwest and its Airlink carriers enplaned 59% of originating passengers from this hub, while the next largest competitor enplaned 8%. Detroit, which is the ninth largest origination/destination hub in the U.S., is Northwest's largest international gateway from the continental U.S.

The Company was responsible for managing and supervising the design and construction of a new \$1.2 billion passenger terminal at Detroit Metropolitan Wayne County Airport. This new terminal was completed in February 2002 and offers 97 gates, 106 ticket-counter positions, 14 security check points, a fourth parallel runway, nearly 85 shops and restaurants, four WorldClubs, an 11,500-space parking facility, covered curbside drop-off areas and 18 luggage carousels. The new terminal also offers international-to-domestic connections within the same facility. In addition, a new hotel in the terminal is scheduled to be completed in September 2002.

Minneapolis/St. Paul. Northwest and its Airlink carriers together serve over 135 cities from Minneapolis/St. Paul. For the nine months ended September 30, 2001, Northwest and its Airlink carriers enplaned 66% of originating passengers from this hub, while the next largest competitor enplaned 10%. Minneapolis/St. Paul is the seventh largest origination/destination hub in the U.S.

Minneapolis/St. Paul International Airport is in the midst of a \$2.4 billion construction program that includes a 50% increase in parking, adds 15 jet gates and 30 commuter gates, adds a new north/south runway, and improves existing runways. Additional airport improvements include a new skyway and automated people movers to shorten transit time between the concourses and the parking garage and another WorldClub. This multi-year project is scheduled to be completed in phases through 2010.

Memphis. Northwest and its Airlink carriers serve 80 cities from Memphis. For the nine months ended September 30, 2001, they enplaned approximately 54% of originating passengers from this hub, while the next largest competitor enplaned approximately 21%.

The Memphis-Shelby County Airport Authority is in the process of a \$400 million airport renovation and expansion scheduled to be completed in 2004. This program provides nearly \$300 million in airfield improvements including a new 13,000-foot runway, which opened in late 2000 to accommodate additional arrivals and departures. The airport renovation also includes \$40 million in parking expansion and \$60 million in terminal improvements, which will directly benefit Northwest with the creation of 15 new commuter gates, the redesign of eight gates to accommodate Northwest regional jet service, a new WorldClub and the addition of 11 new ticket counter positions.

Northwest and Continental have extended through 2025 their global strategic commercial alliance that connects the two carriers' networks and includes extensive code-sharing, frequent flyer program reciprocity and other cooperative activities. The airlines continue to operate their two networks under separate identities. The combined network has resulted in a domestic presence comparable to that of either United Airlines, Inc. ("United") or American Airlines, Inc. ("American") (as measured by ASMs for the twelve months ended December 31, 2001), and provides Northwest access to Central and South America and increases its Pacific presence.

Northwest and Continental's code-sharing agreements include more than 250 destinations. Cities served by these code-share flights include eight in Central America, five in South America, 21 in Mexico, eight in the Caribbean, 13 in Canada, seven in Asia and over 190 in the U.S. Northwest anticipates that it will continue to increase its code-sharing with Continental. Through additional domestic and international connections, Northwest has increased its market share and enhanced its revenue. Other joint activities include airport facility coordination, joint purchasing and certain coordinated sales programs. Through combined purchasing power and increased efficiencies in airport operations from the alliance, Northwest is experiencing reduced operating costs.

Northwest also has domestic marketing agreements with several other airlines for frequent flyer program reciprocity and code-sharing on some of those carriers' routes. The primary purpose of these arrangements is to provide increased connections between the airlines' route networks so as to generate increased traffic into Northwest's domestic system and international gateways.

International System

Northwest has a comprehensive route network to the Pacific, providing extensive service to Japan and China, and also serves destinations in Europe and India. Northwest also operates within an international global alliance whose other primary members are KLM and Continental. Through these and other alliance partners, such as Air China, Malaysia Airlines and Japan Air System, Northwest is able to provide seamless global service and more choices to its customers through code-sharing, frequent flyer program reciprocity, coordinated scheduling of flights, airport facility coordination and other cooperative activities. This coordination increases the destinations, connections and frequencies offered by Northwest, and thus provides an opportunity to increase traffic on flight segments connecting with alliance partners. Code-sharing is an agreement under which an airline's flights can be marketed under the two-letter designator code of another airline, thereby allowing the two carriers to provide joint service with one aircraft.

Pacific. Northwest has served the Pacific market since 1947 and has one of the world's largest Pacific route networks. Northwest's Pacific operations are concentrated at its Tokyo hub. Northwest has the largest slot portfolio of any non-Japanese airline at Tokyo's slot-

constrained Narita International Airport, with 316 weekly takeoff and landing slots. Northwest uses its route certificates and slot portfolio to operate a network linking seven U.S. gateways and ten Asian destinations via Tokyo.

Northwest provides passenger service between various points in the U.S. and Japan and operates flights between Japan and Korea, Taiwan, the Philippines, Thailand, Singapore, Malaysia, Mariana Islands, and China, including Hong Kong. Northwest's Japan presence results from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S. and extensive "fifth freedom" rights between Japan and India, the South Pacific and other Asian destinations. "Fifth freedom" rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and to carry Japanese originating passengers. Northwest and United are the only U.S. passenger carriers that have "fifth freedom" rights from Japan. Northwest also has unlimited rights and frequencies to operate between any point in the U.S. and Japan and the ability to code-share with Japanese carriers.

Northwest's alliance with Air China connects the two carriers' networks and also includes frequent flyer program reciprocity and joint marketing. Northwest and Air China together provide 20 flights each

week between the U.S. and China. Code-share service was expanded within the U.S. during 1999 and within China in 2000. Northwest alliance partners, Alaska Airlines, America West Airlines and Continental, have also entered into alliance agreements with Air China. Northwest and its partners collectively provide the most service between the U.S. and China.

Northwest continues to expand its Pacific presence through additional alliances. Northwest has implemented an alliance with Japan Air System, which operates more domestic routes in Japan than any other carrier. The alliance includes code-sharing, coordinated flight connections, traffic servicing and reciprocal frequent flyer programs. Northwest also implemented an alliance with Malaysia Airlines during 1999. This alliance was granted anti-trust immunity by the U.S., which allows the two airlines to coordinate sales, marketing and operations to the extent desirable. Currently, Northwest is the only U.S. airline serving Malaysia. Northwest also has code-sharing and reciprocal frequent flyer programs with Pacific Island Aviation.

Atlantic. Northwest and KLM operate their trans-Atlantic flights pursuant to a commercial and operational joint venture alliance, which has antitrust immunity that facilitates coordinated pricing, scheduling, product development and marketing. In 1992, the U.S. and the Netherlands entered into an "open-skies" bilateral aviation treaty which authorizes the airlines of each country to provide international air transportation between any U.S.-Netherlands city pair and to operate connecting service to destinations in other countries. Northwest and KLM have expanded their trans-Atlantic presence by operating joint service between 13 U.S. cities and Amsterdam, KLM's hub airport. Code-sharing between Northwest and KLM has been implemented on flights to 53 European, five Middle Eastern, seven African, three Asian and approximately 175 U.S. cities. Northwest and KLM have a minimum of nine years remaining under their current joint venture alliance.

To further enhance Northwest's service in Europe, India, and Southeast Asia, Northwest has code-sharing and reciprocal frequent flyer programs with Air Alps Aviation, Swisswings, Cyprus Airways, KLM cityhopper, KLM exel, KLM uk, Pacific Island Aviation and Transavia airlines. Northwest also has frequent flyer reciprocity with Cebu Pacific Airlines, Garuda Indonesia, Jet Airways Private Ltd., Kenya Airways and Malaysia Airlines.

Cargo

In 2001, cargo accounted for 7.3% of the Company's operating revenues, with the majority of its cargo revenues originating in or destined for Asia. Through its Tokyo and Anchorage cargo hubs, Northwest serves most major air freight markets between the U.S. and the Pacific with 12 Boeing 747-200 freighter aircraft. Northwest is now the largest cargo carrier among U.S. passenger airlines and the only one to operate a dedicated cargo freighter fleet.

The trans-Pacific market is expected to be a leading growth market for the air freight industry, with most of the growth expected to originate from the high-yield express business. Northwest is able to participate in the express business due to its extensive network across the Pacific, its hubs at Tokyo and Anchorage that allow for the efficient transfer of freight, and its dedicated freighter fleet. Service began in

July 2001 under a new five-year agreement with DHL Worldwide Express to provide daily freighter service from its U.S. hub operations in Cincinnati to various points in Asia. In June 2000, Northwest and Japan Airlines entered into a long-term cargo alliance agreement. This alliance received Department of Transportation ("DOT") approval in September 2000 and includes code-sharing that allows Northwest to provide its customers with an improved and expanded schedule.

Other Activities

MLT Inc. MLT Inc. ("MLT") is among the largest vacation wholesale companies in the U.S. In addition to its Worry-Free Vacations charter program, MLT markets and supports Northwest's WorldVacations brand packaged vacations to destinations throughout the U.S., Canada, Mexico, the Caribbean, Europe and Asia, primarily on Northwest.

Northwest Aerospace Training Corporation. Northwest Aerospace Training Corporation ("NATCO") provides training and aircraft simulation services to pilots for Northwest, other airlines, governments and corporations. The NATCO training facility is among the world's largest aircraft simulation facilities, with 21 full-flight simulators and four fixed-base training devices. NATCO's customer base includes both domestic and international airlines. In 2001, NATCO had \$7 million in revenue from third parties.

Worldspan. The Company holds a 33.7% partnership interest in WORLDSPAN, L.P. ("WORLDSPAN"). WORLDSPAN operates and markets a global computer reservations and passenger processing system ("CRS"). A CRS is used by travel agents, corporate accounts and internet consumers to make airline, hotel, car and other travel reservations and to issue airline tickets. Delta Air Lines, Inc. and AMR Corporation own 40% and 26.3% of WORLDSPAN, respectively. Northwest's presence through WORLDSPAN in the CRS market gives it a voice in the traditional and emerging distribution channels.

Marketing

Consistent with the experience of other carriers, the majority of ticket sales for travel on Northwest are sold by travel agents. Effective March 19, 2002, the Company eliminated the payment of base commissions to travel agents for tickets issued in the United States, Canada, Puerto Rico and the United States Virgin Islands. Airlines often pay additional commissions in connection with special business arrangements and on special promotions.

E-Commerce

In 2000, Northwest became the first network airline to permit domestic system-wide online check-in via its award-winning Web site at nwa.com. Northwest customers in the U.S. can now print their own boarding passes from the convenience of their home or office. Sales through nwa.com accounted for approximately \$590 million in 2001 compared with approximately \$400 million in 2000. In addition to the sales growth on nwa.com, electronic ticket ("E-Ticket") sales accounted for 62% of all tickets for Northwest in 2001, including approximately 70% of all North American tickets, compared to 57% and 65%, respectively, in 2000.

E-Ticketing allows for improved service and reduced costs and has been the catalyst for e-commerce at Northwest. In October 2000, Northwest and Continental launched the industry's largest interline E-Ticket network. As a result, travelers can now make connections between the two airlines on E-tickets as well as use either Northwest or Continental E-Service Centers for check-in. Currently, Northwest has deployed over 300 E-Service Centers in 42 airports. E-Service Centers and internet check-ins handled more than 6 million check-ins in 2001.

Northwest, along with Continental, Delta Air Lines, United and American, formed a new multi-airline travel web site, Orbitz, LLC ("Orbitz"), that allows travelers to purchase their airline, hotel and car rental services online. Northwest holds a 15.6% interest in Orbitz. This web site provides a comprehensive selection of online airfares, including Internet-only fares, and other travel information and customer features. Forty-six U.S. and foreign flag carriers have signed agreements to become charter associates in the new travel web site, and also provide preferred seat inventory to the site. The web site is managed independently from the owner airlines.

The Company has joined many other carriers to form Aeroxchange, a business-to-business e-commerce exchange for the airline industry. Aeroxchange.com was launched in February 2001 to bring

volume-buying discounts, a broader range of suppliers and a better way to manage and reduce inventory and to sell surplus parts more quickly.

The Company is the holder of warrants in a number of start-up e-commerce companies focused on various segments of the travel distribution network. The warrants are recorded at fair value with the offset recorded to non-operating income. The fair value of these warrants was not material at December 31, 2001 or 2000.

World Business Class Seat Reconfiguration

In 2001, World Business Class passengers on both Northwest and KLM were accommodated with reconfigured seating, which provides 50% additional legroom and 150 degrees of seat recline as part of an improved business class product. Northwest's and KLM's wide-body aircraft have been reconfigured during 2000 and 2001 to provide the increased space.

Frequent Flyer Program

Northwest operates a frequent flyer marketing program known as "WorldPerks," under which mileage credits are earned by flying on Northwest or its alliance partners and by using the services of participating bank credit cards, hotels, long-distance companies, car rental firms and other non-airline partners. Northwest sells mileage credits to the other companies participating in the program. The program was designed to retain and increase the business of frequent travelers by offering incentives for their continued patronage.

Under the WorldPerks program, miles earned are accumulated in an account for each member and do not expire. Mileage credits can be redeemed for free or upgraded travel on Northwest and other participating airlines or for other travel industry awards. Domestic award travel levels starting as low as 20,000 miles were available nine months of the year in 2001. In June 2002, the minimum program award miles will be 25,000. Additional features include a three-tier elite program incentive and reward structure.

WorldPerks frequent flyer members can now fully manage their accounts online at nwa.com. Customers can enroll themselves in the WorldPerks program, check mileage balances and account histories, book award travel and report mileage discrepancies. In addition, with a new WorldPerks partner, MilePoint, Northwest has begun offering travelers new ways to redeem WorldPerks miles. MilePoint.com enables WorldPerks members to use WorldPerks miles toward purchases from many popular retailers.

Northwest accounts for its frequent flyer obligation on the accrual basis using the incremental cost method. Northwest includes food and beverage, fuel, insurance, security, miscellaneous claims and WorldPerks service center expense in its incremental cost calculation. The incremental costs do not include any contribution to overhead or profit. Food, beverage and other costs are based on average cost per passenger for the current twelve-month period. The incremental fuel unit cost per passenger is based on engineering formulas that determine the average fuel cost per pound carried. Average fuel prices and estimated average weight of each added onboard passenger and luggage are factored into the incremental cost computation and converted to a rate per passenger per award.

The number of estimated travel awards outstanding at December 31, 2001, 2000 and 1999 was approximately 8,320,000, 7,162,000 and 6,520,000 awards, respectively. The estimated liability excludes accounts that have never attained the average travel award level and awards that are expected to be redeemed for upgrades or are not expected to be redeemed at all, and includes an estimate for partially earned awards on accounts that previously earned an award. Northwest has recorded a liability for these estimated awards of \$132 million, \$115 million and \$107 million at December 31, 2001, 2000 and 1999, respectively. The number of travel awards used for travel on Northwest during the years ended December 31, 2001, 2000 and 1999 was approximately 1,398,000, 1,263,000 and 1,295,000, respectively. These awards represented an estimated 7.5%, 6.6% and 6.1% of Northwest's total RPMs for each such year,

respectively. Northwest believes displacement of revenue passengers is minimal based on the low ratio of WorldPerks award usage to revenue passenger miles, the Company's ability to manage frequent flyer inventory through seat allocations, and program incentives to travel during off-peak periods.

Aircraft Fuel

Northwest's worldwide aircraft fuel requirements are met by approximately 42 different suppliers. The terms of Northwest's contracts vary as to price, payment terms, quantities and duration. Northwest also makes purchases of fuel based on price and availability. In order to provide a measure of control over price and supply, Northwest trades and ships fuel and maintains fuel storage facilities. Petroleum product prices, including jet fuel, are primarily driven by crude oil costs. The market's alternate uses of crude oil to produce petroleum products other than jet fuel (e.g., heating oil and gasoline), as well as the adequacy of refining capacity and other supply constraints, affect the price and availability of jet fuel. Major changes in the price or availability of fuel could materially affect the financial results of the Company.

The following table summarizes Northwest's fuel consumption and costs:

	Year Ended December 31		
	2001	2000	1999
Gallons consumed (in millions)	2,029	2,113	2,039
Total costs (in millions)(1)	\$ 1,612	\$ 1,758	\$ 1,094
Average cost per gallon (cents)(1)	79.26	82.99	53.55
Percentage of operating expenses	15.0%	16.5%	11.6%

(1) Excludes taxes and into-plane fees

Employees

The airline industry is labor-intensive and, as of December 31, 2001, the Company had approximately 45,700 full-time equivalent employees of whom approximately 2,200 were foreign nationals working primarily in Asia. Unions represent approximately 91% of the Company's employees. Collective bargaining agreements provide standards for wages, hours of work, working conditions, settlement of disputes and other matters. The major agreements with domestic employees became amendable or will become amendable on various dates as follows:

Employee Group	Approximate Number of Full-time Employees Covered	Union	Amendable Date
Pilots	6,200	Air Line Pilots Association, International	9/13/02
Agents and Clerks	9,700	International Association of Machinists & Aerospace Workers	2/25/03
Equipment Service Employees and Stock Clerks	6,500	International Association of Machinists & Aerospace Workers	2/25/03
Flight Attendants	9,200	International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America	5/30/05
Mechanics and Related Employees	8,500	Aircraft Mechanics Fraternal Association	5/11/05

The above agreements are governed by the Railway Labor Act ("RLA"). Pursuant to the RLA, an agreement becomes amendable at the expiration of its stated term, and continues in effect while the parties pursue agreement on a new contract. In addition to the direct negotiation phase, the RLA also provides for a period of mediation, potential arbitration of unresolved issues, and a 30-day "cooling off" period before either party can resort to self-help. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Information" for further discussion of collective bargaining activities.

Regulation

General. The Airline Deregulation Act of 1978, as amended, eliminated most domestic economic regulation of passenger and freight transportation. Northwest is subject to DOT regulations because it holds certificates of public convenience and necessity as well as air carrier operating certificates. Northwest's domestic route authority from the DOT permits it to engage in the interstate and overseas transportation of passengers, freight and mail between all points in the U.S. and its territories and possessions.

The DOT has jurisdiction over international route authorities, CRSs and certain consumer protection matters, such as advertising, denied boarding compensation and baggage liability. The Federal Aviation Administration ("FAA") regulates flight operations, including air space control and aircraft and security standards. The Department of Justice ("DOJ") has jurisdiction over airline competition matters, including mergers and acquisitions. Other federal agencies have jurisdiction over postal operations, use of radio facilities by aircraft and certain other aspects of Northwest's operations.

Several items of legislation have been introduced in Congress in the last several years that would, if enacted, establish a "Passenger Bill of Rights" mandating certain customer service practices. The outcome of the proposed legislation is unknown. However, to the extent that special regulatory protections are imposed upon Northwest's business or operational practices, Northwest's business may be adversely impacted.

Northwest operates its international routes under route certificates issued by the DOT. Substantial portions of Northwest's Pacific route certificates are permanent and do not require renewal by the DOT. Certain other international route certificates are temporary and subject to periodic renewal by the DOT. Northwest requests extensions of these certificates when and as appropriate. The DOT typically renews temporary authorities on routes when the authorized carrier is providing a reasonable level of service. With respect to foreign air transportation, the DOT must approve agreements between air carriers, including code-sharing agreements, and may grant antitrust immunity for those agreements.

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

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

The European Commission ("EC") has commenced a review of all trans-Atlantic airline alliances, including the Northwest/KLM alliance. The EC is considering imposing certain regulatory conditions that

may restrict the areas of permissible cooperation. If imposed, such regulatory conditions could adversely affect the alliance and Northwest's ability to maintain and/or expand trans-Atlantic air service.

The DOT is conducting a review of the frequent flyer programs of the larger U.S. airlines. The focus of the review relates to limitations placed by carriers on the availability of award seats and the adequacy of consumer notices concerning such limitations. The outcome of this matter cannot presently be determined.

Airport Security. On November 19, 2001, Congress passed, and the President signed into law, the Aviation and Transportation Security Act ("Aviation Security Act"). This law federalizes substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security under the law is primarily provided by a new \$2.50 per enplanement ticket tax; however, the Company is responsible for costs in excess of this fee which may not exceed 2000 security expense levels. Implementation of the requirements of the Aviation Security Act will result in increased costs for the Company and its passengers.

Airport Access. Four of the nation's airports, Chicago O'Hare, New York (LaGuardia and Kennedy International) and Washington, D.C. (Ronald Reagan National), have been designated by the FAA as "high density traffic airports," and the number of takeoffs and landings at such airports ("slots") have been limited during certain peak demand time periods. Currently the FAA permits the buying, selling, trading or leasing of these slots, subject to certain restrictions. Legislation passed in March 2000 will result in the elimination of slot restrictions at Chicago O'Hare on July 1, 2002 and at New York (LaGuardia and Kennedy International) on January 1, 2007. The Company believes these changes will not have a material adverse impact on its operations or operating results.

Labor. The RLA governs the labor relations of employers and employees engaged in the airline industry. Comprehensive provisions are set forth in the RLA establishing the right of airline employees to organize and bargain collectively along craft or class lines and imposing a duty upon air carriers and their employees to exert every reasonable effort to make and maintain collective bargaining agreements. The RLA contains detailed procedures that must be exhausted before a lawful work stoppage may occur. Pursuant to the RLA, Northwest has collective bargaining agreements with six domestic unions representing 11 separate employee groups. For current status of these agreements, see "Business-Employees" within Item 1. In addition, Northwest has agreements with four unions representing its employees in countries throughout Asia; such agreements are not subject to the RLA.

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

In April 1999 the European Union ("EU") enacted a rule that would have prohibited the registration in Europe of aircraft with "hushkits" after April 1, 2000. Northwest opposed such a rule as it would have inhibited its operations in Europe as well as reduce the Company's fleet strategy options in relation to older aircraft, which are often retired and sold in Europe, Africa and Asia. The U.S. government has formally protested this regulation as a violation of the international noise standards established by the International Civil Aviation Organization ("ICAO"), and in March 2000, the U.S. filed a formal petition with the ICAO. The EU adopted a noise directive effective April 1, 2002, which revokes the earlier hushkit rule. As a result, hushkitted aircraft may be prohibited from operation only at "city airports" which are engaged only in point-to-point services between or within European States and which have no runway with

a take-off run of more than 2000 meters. In addition, the directive establishes a process for EU Member States to adopt noise policies that are consistent with the ICAO noise standard adopted in 2001.

Under the direction of the ICAO, world governments also have under consideration creation of a new, more stringent noise standard than that contained in the ANCA. The U.S. is a participant in these discussions. A new ICAO noise standard was adopted in 2001 which established more stringent noise requirements for newly manufactured aircraft after January 1, 2006. As adopted, the new rule is not accompanied by a mandatory phase-out of in-service Chapter 3 aircraft.

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

The Company's aircraft require various levels of maintenance or "checks" and periodically undergo complete overhauls. Maintenance efforts are monitored closely by the FAA, with FAA representatives present at the Company's maintenance facilities. The FAA has issued several Airworthiness Directives ("ADs") which mandate changes to an air carrier's maintenance program for older aircraft. These ADs (which include structural modifications to certain aircraft) were issued to ensure that the oldest portion of the nation's transport aircraft fleet remains airworthy. The Company is currently, and expects to remain, in compliance with all applicable requirements under the FAA-issued ADs.

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

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

In February 1998, the EPA and the FAA signed a Memorandum of Agreement ("MOA") to develop a voluntary process with the airline industry to reduce emissions that lead to ozone formation. The MOA includes a proposal with a voluntary engine retrofit program to reduce emissions from aircraft engines. As a result of the MOA, air carriers, the EPA, the FAA and local and state regulators have had discussions regarding the scope and content of a voluntary emissions reduction program. However, these discussions have not yet resulted in an agreed upon program.

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

Civil Reserve Air Fleet Program. Northwest is a participant in the Civil Reserve Air Fleet Program, pursuant to which Northwest has agreed to make available, during the period beginning October 1, 2001 and ending September 30, 2002, 21 747 aircraft, 12 747 freighter aircraft and 38 DC10 aircraft for use by the U.S. military under certain stages of readiness related to national emergencies.

Risk Factors Relating to Northwest and NWA Corp.

The Impact of Recent Terrorist Attacks

The terrorist attacks that occurred on September 11, 2001 had an immediate and severe adverse impact on the Company's passenger traffic and yields. The Company has continued to experience significantly lower revenue and has incurred additional costs (such as higher security and insurance premiums) as compared to periods prior to September 11, 2001. In addition to increased insurance rates, aviation insurers have also 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.

As a result of the events of September 11, 2001 and continuing weak domestic and international economic conditions, the Company expects decreased passenger traffic and yields to continue for the foreseeable future. In response, the Company has taken several steps to mitigate the impact of these conditions on its results of operations and financial condition. These steps included a significant reduction in scheduled capacity on an available seat mile ("ASM") basis, a reduction in its work force related to the decrease in capacity, and deferrals and cancellations of discretionary and other non-operationally critical spending.

While the Company expects that these steps will help to offset the financial impact of the events of September 11, 2001 and the current economic downturn, some of these actions do not necessarily result in the immediate cost savings. For example, a reduction in capacity may not result in lower airport facility charges due to the fixed nature of these costs.

Increased Insurance Costs as a Result of the September 11, 2001 Terrorist Attacks

Following September 11, 2001, aviation insurers significantly increased airline insurance premiums. For example, the Company's aviation insurance for war and terrorism liability coverage was cancelled effective September 26, 2001 and then reinstated that same day at substantially higher rates. In addition, aviation insurers also reduced the maximum amount of insurance coverage available to airlines for liability to persons other than passengers and liability for property damage arising from claims resulting from acts of terrorism, war or similar events to \$50 million. The Company previously carried a significantly higher amount of coverage per event in war risk coverage. In light of this development, the government has provided the Company and other U.S. airlines with excess war risk coverage under the Airline Stabilization Act. This coverage has been extended to May 20, 2002. As a result of increased premiums, war risk, hull and liability insurance expenses are expected to be significantly higher than the 2001 amounts. The Airline Stabilization Act also provided for reimbursement of certain premium increases, at the option of the Secretary of Transportation. Thus far, the FAA has reimbursed airlines for increased costs of war risk insurance for a period of 30 days.

Aviation insurers could increase their premiums even further in the event of additional terrorist attacks or other events adversely affecting the airline industry. In addition, while the government may again extend the deadline for when it will stop providing excess war risk coverage, the Company cannot assure that any extension will occur, or if it does, how long the extension will last. It is expected that, should the government stop providing excess war risk coverage to the airline industry, the premiums charged by aviation insurers for this coverage would be substantially higher than the premiums currently charged by the government. Significant increases in insurance premiums could negatively impact the financial condition and results of operations of the Company.

Indebtedness

The Company has substantial levels of indebtedness. As of December 31, 2001, the Company had long-term debt and capital lease obligations, including current maturities, of \$5.64 billion. Of this indebtedness, 39% bears interest at floating rates. The amount of long-term debt that matures in 2002 is \$223 million. Additionally, \$170 million matures in 2003, \$517 million in 2004, \$1.34 billion in 2005 and \$469 million in 2006. As of December 31, 2001, the principal portion of future minimum lease payments under capital leases were \$193 million for 2002, \$65 million for 2003, \$45 million for 2004, \$38 million for 2005 and \$27 million for 2006. These levels of indebtedness do not include the mandatory obligation to redeem \$227 million of convertible preferred stock in 2003. The amount of the Company's indebtedness could limit the Company's ability to obtain additional financing or could adversely affect the Company's future financing costs, either of which could negatively affect its ability to operate its business or make future capital expenditures. The Company's ability to service its indebtedness and obligations could be

adversely affected by many factors, including general economic conditions and other factors beyond the Company's control.

In addition, Northwest operates in a capital-intensive industry. Periodically, Northwest is required to make significant capital expenditures for new aircraft and related equipment. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by commercial financing.

Risks Regarding Alliances

Northwest is currently a party to numerous alliances with other airlines and may enter into additional alliances in the future. Northwest's ability to grow its route network by entering into alliances depends upon the availability of suitable alliance candidates and the ability of Northwest and its alliance partners to meet business objectives and to perform their obligations under the alliance agreements. Northwest's ability to successfully achieve the anticipated benefits of its alliances depends upon many factors, including risks associated with disapproval or delay by regulatory authorities or adverse regulatory developments, competitive pressures, customer acceptance of the alliances and Northwest's and its alliance partners' ability to modify certain contracts that may restrict certain aspects of the alliances.

Foreign Currency Exposure

Northwest conducts a significant portion of its operations in foreign locations. As a result, Northwest has operating revenues and, to a lesser extent, operating expenses, as well as assets and liabilities, denominated in foreign currencies, principally the Japanese yen. Fluctuations in such foreign currencies can significantly affect Northwest's operating performance and the value of its assets located outside of the United States. From time to time, Northwest uses financial instruments to hedge its exposure to the Japanese yen. However, these hedging strategies may not be effective.

Risk Factors Related to the Airline Industry

Industry Conditions and the Impact of Recent Terrorist Attacks

The airline industry as a whole suffered substantial losses in 2001 as a result of weak general economic conditions and is expected to suffer substantial losses in 2002. Airline profit levels are highly sensitive to adverse changes in fuel costs, average fare levels and passenger demand. Passenger demand and fare levels have historically been influenced by, among other things, the general state of the economy, international events, airline capacity and pricing actions taken by other airlines.

In addition, the September 11 terrorist attacks significantly disrupted the North American air transportation system, leading to a temporary suspension of air travel in the United States and Canada. The FAA instituted a number of new safety measures for U.S. airports in reaction to these incidents, including, but not limited to, prohibiting unticketed passengers beyond security checkpoints, requiring a thorough search and security check of all passenger baggage and restricting the parking of vehicles near terminals. Air travel is currently substantially below pre-September 11, 2001 levels; both enplanements and revenues have been significantly affected, and are expected to continue to be negatively affected for an indeterminate period. Many airlines, including the Company, have announced cutbacks in service and employee layoffs in response to a reduction in passenger demand following these incidents. The Company expects decreased passenger traffic and yields to continue for the foreseeable future as the airline industry makes the necessary changes to operations and procedures.

The Company cannot predict the duration or extent of the reduction in air travel as a result of the above factors. In addition, the Company cannot predict the likelihood of future incidents similar to those described above, the likelihood of future air transportation disruptions or the impact on the airline industry from such incidents or disruptions.

Industry Competition

The airline industry is highly competitive. Northwest's competitors include all the other major domestic airlines, as well as foreign, national, regional and new entrant airlines, some of which have more financial resources or lower cost structures than Northwest. On most of Northwest's routes, it competes with at least one of these carriers. Northwest uses yield inventory management systems to vary the number of discount seats offered on each flight in an effort to maximize revenues while remaining price competitive with lower-cost carriers. These competitors' low-cost fares could affect the Company's operating results.

In recent years, the major U. S. airlines have formed marketing alliances with other U.S. and foreign airlines. Such alliances generally provide for code-sharing, frequent flyer program reciprocity, coordinated scheduling of flights to permit convenient connections and other joint marketing activities. These arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline, which provide an opportunity to increase traffic on that airline's

segment of flights connecting with alliance partners. Other major U.S. airlines have alliances or planned alliances that may be more extensive than Northwest's alliances. Northwest cannot predict the extent to which it will be disadvantaged by competing alliances.

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

In addition, Northwest operates in an industry that may undergo consolidation. Any business combination could significantly alter the conditions and competition within the airline industry. Any business combination involving Northwest could adversely affect Northwest's operations because, for example, of difficulties in integrating operations and personnel.

Increased Government Regulations May Impose Additional Requirements and Restrictions

Airlines are subject to extensive regulatory requirements. In the last several years, Congress has passed laws and the FAA has issued a number of maintenance directives and other regulations. These requirements impose substantial costs on airlines.

On November 19, 2001, Congress passed, and the President signed into law, the Aviation and Transportation Security Act. This law federalizes substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security under the law is primarily provided by a new \$2.50 per enplanement ticket tax; however, the Company is responsible for costs in excess of this fee, which may not exceed 2000 security expense levels through 2004. Implementation of the requirements of the Aviation Security Act will result in increased costs for the Company and its passengers. Northwest also expects to continue to incur expenditures to comply with the FAA's noise and aging aircraft regulations.

Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. Congress and the DOT have also proposed the regulation of airlines' responses to their competitors' activities. The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time, or because appropriate slots or facilities may not be available. Northwest cannot give assurance that laws or regulations enacted in the future will not adversely affect it.

Aircraft Fuel

Because fuel costs are a significant portion of Northwest's operating costs (15.0% for 2001), significant changes in fuel costs would materially affect its operating results. Fuel prices continue to be susceptible to, among other factors, political events, and Northwest cannot control near or long-term fuel prices. Northwest may experience higher fuel prices or have to curtail scheduled services due to a fuel supply shortage that may result from a disruption of oil imports or other events. A one-cent change in the cost of a gallon of fuel (based on 2001 consumption) would impact operating expenses by approximately \$1.7 million per month. Changes in fuel prices may have a greater impact on Northwest than some of its competitors because of the composition of its fleet. From time to time, the Company hedges against significant adverse changes in fuel prices. However, our hedging strategies may not be effective.

Forward-Looking Statements

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

It is not reasonably possible to itemize all of the many factors and specific events that could affect the outlook of an airline operating in the global economy. As noted elsewhere in this annual report, such risks and uncertainties include, among others, the future level of air travel demand, the Company's future load factors and yields, the airline pricing environment, increased costs for security, the cost and availability of aviation insurance coverage and war risk coverage, the general economic condition of the U. S. and other regions of the world, the price and availability of jet fuel, labor negotiations both at other carriers and the Company, low-fare carrier expansion, capacity decisions of other carriers, actions of the U.S. and foreign governments, foreign currency exchange rate fluctuation, inflation and other factors discussed herein. Additional information with respect to these factors and these and other events that could cause differences between forward-looking statements and future actual results is contained in "Risk Factors Related to Northwest and NWA Corp." and "Risk Factors Related to the Airline Industry" above.

Developments in any of these areas, as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings, could cause the Company's results to differ from results that have been or may be projected by or on behalf of the Company. The Company cautions that the foregoing list of important factors is not inclusive. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements deal with the Company's expectations about the future and are subject to a number of factors that could cause actual results to differ materially from the Company's expectations.

Item 2. PROPERTIES

Flight Equipment

Northwest operated a fleet of 428 aircraft at December 31, 2001, consisting of 348 narrow-body and 80 wide-body aircraft. The diversity of the fleet accommodates both the Company's domestic hub-and-spoke system and its international routes and enhances the Company's ability to match its aircraft to its route network requirements more efficiently.

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As of December 31, 2001, 299 aircraft were owned and 129 aircraft were leased. The Company currently operates 33 Airbus A319 aircraft, of which 21 are owned and 12 leased, with an average age of 1.4 years; 74 Airbus A320 aircraft, of which 39 are owned and 35 leased, with an average age of 7.7 years; 53 Boeing 757 aircraft, of which 20 are owned and 33 leased, with an average age of 11.2 years; 34 Boeing 747 aircraft, of which 15 are owned and 19 leased, with an average age of 16.7 years; 12 Boeing 747 freighters, of which 5 are owned and 7 leased, with an average age of 19.9 years; 20 Boeing 727 aircraft, all of which are owned, with an average age of 22.8 years and that are scheduled to be retired by mid-2003 and replaced with additional A319 and A320 aircraft; 168 DC9 aircraft, of which 155 are owned and 13 leased, with an average age of 31.2 years; and 34 DC10 aircraft, of which 24 are owned and 10 leased, with an average age of 24.9 years.

In January 2001, the Company entered into agreements to purchase 52 new aircraft, some of which will be used to replace most of the DC10 fleet. The aircraft consist of 24 A330 aircraft, 20 Boeing 757 aircraft, two Boeing 747-400 aircraft and six A319 aircraft. Deliveries of the A330 aircraft will begin in 2003 and continue through 2006, deliveries of the 757 aircraft will begin in 2002 and continue through 2004 and the A319 aircraft and 747 aircraft will be delivered in 2002. Financing commitments from the manufacturers have been arranged for all of these aircraft.

The DC9 aircraft have considerable remaining technological life, based upon the cycle life (capacity for number of landings) expected by the manufacturer and other factors. The Company also believes that these aircraft have economic value for the Company given its route network and maintenance programs. The Company estimates that its DC9 aircraft could fly on average approximately 11 additional years beyond 2001 based upon the manufacturer's expected cycle life for such aircraft and their projected annual utilization by Northwest.

For further information related to the Company's aircraft leases and commitments see Notes 4 and 10 to the Consolidated Financial Statements.

Other Property and Equipment

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

Northwest leases the majority of its airport facilities, support services buildings and sales and reservations offices. These leases generally run for periods of less than one year to 30 years and contain provisions for periodic adjustment of lease rates. At most airports that it serves, Northwest has entered into use agreements which provide for the non-exclusive use of runways, taxiways and other facilities. Landing fees under these agreements normally are based on the number of landings and weight of aircraft. The Company leases reservation centers in or near Minneapolis/St. Paul, Los Angeles and Seattle. Maintenance bases under operating leases are located in Minneapolis/St. Paul, Atlanta, Georgia and Duluth, Minnesota. The Company also operates 53 city ticket offices. In certain cases, the Company has constructed a facility on leased land, which reverts to the lessor upon expiration of the lease. These facilities include cargo buildings in Anchorage, Boston, Los Angeles, New York (JFK), San Francisco and Honolulu; support buildings at the Minneapolis/St. Paul International Airport; a line maintenance hangar in Seattle; and a two-bay DC10 hangar in Detroit that was completed in 1999.

Item 3. LEGAL PROCEEDINGS

Chase v. Northwest Airlines and Airline Reporting Corporation (U.S. D.C. Eastern District of Michigan, Civ. Action No. 96-74711). Northwest is a defendant in an antitrust class action filed in U.S. District Court

for the Eastern District of Michigan in October 1996. The action purports to be brought on behalf of a class defined as all persons who purchased tickets on certain routes into Northwest's hubs at Detroit, Minneapolis/St. Paul and Memphis from October 11, 1992 to the present. The complaint alleges that Northwest's imposition of restrictions prohibiting the sale of "hidden city" tickets constitutes monopolization in violation of the Sherman Act. The complaint also alleges that the Airline Reporting Corporation ("ARC"), the clearinghouse that processes travel agent sales of airline tickets, has entered into an agreement with Northwest to enforce Northwest's restrictions on "hidden city" ticketing and that the alleged agreement between ARC and Northwest is an unlawful agreement in restraint of trade in violation of the Sherman Act. The complaint seeks injunctive relief, unspecified damages for the class, and costs and attorneys' fees. The attorneys for the plaintiff in Chase have also filed three additional class actions in the same court against other airlines and Northwest with parallel allegations similar to those in Chase, including allegations that the defendant airlines conspired to deter hidden city ticketing. These cases are: *Keystone Business Machines, Inc. v. U.S. Airways and Northwest Airlines* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72474), *BLT Contracting, Inc. v. U.S. Airways, Northwest Airlines and the Airline Reporting Corporation* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72988), and *Volk and Nitrogenous Industries Corp. v. U.S. Airways, Northwest Airlines, Delta Air Lines, and the Airline Reporting Corporation* (U.S. D.C. Eastern District of Michigan, Civ. Action No. 99-72987). All have been assigned to the Judge in the Chase case. Northwest believes these cases are without merit and intends to defend against them. Discovery is complete. In November 2000, the plaintiffs filed their class certification motion and defendants filed their summary judgment motion. The court heard arguments on the motions on November 14, 2001, but has not yet ruled on either motion, except to grant summary judgment in favor of ARC, thereby dismissing ARC from the case.

Midwestern Machinery Co., Inc. v. Northwest Airlines, Inc. (U.S. D.C. District of Minnesota, Civ. Action No. 97-1438). In June 1997, Midwestern Machinery Co. and several individuals filed an antitrust class action against Northwest in the U.S. District Court for Minnesota. The complaint alleges that Northwest's acquisition of Republic Airlines in 1986 resulted in a substantial reduction in competition in violation of Section 7 of the Clayton Act. Northwest believes the lawsuit to be without merit and intends to defend against the claim. In February 2001, the Court granted the plaintiff's motion for class certification. Discovery is ongoing.

Hall v. United Air Lines, et al. (U.S. D.C. Eastern District of North Carolina, Civ. Action No. 7-00 CV-123-BR(1)). In October 1999, a purported class action was filed in State Court in North Carolina by a North Carolina travel agent, on behalf of herself and similarly situated North Carolina travel agents, challenging actions by most major airlines, including Northwest, to reduce travel agent base commissions from 8 percent to 5 percent and alleging several state law theories of liability, including conspiracy. In June 2000, the plaintiff filed a voluntary dismissal and then filed a new case in federal court. The new case is a class action, now on behalf of a nation-wide class of travel agents, alleging an unlawful agreement among airlines to reduce commissions in violation of the Sherman Act and is based on the same factual allegations. On November 13, 2001, the court granted the plaintiff's motion to amend the complaint to include allegations that other commission reductions in 1997 and 1998 were the result of unlawful agreements among the airline defendants in violation of the Sherman Act. The case is now in discovery. Northwest believes the case to be without merit and intends to defend against the claim.

McCoy-Johnson v. Northwest Airlines (U.S. D.C. Western District of Tennessee, Civ. Action No. 2-99-CV-2994GV). In November 1999, a purported class action was filed against Northwest by a Northwest passenger in federal court alleging violations of Section 2 of the Sherman Act. The plaintiff alleges that Northwest has monopolized or attempted to monopolize air transportation on certain routes into and out of its three domestic hubs through a variety of exclusionary practices. The plaintiff purports to sue on behalf of all similarly situated passengers who purchased tickets on Northwest for travel on certain routes into or out of its three hubs since at least as early as April 1995. The case is now in discovery. In March 2001, a second case, *Rodney v. Northwest Airlines* (U.S. D.C. Western District of Tennessee, Civ.

Action No. 01-2167GV), was filed in the same court as a related case by the same counsel. The allegations in the *Rodney* case are substantially the same as those in the *McCoy-Johnson* case. In July 2001, the lawyers representing the plaintiffs in *McCoy-Johnson* and *Rodney* filed another companion lawsuit, *Sax v. Northwest* (U.S.D.C Western District of Tennessee, Civ. Action No. 01-2582GV). The allegations in the *Sax* case are substantially the same as those in the *McCoy-Johnson* and *Rodney* cases. Northwest believes these cases to be without merit and intends to defend against the claims.

Spirit Airlines v. Northwest Airlines (U.S. D.C. Eastern District of Michigan, Civ. Action No. 00-71535). In March 2000, Spirit Airlines filed a Sherman Act monopolization complaint against Northwest in the U.S. District Court for the Eastern District of Michigan alleging that Northwest had monopolized, or attempted to monopolize, air transportation service between Detroit and Philadelphia and between Detroit and Boston in 1996 by engaging in predatory pricing and other actions to exclude Spirit from those markets. Northwest believes the case to be without merit and intends to defend against the claim. The case is now in discovery.

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

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 2001.

MANAGEMENT

Executive Officers of the Registrant

Richard H. Anderson, age 46, has served as Chief Executive Officer of NWA Corp. and Northwest since April 2001 and was elected a director of both companies in September 2001. He has served in a number of executive positions since joining Northwest in 1990, including Executive Vice President and Chief Operating Officer from December 1998 to April 2001, Executive Vice President-Technical Operations and Airport Affairs from April 1998 to December 1998 and Senior Vice President-Technical Operations and Airport Affairs from January 1997 to April 1998. From 1994 to 1996, he served as Senior Vice President-Labor Relations, State Affairs and Law, and from 1990 to

1994 he served as Vice President-Deputy General Counsel. Prior to joining Northwest, Mr. Anderson was Staff Vice President and Deputy General Counsel of Continental. Mr. Anderson also serves on the board of directors of Mesaba Holdings, Inc.

Douglas M. Steenland, age 50, has served as President of NWA Corp. and Northwest since April 2001 and was elected a director of both companies in September 2001. He has served in a number of executive positions since joining Northwest in 1991, including Executive Vice President and Chief Corporate Officer from September 1999 to April 2001, Executive Vice President-Alliances, General Counsel and Secretary from January 1999 to September 1999, Executive Vice President, General Counsel and Secretary from June 1998 to January 1999, and Senior Vice President, General Counsel and Secretary from July 1994 to June 1998. Prior to joining Northwest, Mr. Steenland was a senior partner at the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson and Hand. Mr. Steenland also serves on the board of directors of Mesaba Holdings, Inc.

Mickey P. Foret, age 56, has served as Executive Vice President and Chief Financial Officer of NWA Corp. and Northwest since September 1998. He also serves as Chairman and Chief Executive Officer of Northwest Airlines Cargo Inc. Mr. Foret rejoined Northwest in May 1998 as Special Projects Officer of NWA Corp. and Northwest. He previously served as Executive Vice President and Chief Financial Officer

of NWA Corp. and Northwest from September 1993 to May 1996. From June 1996 to September 1997, Mr. Foret served as President and Chief Operating Officer of Atlas Air, Inc.

J. Timothy Griffin, age 50, has served as Executive Vice President-Marketing and Distribution of Northwest since January 1999. From June 1993 to January 1999, he served as Senior Vice President-Market Planning and Systems. Prior to joining Northwest in 1993, Mr. Griffin held senior positions with Continental Airlines and American Airlines.

Philip C. Haan, age 46, has served as Executive Vice President-International, Sales and Information Services of Northwest since January 1999. From December 1995 to January 1999, he served as Senior Vice President-International Services. Mr. Haan joined Northwest in 1991 as Vice President-Revenue Management.

James G. Mathews, age 51, has served as Vice President-Accounting, Tax and Chief Accounting Officer since August 22, 2001. He joined Northwest as Vice President-Finance and Chief Accounting Officer in November 2000. From May 1997 to October 2000, Mr. Mathews served as Chief Financial and Administrative Officer of CARE-USA (an international relief and development agency) and from 1992 to 1997 Mr. Mathews held various executive positions at Delta Air Lines, including Corporate Treasurer.

PART II

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

The Company's common stock is quoted on the Nasdaq National Market under symbol NWAC. The table below shows the high and low sales prices for the Company's common stock during 2001 and 2000:

Quarter	2001		2000	
	High	Low	High	Low
1 st	33.0625	19	24.3125	16.125
2 nd	27.75	20.5	36.375	20.6875
3 rd	27.63	9.04	39	24.5625
4 th	18.71	11.25	31	20.25

As of February 28, 2002, there were 1,621 stockholders of record.

Since NWA Corp.'s 1989 acquisition of Northwest, NWA Corp. has not declared or paid any dividends on its common stock and does not currently intend to do so. Under the provisions of certain of the Company's bank credit agreements, NWA Corp.'s ability to pay dividends on or repurchase its common stock is restricted. Any future determination to pay cash dividends will be at the discretion of the Board of Directors, subject to applicable limitations under Delaware law, and will be dependent upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA

NORTHWEST AIRLINES CORPORATION

	Year Ended December 31				
	2001(1)	2000	1999	1998(2)	1997
Statements of Operations (In millions, except per share data)					
Operating revenues					
Passenger	\$ 8,417	\$ 9,653	\$ 8,692	\$ 7,607	\$ 8,822
Cargo	720	857	732	635	792
Other	768	730	709	686	519
	<u>9,905</u>	<u>11,240</u>	<u>10,133</u>	<u>8,928</u>	<u>10,133</u>
Operating expenses	10,773	10,671	9,419	9,119	8,976
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Operating income (loss)	(868)	569	714	(191)	1,157
Operating margin	(8.8)%	5.1%	7.0%	(2.1)%	11.4%
Income (loss) before extraordinary item	\$ (423)	\$ 256	\$ 300	\$ (285)	\$ 606
Net income (loss)	\$ (423)	\$ 256	\$ 300	\$ (285)	\$ 597
Earnings (loss) per common share:					
Basic	\$ (5.03)	\$ 3.09	\$ 3.69	\$ (3.48)	\$ 5.89(3)
Diluted	\$ (5.03)	\$ 2.77	\$ 3.26	\$ (3.48)	\$ 5.29(3)
Balance Sheets (In millions)					
Cash, cash equivalents and unrestricted short-term investments	\$ 2,512	\$ 693	\$ 749	\$ 480	\$ 1,040
Total assets	12,955	10,877	10,584	10,281	9,336
Long-term debt, including current maturities	5,051	3,242	3,666	4,001	2,069
Long-term obligations under capital leases, including current obligations	586	556	597	655	705
Mandatorily redeemable preferred security of subsidiary	492	558	626	564	486
Preferred redeemable stock	227	232	243	261	1,155
Common stockholders' equity (deficit)(4)	(431)	231	(52)	(477)	(311)
Operating Statistics(5)					
Scheduled service:					
Available seat miles (ASM) (millions)	98,356	103,356	99,446	91,311	96,964
Revenue passenger miles (millions)	73,126	79,128	74,168	66,738	72,031
Passenger load factor	74.3%	76.6%	74.6%	73.1%	74.3%
Revenue passengers (millions)	54.1	58.7	56.1	50.5	54.7

Revenue yield per passenger mile (yield)	11.24 ¢	12.04 ¢	11.58 ¢	11.26 ¢	12.11 ¢
Passenger revenue per scheduled ASM	8.36 ¢	9.21 ¢	8.64 ¢	8.23 ¢	9.00 ¢
Operating revenue per total ASM(6)	9.17 ¢	10.01 ¢	9.44 ¢	9.12 ¢	9.76 ¢
Operating expense per total ASM(6)	9.78 ¢	9.33 ¢	8.71 ¢	9.21 ¢	8.63 ¢
Cargo ton miles (millions)	2,161	2,502	2,336	1,958	2,287
Cargo revenue per ton mile	33.28 ¢	34.25 ¢	31.31 ¢	32.41 ¢	34.57 ¢
Fuel gallons consumed (millions)	2,029	2,113	2,039	1,877	1,996
Average fuel cost per gallon	79.26 ¢	82.99 ¢	53.55 ¢	53.60 ¢	64.86 ¢
Number of operating aircraft at year end	428	424	410	409	405
Full-time equivalent employees at year end	45,708	53,491	51,823	50,565	48,984

- (1) 2001 was affected by significantly reduced demand for travel resulting from the September 11, 2001, terrorist attacks. The Company recognized \$461 million of grant income from the U.S. government under the Air Transportation Safety and System Stabilization Act, which was recorded as other non-operating income.
- (2) 1998 was affected by labor-related disruptions, which included work actions, a 30-day cooling off period, an 18-day cessation of flight operations due to the pilots' strike, a seven-day gradual resumption of flight operations and a rebuilding of traffic demand.
- (3) Excludes the effect of the 1997 extraordinary loss (\$.10 per basic share and \$.08 per diluted share)
- (4) No dividends have been paid on common stock for any period presented.
- (5) All statistics exclude Pinnacle Airlines
- (6) Excludes the estimated revenues and expenses associated with the operation of Northwest's fleet of 747 freighter aircraft, MLT Inc. and gain/loss on disposition of assets

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

Overview

Northwest Airlines Corporation ("NWA Corp.") is a holding company whose principal indirect operating subsidiary is Northwest Airlines, Inc. ("Northwest"). The Consolidated Financial Statements include the accounts of NWA Corp. and all consolidated subsidiaries (collectively, the "Company"). The Company reported a net loss of \$423 million for the year ended December 31, 2001, compared with net income of \$256 million in 2000. Loss per common share was \$5.03 in 2001 compared with diluted earnings per share of \$2.77 in 2000. Operating loss was \$868 million in 2001 compared with operating income of \$569 million in 2000. Operating revenues for the year ended December 31, 2001 decreased by \$1.34 billion compared to 2000 primarily due to a decline in business travel caused by an economic slowdown in the United States, weakness in the Asian economies and reduced demand for travel resulting from the September 11, 2001, terrorist attacks. In 2001, the Company recognized \$461 million of grant income from the U.S. government under the Air Transportation Safety and System Stabilization Act ("Airline Stabilization Act"), which was recorded as non-operating income.

Substantially all of the Company's results of operations are attributable to its principal indirect operating subsidiary, Northwest, which accounted for approximately 95% and 96% of the Company's 2001 consolidated operating revenues and expenses, respectively, and the following discussion pertains primarily to Northwest.

September 11, 2001 Terrorist Attacks

On September 11, 2001, terrorists hijacked and intentionally crashed four commercial aircraft operated by two U.S. air carriers, causing substantial loss of life and property. While the aircraft were neither owned nor operated by the Company, these events had an immediate and severe impact on the U.S. airline industry's passenger traffic and yields. Immediately following these events, the Federal Aviation Administration ("FAA") ordered all aircraft operating in the U.S. to be grounded, an order that remained in place for over 48 hours. In addition, the Company was only able to operate a limited portion of its scheduled flights for several days after the grounding order was lifted as it repositioned displaced aircraft and crews. Passenger traffic and yields on both domestic and international flights declined significantly when flights were permitted to resume, and the number of tickets refunded was substantially above normal. The Company has continued to experience significantly lower revenue and has incurred additional costs (e.g., higher security costs and insurance premiums) as compared to periods prior to September 11, 2001. In addition to increased rates, aviation insurers have also 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.

On September 21, 2001, Congress passed, and the President subsequently signed into law, the Airline Stabilization Act which provides, in part, (i) \$5 billion in payments to compensate U.S. air carriers for losses incurred by the airline industry as a result of the terrorist attacks on the U.S. that occurred on September 11, 2001; (ii) \$10 billion of federal credit instruments (loan guarantees) to be made available to U.S. air carriers to guarantee loans from lenders, subject to certain conditions and fees, including the potential requirement that the Government be issued warrants or other equity instruments in connection with such loan guarantees; (iii) limitations on air carrier officer and employee compensation if the air carrier receives federal loan guarantees; (iv) provisions designed to ensure the continuity of air service to communities, including Government subsidized essential air service to small communities; (v) reimbursement to U.S. air carriers by the Government of certain increased insurance costs incurred for the operation of aircraft; (vi) deferral of the deposits by U.S. air carriers for payments on certain taxes; (vii) limitations of liability for U.S. air carriers and, at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period

following enactment of the Airline Stabilization Act; (viii) the FAA was authorized to provide third party war risk liability coverage to each carrier, their vendors, agents, and aircraft lessors and lenders; and (ix) establishment of a federal victims' compensation fund and claims procedure, relating to the terrorist attacks of September 11, 2001.

Under the Airline Stabilization Act, each air carrier is entitled to receive compensation payments equal to the lesser of (i) its direct and incremental pretax losses attributed to the terrorist attacks for the period of September 11, 2001 to December 31, 2001; or (ii) its available seat mile and/or revenue ton mile allocation of the \$5 billion compensation available under the Airline Stabilization Act. The Company had received a total of \$410 million as of December 31, 2001, and expects to receive \$51 million of additional funds under the Airline Stabilization Act in early 2002.

The Company expects decreased passenger traffic and yields to continue for the foreseeable future. In response, the Company has taken several steps to mitigate the impact on its results of operations and financial condition. These steps included a significant reduction in scheduled capacity on an available seat mile ("ASM") basis, a reduction in its work force related to the decrease in capacity, and deferrals and cancellations of discretionary and other non-operationally critical spending. The reduction in capacity resulted in 24 aircraft being temporarily removed from scheduled service, of which 12 remained out of service at December 31, 2001. For the quarter ended December 31, 2001, capacity was 15.9% below 2000 levels.

While the Company expects that these steps will help to offset the financial impact of the events of September 11, 2001, certain of these actions do not necessarily result in the immediate reduction of costs. For example, the lower capacity may not result in lower airport facility charges due to the fixed nature of these costs. The Company will continue to evaluate its operations and financial position in light of the future operating environment and will take additional steps it deems necessary, including adding back capacity as warranted.

The Company's aviation insurance for war and terrorism liability coverage was cancelled effective September 26, 2001 and then reinstated that same day at substantially higher rates. The aviation insurers also significantly reduced the maximum amount of insurance

coverage available to airlines for liability to persons other than passengers and liability for property damage arising from claims resulting from acts of terrorism, war or similar events to \$50 million. The Company previously carried a significantly higher amount of coverage per event in war risk coverage. In light of this development, under the Airline Stabilization Act, the FAA has provided the Company and other U.S. Airlines with excess war risk coverage. This coverage was in force until March 20, 2002, and has been extended for an additional 60-days to May 20, 2002. The Airline Stabilization Act also provided for reimbursement of certain premium increases, at the option of the Secretary of Transportation. Thus far, the FAA has reimbursed airlines for increased costs of war risk insurance for a period of 30 days. War risk, hull and liability insurance expenses are expected to be significantly higher than the 2001 amounts.

On November 19, 2001, Congress passed, and the President signed into law, the Aviation and Transportation Security Act ("Aviation Security Act"). This law federalizes substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security under the law is primarily provided by a new \$2.50 per enplanement ticket tax; however, the Company is responsible for costs in excess of this fee which may not exceed 2000 security expense levels. Implementation of the requirements of the Aviation Security Act will result in increased costs for the Company and its passengers.

Results of Operations—2001 Compared to 2000

Operating Revenues. Operating revenues decreased 11.9% (\$1.34 billion). System passenger revenues decreased 13.7% (\$1.30 billion), excluding Pinnacle Airlines, Inc. ("Pinnacle Airlines"), which will be the

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new name of Express Airlines I, Inc. The decrease in system passenger revenues was primarily attributable to a 4.8% decrease in scheduled service ASMs and a 9.2% decrease in passenger revenues per ASM ("RASM"). System passenger load factor decreased 2.3 points to 74.3% for the year ended December 31, 2001. Pinnacle Airlines passenger revenues increased 52.3% (\$68 million) to \$198 million due to increased capacity from 21 additional Bombardier Canadian Regional Jet ("CRJ") 200 series aircraft. The following analysis by market is based on information reported to the U.S. Department of Transportation ("DOT") and excludes Pinnacle Airlines:

	<u>System</u>	<u>Domestic</u>	<u>Pacific</u>	<u>Atlantic</u>
2001				
Passenger revenues (in millions)	\$ 8,219	\$ 5,635	\$ 1,677	\$ 907
Increase (Decrease) from 2000:				
Passenger revenues (in millions)	(1,304)	(820)	(413)	(71)
Percent	(13.7)%	(12.7)%	(19.7)%	(7.3)%
Scheduled service ASMs (capacity)	(4.8)%	(4.8)%	(9.2)%	3.8%
Passenger load factor	(2.3) pts.	(1.5) pts.	(3.1) pts.	(3.3) pts.
Yield	(6.6)%	(6.3)%	(8.1)%	(7.0)%
Passenger RASM	(9.2)%	(8.3)%	(11.6)%	(10.7)%

Domestic passenger revenues decreased due to lower yields, passenger load factor and capacity. Northwest experienced a decline in business and leisure travel due to the impact of the slowing U.S. economy and the events of September 11, 2001. Approximately 78% of the decrease in domestic passenger revenues occurred between September 1 and December 31, 2001. In response to the resulting decline in demand for air travel after the terrorist attacks, domestic fourth quarter capacity was reduced 14.7%, as compared to 2000, on an ASM basis.

Pacific passenger revenues decreased due to lower yields, passenger load factor and capacity. Approximately 64% of the decrease in Pacific passenger revenues occurred between September 1 and December 31, 2001. In response to the reduced demand for air travel, Pacific fourth quarter capacity was reduced 19.5%, as compared to 2000, on an ASM basis. The introduction of a reconfigured World Business Class product, which improved seat pitch from 48 inches to 60 inches and replaced international first class, also reduced capacity. Passenger load factor and yields declined primarily due to slowing Asian economies and the events of September 11, 2001. The average yen per U.S. dollar

exchange rates for the years ended December 31, 2001 and 2000 were 122 and 108, respectively, an 11.5% weakening in the buying power of the yen. The yen per U.S. dollar exchange rate was 134 at February 28, 2002. Additional information regarding the Company's yen exposure and currency hedging activities is provided in Quantitative and Qualitative Disclosures about Market Risk.

Atlantic passenger revenues decreased due to a decline in yields and passenger load factor resulting from the terrorist attacks on September 11, 2001. In response to the reduced demand for air travel, Atlantic fourth quarter capacity was reduced 14.3%, as compared to 2000, on an ASM basis.

Cargo revenues decreased 16.0% (\$137 million) to \$720 million due to a 2.8% decline in revenue per ton mile and 13.6% fewer cargo ton miles. These decreases resulted primarily from reduced U.S. demand for Asian goods caused by the slowing U.S. economy, the weakened yen per U.S. dollar exchange rate, and a decline in total cargo space on passenger aircraft as a result of the reduction in system passenger capacity. Service began in July 2001 under a new five-year agreement with DHL Worldwide Express to provide daily freighter service from its U.S. hub operations in Cincinnati to various points in Asia. The Company's eleventh and twelfth freighters have been placed in revenue service to support this agreement.

Other revenues (the principal components of which are MLT, Inc. (a wholly-owned subsidiary), other transportation fees and charter revenues) increased 5.2% (\$38 million) primarily due to higher charter revenues and other transportation fees.

Operating Expenses. Operating expenses increased 1.0% (\$102 million). Operating capacity decreased 4.8% to 98.54 billion total service ASMs due to capacity reductions primarily related to the events of September 11, 2001. Operating expense per total ASM increased 4.8%, excluding fleet impairment charges.

Salaries, wages and benefits increased 9.8% (\$353 million) primarily due to wage and benefit increases from settled contracts with collective bargaining units, retroactive wages and benefits of \$89 million related to the new Aircraft Mechanics Fraternal Association ("AMFA") collective bargaining agreement, and higher pension and group insurance expenses. Aircraft fuel and taxes declined 7.7% (\$145 million) due to a decrease of 4.5% in average fuel cost per gallon to 79.26 cents, net of hedging transactions, and 4.0% fewer fuel gallons consumed as a result of the reduced capacity. Depreciation and amortization increased 11.8% (\$73 million), primarily due to fleet disposition charges of \$161 million related to the reductions in the estimated market values of aircraft recorded in the third and fourth quarters of 2001, partially offset by \$125 million of DC10 impairments recorded in 2000. See Note 1 to the Consolidated Financial Statements for additional discussion of the fleet disposition charges. Aircraft maintenance materials and repairs increased 4.5% (\$29 million) due to a higher level of scheduled work within the routine engine and airframe maintenance cycle. Commissions decreased 24.6% (\$163 million) primarily due to lower passenger revenues, increased use of lower cost distribution channels and a decline in the percentage of commissionable transactions. Internet sales, which typically have lower commission rates than other distribution channels, represented approximately 13% of passenger revenues in 2001 compared with approximately 8.0% in 2000. Aircraft rentals increased 5.7% (\$24 million) due to additional leased aircraft. Other expenses (the principal components of which include outside services, insurance, selling and marketing expenses, passenger food, personnel expenses, advertising and promotional expenses, communication expenses and supplies) decreased 3.8% (\$89 million) principally due to lower variable costs associated with reduced capacity and a favorable foreign currency impact on expenses, partially offset by higher insurance costs incurred following the September 11, 2001 terrorist attacks. Insurance costs are expected to increase dramatically in 2002 as a result of those events.

Other Income and Expense. Interest expense increased 5.4% (\$19 million) primarily due to the borrowings under the Company's revolving credit facilities. Earnings of affiliated companies decreased \$97 million, due principally to the Company no longer recognizing its share of Continental Airlines, Inc.'s ("Continental") earnings in 2001 as a result of the sale of its investment in Continental, WORLDSPAN's lower earnings in 2001 and Orbitz, LLC's loss in 2001. Other income decreased \$25 million primarily due to a \$58 million gain from the sale of a portion of Northwest's investment in priceline.com in 2000, partially offset by a \$27 million gain recorded in 2001 on the sale of the Company's remaining investment in Continental.

Results of Operations—2000 Compared to 1999

Operating Revenues. Operating revenues increased 10.9% (\$1.11 billion). System passenger revenues increased 10.9% (\$935 million), excluding Pinnacle Airlines, primarily attributable to a 3.9% increase in scheduled service ASMs and a 6.6% increase in RASM. ASMs increased primarily due to the net addition of 14 aircraft in 2000. System passenger load factor increased to a record 76.6% for the year ended December 31, 2000. Pinnacle Airlines passenger revenues were \$130 million and \$104 million for the years ended December 31, 2000 and 1999, respectively.

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The following analysis by market is based on information reported to the DOT and excludes Pinnacle Airlines:

	<u>System</u>	<u>Domestic</u>	<u>Pacific</u>	<u>Atlantic</u>
2000				
Passenger revenues (in millions)	\$ 9,523	\$ 6,455	\$ 2,090	\$ 978
Increase (Decrease) from 1999:				
Passenger revenues (in millions)	935	515	288	132
Percent	10.9%	8.7%	16.0%	15.6%
Scheduled service ASMs (capacity)	3.9%	2.2%	3.4%	14.1%
Passenger load factor	2.0 pts.	2.1 pts.	1.5 pts.	1.5 pts.
Yield	4.0%	3.3%	10.2%	(0.6)%
Passenger RASM	6.6%	6.4%	12.1%	1.3%

Domestic passenger revenues increased due to a higher passenger load factor, more capacity and higher yields. Domestic passenger load factor increased 2.1 points to a record 72.9%, primarily due to favorable industry market conditions. Capacity increased as a result of additional aircraft.

Pacific passenger revenues were higher due to increased capacity and higher yields, driven by Asia's recovering economic environment. The average yen per U.S. dollar exchange rate for the years ended December 31, 2000 and 1999 was 108 and 115, respectively, a 6.5% strengthening of the yen. Pacific passenger load factor increased 1.5 points to a record 81.7% as the Company continued to experience increased demand.

Atlantic passenger revenues increased as a result of more capacity and a higher passenger load factor. Capacity increased as a result of new flying, including the initiation of Detroit-Italy service and higher frequency in Minneapolis/St. Paul-Amsterdam service, as well as improved operational performance.

Cargo revenues increased 17.1% (\$125 million) due to a 7.1% increase in cargo ton miles and a 9.4% increase in cargo revenue per ton mile. The Company's tenth Boeing 747 freighter entered service in August 2000. Also in 2000, the Company acquired two additional Boeing 747 aircraft, which were converted into freighters and began revenue service in the summer of 2001. Other revenue increased 3.0% (\$21 million) due to a higher volume of business for MLT Inc., which was partially offset by lower KLM joint venture alliance settlements.

Operating Expenses. Operating expenses increased 13.3% (\$1.25 billion). Operating capacity increased 4.0% to 103.52 billion total service ASMs due to planned capacity increases. Operating expense per total ASM increased 7.1%, excluding the fleet disposition charge, and increased only 0.7% when the impact of higher fuel prices is also excluded.

Salaries, wages and benefits increased 6.4% (\$217 million) primarily due to wage and benefit increases from settled contracts with collective bargaining units and an increase in average full-time equivalent employees of 2.6%. Aircraft fuel and taxes rose 57.2% (\$681 million) due to an increase of 55.0% in average fuel cost per gallon to a record 82.99 cents, net of hedging transactions, and 3.6% higher fuel gallons consumed as a result of higher capacity. Hedging transactions reduced fuel costs by \$119 million in 2000. Commissions

decreased 9.9% (\$73 million) primarily due to lower rates resulting from changes to the Company's commission structure, which were effective in October 1999, and a lower percentage of commissionable transactions partially offset by commissions on higher passenger revenues. Internet sales represented approximately 8.0% of passenger revenue in 2000 compared with approximately 5.0% in 1999. Aircraft maintenance materials and repairs increased 0.8% (\$5 million) due to a 1999 non-recurring credit of \$34 million related to lower than anticipated costs associated with outside aircraft maintenance, offset by lower scheduled engine and airframe overhauls in 2000. Depreciation and amortization increased 23.4% (\$117 million) due to a fleet disposition charge of \$125 million related to the accelerated retirement of a

portion of the DC10 fleet recorded in the fourth quarter. See Note 1 to the Consolidated Financial Statements for additional discussion of the fleet disposition charge. Aircraft rentals increased 19.2% (\$68 million) due to additional leased aircraft. Other expenses (the principal components of which include outside services, selling and marketing expenses, passenger food, personnel expenses, advertising and promotional expenses, communication expenses and supplies) increased 9.9% (\$210 million) due primarily to increased business for MLT Inc. and higher variable costs associated with expanded capacity.

Other Income and Expense. Interest expense decreased 7.7% (\$29 million) primarily due to reduced borrowings and lower interest rates. Earnings of affiliated companies increased 9.5% (\$8 million) due largely to the Company's share of higher WORLDSPAN earnings. Other income increased primarily due to a \$58 million gain from the sale of a portion of Northwest's investment in priceline.com in 2000, partially offset by a \$48 million gain from the sale of a portion of Northwest's investment in Equant N.V. during 1999.

Liquidity and Capital Resources

At December 31, 2001, the Company had cash, cash equivalents and restricted short-term investments of \$2.61 billion. This amount includes \$100 million of restricted short-term investments resulting in total liquidity of \$2.51 billion, an increase in liquidity of \$703 million from December 31, 2000. As discussed later, the Company's secured credit facilities were fully drawn as of December 31, 2001.

Cash flows from operating activities were \$646 million in 2001. The decrease of \$247 million in operating cash flows from 2000 was due primarily to significantly lower pretax income, partially offset by higher depreciation and amortization, reductions in working capital, a greater excess of pension expense over pension contributions, a smaller excess of frequent flyer mile revenue over sales proceeds and a higher dividend from WORLDSPAN. Cash flows from operating activities were \$893 million for 2000 and \$1.26 billion for 1999.

Investing Activities. Investing activities in 2001 consisted primarily of the purchase of 13 Airbus A319 aircraft, four Airbus A320 aircraft, and five Boeing 757-200 aircraft, engine purchases, costs to commission aircraft before entering revenue service, deposits on ordered aircraft, facilities improvements and ground equipment purchases, partially offset by \$582 million in proceeds from the sale of the Company's investment in Continental. See Note 13 to the Consolidated Financial Statements for additional discussion of the Company's investment in Continental.

In addition to the purchased aircraft discussed previously, the Company took delivery of 21 Bombardier CRJ200 aircraft during 2001. These aircraft were financed with long-term leveraged operating leases provided by the manufacturer and simultaneously subleased to Pinnacle Airlines.

Investing activities in 2000 consisted primarily of the purchase of 10 Airbus A319 aircraft, seven AVRO RJ85 aircraft and two used Boeing 747-200 aircraft (which were converted to freighters), costs to commission aircraft before entering revenue service, aircraft modifications, deposits on ordered aircraft, facility improvements and ground equipment purchases, partially offset by \$58 million of proceeds from the sale of a portion of the Company's investment in priceline.com.

Investing activities in 1999 consisted primarily of the purchase of seven Airbus A320 aircraft, 10 Airbus A319 aircraft, four Boeing 747-400 aircraft, 11 AVRO RJ85 aircraft and two used DC10 aircraft, the purchase off lease of four DC9-50 aircraft, costs to commission aircraft before entering revenue service, engine hushkitting, aircraft modifications, deposits on ordered aircraft and ground equipment purchases.

Financing Activities. Financing activities in 2001 consisted primarily of the Company's borrowing in March and subsequent repayment in May of \$1.10 billion under its revolving credit facilities, the borrowing on September 11 of \$1.12 billion under its revolving credit facilities, of which \$150 million was repaid in

October as scheduled, the issuance of \$300 million of 8.875% public unsecured notes due 2006, \$120 million received under airport facility revenue bonds, the payment of debt and capital lease obligations and the receipt of \$678 million in financing for: (i) 13 Airbus A319 aircraft; seven of which were financed with funds from pass-through certificates and six with long-term bank debt; (ii) five Boeing 757-200 aircraft financed with long-term bank debt; (iii) four Airbus A320 aircraft, three of which were financed with funds from pass-through certificates and one with long-term bank debt.

The Company's unsecured credit facilities were amended on October 23, 2001 from a negative pledge to a secured position on certain assets. The amended secured credit agreement consists of (i) a \$725 million revolving facility available until October 2005, and (ii) a \$250 million 364-day revolving credit facility expiring in October 2002 and renewable annually at the option of the lenders; however, to the extent any portion of the \$250 million facility is not renewed for an additional 364-day period, the Company may borrow up to the entire non-renewed portion of the facility and such borrowings would then mature in October 2005. This credit agreement is secured by the Company's Pacific route system and certain aircraft. Borrowings under these secured credit facilities currently bear interest at a variable rate equal to three-month LIBOR plus 2.0% (4.1% as of December 31, 2001, 3.9% as of February 28, 2002). See Note 3 to the Consolidated Financial Statements for additional discussion of these credit facilities.

In June 2001, the Company completed a pre-funded offering of \$581 million of pass-through certificates at a blended fixed coupon rate of 7.18%. Proceeds from sales of the certificates will be used to finance the acquisition of 14 aircraft consisting of nine new Airbus A319 aircraft, three new Boeing 757-300 aircraft and two new Boeing 747-400 aircraft scheduled for delivery between March and December 2002. In July 2001, the Company completed an offering of \$396 million of European pass-through certificates due in 2013 at a blended floating rate of three-month LIBOR plus 0.60% (2.5% as of February 28, 2002) to finance the acquisition of nine new Airbus A319 aircraft and five new Airbus A320 aircraft scheduled to be delivered from November 2001 through July 2002.

The pre-funded portion of cash proceeds from the offerings of certificates are invested and held in escrow with a depository bank and are not assets or direct obligations of, or guaranteed by, the Company and are therefore not included in the Consolidated Financial Statements. As aircraft are delivered or refinanced, the Company utilizes the cash proceeds to finance the acquisition of these aircraft as secured debt financing for ownership or as non-recourse debt for leveraged lease financing. If a leveraged lease is obtained for any aircraft, under which the aircraft would be sold and leased back to Northwest, the debt associated with the aircraft will become part of the lease and not a direct obligation of the Company or Northwest. Lease obligations for any lease that qualifies as an operating lease under Statement of Financial Accounting Standards ("SFAS") No. 13 are disclosed in Note 4 to the Consolidated Financial Statements. If any funds remain as deposits with the escrow agent for such pass-through certificates at the end of the delivery period, such funds will be distributed back to the certificate holders. Such distribution will include interest on such amounts payable by the Company. Management believes that the likelihood funds would be distributed from escrow back to investors and that the interest due would be a material amount, is remote. At December 31, 2001, \$886 million of the unused offering proceeds were held in escrow.

Financing activities in 2000 consisted primarily of payment of debt and capital lease obligations, including \$165 million in term loan prepayments, and the long-term leveraged operating lease financing through sale and leaseback of 10 Airbus A319 aircraft and three AVRO RJ85 aircraft.

During 2000, the Company completed a public offering totaling \$522 million of pass-through trust certificates to finance the acquisition of 13 new aircraft delivered in 2000 and 2001 and to refinance six other aircraft delivered in 1996.

Financing activities in 1999 consisted primarily of the public issuance of \$200 million of unsecured notes, the public issuance of \$143 million of 40-year senior unsecured quarterly interest bonds (which are callable five years after issuance), the long-term leveraged operating lease financing through sale and

leaseback of four Boeing 747-400 aircraft, seven Airbus A320 aircraft, two Airbus A319 aircraft and 10 AVRO RJ85 aircraft and various secured aircraft and ground equipment financings, offset by full repayment of the \$825 million revolving credit facilities and \$562 million of aircraft delivery bridge financing, and the payment of scheduled debt and capital lease obligations.

During 1999, the Company completed three public offerings of pass-through trust certificates totaling \$1.22 billion to finance the acquisition of 39 new aircraft delivered in 1999 and 2000.

On January 15, 2002, the Company disbursed \$216 million of aviation taxes deferred pursuant to federal authorization for payments otherwise due between September 11, 2001 and January 15, 2002. Additionally, through NWA Funding, LLC, the Company repaid \$61 million outstanding under the Receivables Purchase Agreement (the "Agreement"). The Agreement with NWA Funding, LLC, a wholly-owned, non-consolidated subsidiary of the Company, provided for the early termination of the Agreement and repayment of the NWA Funding, LLC outstanding revolving facility upon occurrence of certain events, including exceeding a rolling three-month threshold of passenger refunds as a percentage of sales and the lowering of the Company's unsecured credit rating, both of which occurred following the events of September 11, 2001. See Note 13 to the Consolidated Financial Statements for additional discussion concerning NWA Funding, LLC. The lower credit rating did not trigger acceleration of any other repayments.

The following table summarizes the Company's commitments to make long-term debt and lease payments for the years ending December 31 (in millions):

	2002	2003	2004	2005	2006
Long-term Debt(1)	\$ 223	\$ 170	\$ 517	\$ 1,341	\$ 469
Capital Leases(2)	287	101	75	64	50
Operating Leases:(3)					
Aircraft	560	555	547	536	545
Non-Aircraft	147	144	132	118	114
Total Debt and Lease Obligations(4)	1,217	970	1,271	2,059	1,178

Notes:

- (1) This amount represents principal amounts due only. The amount due in 2005 includes \$962 of principal outstanding on the Company's credit facilities. See Note 3 to the Consolidated Financial Statements for additional discussion of long-term debt and future maturities.
- (2) Amounts represent minimum capital lease payments with initial or remaining terms of more than one year. See Note 4 to the Consolidated Financial Statements for additional discussion of capital leases.
- (3) Amounts represent minimum lease payments with initial or remaining terms of more than one year and exclude related sublease rental income. See Note 4 to the Consolidated Financial Statements for additional discussion of operating leases.

- (4) The above table excludes amounts relating to the mandatorily redeemable preferred security of subsidiary. See Note 5 to the Consolidated Financial Statements for additional discussion of the mandatorily redeemable preferred security of subsidiary which holds solely non-recourse obligations of company. The table also excludes amounts relating to the Series C preferred stock. See Note 6 to the Consolidated Financial Statements for additional discussion of the Company's obligations related to the Series C preferred stock.

Capital Commitments. The Company's firm orders for 94 new aircraft to be operated by Northwest consist of scheduled deliveries for 24 Airbus A330 aircraft from 2003 through 2006, eight Airbus A320 aircraft from 2002 through 2004, 41 Airbus A319 aircraft from 2002 through 2003, 19 Boeing 757-200/300

aircraft from 2002 through 2003 and two Boeing 747-400 aircraft in 2002. Eight of the A330 aircraft orders may be cancelled. As of December 31, 2001, the Company also had firm orders for 99 Bombardier CRJ200/440 aircraft, which will be leased or subleased to and operated by Northwest Airlink regional carriers. The Company has the right to defer the scheduled delivery of certain aircraft listed above for up to a maximum of four years. The Company has the option to finance the CRJ200/440 aircraft through long-term operating lease commitments from the manufacturer.

Committed expenditures for these aircraft and related equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$2.01 billion in 2002, \$2.05 billion in 2003, \$1.38 billion in 2004, \$1.31 billion in 2005, \$220 million in 2006 and \$33 million in 2007. Consistent with prior practice, the Company intends to finance its aircraft deliveries through a combination of internally generated funds, debt and leveraged lease financing. Financing commitments available for use by the Company are in place for all of the aircraft on firm order.

During 2001, the Company guaranteed two long-term airport special facility bond financings for \$136 million and \$64 million related to airport improvements in Minneapolis/St. Paul and Seattle, respectively. These financings have final maturities in 2025 and 2030 at fixed rates of 7.27% and 7.49%, respectively, and will be recorded as other property and equipment and long-term obligations under capital leases when the funds are drawn for construction purposes.

The Company currently has an effective shelf registration statement for the issuance of \$1.20 billion of unsecured debt and equipment trust certificates.

Working Capital. The Company operates, like its competitors, with negative working capital, which aggregated to \$356 million at December 31, 2001. This position is primarily attributable to the \$1.28 billion air traffic liability, largely representing cash received from tickets that customers have purchased in advance and not yet used. Revenue is recognized and the liability is reduced as customers use these tickets for transportation provided by the Company. The Company also performs bi-monthly evaluations of this estimated liability and recognizes any adjustments as passenger revenues for that period. These adjustments relate primarily to ticket usage patterns, refunds, exchanges, inter-airline transactions, and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price. While these factors generally follow predictable patterns that provide a reliable basis for estimating the air traffic liability, significant changes in business conditions and/or passenger behavior that affect these estimates could impact operating income.

Critical Accounting Policies

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

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. See Note 1 to the Consolidated Financial Statements for additional discussion of the application of these and other accounting policies.

Aircraft Valuation and Impairments. The Company has evaluated its long-lived assets for possible impairments in compliance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Impairment losses are measured by comparing the fair value of the assets to their carrying amounts. In the third and fourth quarters of 2001 the Company recorded, as depreciation expense, impairment charges of \$161 million related to reductions in the estimated market values of certain aircraft. See Note 1 to the Consolidated Financial Statements for additional discussion of impairment of long-lived assets.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121 but retains its fundamental provisions for recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale. The Company adopted the provisions of this statement on January 1, 2002, implementation of which will have no material effect on the Company's results of operations or financial condition.

Goodwill and Intangible Assets. In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS 142 requires that companies test goodwill and indefinite lived intangible assets for impairment on an annual basis rather than amortize such assets. The Company adopted SFAS 142 on January 1, 2002, and as a result will no longer amortize its indefinite lived intangible assets and goodwill.

Presently, the Company's indefinite lived intangible asset derives from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S., and extensive "fifth freedom" rights between Japan and India, the South Pacific and other Asian destinations. "Fifth freedom" rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and carry Japanese originating passengers. These rights have no termination date, and the Company has the supporting infrastructure (airport gates, slots and terminal facility leases) in place to operate air service to Japan from its U.S. hub airports indefinitely. Governmental policy and bilateral agreements between nations regulate international operating route authorities and alliances. The Company's carrying value of international route authorities was \$634 million at December 31, 2001. Should any changes occur in policies, agreements, infrastructure or economic feasibility of air service to Japan, the Company will assess this asset for impairment and re-evaluate the economic life of these international routes and, if the life is then determined to be finite, begin amortizing the asset. The Company's goodwill balance of \$18 million relates solely to the 1997 purchase of Pinnacle Airlines, a regional air carrier.

Amortization of goodwill and intangible assets was \$24 million in 2001, approximately \$23 million of which related to the international route authorities discussed above. During the first half of 2002, the Company will perform impairment tests of goodwill and indefinite lived intangible assets by comparing the carrying values to prices of similar assets in the market place or other appropriate valuation techniques. Any impairment recorded as a result of adopting this standard will be recorded as a change in accounting principle. Any subsequent impairment charge would be recorded as an operating expense. The effect, if any, of these tests on the earnings and financial position of the Company has not yet been determined.

Pension Liability and Expense. The Company has several noncontributory pension plans covering substantially all of its employees. The Company accounts for its defined benefit pension plans in accordance with SFAS No. 87, *Employers' Accounting for Pensions*, which requires that amounts recognized in financial statements be determined on an actuarial basis. Benefits associated with these plans are based primarily on years of service and, in some cases, employee compensation. See Note 12 to the Consolidated Financial Statements for additional discussion of actuarial assumptions used in determining pension liability and expense.

A significant element in determining the Company's pension expense in accordance with SFAS No. 87 is the expected return on plan assets, which is based on historical results for similar allocations among asset classes. The Company has assumed that the expected long-term rate of return on plan assets will be 10.5%. The Company's pension plan assets have historically earned in excess of 10.5% and the Company believes that this assumption for future returns is reasonable. The difference between the expected return and the actual return on plan assets is deferred and, under certain circumstances, amortized over future years of service. Therefore, the net deferral of past asset gains (losses) ultimately affects future pension expense. The plan assets have earned a rate of return substantially less than 10.5% in each of the last two years. Should this trend continue, future pension expense would likely increase.

At the end of each year, the Company determines the discount rate used to measure plan liabilities. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company looks to rates of return on fixed-income investments of similar duration to the liabilities in the plan that receive high, investment grade ratings by a recognized ratings agency. A change in the discount rate in future periods could have a material impact on pension expense. By applying this methodology, the Company determined a discount rate of 7.5% to be appropriate at December 31, 2001.

For the year ended December 31, 2001, the net effect of accounting for changes in the Company's pension plans decreased accumulated other comprehensive income by \$287 million, up from \$19 million for the year 2000. The negative impact on accumulated other comprehensive income was principally due to asset returns below the long-term expected rate and additional pension benefits provided for in new agreements with contract employees. For the year ended December 31, 2001, the Company recognized consolidated pretax pension expense of \$231 million, up from \$134 million in 2000. Pension expense is anticipated to increase in 2002.

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

Other Information

Labor Agreements. Approximately 91% of the Company's employees are members of collective bargaining units. On May 11, 2001, Northwest's mechanics, custodians and cleaners ratified a new four-year agreement. The agreement provides for lump sum retroactive payments, a one-time pay adjustment, increased wages and pension benefits and various work rule modifications. At December 31, 2001, all of the Company's union workers were under contract.

KLM Alliance. Northwest and KLM operate their trans-Atlantic flights pursuant to a commercial and operational joint venture alliance, which has antitrust immunity that facilitates coordinated pricing, scheduling, product development and marketing. In addition, Northwest and KLM act as one company in North America and Europe, where Northwest and KLM coordinate ground handling and sales in North America and Europe, respectively. Trans-Atlantic operating profits/losses are shared equally by Northwest and KLM and any net alliance settlements are recorded in other operating revenues in Northwest's Consolidated Financial Statements. Northwest and KLM have a minimum of nine years remaining under their current joint venture alliance.

Detroit Midfield Terminal. The Company was responsible for managing and supervising the design and construction of a new \$1.2 billion passenger terminal at Detroit Metropolitan Wayne County Airport. The new terminal was completed in February 2002 and offers 97 gates, 106 ticket-counter positions, 14 security check points, a fourth parallel runway, nearly 85 shops and restaurants, four WorldClubs, an 11,500-space parking facility, covered curbside drop-off areas and 18 luggage carousels. The new terminal

also offers international-to-domestic connections within the same facility. In addition, a new hotel in the terminal is scheduled to be completed in September 2002.

The new terminal has been funded by the issuance of general airport revenue bonds by Wayne County, payable primarily from future passenger facility charges and federal and State of Michigan grants. The Company and the County have entered into agreements pursuant to which the Company will lease space in the new terminal for a term of 30 years from the date the terminal opens.

Subsequent Event. On February 25, 2002, Pinnacle Airlines Corp. ("Pinnacle Corp."), an indirect subsidiary of the Company, filed a registration statement with the Securities and Exchange Commission for an initial public offering of Pinnacle Corp. common stock. Pinnacle Corp. was incorporated in Delaware on January 10, 2002, for the sole purpose of becoming a holding company of Pinnacle Airlines. Immediately prior to the consummation of the offering, the Company will transfer all of the outstanding stock of Pinnacle Airlines to Pinnacle Corp. in exchange for all of the outstanding common stock of Pinnacle Corp., one share of Series A preferred stock of Pinnacle Corp. and a \$150 million note issued by Pinnacle Corp. After the offering is complete, the Company will receive all of the net proceeds of the offering and will own 13% of Pinnacle Corp.'s outstanding common stock if the over-allotment option granted to the underwriters is not exercised. If the over-allotment option is exercised in full, the Company will not own any shares of Pinnacle Corp.

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 analysis due to factors beyond the Company's control. See Note 14 to the Consolidated Financial Statements for accounting policies and additional information.

Aircraft Fuel. The Company's earnings are affected by 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. The Company also manages the price risk of fuel costs primarily utilizing futures contracts traded on regulated exchanges and fuel swap agreements. Market risk is estimated as a hypothetical 10% increase in the December 31, 2001 cost per gallon of fuel, assuming projected 2002 fuel usage, which would result in an increase to aircraft fuel expense of approximately \$118 million in 2002, compared to an estimated \$180 million for 2001 measured at December 31, 2000. As of December 31, 2001, the Company had hedged approximately 9% of its first quarter 2002 fuel requirements, compared to 12% of the 2001 first quarter requirements at December 31, 2000.

Foreign Currency. The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Japanese yen. From time to time, the Company uses financial instruments to hedge its exposure to the Japanese yen. The result of a uniform 10% strengthening in the value of the U.S. dollar from December 31, 2001 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 \$25 million for the year ending December 31, 2002, net of gains realizable from yen hedge instruments outstanding at December 31, 2001, compared to an estimated decrease of \$70 million for 2001 measured at December 31, 2000. This sensitivity analysis was prepared based upon projected foreign currency-denominated revenues and expenses as of December 31, 2001 and 2000. The variance is due to the Company's foreign currency-denominated revenues exceeding its foreign currency-denominated expenses.

The Company also has foreign currency non-cash exposure. The result of a 10% weakening in the value of the U.S. dollar would result in a decrease to other income caused by the remeasurement of net foreign currency-denominated liabilities of an estimated \$12 million in 2002 compared with an estimated \$13 million at December 31, 2000. This sensitivity analysis was prepared based upon projected foreign currency-denominated assets and liabilities as of December 31, 2001 and 2000.

In 2001, the Company's yen-denominated net cash inflow was approximately 34 billion yen (approximately \$369 million) and its yen-denominated liabilities exceeded its yen-denominated assets by an average of 12 billion yen (approximately \$97 million) compared with

52 billion yen (approximately \$501 million) and 11 billion yen (approximately \$100 million), respectively, in 2000. In general, each time the yen strengthens (weakens), the Company's operating income is favorably (unfavorably) impacted due to net yen-denominated revenues exceeding expenses and a non-operating foreign currency loss (gain) is recognized due to the remeasurement of net yen-denominated liabilities. The Company's operating income in 2001 was unfavorably impacted by approximately \$12 million due to the average yen being weaker in 2001 compared to 2000 and favorably impacted in 2000 by approximately \$70 million due to the average yen being stronger in 2000 compared to 1999. The average yen to U.S. dollar exchange rate, including the impact of hedge activity, for the years ending December 31, 2001, 2000 and 1999 was 92, 104 and 117, respectively. The Japanese yen financial instruments utilized to hedge net yen-denominated cash flows resulted in gains of \$85 million in 2001 and \$23 million in 2000. As of December 31, 2001, the Company had entered into forward contracts to hedge approximately 60% of its anticipated 2002 yen-denominated sales at an average rate of 114 yen per U.S. dollar, compared to 38% at December 31, 2000.

Interest. 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. The Company's floating rate indebtedness was approximately 39% and 21% of the total long-term debt and capital lease obligations at December 31, 2001 and 2000, respectively. If long-term floating interest rates increased by 100 basis points during 2002 as compared to 2001, the Company's interest expense would increase by approximately \$22 million, compared to an estimated \$7 million for 2001 measured at December 31, 2000. If short-term interest rates increased by 100 basis points during 2002 as compared to 2001, the Company's interest income from cash equivalents and short-term investments would increase by approximately \$17 million compared to an estimated \$13 million for 2001 measured at December 31, 2000. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's floating rate indebtedness, cash equivalent and short-term investment balances at December 31, 2001 and 2000.

Market risk for fixed-rate indebtedness is estimated as the potential increase in fair value resulting from a hypothetical 100 basis point decrease in interest rates and amounts to approximately \$142 million during 2002, compared to an estimated \$151 million for 2001 measured at December 31, 2000. The fair values of the Company's indebtedness were estimated using estimated or quoted market prices and discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Northwest Airlines Corporation

We have audited the accompanying consolidated balance sheets of Northwest Airlines Corporation as of December 31, 2001 and 2000, and the related consolidated statements of operations, common stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the 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 at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

NORTHWEST AIRLINES CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31	
	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,512	\$ 693
Restricted short-term investments	100	35
Accounts receivable, less allowance(2001-\$20; 2000-\$16)	512	534
Flight equipment spare parts, less allowance (2001-\$121; 2000-\$131)	273	313
Deferred income taxes	122	108
Maintenance and operating supplies	64	103
Prepaid expenses and other	207	228
	<u>3,790</u>	<u>2,014</u>
PROPERTY AND EQUIPMENT		
Flight equipment	7,015	6,498
Less accumulated depreciation	1,981	1,896
	<u>5,034</u>	<u>4,602</u>
Other property and equipment	1,886	1,826
Less accumulated depreciation	854	794
	<u>1,032</u>	<u>1,032</u>
Total property and equipment	6,066	5,634
FLIGHT EQUIPMENT UNDER CAPITAL LEASES		
Flight equipment	846	846
Less accumulated amortization	303	281
	<u>543</u>	<u>565</u>
Total flight equipment under capital leases	543	565
OTHER ASSETS		
Intangible pension asset	943	375
International routes, less accumulated amortization (2001-\$333; 2000-\$310)	634	657
Investments in affiliated companies	213	836
Other	766	796
	<u>766</u>	<u>796</u>

Total other assets	2,556	2,664
Total Assets	\$ 12,955	\$ 10,877

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

NORTHWEST AIRLINES CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	December 31,	
	2001	2000
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Air traffic liability	\$ 1,275	\$ 1,307
Accrued compensation and benefits	737	549
Accounts payable	691	592
Collections as agent	298	112
Accrued aircraft rent	253	229
Other accrued liabilities	476	476
Current maturities of long-term debt	223	191
Current obligations under capital leases	193	62
Total current liabilities	4,146	3,518
LONG-TERM DEBT	4,828	3,051
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASES	393	494
DEFERRED CREDITS AND OTHER LIABILITIES		
Long-term pension and postretirement health care benefits	1,749	882
Deferred income taxes	1,005	1,353
Other	546	558
Total deferred credits and other liabilities	3,300	2,793
MANDATORILY REDEEMABLE PREFERRED SECURITY OF SUBSIDIARY WHICH HOLDS SOLELY NON-RECOURSE OBLIGATION OF COMPANY—Note 5		
(Redemption value 2001—\$530; 2000—\$610)	492	558
PREFERRED REDEEMABLE STOCK		
(Liquidation value 2001—\$228; 2000—\$233)	227	232
COMMITMENTS AND CONTINGENCIES		

COMMON STOCKHOLDERS' EQUITY (DEFICIT)

Common stock, \$.01 par value; shares authorized—315,000,000; shares issued (2001—110,344,796; 2000—110,088,522)	1	1
Additional paid-in capital	1,451	1,459
Accumulated deficit	(518)	(94)
Accumulated other comprehensive income (loss)	(305)	(5)
Treasury stock (2001—25,136,582 shares; 2000—26,994,364 shares)	(1,060)	(1,130)
	<u> </u>	<u> </u>
Total common stockholders' equity (deficit)	(431)	231
	<u> </u>	<u> </u>
Total Liabilities and Stockholders' Equity (Deficit)	\$ 12,955	\$ 10,877
	<u> </u>	<u> </u>

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)

	Year Ended December 31,		
	2001	2000	1999
OPERATING REVENUES			
Passenger	\$ 8,417	\$ 9,653	\$ 8,692
Cargo	720	857	732
Other	768	730	709
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	9,905	11,240	10,133
OPERATING EXPENSES			
Salaries, wages and benefits	3,963	3,610	3,393
Aircraft fuel and taxes	1,727	1,872	1,191
Depreciation and amortization	690	617	500
Aircraft maintenance materials and repairs	669	640	635
Other rentals and landing fees	533	513	486
Commissions	500	663	736
Aircraft rentals	447	423	355
Other	2,244	2,333	2,123
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	10,773	10,671	9,419
	<u> </u>	<u> </u>	<u> </u>
OPERATING INCOME (LOSS)	(868)	569	714
OTHER INCOME (EXPENSE)			
Airline Stabilization Act funds	461	—	—
Interest expense	(369)	(350)	(379)
Interest capitalized	29	23	16

Interest of mandatorily redeemable preferred security holder	(25)	(27)	(27)
Investment income	66	62	40
Earnings of affiliated companies	(5)	92	84
Other, net	41	66	39
	<u>198</u>	<u>(134)</u>	<u>(227)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(670)	435	487
Income tax expense (benefit)	(247)	179	187
	<u>(423)</u>	<u>256</u>	<u>300</u>
NET INCOME (LOSS)	(423)	256	300
Preferred stock requirements	(1)	(1)	(1)
	<u>(424)</u>	<u>255</u>	<u>299</u>
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	\$ (424)	\$ 255	\$ 299
	<u>(424)</u>	<u>255</u>	<u>299</u>
EARNINGS (LOSS) PER COMMON SHARE:			
Basic	\$ (5.03)	\$ 3.09	\$ 3.69
	<u>(5.03)</u>	<u>3.09</u>	<u>3.69</u>
Diluted	\$ (5.03)	\$ 2.77	\$ 3.26
	<u>(5.03)</u>	<u>2.77</u>	<u>3.26</u>

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

NORTHWEST AIRLINES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (423)	\$ 256	\$ 300
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	690	617	500
Income tax expense (benefit)	(247)	179	187
Net payments of income taxes	(24)	(61)	(65)
Pension and other postretirement benefit contributions less than expense	189	72	166
Sale proceeds of frequent flyer miles less than revenue	(48)	(161)	(42)
Net loss (earnings) of affiliates	64	(65)	–
Other, net	46	(26)	(5)
Changes in certain assets and liabilities:			
Decrease (increase) in accounts receivable	102	(31)	103
Decrease (increase) in flight equipment spare parts	8	(2)	12
Decrease (increase) in supplies, prepaid expenses and other	79	(54)	(57)
Increase (decrease) in air traffic liability	16	(27)	250

Increase (decrease) in accounts payables	91	97	(143)
Increase in other liabilities	220	43	72
Increase (decrease) in accrued liabilities	(117)	56	(19)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by operating activities	646	893	1,259

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(1,253)	(672)	(1,038)
Purchases of short-term investments	(205)	(194)	(288)
Proceeds from maturities of short-term investments	135	198	330
Proceeds from sale of property, equipment and other assets	602	97	63
Investments in affiliated companies and other, net	(9)	(8)	(40)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	(730)	(579)	(973)

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of long-term debt	(152)	(1,268)	(1,681)
Payment of capital lease obligations	(65)	(60)	(57)
Payment of short-term borrowings	(1,261)	–	(102)
Proceeds from long-term debt	2,102	614	779
Proceeds from short-term borrowings	1,245	–	–
Proceeds from sale and leaseback transactions	84	387	1,095
Other, net	(50)	(43)	(51)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	1,903	(370)	(17)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	1,819	(56)	269
Cash and cash equivalents at beginning of period	693	749	480
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$ 2,512	\$ 693	\$ 749
	<u> </u>	<u> </u>	<u> </u>
Available to be borrowed under credit facilities	\$ –	\$ 1,116	\$ 1,573
	<u> </u>	<u> </u>	<u> </u>

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	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
Balance January 1, 1999	109.0	\$ 1	\$ 1,445	\$ (649)	\$ (68)	\$ (1,206)	\$ (477)

Net income				300				300
Other comprehensive income						59		59
Comprehensive income, net of tax								359
Accretion of Series C Preferred Stock				(1)				(1)
Series C Preferred Stock converted to Common Stock	0.6		19					19
Common Stock held in rabbi trusts			(11)			57		46
Other			1	1				2
Balance December 31, 1999	109.6	1	1,454	(349)	(9)	(1,149)		(52)
Net income				256				256
Other comprehensive income						4		4
Comprehensive income, net of tax								260
Accretion of Series C Preferred Stock				(1)				(1)
Series C Preferred Stock converted to Common Stock	0.3		11					11
Common Stock held in rabbi trusts			(11)			19		8
Other	0.2		5					5
Balance December 31, 2000	110.1	1	1,459	(94)	(5)	(1,130)		231
Net loss				(423)				(423)
Other comprehensive loss						(300)		(300)
Comprehensive loss, net of tax								(723)
Accretion of Series C Preferred Stock				(1)				(1)
Series C Preferred Stock converted to Common Stock	0.2		6					6
Common Stock held in rabbi trusts			(16)			70		54
Other			2					2
Balance December 31, 2001	110.3	\$ 1	\$ 1,451	\$ (518)	\$ (305)	\$ (1,060)		\$ (431)

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

NORTHWEST AIRLINES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

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

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

Business: Northwest's operations comprise approximately 95% and 96% of the Company's consolidated operating revenues and expenses, respectively. Northwest is a major air carrier engaged principally in the commercial transportation of passengers and cargo, directly serving more than 145 cities in 22 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 trans-Atlantic alliance with KLM Royal Dutch Airlines ("KLM"), which operates through a hub in Amsterdam, and a global alliance with Continental Airlines, Inc. ("Continental").

Flight Equipment Spare Parts: Flight equipment spare parts are carried at average cost. An allowance for depreciation is provided at rates which depreciate cost, less residual value, over the estimated useful lives of the related aircraft.

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

The Company accounts for certain airport leases under the Emerging Issues Task Force ("EITF") Issue No. 99-13, *Application of EITF Issue No. 97-10, The Effect of Lessee Involvement in Asset Construction, and FASB Interpretation No. 23, Leases of Certain Property Owned by a Governmental Unit or Authority, to Entities that Enter into Leases with Governmental Entities*, which requires the financing related to certain guaranteed airport construction projects committed to after September 23, 1999, to be recorded on the balance sheet. These capitalized expenditures of \$150 million at December 31, 2001, are recorded in other property and equipment with the corresponding obligation included in long-term obligations under capital leases, and relate to airport improvements at Minneapolis-St. Paul, Memphis, and Seattle.

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

International Routes: The Company's international routes result from the U.S.-Japan bilateral aviation agreement, which establishes rights to carry traffic between Japan and the U.S., and extensive "fifth freedom" rights between Japan and India, the South Pacific and other Asian destinations. "Fifth freedom" rights allow Northwest to operate service from any gateway in Japan to points beyond Japan and carry

Japanese originating passengers. These rights have no termination date, and the Company has the supporting infrastructure (airport gates, slots and terminal facility leases) in place to operate air service to Japan from its U.S. hub airports indefinitely. Through the end of 2001, the international routes were amortized on a straight-line basis over 40 years. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. SFAS 142 requires that companies test goodwill and indefinite lived intangible assets for impairment on an annual basis rather than amortize such assets. The Company adopted SFAS 142 on January 1, 2002, and as a result will no longer amortize its international routes and goodwill.

During the first half of 2002, the Company will perform the required impairment tests of goodwill and indefinite lived intangible assets by comparing the carrying values to prices of similar assets in the market place or other appropriate valuation techniques. Any impairment recorded as a result of adopting this standard will be recorded as a change in accounting principle. Any subsequent impairment charge would be recorded as an operating expense. The effect, if any, of these tests on the earnings and financial position of the Company has not yet been determined.

Impairment of Long-Lived Assets: The Company evaluates long-lived assets for potential impairment in compliance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. The Company records, in depreciation expense, impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. The impairment loss is measured by comparing the fair value of the asset to its carrying amount.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121, but retains its fundamental provisions for recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale. The Company adopted the provisions of this statement on January 1, 2002, the implementation of which will have no material effect on the Company's results of operation or financial condition.

The Company recorded non-cash impairment charges of \$161 million to reflect reductions in the estimated market values of certain aircraft and related inventory in the third and fourth quarters of 2001 due to reduced demand resulting from the events of September 11, 2001. The impairment charge consisted of a \$96 million write-down to market value of 25 Boeing 727 aircraft and five Boeing 747 freighter aircraft. The remaining \$65 million of impairment charges related to seven non-operating aircraft that had been stored for future sale, two DC-9 aircraft and three Boeing 727 aircraft retired during 2001, and four Boeing 747-200 aircraft retired or scheduled to be retired by 2004. In reducing these net book values, the Company considered recent transactions involving sales of similar aircraft, outside appraisals and market trends in aircraft dispositions to determine the fair market value of these assets. These impairment charges, which were recorded in depreciation and amortization, also included a \$9 million write-down of related spare parts to their estimated fair market value.

In December 2000, the Company decided to accelerate the retirement of 21 DC10-40 and six DC10-30 aircraft, replacing them with recently ordered Airbus A330 and Boeing 757-300 aircraft. As a result of this decision, the Company recorded a non-cash fleet disposition charge of \$125 million in depreciation and amortization. The Company considered recent transactions involving sales of similar aircraft and market trends in aircraft dispositions to reduce the net book value to reflect the fair market value of these assets. The fleet disposition charge included a \$29 million write-down of related spare parts to their estimated fair market value.

Frequent Flyer Program: The estimated incremental cost of providing travel awards earned under Northwest's WorldPerks frequent flyer program is accrued. The Company also sells mileage credits to participating companies in its frequent flyer program. A portion of such revenue is deferred and amortized as transportation is provided.

Operating Revenues: Passenger and cargo revenues are recognized when the transportation is provided. The air traffic liability represents the estimated value of sold but unused tickets and is regularly evaluated by the Company.

Advertising: Advertising costs, included in other operating expenses, are expensed as incurred and were \$98 million, \$127 million and \$124 million in 2001, 2000, and 1999, respectively.

Employee Stock Options: The Company uses the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for employee stock options. Under the intrinsic value method, compensation expense is recognized to the extent the market price of the common stock exceeds the exercise price of the stock option at the date of the grant.

Foreign Currency: Assets and liabilities denominated in foreign currency are remeasured at current exchange rates with resulting gains and losses generally included in net income. The Preferred Security (see Note 5) and other assets and liabilities associated with certain properties located outside of the U.S. whose cash flows are primarily in the local functional currency are translated at current exchange rates, with translation gains and losses recorded directly to accumulated other comprehensive income (loss), a component of common stockholders' equity (deficit).

Income Taxes: The Company accounts for income taxes utilizing the liability method. Deferred income taxes are primarily recorded to reflect the tax consequences of differences between the tax and financial reporting bases of assets and liabilities.

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

Note 2—Earnings (Loss) Per Share Data

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

	2001	2000	1999
Numerator:			
<i>Net income (loss) applicable to common stockholders for basic earnings (loss) per share</i>	\$ (424)	\$ 255	\$ 299
Effect of dilutive securities—Series C Preferred Stock	—	1	1
<i>Net income (loss) applicable to common stockholders after assumed conversions for diluted earnings (loss) per share</i>	\$ (424)	\$ 256	\$ 300
Denominator:			
<i>Weighted-average shares outstanding for basic earnings (loss) per share</i>	84,280,222	82,629,233	81,255,097
Effect of dilutive securities:			
Series C Preferred Stock	—	6,941,938	7,378,216
Shares held in non-qualified rabbi trusts	—	2,183,978	3,031,275
Employee stock options	—	500,317	373,012
<i>Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings (loss) per share</i>	84,280,222	92,255,466	92,037,600

For the year ended December 31, 2001, no incremental shares related to dilutive securities were added to the denominator because the inclusion of such shares would be anti-dilutive.

For additional disclosures regarding the Series C Preferred Stock, shares held in rabbi trusts and employee stock options, see Notes 6 and 7.

Note 3—Long-Term Debt and Short-Term Borrowings

Long-term debt as of December 31 consisted of the following (with interest rates as of December 31, 2001) (in millions):

	2001	2000
Unsecured notes due 2004 through 2039, 8.5% weighted-average rate(a)	\$ 1,291	\$ 990
Revolving Credit Facilities due 2005, 4.1%(b)	962	—
Pass-through trust certificates due through 2019, 7.8% weighted-average rate(c)	820	579
Equipment pledge notes due through 2013, 4.1% weighted-average rate(d)	654	300
Secured notes due through 2009, 3.2% weighted-average rate	339	349
Aircraft notes due through 2016, 6.0% weighted-average rate	315	331
NWA Trust No. 2 aircraft notes due through 2012, 9.8% weighted-average rate(e)	230	241
Sale-leaseback financing obligations due through 2020, 9.9% imputed rate(f)	219	223
NWA Trust No. 1 aircraft notes due through 2006, 8.6% weighted-average rate(g)	141	161
Other	80	68
Total debt	5,051	3,242
Less current maturities	223	191
Long-term debt	\$ 4,828	\$ 3,051

(a) In March 1997, the Company issued \$150 million of 8.375% notes due 2004 and \$100 million of 8.70% notes due 2007. In March 1998, the Company issued \$200 million of 7.625% notes due 2005 and \$200 million of 7.875% notes due 2008. In April 1999, the Company issued \$200 million of 8.52% notes due 2004. In August 1999, the Company completed the retail issuance of \$143 million of 9.5% of senior unsecured quarterly interest bonds, maturing in 2039. These bonds may be redeemed by Northwest beginning in 2004 without penalty. In May 2001, the Company issued \$300 million of 8.875% notes due 2006. Interest on the notes is payable semi-annually.

(b) The Company's unsecured credit facilities were amended on October 23, 2001. The amended secured credit agreement consists of (i) a \$725 million revolving facility (\$13 million of which has been utilized as letters of credit as of December 31, 2001) available until October 2005, and (ii) a \$250 million 364-day revolving credit facility expiring in October 2002 and renewable annually at the option of the lenders; however, to the extent any portion of the \$250 million facility is not renewed for an additional 364-day period, the Company may borrow up to the entire non-renewed portion of the facility and such borrowings would then mature in October 2005. This credit agreement is secured by the Company's Pacific route system and certain aircraft. Borrowings under these secured credit facilities currently bear interest at a variable rate equal to the three-month London Interbank Offered Rate ("LIBOR") plus 2.0% (4.1% at December 31, 2001). Commitment fees are payable by the Company on the unused portion of the revolving credit facilities at a variable rate equal to .35% per annum at December 31, 2001, and are not considered material.

The credit agreement contains certain financial covenants, including limitations on secured indebtedness (excluding secured indebtedness for new aircraft and airport facilities) and certain equity redemptions and dividends, as well as the requirement to maintain a certain level of liquidity.

- (c) In 1999, the Company completed public offerings of \$795 million in pass-through certificates to finance seven Airbus A320, 14 Airbus A319 and 14 AVRO RJ85 aircraft. In June 2000, the Company

completed a public offering of \$522 million in pass-through trust certificates to finance 13 new Airbus A319 aircraft delivered in 2001 and to refinance six Boeing 757-200 aircraft delivered in 1996. In June 2001, the Company completed a pre-funded offering of \$581 million of pass-through trust certificates to finance the acquisition of 14 aircraft consisting of nine new Airbus A319 aircraft, three new Boeing 757-300 aircraft and two new Boeing 747-400 aircraft scheduled for delivery between March and December 2002. In July 2001, the Company completed a public offering of \$396 million in European pass-through trust certificates to finance nine new Airbus A319 aircraft and five new Airbus A320 aircraft delivered or scheduled for delivery beginning in November 2001 through July 2002.

The pre-funded cash proceeds from the pass-through certificates were deposited with an escrow agent and are not assets or direct obligations of, or guaranteed by, the Company and are therefore not included in the Consolidated Financial Statements. As aircraft are delivered or refinanced, the Company utilizes the cash proceeds to finance these aircraft as secured debt financing for ownership or as non-recourse debt used for leveraged lease financing. If a leveraged lease is obtained for any aircraft, under which the aircraft would be acquired, then sold and leased back to Northwest, the debt associated with the aircraft becomes part of the lease and will not be a direct obligation of the Company or Northwest. Lease obligations for any lease that qualifies as an operating lease under SFAS No. 13 are disclosed in Note 4 to the Consolidated Financial Statements.

At December 31, 2001, \$820 million of the equipment notes underlying the pass-through certificates issued for 35 aircraft are direct obligations of Northwest. Interest on the pass-through certificates is payable semi-annually. At December 31, 2001, \$886 million of the unused proceeds from the offerings were held in escrow and are not recorded as an asset or direct obligation of NWA Corp. or Northwest.

- (d) The equipment pledge notes include new financing completed during 2001 of \$413 million for the acquisition of six Airbus A319 aircraft, one Airbus A320 aircraft and five Boeing 757 Aircraft. Interest on the notes is payable semi-annually.
- (e) In December 1994, the Company completed a structured aircraft financing transaction in which 13 Airbus A320 aircraft were transferred from Northwest (subject to existing indebtedness) to an owner trust (NWA Trust No. 2). The limited partnership, of which Northwest is the limited partner and Norbus, Inc. (an affiliate of Airbus Industrie A.I.E.) is the general partner, is the sole equity participant in the owner trust. All proceeds from the transaction were used to repay equipment pledge notes, which had previously been issued to finance the acquisition of these aircraft by Northwest. The aircraft were simultaneously leased back to Northwest.

Financing of \$352 million was obtained through the issuance of \$176 million of 9.25% Class A Senior Aircraft Notes, \$66 million of 10.23% Class B Mezzanine Aircraft Notes, \$44 million of 11.30% Class C Mezzanine Aircraft Notes and \$66 million of 13.875% Class D Subordinated Aircraft Notes. The Class D notes were repaid in December 1997. The notes are payable semi-annually from rental payments made by Northwest under the lease of the aircraft and are secured by the aircraft subject to the lease as well as the lease itself.

- (f) In March 1992, the Company completed agreements with the Minneapolis/St. Paul Metropolitan Airports Commission ("MAC") for the sale and leaseback of various corporate assets. The sale-leaseback agreements, which are accounted for as debt, call for increasing quarterly payments over a 30-year term and include a provision that gives the Company the option to repurchase the

assets. The agreements with the MAC are part of a group of financing arrangements with the State of Minnesota and other government agencies.

In February 2002, the MAC refinanced the debt that financed the MAC's original purchase of Northwest assets. The savings generated by this refinancing will be passed on to Northwest as reduced lease payments to the MAC. The Company's imputed interest rate related to these bonds is now 8.053%.

- (g) In March 1994, Northwest consummated a financing transaction in which six Boeing 747-200 and four Boeing 757 aircraft were sold to an owner trust (NWA Trust No. 1) of which NWA Aircraft Finance, Inc., an indirect subsidiary of the Company, is the sole equity participant. A portion of the purchase price was financed through the issuance of \$177 million of 8.26% Class A Senior Aircraft Notes and \$66 million of 9.36% Class B Subordinated Aircraft Notes. The aircraft were simultaneously leased back to Northwest. The notes are payable semi-annually from rental payments made by Northwest under the lease of the aircraft and are secured by the aircraft subject to the lease as well as the lease itself.

Maturities of long-term debt for the five years subsequent to December 31, 2001 are as follows (in millions):

2002	\$	223
2003		170
2004		517
2005		1,341
2006		469

At December 31, 2001, the Company was in compliance with the covenants of all of its debt and lease agreements. Various assets, principally aircraft and route authorities, having an aggregate book value of \$4.6 billion at December 31, 2001, were pledged under various loan agreements.

The weighted-average interest rates on short-term borrowings outstanding at December 31 were 3.59%, 6.57% and 5.83% for 2001, 2000 and 1999, respectively.

Cash payments of interest, net of capitalized interest, aggregated \$307 million, \$312 million and \$342 million in 2001, 2000 and 1999, respectively.

Manufacturer financing utilized in connection with the acquisition of aircraft was \$21 million, \$254 million and \$658 million in 2001, 2000 and 1999, respectively. These amounts are considered non-cash transactions and are therefore excluded from proceeds from long-term debt and capital expenditures in the Consolidated Statements of Cash Flows. These amounts are included in the Consolidated Balance Sheets as long-term debt and flight equipment.

Note 4—Leases

The Company leases under noncancelable operating leases certain 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 2030. Certain aircraft and portions of facilities are subleased under noncancelable operating leases expiring in various years through 2020.

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

	2001	2000	1999
Gross rental expense	\$ 811	\$ 765	\$ 650
Sublease rental income	(129)	(110)	(88)

Net rental expense	\$ 682	\$ 655	\$ 562
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At December 31, 2001, Northwest leased 129 of the 428 aircraft it operates. Of these, 21 were capital leases and 108 were operating leases. Base term lease expiration dates range from 2002 to 2009 for aircraft under capital leases, and from 2002 to 2023 for aircraft under operating leases. Northwest's aircraft leases can generally be renewed for terms ranging from one to nine years at rates based on the aircraft's fair market value at the end of the lease term. Of the 129 aircraft lease agreements, 119 provide Northwest with purchase options during the lease, at the end of the lease, or both on terms that approximate fair market value.

At December 31, 2001, future minimum lease payments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows (in millions):

	Capital Leases	Operating Leases	
		Aircraft	Non-aircraft
2002	\$ 287	\$ 560	\$ 147
2003	101	555	144
2004	75	547	132
2005	64	536	118
2006	50	545	114
Thereafter	527	4,799	850
	<u>1,104</u>	<u>7,542</u>	<u>1,505</u>
Less sublease rental income		411	26
Total minimum operating lease payments		<u>\$ 7,131</u>	<u>\$ 1,479</u>
Less amounts representing interest	518		
Present value of future minimum capital lease payments	586		
Less current obligations under capital leases	193		
Long-term obligations under capital leases	<u>\$ 393</u>		

The above table includes operating leases for 58 aircraft operated and leased by Pinnacle Airlines, Inc. ("Pinnacle Airlines"), which will be the new name of Express Airlines I, Inc., a wholly-owned subsidiary, and 74 aircraft operated by and subleased to Mesaba Aviation, Inc. ("Mesaba") an equity investee of the Company. Base term lease expiration dates for Northwest range from 2002 to 2020. These aircraft leases can generally be renewed by Northwest for terms ranging from one to nine years at rates based on the aircraft's fair market value at the end of the lease term.

The Company began utilizing the new Detroit Northwest WorldGateway in February 2002. Incremental airport space rentals associated with this facility are not included in the non-aircraft operating lease amounts above and approximate \$9 million per year.

Note 5—Mandatorily Redeemable Preferred Security of Subsidiary Which Holds Solely Non-Recourse Obligation of Company

In October 1995, the Company completed a restructuring of its yen-denominated non-recourse obligation secured by land and buildings the Company owns in Tokyo. A newly formed consolidated subsidiary of the Company (the "Subsidiary") entered into a Japanese business arrangement designated under Japanese law as a tokumei kumiai ("TK"). Pursuant to the TK arrangement, the holder of the non-recourse obligation restructured such obligation and then assigned title to and ownership of such obligation to the Subsidiary as operator under the TK arrangement in exchange for a preferred interest in the profits and returns of capital from the business of the Subsidiary (the "Preferred Security"). The restructured non-recourse obligation is the sole asset of the Subsidiary. As a result of this restructuring, the original holder of such non-recourse obligation ceased to be a direct creditor of the Company and the Company's obligation is reflected in the Company's Consolidated Balance Sheet as Mandatorily Redeemable Preferred Security of Subsidiary Which Holds Solely Non-Recourse Obligation of Company. Northwest Airlines Holdings Corporation has guaranteed the obligation of the Subsidiary to distribute payments on the Preferred Security pursuant to the TK arrangement if and to the extent payments are received by the Subsidiary.

The restructured obligation matures in three approximately equal annual installments due in 2005, 2006 and 2007. In addition to these installments, cash payments of interest and principal are made semi-annually throughout the term. The rate of interest varies from period to period and is capped at 6%. The obligation is non-recourse to the Company. The Company has the ability (exercisable at any time after September 30, 2001) to transfer the land and buildings in full satisfaction of all Company obligations related to the financing.

The carrying value is being accreted over 12 years from October 1995 to the ultimate maturity value of 69.98 billion yen (\$530 million based on the December 31, 2001 exchange rate). Such accretion is included as a component of interest of mandatorily redeemable preferred security holder.

Note 6—Preferred Redeemable and Common Stock

Series C Preferred Stock: As part of labor agreements reached in 1993, the Company issued to trusts for the benefit of participating employees 9.1 million shares of a new class of Series C cumulative, voting, convertible, redeemable preferred stock, par value of \$.01 per share (the "Series C Preferred Stock") and 17.5 million shares of Common Stock and provided the union groups with three positions on the Board of Directors. NWA Corp. has authorized 25 million shares of Series C Preferred Stock. The Series C Preferred Stock ranks senior to Common Stock with respect to liquidation and certain dividend rights. As long as the Common Stock is publicly traded, no dividends accrue on the Series C Preferred Stock. Each share of the Series C Preferred Stock is convertible at any time into 1.364 shares of Common Stock. As of December 31, 2001, 4.2 million shares of Series C Preferred Stock have been converted into Common Stock and the remaining 4.9 million shares outstanding are convertible into 6.6 million shares of Common Stock. During 2001, 127,305 shares of Series C Preferred Stock were converted into 173,642 shares of Common Stock.

All the outstanding shares of Series C Preferred Stock are required to be redeemed in 2003 for a pro rata share of actual wage savings (\$228 million as of December 31, 2001). NWA Corp. has the option to redeem such shares in cash, by the issuance of additional Common Stock, or by the use of cash and stock. A decision to issue only additional Common Stock must be approved by a majority of the three directors elected by the holders of the Series C Preferred Stock. If NWA Corp. fails to redeem the Series C Preferred Stock, dividends will accrue at the higher of (i) 12% or (ii) the highest penalty rate on any then outstanding series of preferred stock, and the employee unions will receive three additional Board of Directors positions. The financial statement carrying value of the Series C Preferred Stock is being accreted over 10 years commencing August 1993 to the ultimate redemption amount. Prior to 2003, NWA Corp. at its option may redeem in whole or in part the Series C Preferred Stock at its liquidation value.

Common Stock: The Company was required to adopt the provisions of EITF Issue No. 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust*, on September 30, 1998. As a result, the Company revised its consolidation of the assets and liabilities of the non-qualified rabbi trusts. The 141,021 and 1,998,806 shares of Common Stock as of December 31, 2001 and 2000, respectively, that are held in the trusts are recorded similar to treasury stock and the deferred compensation liability is recorded in other long-term liabilities. The Company elected to record the difference between the market value of the common shares and the historical cost of the shares in the trusts at the date of adoption as a credit to common stockholders' equity (deficit), net of tax. After the adoption date, but prior to settlement through either contribution to qualified trusts or diversification, increases or decreases in the deferred compensation

liability will be recognized in earnings to the extent the Common Stock market price exceeds the average historical cost of the shares of \$38.04 per share or falls below the September 30, 1998 price of \$25.06 per share, respectively. For the purpose of computing diluted earnings per share, the shares held by the rabbi trusts are considered potentially dilutive securities. The Company has classified the diversified assets held by the rabbi trusts as trading and recorded them at fair market value.

Stockholder Rights Plan: Pursuant to the Stockholder Rights Plan (the "Rights Plan"), each share of Common Stock has attached to it a right and, until the rights expire or are redeemed, each new share of Common Stock issued by NWA Corp., including the shares of Common Stock into which the Series C Preferred Stock is convertible, will include one right. Upon the occurrence of certain events, each right entitles the holder to purchase one one-hundredth of a share of Series D Junior Participating Preferred Stock at an exercise price of \$150, subject to adjustment. The rights become exercisable only after any person or group (other than the trusts holding Common Stock for the benefit of employees) acquires beneficial ownership of 19% or more (25% or more in the case of certain Institutional Investors) of NWA Corp.'s "outstanding" Common Stock (as defined in the Rights Plan) or commences a tender or exchange offer that would result in such person or group acquiring beneficial ownership of 19% or more (25% or more in the case of certain Institutional Investors) of NWA Corp.'s outstanding Common Stock. If any person or group acquires beneficial ownership of 19% or more (25% or more in the case of certain Institutional Investors) of NWA Corp.'s outstanding Common Stock, the holders of the rights (other than the acquiring person or group) will be entitled to receive, upon exercise of the rights, Common Stock of NWA Corp. having a market value of two times the exercise price of the right. In addition, if after the rights become exercisable NWA Corp. is involved in a merger or other business combination or sells more than 50% of its assets or earning power, each right will entitle its holder (other than the acquiring person or group) to receive common stock of the acquiring company having a market value of two times the

exercise price of the rights. The rights expire on November 16, 2005 and may be redeemed by NWA Corp. at a price of \$.01 per right prior to the time they become exercisable.

Note 7—Stock Options

NWA Corp. has stock option plans for officers and key employees of the Company. Options generally become exercisable in equal annual installments over four or five years and expire 10 years from the date of the grant. NWA Corp.'s policy is to grant options with the exercise price equal to the market price of the Common Stock on the date of grant. To the extent options are granted with an exercise price less than the market price on the date of the grant, compensation expense is recognized over the vesting period of the grant.

Following is a summary of stock option activity for the years ended December 31 (shares in thousands):

	2001		2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	6,235	\$ 29.94	5,067	\$ 31.79	4,059	\$ 32.41
Granted	3,454	17.98	1,959	25.05	1,499	29.75
Forfeited	(850)	29.61	(620)	33.67	(428)	33.16
Exercised	(82)	14.76	(171)	15.05	(63)	14.29
Outstanding at end of year	8,757	25.40	6,235	29.94	5,067	31.79
Exercisable at end of year	3,259	30.60	2,425	30.28	2,252	27.78
Reserved for issuance	21,815		16,806		10,948	
Available for future grants	7,150		5,613		2,092	

At December 31, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average	Weighted-Average	Shares	Weighted-Average
		Remaining Contractual Life			Exercise Price
\$4.740 to \$25.125	5,483	8.3 years	\$ 18.75	1,153	\$ 17.50
25.406 to 39.375	2,515	6.5	33.49	1,531	34.69
40.000 to 64.406	759	5.9	46.63	575	45.95

The weighted-average fair value of options granted during 2001, 2000 and 1999 is \$6.96, \$10.77 and \$11.84 per option, respectively. The fair value of each option grant is estimated as of the date of grant using the Black-Scholes single option-pricing model assuming weighted-average risk-free interest rates of 4.5%, 6.4% and 5.1% for 2001, 2000 and 1999, respectively, and expected lives of six years and volatility of 30% for all years presented.

In September 1998, in conjunction with the labor agreement reached between Northwest and the Air Line Pilots Association, International, NWA Corp. established the 1998 Pilots Stock Option Plan (the

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"Pilot Plan"). The Company has reserved for issuance 2.5 million shares of Common Stock under the Pilot Plan.

Following is a summary of the Pilot Plan activity for the years ended December 31 (shares in thousands):

	2001		2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,987	\$ 27.08	1,497	\$ 26.81	1,000	\$ 27.88
Granted	500	19.62	500	27.88	500	24.69
Exercised	(1)	26.33	(10)	26.82	(3)	27.79
Outstanding at end of year	2,486	25.58	1,987	27.08	1,497	26.81

All outstanding options are exercisable at December 31, 2001 and the weighted-average remaining contractual life was 7.9 years. The weighted-average fair value of options granted during 2001, 2000 and 1999 is \$7.37, \$11.56 and \$10.20 per option, respectively. The fair value of each option grant is estimated as of the date of grant using the Black-Scholes single option-pricing model assuming weighted-average risk-free interest rates of 4.1%, 5.9% and 5.8% for 2001, 2000 and 1999, respectively, an expected life of six years and volatility of 30%.

The Company has adopted the disclosure only provisions of SFAS No. 123, *Accounting for Stock Based Compensation*. Had the Company recorded compensation expense using the fair value method prescribed by SFAS No. 123, the Company's net income (loss) and earnings (loss) per share would have been reduced (increased) to the pro forma amounts indicated below:

	2001	2000	1999
Net income (loss) (in millions):	\$ (433)	\$ 244	\$ 290
Earnings (loss) per share:			
Basic	\$ (5.14)	\$ 2.95	\$ 3.56
Diluted	\$ (5.14)	\$ 2.65	\$ 3.15

Shares of restricted stock were awarded at no cost to certain officers and key employees in 2001, 2000 and 1999. These shares are subject to forfeiture and will be issued when vested. Unearned compensation, representing the fair market value of the stock on the measurement date, is amortized over the four-year vesting period. As of December 31, 2001, 910,186 shares were outstanding and not vested.

A long-term incentive performance plan was established in 2000 under which 464,000 phantom stock units were awarded to certain key officers and continued in 2001 with 492,496 phantom stock units awarded. The units vest over five performance periods upon satisfaction of certain established performance standards. Each unit represents the right to receive a cash payment equal to the market price of the Company's stock as defined in the plan. The fair value of the performance units is equal to the market price on the date of grant, which was \$24.55 and \$24.69 for the 2001 and 2000 grants.

Note 8—Accumulated Other Comprehensive Income (Loss)

The following table sets forth information with respect to accumulated other comprehensive income (loss) ("OCI") (in millions):

	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Hedging Activities	Minimum Pension Liability Adjustment	OCI of Affiliated Companies	Unrealized Gain on Investments	Accumulated Other Comprehensive Income (Loss)
<i>Balance at January 1, 1999</i>	\$ (41)	\$ (21)	\$ (6)	\$ —	\$ —	\$ (68)
Before tax amount	(8)	82	9	(5)	15	93
Tax effect	3	(30)	(3)	2	(6)	(34)
Net-of-tax amount	(5)	52	6	(3)	9	59
<i>Balance at December 31, 1999</i>	(46)	31	—	(3)	9	(9)
Before tax amount	11	3	(30)	13	9	6
Tax effect	(4)	(1)	11	(5)	(3)	(2)
Net-of-tax amount	7	2	(19)	8	6	4
<i>Balance at December 31, 2000</i>	(39)	33	(19)	5	15	(5)
Before tax amount	14	(3)	(452)	(8)	(23)	(472)
Tax effect	(5)	1	165	3	8	172
Net-of-tax amount	9	(2)	(287)	(5)	(15)	(300)
<i>Balance at December 31, 2001</i>	\$ (30)	\$ 31	\$ (306)	\$ —	\$ —	\$ (305)

Note 9—Income Taxes

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

	2001	2000	1999
Current:			

Federal	\$ (103)	\$ 57	\$ 75
Foreign	2	1	3
State	1	6	3
	<u>(100)</u>	<u>64</u>	<u>81</u>
Deferred:			
Federal	(118)	110	98
Foreign	(5)	(1)	(2)
State	(24)	6	10
	<u>(147)</u>	<u>115</u>	<u>106</u>
Total income tax expense (benefit)	\$ (247)	\$ 179	\$ 187

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

	2001	2000	1999
Statutory rate applied to income (loss) before income taxes	\$ (235)	\$ 152	\$ 171
Add (deduct):			
State income tax expense (benefit) net of federal benefit	(24)	7	8
Non-deductible meals and entertainment	10	11	9
Adjustment to income tax accruals	6	5	–
Other	(4)	4	(1)
	<u>(247)</u>	<u>179</u>	<u>187</u>
Total income tax expense (benefit)	\$ (247)	\$ 179	\$ 187

The net deferred tax liabilities listed below include a current net deferred tax asset of \$122 million and \$108 million and a long-term net deferred tax liability of \$1.01 billion and \$1.35 billion as of December 31, 2001 and 2000, respectively.

Significant components of the Company's net deferred tax liability as of December 31 were as follows (in millions):

	2001	2000
Deferred tax assets:		
Expenses not yet deducted for tax purposes	\$ 376	\$ 341
Pension and postretirement benefits	413	180
Gains from the sale-leaseback of aircraft	154	165
Rent expense	93	90
Travel award programs	48	55
Leases capitalized for financial reporting purposes	41	52
Net operating loss carryforwards	20	–
Alternative minimum tax credit carryforwards	62	43
Other tax credit carryforwards	23	2
	<u>1,230</u>	<u>928</u>
Total deferred tax assets	1,230	928

Deferred tax liabilities:

Accounting basis of assets in excess of tax basis	1,779	1,744
Expenses other than accelerated depreciation and amortization	323	412
Other	11	17
	<u> </u>	<u> </u>
Total deferred tax liabilities	2,113	2,173
	<u> </u>	<u> </u>
Net deferred tax liability	\$ 883	\$ 1,245
	<u> </u>	<u> </u>

The Company has certain federal tax deferred assets available for use in the regular tax system or the alternative minimum tax ("AMT") system. The deferred assets available for utilization in the regular system include: AMT credits of \$62 million, net operating loss carryforwards of \$28 million, general business credits of \$9 million and foreign tax credits of \$7 million. The deferred assets available for utilization in the AMT system are: net operating loss carryforwards of \$85 million and foreign tax credits of \$7 million. AMT credits available for use in the regular system have an unlimited carryforward period and

all other tax deferred assets in both systems are available for carryforward to years beyond 2001, expiring in 2003 through 2021.

The Company also has the following tax deferred assets available at December 31, 2001 for use in certain states: net operating losses with tax benefit value of approximately \$10 million available for carryover and state job credit carryovers of \$7 million both available for carryforward to years beyond 2001, expiring in 2006 through 2021.

Note 10—Commitments

The Company's firm aircraft orders for 94 new aircraft to be operated by Northwest consists of scheduled deliveries for 24 Airbus A330 aircraft from 2003 through 2006, eight Airbus A320 aircraft from 2002 through 2004, 41 Airbus A319 aircraft from 2002 through 2003, 19 Boeing 757-200/300 aircraft from 2002 through 2003 and two Boeing 747-400 aircraft in 2002. Eight of the A330 aircraft orders may be cancelled. As of December 31, 2001, the Company also had firm orders for 99 Bombardier CRJ200/440 aircraft, which will be leased or subleased to and operated by Northwest Airlink regional carriers. The Company has the right to defer the scheduled delivery of certain aircraft listed above for up to a maximum of four years. The Company has the option to finance the CRJ200/440 aircraft through long-term operating lease commitments from the manufacturer.

Committed expenditures for these aircraft and related equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately \$2.01 billion in 2002, \$2.05 billion in 2003, \$1.38 billion in 2004, \$1.31 billion in 2005, \$220 million in 2006 and \$33 million in 2007. 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 available for use by the Company are in place for all of the aircraft on order.

Note 11—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.

Note 12—Pension and Other Postretirement Health Care Benefits

The Company has several noncontributory pension plans covering substantially all of its employees. The benefits for these plans are based primarily on years of service and, in some cases, employee compensation. It is the Company's policy to annually fund at least the minimum contribution as required by the Employee Retirement Income Security Act of 1974. In 2000, the Company made contributions of \$36 million in excess of its minimum requirement. The Company did not make any excess contributions in 2001 or 1999.

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

On June 1, 2000, the Company amended the pension plan of contract employees represented by the International Brotherhood of Teamsters ("IBT"). The plan amendment resulted in an 85% benefit level increase for IBT workers and is retroactive to participants who terminated after December 31, 1992. The plan liability was remeasured as of June 30, 2000 at a discount rate of 8.2% and resulted in increases to pension expense on a prorated basis for 2000 of \$13 million and on an annual basis of \$30 million.

On May 11, 2001, the Company amended the pension plan of contract employees represented by the Aircraft Mechanics Fraternal Association ("AMFA"). The plan amendment resulted in a benefit level increase of 113% for mechanics and 84% for cleaners and custodians. The amended benefit increases are retroactive to participants who terminated after October 2, 1996 and to certain participants that retired after April 30, 1992, subject to specific criteria. The plan liability was remeasured as of June 30, 2001 at a discount rate of 7.9% and resulted in increases to pension expense on a prorated basis for 2001 of \$30 million and on an annual basis of \$59 million.

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The following is a reconciliation of the beginning and ending balances of the benefit obligation and the fair value of plan assets (in millions):

	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
<i>Change in benefit obligation:</i>				
Benefit obligation at beginning of year	\$ 5,491	\$ 4,647	\$ 531	\$ 391
Service cost	188	149	19	14
Interest cost	451	397	40	32
Plan amendments	356	157	16	23
Actuarial loss (gain) and other	497	381	73	96
Benefits paid	(309)	(240)	(32)	(25)
Benefit obligation at end of year	6,674	5,491	647	531
<i>Change in plan assets:</i>				
Fair value of plan assets at beginning of year	5,005	5,166	5	5
Actual return on plan assets	(370)	(7)	-	-

Employer contributions	73	86	32	25
Benefits paid	(309)	(240)	(32)	(25)
	<u>4,399</u>	<u>5,005</u>	<u>5</u>	<u>5</u>
Fair value of plan assets at end of year				
Funded status—underfunded	(2,275)	(486)	(642)	(526)
Unrecognized net actuarial loss (gain)	1,082	(280)	234	166
Unrecognized prior service cost	905	630	48	36
Net amount recognized	<u>\$ (288)</u>	<u>\$ (136)</u>	<u>\$ (360)</u>	<u>\$ (324)</u>

Amounts recognized in the Consolidated Balance Sheets as of December 31 were as follows (in millions):

	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
Prepaid benefit cost	\$ 6	\$ 89	\$ —	\$ —
Intangible asset	943	376	—	—
Accrued benefit liability	(1,719)	(631)	(360)	(324)
Accumulated other comprehensive loss	482	30	—	—
Net amount recognized	<u>\$ (288)</u>	<u>\$ (136)</u>	<u>\$ (360)</u>	<u>\$ (324)</u>

The Company's pension plans with accumulated benefit obligations in excess of plan assets as of December 31 were as follows (in millions):

	2001	2000
Projected benefit obligation	\$ 6,661	\$ 2,064
Accumulated benefit obligation	6,086	1,923
Fair value of plan assets	4,384	1,450

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Weighted-average assumptions for pension and other benefits as of December 31 were as follows:

	2001	2000	1999
Discount rate	7.5%	7.9%	8.2%
Rate of future compensation increase	3.9%	3.9%	3.9%
Expected long-term return on plan assets	10.5%	10.5%	10.5%

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease .5% per year for six years to 5% in 2008 and remain at that level thereafter.

The components of net periodic cost of defined benefit plans included the following (in millions):

	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
Service cost	\$ 188	\$ 149	\$ 167	\$ 19	\$ 14	\$ 14

Interest cost	451	397	363	40	32	27
Expected return on plan assets	(514)	(468)	(403)	–	(1)	(1)
Amortization of prior service cost	75	55	46	3	1	1
Recognized net actuarial loss and other events	31	1	21	6	2	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net periodic benefit cost	\$ 231	\$ 134	\$ 194	\$ 68	\$ 48	\$ 44
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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-percentage-point change in assumed health care cost trend rates would have the following effects (in millions):

	<u>One-Percentage- Point Increase</u>	<u>One-Percentage- Point Decrease</u>
Effect on total of service and interest cost components	\$ 8	\$ (7)
Effect on accumulated postretirement benefit obligations	68	(59)

Note 13—Related Party Transactions

Continental Airlines, Inc.: On November 20, 1998, the Company issued 2.6 million shares of Common Stock and paid \$399 million in cash to acquire the beneficial ownership of approximately 8.7 million shares of Class A Common Stock of Continental. Northwest and Continental also entered into a 13-year global strategic commercial alliance that connects the two carriers' networks and includes extensive code-sharing (the joint designation of flights under the Northwest "NW" code and the Continental "CO" code), frequent flyer program reciprocity and other cooperative activities. In connection with the Company's investment in Continental and Northwest's alliance with Continental, the Company entered into agreements with Continental which contained certain restrictions on the Company's ability to vote shares of Continental common stock, to acquire additional shares of Continental common stock and to affect the

composition and conduct of Continental's Board of Directors for a 10-year period. Due to the restrictions in these agreements, the Company accounted for its investment under the equity method and recognized its interest in Continental's earnings on a one-quarter lag. The difference between the cost of the Company's investment and the proportionate share of the underlying equity of Continental of \$319 million was being amortized over 40 years.

On January 22, 2001, pursuant to an agreement reached in November 2000, (i) the Company sold to Continental approximately 6.7 million shares of the Continental Class A Common Stock held by the Company for \$450 million in cash; (ii) subsequently, Continental effected a recapitalization as a result of which the Company's remaining 2.0 million shares of Continental Class A Common Stock were converted into 2.6 million shares of Continental Class B Common Stock; (iii) the Company and Continental extended the term of their alliance agreement through 2025; and (iv) Continental issued to the Company a special series of preferred stock that gives the Company the right to block certain business combinations and similar change of control transactions involving Continental and a third-party major air carrier during the term of the alliance agreement. The preferred stock is subject to redemption by Continental in certain events, including a change of control of the Company. The Company also entered into a revised standstill agreement that contains certain restrictions on the Company's ability to vote and acquire additional shares of Continental common stock. In December 2000, the Company recorded a \$26 million loss in other non-operating income (expense) as a result of the sale of the 6.7 million Class A shares to Continental. At December 31, 2000, the remaining 2.6 million Class B shares were being accounted for as marketable securities and \$15 million was recorded in unrealized gains in accumulated other comprehensive income (loss). In February 2001, the Company sold the remaining 2.6 million Class B shares for \$132 million, as a result of which a pre-tax gain of \$27 million was recorded (\$11 million after tax or \$.13 per common share).

Mesaba Holdings, Inc.: The Company owns 27.9% of the common stock of Mesaba Holdings, Inc., the holding company of Mesaba, a Northwest AirlinK carrier. The Company also has warrants to acquire Mesaba Holdings, Inc. common stock, none of which were in-the-money as of December 31, 2001. The Company accounts for its investment in Mesaba using the equity method.

Northwest and Mesaba signed a 10-year Airline Services Agreement ("ASA") effective July 1, 1997, under which Northwest determines Mesaba's commuter aircraft scheduling and fleet composition. The ASA is structured as a capacity purchase agreement under which Northwest pays Mesaba to operate the flights on Northwest's behalf and Northwest is entitled to all revenues associated with those flights. Under this agreement, Northwest paid Mesaba \$398 million, \$442 million and \$368 million for the years ended December 31, 2001, 2000 and 1999, respectively. These payments are recorded on a net basis as a reduction to passenger revenues. The Company had a payable to Mesaba of \$48 million and \$22 million as of December 31, 2001 and 2000, respectively. As of December 31, 2001, the Company has leased 49 Saab 340 aircraft, which are in turn subleased to Mesaba. In addition, as of December 31, 2001, the Company has leased 11 owned and subleased 25 leased AVRO regional jet aircraft to Mesaba under a Regional Jet Services Agreement consummated in October 1996.

Worldspan: The Company owns a 33.7% interest in WORLDSPAN, L.P., an affiliate that provides computer reservations services, which it accounts for using the equity method.

NWA Funding, LLC ("NWF"): In December 1999, a Receivables Purchase Agreement (the "Agreement") was executed by Northwest, NWF, a wholly-owned, non-consolidated subsidiary of the Company, and a certain third-party purchaser (the "Purchaser") pursuant to a securitization transaction. Northwest

sold \$3.14 billion, \$3.68 billion and \$122 million of accounts receivable on a non-recourse basis to NWF during 2001, 2000 and 1999, respectively. The amount of loss recognized related to receivables securitized at December 31, 2001, was not material. NWF maintained a variable undivided interest in these receivables and was subject to losses on its share of the receivables and, accordingly, maintained an allowance for doubtful accounts. The agreement was a five-year \$85 million revolving receivable purchase facility allowing Northwest to sell additional receivables to NWF and NWF to sell variable undivided interests in these receivables to the Purchaser. The fair value of securitized receivables was estimated from the anticipated future cash flows. The Company records the discount on the sale of receivables and its interest in NWF's earnings in other non-operating income (expense). The Agreement provided for the early termination of the Agreement upon occurrence of certain events, including a trigger caused by high passenger refunds as a percentage of sales and a downgrade in the Company's unsecured credit rating, both of which occurred following the events of September 11, 2001. As a result of the termination event, on January 3, 2002, NWF's outstanding revolving facility of \$61 million was paid in full and terminated.

Orbitz: The Company owns a 15.6% interest in Orbitz, LLC, an affiliate that provides a travel Web site for consumers providing airfares, rental cars, hotel rooms and more. The Company accounts for Orbitz using the equity method and recognized a \$23 million loss in 2001, which represents the Company's share of Orbitz losses.

Note 14—Risk Management and Financial Instruments

The Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires the Company to recognize all derivatives on the balance sheet at fair value. The Company uses derivatives as cash flow hedges to manage the price risk of fuel and its exposure to foreign currency fluctuations. SFAS No. 133 requires that for cash flow hedges, which hedge the exposure to variable cash flows of a forecasted transaction, the effective portion of the derivative's gain or loss be initially reported as a component of other comprehensive income (loss) in the equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the derivative's gain or loss is reported in earnings immediately.

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

Foreign Currency: The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Japanese yen. In 2001, the Company's yen-denominated net cash inflow was approximately 34 billion yen (\$369 million).

From time to time the Company uses forward contracts, collars or put options to hedge a portion of its anticipated yen-denominated sales. The changes in market value of such instruments have historically been highly effective at offsetting exchange rate fluctuations in yen-denominated sales. At December 31, 2001, the Company recorded \$35 million of unrealized gains in accumulated other comprehensive income (loss) as a result of forward contracts to sell 53.10 billion yen (\$464 million) at an average forward rate of 114 yen per dollar with various settlement dates through December 2002. These forward contracts hedge approximately 60% of the Company's anticipated 2002 yen-denominated sales. Hedging gains or losses are

recorded in revenue when transportation is provided. The Japanese yen financial instruments utilized to hedge net yen-denominated cash flows resulted in gains of \$85 million and \$23 million in 2001 and 2000, respectively, and losses of \$14 million in 1999.

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 a single counterparty and monitors the market position with each counterparty. It is the Company's policy to participate in foreign currency hedging transactions with a maximum span of 25 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 and fuel swap agreements. The changes in market value of such contracts have historically been highly effective at offsetting fuel price fluctuations. It is the Company's policy to participate in hedging transactions with a maximum span of 12 months.

At December 31, 2001, the Company recorded a nominal amount of unrealized gains in accumulated other comprehensive income (loss) as a result of the fuel hedge contracts, which if realized, will be recorded in fuel expense when the related fuel inventory is utilized in 2002. As of December 31, 2001, the Company had hedged approximately 9% of its first quarter 2002 fuel requirements in the form of short-term contracts to secure ongoing operating supplies.

Interest Rates: The Company used financial instruments to hedge its exposure to interest rate fluctuations on the variable rate portion of its pass-through certificates issued in 2000 and 2001 and rate resets on A320 aircraft financing during the fourth quarter of 2001. As of December 31, 2001, the Company has \$4 million of unrealized losses in accumulated other comprehensive income (loss) which is amortized over the term of the related obligations.

Equant N.V.: Equant N.V. is an international provider of data network services to multinational businesses, including desktop communications, network services, equipment installation, software development and others. During 1999, the Company sold a portion of its investment for a gain of \$48 million (\$30 million after tax or \$.33 per diluted share). During 2001, the Company sold its remaining investment for a gain of \$9 million (\$6 million after tax or \$.07 per common share).

priceline.com: During 1999, the Company entered into agreements with priceline.com, Inc. to provide ticket inventory for sale through priceline.com's Internet site. As part of the agreements, the Company received warrants for 2,062,500 shares with various vesting requirements. During 1999, the Company exercised 312,500 warrants to purchase 296,354 shares, which were recorded as available for sale investments at December 31, 1999. During 2000, the Company sold its shares outstanding from 1999, additional shares converted from warrants exercised during 2000 and a portion of its remaining warrants for a combined gain of \$58 million (\$36 million after tax or \$.40 per diluted share). During 2001, the remaining 625,000 warrants were sold for a nominal gain.

Fair Values of Financial Instruments: Cash equivalents are carried at cost and consisted primarily of unrestricted money market funds as of December 31, 2001. These instruments approximate fair value due to their short maturity.

The Company classifies investments with a remaining maturity of more than three months on their acquisition date that are expected to be sold or called by the issuer within the next year, and those temporarily restricted, as short-term investments. The carrying values of such investments approximate fair value due to their short maturity. Restricted short-term investments consist primarily of money market funds. During 2001, there were no purchases or sales of short-term investments classified as available-for-sale. During 2000, there were no purchases of short-term investments classified as available-for-sale securities and proceeds from sales of such securities were \$18 million.

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):

	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt	\$ 5,051	\$ 4,692	\$ 3,242	\$ 3,286
Mandatorily Redeemable Preferred Security of Subsidiary	492	513	558	506
Series C Preferred Stock	227	202	232	243

The fair values of the Company's long-term debt were estimated using quoted market prices, where available. For long-term debt not actively traded and the Preferred Security, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of securities. The fair value of the Series C Preferred Stock shares was estimated using current market value of the Common Stock and the Black-Scholes option pricing model.

Note 15—Segment Information

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

	2001	2000	1999
Domestic	\$ 6,726	\$ 7,459	\$ 6,833
Pacific, principally Japan	2,144	2,650	2,280
Atlantic	1,035	1,131	1,020
Total operating revenues	\$ 9,905	\$ 11,240	\$ 10,133

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

Note 16—Quarterly Financial Data (Unaudited)

Unaudited quarterly results of operations for the years ended December 31 are summarized below (in millions, except per share amounts):

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2001:				
Operating revenues	\$ 2,611	\$ 2,715	\$ 2,594	\$ 1,985
Operating loss	(236)	(36)	(155)	(441)
Net income (loss)	\$ (171)	\$ (55)	\$ 19	\$ (216)
Basic earnings (loss) per common share				
	\$ (2.05)	\$ (.65)	\$.22	\$ (2.55)
Diluted earnings (loss) per common share				
	\$ (2.05)	\$ (.65)	\$.20	\$ (2.55)
2000:				
Operating revenues	\$ 2,509	\$ 2,885	\$ 3,141	\$ 2,705
Operating income (loss)	(3)	252	354	(34)
Net income (loss)	\$ 3	\$ 115	\$ 207	\$ (69)
Basic earnings (loss) per common share				
	\$.03	\$ 1.40	\$ 2.49	\$ (.84)
Diluted earnings (loss) per common share				
	\$.03	\$ 1.26	\$ 2.23	\$ (.84)

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

Note 17—Subsequent Events (Unaudited)

Initial Public Offering Of Regional Airline Subsidiary: On February 25, 2002, Pinnacle Airlines Corp. ("Pinnacle Corp."), an indirect subsidiary of the Company, filed a registration statement with the Securities and Exchange Commission for an initial public offering of Pinnacle Corp. common stock. Pinnacle Corp. was incorporated in Delaware on January 10, 2002, for the sole purpose of becoming a holding company of Pinnacle Airlines. Immediately prior to the consummation of the offering, the Company will transfer all of the outstanding stock of Pinnacle Airlines to Pinnacle Corp. in exchange for all of the outstanding common stock of Pinnacle Corp., one share of Series A preferred stock of Pinnacle Corp. and a \$150 million note issued by Pinnacle Corp. After the offering is complete, the Company will own 13% of Pinnacle Corp.'s outstanding common stock if the over-allotment option granted to the underwriters is not exercised. If the over-allotment option is exercised in full, the Company will not own any shares of Pinnacle Corp.

Effective March 1, 2002, the Company entered into a new Airline Services Agreement ("ASA") with Pinnacle Airlines. The new ASA is a capacity purchase agreement, similar to the agreement previously held with Pinnacle Airlines, where Pinnacle Airlines operates flights on behalf of the Company and is compensated at specified rates for each completed block hour and cycle, as well as for specified fixed costs based on the size of its fleet. The Company also reimburses Pinnacle Airlines for specified expenses, such as fuel and aviation insurance. The Company continues to control the scheduling, pricing, reservations,

ticketing, and seat inventories and is entitled to all revenues associated with the operation of Pinnacle Airlines' aircraft under the new ASA. The ASA states that Northwest will provide a target operating margin for Pinnacle Airlines of 14% (with a minimum guaranteed operating margin of 12%) on an annual basis through December 31, 2006, excluding specific items such as amounts exceeding market labor costs, performance incentives and penalties. Beginning in 2007, the block hour and cycle rates will be reset, based on the actual cost structure during 2006. From 2008 to 2011, these rates will increase annually based on increases in the Producer Price Index. In addition, the target annual operating margin will be reset to market, but the new annual operating margin will be no lower than 10% and no higher than 14%. However, the Company will not guarantee a minimum operating margin from 2007 through the remaining initial term of the agreement and any renewal terms.

Excluding the actual results of operations of Pinnacle Airlines, the Company's net income (loss) would have been \$(437) million, \$247 million and \$297 million for 2001, 2000 and 1999, respectively.

The Company intends to use the proceeds from initial public offering for general corporate purposes. The amount and timing of the sale will depend on future market conditions.

Note 18—Condensed Consolidating Financial Statements

The following tables present condensed consolidating financial information for: (i) Northwest, the principal indirect subsidiary of NWA Corp., the holding company, (ii) on a combined basis, NWA Corp. and all other subsidiaries of NWA Corp., and (iii) NWA Corp. on a consolidated basis. The principal

consolidating adjustment entries eliminate investments in subsidiaries and inter-company balances and transactions.

Condensed Consolidating Statements of Operations for the years ended December 31 (in millions):

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>
2001:				
Operating revenues	\$ 9,445	\$ 639	\$ (179)	\$ 9,905
Operating expenses	10,346	592	(165)	10,773
Operating income (loss)	(901)	47	(14)	(868)
Other income (expense)	150	(1,284)	1,332	198
Loss before income taxes	(751)	(1,237)	1,318	(670)
Income tax expense (benefit)	(267)	20	—	(247)
Net loss	\$ (484)	\$ (1,257)	\$ 1,318	\$ (423)
2000:				
Operating revenues	\$ 10,844	\$ 615	\$ (219)	\$ 11,240
Operating expenses	10,290	586	(205)	10,671

Operating income	554	29	(14)	569
Other income (expense)	(215)	821	(740)	(134)
Income before income taxes	339	850	(754)	435
Income tax expense	138	41	–	179
Net income	\$ 201	\$ 809	\$ (754)	\$ 256

1999:

Operating revenues	\$ 9,790	\$ 559	\$ (216)	\$ 10,133
Operating expenses	9,122	489	(192)	9,419
Operating income	668	70	(24)	714
Other income (expense)	(296)	896	(827)	(227)
Income before income taxes	372	966	(851)	487
Income tax expense	149	38	–	187
Net income	\$ 223	\$ 928	\$ (851)	\$ 300

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Condensed Consolidating Statements of Cash Flows for the years ended December 31 (in millions):

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>
2001:				
Net cash flows from operating activities	\$ 477	\$ 169	\$ –	\$ 646
Net cash flows from investing activities	(1,291)	569	(8)	(730)
Net cash flows from financing activities	2,627	(732)	8	1,903
Increase in cash and cash equivalents	1,813	6	–	1,819
Cash and cash equivalents at beginning of period	659	34	–	693
Cash and cash equivalents at end of period	\$ 2,472	\$ 40	\$ –	\$ 2,512

2000:

Net cash flows from operating activities	\$ 783	\$ 110	\$ –	\$ 893
Net cash flows from investing activities	(540)	(32)	(7)	(579)
Net cash flows from financing activities	(319)	(58)	7	(370)
Increase (decrease) in cash and cash equivalents	(76)	20	–	(56)
Cash and cash equivalents at beginning of period	735	14	–	749

Cash and cash equivalents at end of period	\$	659	\$	34	\$	–	\$	693
1999:								
Net cash flows from operating activities	\$	1,057	\$	202	\$	–	\$	1,259
Net cash flows from investing activities		(954)		215		(234)		(973)
Net cash flows from financing activities		194		(445)		234		(17)
Increase (decrease) in cash and cash equivalents		297		(28)		–		269
Cash and cash equivalents at beginning of period		438		42				480
Cash and cash equivalents at end of period	\$	735	\$	14	\$	–	\$	749

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Condensed Consolidating Balance Sheets as of December 31, 2001 (in millions):

	<u>Northwest</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>NWA Corp. Consolidated</u>
Assets				
Current Assets				
Cash, cash equivalents and restricted short-term investments	\$ 2,538	\$ 74	\$ –	\$ 2,612
Accounts receivable, net	386	126	–	512
Other current assets	519	180	(33)	666
Total current assets	3,443	380	(33)	3,790
Property and Equipment	5,724	342	–	6,066
Flight Equipment Under Capital Leases	543	–	–	543
Other Assets	2,370	2,169	(1,983)	2,556
Total Assets	\$ 12,080	\$ 2,891	\$ (2,016)	\$ 12,955
Liabilities and Stockholders' Equity				
Current Liabilities				
Air traffic liability	\$ 1,212	\$ 69	\$ (6)	\$ 1,275
Accounts payable and other liabilities	2,420	62	(27)	2,455
Current maturities of long-term debt and capital lease obligations	388	28	–	416
Total current liabilities	4,020	159	(33)	4,146
Long-Term Debt and Capital Lease Obligations	4,963	258	–	5,221
Deferred Income Taxes	–	1,005	–	1,005
Other Liabilities	2,315	24	(44)	2,295

Mandatorily Redeemable Preferred Security	492	–	–	492
Preferred Redeemable Stock	–	227	–	227
Common Stockholders' Equity	290	1,218	(1,939)	(431)
Total Liabilities and Stockholders' Equity	\$ 12,080	\$ 2,891	\$ (2,016)	\$ 12,955

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Condensed Consolidating Balance Sheets as of December 31, 2000 (in millions):

	Northwest	Other Subsidiaries	Consolidating Adjustments	NWA Corp. Consolidated
Assets				
Current Assets				
Cash, cash equivalents and restricted short-term investments	\$ 670	\$ 58	\$ –	\$ 728
Accounts receivable, net	502	32	–	534
Other current assets	612	184	(44)	752
Total current assets	1,784	274	(44)	2,014
Property and Equipment	5,285	349	–	5,634
Flight Equipment Under Capital Leases	565	–	–	565
Other Assets	1,805	4,992	(4,133)	2,664
Total Assets	\$ 9,439	\$ 5,615	\$ (4,177)	\$ 10,877
Liabilities and Stockholders' Equity				
Current Liabilities				
Air traffic liability	\$ 1,247	\$ 68	\$ (8)	\$ 1,307
Accounts payable and other liabilities	1,920	74	(36)	1,958
Current maturities of long-term debt and capital lease obligations	229	24	–	253
Total current liabilities	3,396	166	(44)	3,518
Long-Term Debt and Capital Lease Obligations	3,259	286	–	3,545
Deferred Income Taxes	–	1,353	–	1,353
Other Liabilities	1,384	114	(58)	1,440
Mandatorily Redeemable Preferred Security	558	–	–	558
Preferred Redeemable Stock	–	232	–	232
Common Stockholders' Equity	842	3,464	(4,075)	231
Total Liabilities and Stockholders' Equity	\$ 9,439	\$ 5,615	\$ (4,177)	\$ 10,877

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference and will be set forth under the heading "Election of Directors–Information Concerning Director–Nominees" to be included in the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year. The information regarding executive officers is included in Part I of this report under the caption "Executive Officers of the Registrant."

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference and will be set forth under the headings "Board of Directors–Compensation of Directors," "Board of Directors–Compensation Committee Interlocks and Insider Participation" and "Executive Compensation" to be included in the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference and will be set forth under the heading "Beneficial Ownership of Securities" to be included in the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference and will be set forth under the headings "Board of Directors–Compensation Committee Interlocks and Insider Participation" and "Board of Directors–Related Party Transactions" to be included in the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

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PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following is an index of the financial statements, schedule and exhibits included in this Report.

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(a) 1. Financial Statements:	
Consolidated Balance Sheets–December 31, 2001 and December 31, 2000	34
Consolidated Statements of Operations–For the years ended December 31, 2001, 2000 and 1999	36
Consolidated Statements of Cash Flows–For the years ended December 31, 2001, 2000 and 1999	37
Consolidated Statements of Common Stockholders' Equity (Deficit)–For the years ended December 31, 2001, 2000 and 1999	38

2. Financial Statement Schedule:

Schedule II—Valuation of Qualifying Accounts and Reserves—For the years ended December 31, 2001, 2000 and 1999

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Schedules not included have been omitted because they are not applicable or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

The following is an index of the exhibits included in this Report or incorporated herein by reference.

- 3.1 Restated Certificate of Incorporation of Northwest Airlines Corporation (filed as Exhibit 4.1 to the Registration Statement on Form S-3, File No. 333-69655 and incorporated herein by reference).
- 3.2 Amended and Restated Bylaws of Northwest Airlines Corporation (filed as Exhibit 4.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 and incorporated herein by reference).
- 3.3 Restated Certificate of Incorporation of Northwest Airlines, Inc. (filed as Exhibit 3.3 to Northwest's Registration Statement on Form S-3, File No. 33-74772, and incorporated herein by reference).
- 3.4 Bylaws of Northwest Airlines, Inc. (filed as Exhibit 4.2 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 and incorporated herein by reference).
- 4.1 Certificate of Designation of Series C Preferred Stock of Northwest Airlines Corporation (included in Exhibit 3.1).
- 4.2 Certificate of Designation of Series D Junior Participating Preferred Stock of NWA Corp. (included in Exhibit 3.1).
- 4.3 Rights Agreement dated as of November 20, 1998 between Northwest Airlines Corporation and Norwest Bank Minnesota, N.A., as Rights Agent (filed as Exhibit 1 to NWA Corp.'s Form 8-A filed November 20, 1998 and incorporated herein by reference).
- 4.4 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.

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- 10.1 Standstill Agreement, among Continental Airlines, Inc., Northwest Airlines Corporation, Northwest Airlines Holdings Corporation and Northwest Airlines, Inc., dated as of November 15, 2000 (filed as Exhibit 99.8 to Continental Airlines, Inc.'s Current Report on Form 8-K dated November 15, 2000 and incorporated herein by reference).
- 10.2 Standstill Agreement between Northwest Airlines Corporation and David Bonderman, Bonderman Family Limited Partnership, Lectair Partners, Eli Broad, Donald Strum, 1992 Air GP and 1992 Air, Inc. (collectively the "Holders"), dated as of November 20, 1998 (filed as Exhibit 10.8 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.3 Registration Rights Agreement among Northwest Airlines Corporation, the Holders and 1992 Air, Inc., as the representative of the Holders, dated November 20, 1998 (filed as Exhibit 10.9 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

- 10.4 Amended and Restated Standstill Agreement between Koninklijke Luchtvaart Maatschappij N.V. and Northwest Airlines Corporation, dated May 1, 1998 (filed as Exhibit 10.2 of NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- 10.5 First Amended and Restated Common Stock Registration Rights Agreement among NWA Corp., the holders of the Series C Preferred Stock and the Original Investors named therein (filed as Exhibit 10.9 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- 10.6 Acknowledgement of Northwest Airlines Corporation regarding assumption of obligations as successor under the First Amended and Restated Common Stock Registration Rights Agreement, dated November 20, 1998 (filed as Exhibit 10.28 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.7 Second Amended and Restated Airport Agreement between The Charter County of Wayne, Michigan and Northwest dated as of October 10, 1996
- 10.8 First Amendment to Second Amended and Restated Airport Agreement between The Charter County of Wayne, Michigan and Northwest, dated as of September 1997 (filed as Exhibit 10.36 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.9 Second Amendment to Second Amended and Restated Airport Agreement between The Charter County of Wayne, Michigan and Northwest, dated as of June 26, 1998 (filed as Exhibit 10.37 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.10 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 (filed as Exhibit 10.24 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.11 Master Financing Agreement dated as of March 29, 1992 among Northwest Airlines Corporation, Northwest and the State of Minnesota (filed as Exhibit 10.9 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).
- 10.12 Credit and Guarantee Agreement among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lending institutions named therein dated as of October 24, 2000 (filed as Exhibit 10.21 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

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- 10.13 Second Amendment dated as of October 23, 2001 to Credit and Guarantee Agreement among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc. and various lending institutions named therein dated as of October 24, 2000.
- 10.14 A319-100 Purchase Agreement dated as of September 19, 1997 between AVSA, S.A.R.L. and Northwest Airlines, Inc. (filed as Exhibit 10.1 to NWA Corp.'s Form 10-Q for the quarter ended September 30, 1997 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).
- 10.15 A330 Purchase Agreement between AVSA, S.A.R.L. and Northwest Airlines, Inc. dated as of December 21, 2000 (filed as Exhibit 10.1 to NWA Corp.'s Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference; the Commission has granted confidential treatment for certain portions of this document).

- Bombardier CRJ440 Purchase Agreement between Bombardier Inc. and Northwest Airlines, Inc. dated as of July 6, 2001 (filed as Exhibit 10.1 to NWA Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference; NWA Corp. has filed a request with the SEC for confidential treatment as to certain portions of this document).
- 10.16 Management Compensation Agreement with Richard H. Anderson dated as of June 28, 2001.
- *10.17 Management Compensation Agreement with Douglas M. Steenland dated as of June 28, 2001.
- *10.18 Letter agreement with Mickey P. Foret dated October 23, 2001 regarding terms and conditions of employment.
- *10.19 Management Compensation Agreement with J. Timothy Griffin dated as of January 14, 2002.
- *10.20 Management Compensation Agreement with Philip C. Haan dated as of January 14, 2002.
- *10.21 Key Employee Annual Cash Incentive Program (filed as Exhibit 10.42 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).
- *10.22 Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement).
- *10.23 Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement).
- *10.24 1990 Stock Option Plan for Key Employees of the Company (filed as Exhibit 10.44 to the registration statement on Form S-1, File No. 33-74210, and incorporated herein by reference).
- *10.25 Northwest Airlines Corporation 1999 Stock Incentive Plan, as amended.
- *10.26 2001 Northwest Airlines Corporation Stock Incentive Plan, as amended (filed as Exhibit 10.43 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- *10.27 Form of Non-Qualified Stock Option Agreement for executive officers under the 2001 Northwest Airlines Corporation Stock Incentive Plan.
- *10.28 Form of Phantom Stock Unit Award Agreement for executive officers under the 2001 Northwest Airlines Corporation Stock Incentive Plan (filed as Exhibit 10.39 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- *10.29 Form of Deferred Stock Award Agreement for executive officers under the 1999 Northwest Airlines Corporation Stock Incentive Plan (filed as Exhibit 10.40 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
- *10.30

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- *10.31 The Chairman's Long-Term Retention and Incentive Program (filed as Exhibit 10.62 to NWA Corp.'s Annual Report on Form 10-K for the year ended December 31, 1999 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.
- 21.1 List of Subsidiaries.
- 23.1 Consent of Ernst & Young LLP.
- 24.1 Powers of Attorney (included in signature page).

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

(b) Reports on Form 8-K:

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 this 1st day of April 2002.

NORTHWEST AIRLINES CORPORATION

By: /s/ JAMES G. MATHEWS
 James G. Mathews
*Vice President—Accounting & Tax and Chief
 Accounting Officer (principal accounting
 officer)*

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints Richard H. Anderson, Mickey P. Foret and James G. Mathews, and each of them individually, his or her true and lawful agent, proxy and attorney-in-fact, 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 1st day of April 2002 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ RICHARD H. ANDERSON
 Richard H. Anderson
*Chief Executive Officer and Director
 (principal executive officer)*

/s/ DENNIS F. HIGHTOWER
 Dennis F. Hightower
Director

/s/ MICKEY P. FORET
 Mickey P. Foret
*Executive Vice President & Chief
 Financial Officer (principal financial
 officer), Chairman and Chief-Executive
 Officer Northwest Airlines Cargo, Inc.*

/s/ GEORGE J. KOURPIAS
 George J. Kourpias
Director

/s/ JAMES G. MATHEWS
 James G. Mathews
*Vice President, Accounting & Tax and
 Chief Accounting Officer (principal
 accounting officer)*

/s/ FREDERIC V. MALEK
 Frederic V. Malek
Director

/s/ GARY L. WILSON

Gary L. Wilson
Chairman of the Board

/s/ WALTER F. MONDALE

Walter F. Mondale
Director

Ray W. Benning, Jr.
Director

/s/ V.A. RAVINDRAN

V. A. Ravindran
Director

Richard C. Blum
Director

/s/ MICHAEL G. RISTOW

Michael G. Ristow
Director

/s/ ALFRED A. CHECCHI

Alfred A. Checchi
Director

/s/ DOUGLAS M. STEENLAND

Douglas M. Steenland
Director

/s/ DORIS KEARS GOODWIN

Doris Kearns Goodwin
Director

/s/ LEO M. VAN WIJK

Leo M. van Wijk
Director

Northwest Airlines Corporation

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

Col. A Description	Col. B Balance at Beginning of Period	Col. C Additions		Col. D Deductions -Describe	Col. E Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts -Describe		
Year Ended December 31, 2001					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	\$ 16	\$ 12	\$ -	\$ 8(1)	20
Accumulated allowance for depreciation of flight equipment spare parts	131	32	2(2)	44(3)	121
Year Ended December 31, 2000					
Allowances deducted from asset accounts:					
Allowance for doubtful accounts	16	8	-	8(1)	16
Accumulated allowance for depreciation of flight equipment spare parts	131	37	6(2)	43(3)	131

Year Ended December 31, 1999

Allowances deducted from asset accounts:

Allowance for doubtful accounts	23	4	–	11(4)	16
Accumulated allowance for depreciation of flight equipment spare parts	159	29	4(2)	61(3)	131

- (1) Uncollectible accounts written off, net of recoveries
- (2) Interaccount transfers
- (3) Dispositions and write-offs
- (4) Uncollectible accounts written off, net of recoveries, including deduction for accounts sold to NWA Funding, of \$2 million

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

[NORTHWEST AIRLINES CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS \(In millions\)](#)

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[Northwest Airlines Corporation SCHEDULE II-VALUATION OF QUALIFYING ACCOUNTS AND RESERVES \(In millions\)](#)

SECOND AMENDED AND RESTATED AIRPORT AGREEMENT

BETWEEN

THE CHARTER COUNTY OF WAYNE, MICHIGAN

AND

NORTHWEST AIRLINES, INC.

DATED AS OF OCTOBER 10, 1996

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NORTHWEST AIRLINES, INC.

SECOND AMENDED AND RESTATED
AIRPORT AGREEMENT

This Second Amended and Restated Airport Agreement (this "Agreement") made and entered into this 10th day of October, 1996, by and between the County of Wayne, a Michigan Charter County, by and through its Chief Executive Officer, with principal offices located at 600 Randolph Street, Detroit, Michigan 48226, hereinafter referred to as "Lessor", and Northwest Airlines, Inc., a Minnesota corporation, with principal offices located at 2700 Lone Oak Parkway, Eagan, Minnesota 55121 hereinafter referred to as "Lessee". Capitalized terms shall have the meanings set forth in Article XXVIII hereof.

Witnesseth:

WHEREAS, Lessor owns and operates Detroit Metropolitan Wayne County Airport (the "Airport"), said airport being more fully described in EXHIBIT A attached hereto and hereby made a part hereof, with the power to lease premises and facilities and to grant rights and privileges with respect thereto pursuant to the provisions of the Aeronautics Code of the State of Michigan; and

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

WHEREAS, Lessor and Lessee are parties to the Basic Agreement, pursuant to which Lessee leases certain premises, facilities, rights, licenses, services and privileges with and on the Airport; and

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WHEREAS, Lessor and Lessee are parties to the Project Development Agreement, under which certain new midfield terminal facilities at the Airport which are described (the "Midfield Terminal") are to be designed and constructed; and

WHEREAS, simultaneously with the execution of this Agreement, Lessor and Lessee are entering into a First Amended and Restated Airport Agreement (the "First Amended and Restated Airport Agreement"), which amends and restates the Basic Agreement and which shall be effective until the Date of Beneficial Occupancy of the Midfield Terminal;

WHEREAS, this Agreement shall become effective upon the Date of Beneficial Occupancy of the Midfield Terminal, and at such time shall amend and restate, and supersede in all respects, the First Amended and Restated Airport Agreement;

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

ARTICLE I

PREMISES

A. USE OF AIRPORT: In common with others so authorized, Lessee shall have the use of the common areas of the Airport and its appurtenances, together with all facilities, equipment, improvements and services which have been, or may hereafter be, provided at or in connection with the Airport from time to time, including, without limiting the generality hereof and subject to the rules and regulations of Lessor

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promulgated in accordance with Article XI hereof, the landing field and any extensions thereof or additions thereto, passenger and cargo ramp areas and facilities, aircraft parking areas and facilities, roadways, runways, aprons, taxiways, sewage and water facilities, floodlights, landing lights, beacons, control tower, signals, radio aids, and all other conveniences for flying, landings and take-offs of aircraft of Lessee, which use, without limiting the generality hereof, shall include:

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

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

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

4. The right to sell, dispose of or exchange Lessee's aircraft, engines, accessories, supplies or other personal property; provided, that such right shall not be construed as authorizing the conduct of a separate business by Lessee,

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but shall permit such sales as an incident to its conduct of Air Transportation or accommodation to others engaged therein;

5. The right, subject to the terms and conditions hereof, to purchase or otherwise obtain personal property of any nature (including aircraft, engines, accessories, gasoline, oil, greases, lubricants, other fuel or propellant, food, beverages, other equipment and supplies and any articles or goods) reasonably necessary or convenient for its operations, from any supplier of its choice;

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

7. The right to land, take-off, fly, taxi, tow, park, load, and unload Lessee's aircraft and other equipment used in the operation of schedule, shuttle, courtesy,

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test, training, inspection, emergency, special, charter, sightseeing and other flights;

8. The right to transfer, load and unload persons, cargo, property and mail to, from and at the Airport by such loading and unloading devices, motor cars, buses, trucks or other means of conveyance as Lessee may choose or require in the operation of its Air Transportation system; with the non-exclusive right to designate and enter into arrangements with any carrier or carriers of its choice to transport to and from the Airport, passengers and their baggage, cargo, property and mail carried or to be carried by air by Lessee provided that with respect to passengers, Lessee shall not enter into arrangements with a carrier for transportation to or from the Airport except for such period or periods during which there is no satisfactory ground transportation service provided by bus or limousine operator selected by the Lessor;

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

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

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11. The right to provide in any hangar or other non-public space exclusively or preferentially leased by Lessee without cost to Lessor, by Lessee alone, a subsidiary of Lessee or by contract with a supplier or caterer, foods and beverages for consumption by employees and occasional invitees of Lessee on such premises for business purposes. Without limiting the generality of the foregoing, said right shall include the right to install, maintain, and operate, or cause to be installed, maintained and operated without cost to Lessor, in any hangar on premises leased to Lessee for its exclusive use at the Airport, a cafeteria, restaurant or other plant for the purpose of preparing, cooking, and dispensing of foods and beverages for consumption as aforesaid;

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

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

14. The right to install, maintain and operate, at Lessee's expense, by Lessee alone, or in conjunction with any other air transportation companies who are lessees at the Airport, or through a nominee, such radio communications,

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meteorological and aerial navigation equipment and facilities in or on premises leased exclusively to Lessee, and, subject to the approval of Lessor's Airport manager with respect to location of installation, elsewhere on the Airport as may be necessary or convenient in the opinion of Lessee for its operations; provided, however, that such approval shall not be withheld unless such installation, maintenance and operation at the location selected by Lessee shall interfere with the reasonable use of the Airport by other authorized persons;

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

B. LEASE OF SPACE:

1. EXCLUSIVE EXISTING TERMINAL SPACE. As of the effectiveness of this Agreement, Lessor leases to Lessee, and grants to Lessee, its employees, agents, guests, patrons and invitees, the exclusive use of the Exclusive Existing Terminal Space identified on EXHIBIT C attached hereto

(hereinafter referred to as "Lessee's Exclusive Existing Terminal Space"); provided that, as of the effectiveness of this Agreement, EXHIBIT C shall be amended, if necessary, to delete any space which is reflected on EXHIBIT C but which is not then leased to Lessee in the Existing Terminal Facilities for its Air Transportation business and to add any space that is then leased to Lessee in the Existing Terminal Facilities for its Air Transportation business that is not then included on EXHIBIT C. As

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promptly as possible after the commencement of Lessee's Air Transportation business in the Midfield Terminal, but in any event not more than 60 days after such commencement, Lessee shall vacate Lessee's Exclusive Existing Terminal Space, and the lease hereunder of Lessee's Exclusive Existing Terminal Space shall terminate upon the later of (x) the earlier of the date Lessee vacates such space, and the date 60 days after such commencement and (y) the date on which the Northwest Demolition Project (as defined in the Project Development Agreement) shall have been completed. Lessee and Lessor shall cooperate with one another in the transfer of Lessee's Air Transportation activities to the Midfield Terminal so as to (a) minimize the cost to Lessee and the inconvenience to Lessee and its passengers, (b) facilitate the relocation of other air carriers within the Existing Terminal Facilities and the renovation of space within the Existing Terminal Facilities, and (c) facilitate the demolition of the space in the Existing Terminal Facilities scheduled for demolition in accordance with the Project Development Agreement (hereinafter referred to as "Lessee's Existing Terminal Space To Be Demolished").

2. EXCLUSIVE MIDFIELD TERMINAL SPACE. At such time as such space is available for beneficial occupancy, as evidenced by written notice thereof from Lessor to Lessee, Lessor leases to Lessee, and grants to Lessee, its employees, agents, guests, patrons and invitees, the exclusive use of the Exclusive Midfield Terminal Space generally identified on EXHIBIT D attached hereto (hereinafter referred to as "Lessee's Exclusive Midfield Terminal Space"). Prior to commencement of Lessee's Air Transportation business in the Midfield

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Terminal, an updated and revised EXHIBIT D agreed to by both parties shall be attached to this Agreement.

3. PREFERENTIAL MIDFIELD TERMINAL SPACE.

(a) At such time as such space is available for beneficial occupancy, Lessor grants to Lessee, its employees, agents, guests, patrons and invitees, the preferential use of space, improvements and facilities in the Midfield Terminal consisting of the Preferential Midfield Terminal Space generally identified on EXHIBIT D attached hereto (hereinafter referred to as "Lessee's Preferential Midfield Terminal Space"). Prior to commencement of Lessee's Air Transportation business in the Midfield Terminal, an updated and revised EXHIBIT D agreed to by both parties shall be attached to this Agreement. Lessee shall have the right to permit its code share partners and commuter carriers to have access to Lessee's Preferential Midfield Terminal Space.

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

(i) Lessee shall have priority in using such space, subject to the provisions of subsection (iii) below. In addition, Lessor hereby grants to Lessee, and Lessee hereby accepts from Lessor, for so long as Lessee leases the premises preferentially leased pursuant to Article IB.3.(a), the preferential right to use the aircraft parking positions adjacent to such preferentially leased premises, as shown on EXHIBIT D, for the parking of aircraft and support vehicles and the loading and unloading of passengers and cargo.

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

(iii) (A) If an airline, including any airline seeking to expand its service or an airline seeking entry into the Airport, is in need of space or facilities at the Airport after the Date of Beneficial Occupancy of the Midfield Terminal, which need cannot be met by use of then unleased premises, if any, in the Existing Terminal Facilities or expansions thereto, Lessor shall direct such airline to request the use of leased space or facilities of all Signatory Airlines on a voluntary basis. Lessee and the other Signatory Airlines shall make reasonable efforts to accommodate such requests in a timely manner from any Preferential Use Premises leased to them.

(B) In the event (I) Lessor receives a written request from an airline requesting space or facilities of a type granted to Signatory Airlines on a preferential use basis, (II) the requesting airline demonstrates to Lessor that it has contacted all Signatory Airlines and has exhausted all reasonable efforts to find reasonable accommodation for its proposed operations and the space or facilities it needs, and (III) Lessor determines that (x) such requesting airline needs the requested space or facilities to accommodate passengers or aircraft and (y) Lessor cannot provide such space or facilities to such airline on a timely basis, then Lessor may grant such requesting airline the right of temporary or shared use of a

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designated portion of Lessee's Preferential Midfield Terminal Space, including, but not limited to, the use of passenger loading bridges and other appurtenant equipment which are reasonably necessary for the effective use of such space, whether owned by the Lessee or the Lessor, as well as the aircraft parking positions adjacent to such space.

(C) In the event Lessor determines that a requesting airline's needs require granting such requesting airline the right to share or temporarily use Preferential Use Premises, Lessor shall serve written notice to all Signatory Airlines of that determination and notice of Lessor's intention to make a further determination, in not less than 15 calendar days, as to how the requesting airline will be accommodated.

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

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

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

(x) an amount equal to a pro rata share of the sum of the terminal rentals and any other applicable payments, fees or taxes payable by Lessee hereunder with respect to such areas during such shared or temporary use

period as calculated herein; and

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

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

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

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

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

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

(II) In assessing the degree of such utilization by Signatory Airlines, Lessor will consider all factors deemed relevant, which may include: (u) the average number of flight arrivals and departures per aircraft parking position per day; (v) flight scheduling considerations; (w) potential labor conflicts; (x) the number, availability and type (e.g. wide-body or narrow body) of aircraft parking position locations; (y) the preferences of the Signatory Airlines as to which of their specific premises are

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designated for temporary or shared use by the requesting airline and (z) other operational considerations.

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

(IV) Notwithstanding the foregoing, Lessee shall not be required to make any of Lessee's Preferential Midfield Terminal Space available during any consecutive two calendar quarters in the event that, for the six months preceding such

consecutive two calendar quarter period, Lessee shall have maintained an average level of 200 flights per day departing from the Midfield Terminal. For purposes of calculating the number of flights per day of Lessee departing from the Midfield Terminal, Lessee's flights shall be deemed to include the jet flights of Lessee and KLM and shall not include Lessee's code share partners other than KLM, commuter carriers, or any other air carriers whose Air Transportation operations are handled by Lessee at the Airport. If Lessee does not meet the foregoing utilization standard in any six month period, Lessor may require Lessee to make available during the following two consecutive calendar quarters, pursuant to and in accordance

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with the provisions of this Article IB.3.(b)(iii), not more than the minimum number of gates which, if not under lease to Lessee in such prior six month period, would have resulted in an average of not less than three departing flights of Lessee (calculated as aforesaid) per gate per day for such prior six month period with respect to Lessee's remaining gates.

(G) The foregoing provisions of this Article IB.3.(b)(iii) notwithstanding, Lessor may grant a requesting airline the right to temporarily use a designated portion of Lessee's Preferential Midfield Terminal Space in non-recurring emergency or safety-related circumstances, so long as such use will not unreasonably adversely affect Lessee's Air Transportation operations at the Airport.

(H) During the use of Lessee's Preferential Midfield Terminal Space or other related facilities by other airlines scheduled by Lessor pursuant to this Article IB.3., Lessee shall not be held liable by Lessor with regard to any claim for damages or personal injury arising out of or in connection with such requesting airline's use of Lessee's Preferential Midfield Terminal Space or other related facilities, unless caused by the negligence of Lessee, its employees or agents.

(I) In the event that Lessee shall be required to share its Preferential Midfield Terminal Space pursuant hereto, until such time as alternative facilities at the Airport are provided to airlines being accommodated in Lessee's Preferential Midfield Terminal Space, Lessee must continue to share such space with the accommodated airlines, even

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if Lessee thereafter meets the utilization standards set forth in subsection (F)(IV) above. Lessor agrees that, under such circumstances, upon an affirmative vote of a Weighted Majority for necessary capital improvements, Lessor shall take all practical steps to construct and provide additional terminal facilities at the site of the Existing Terminal Facilities to provide permanent space for the airline being accommodated by Lessee.

4. JOINT USE MIDFIELD SPACE. At such time as such space is available for beneficial occupancy, Lessor grants to Lessee, its employees, agents, guests, patrons and invitees, the joint use, along with all other air carriers operating Air Transportation businesses in the Midfield Terminal to whom such joint use has been granted, of space, improvements and facilities in the Midfield Terminal consisting of the Joint Use Midfield Terminal Space identified on EXHIBIT D attached hereto (hereinafter referred to as "Lessee's Joint Use Midfield Terminal Space").

5. COMMON USE MIDFIELD TERMINAL SPACE. At such time as such space is available for beneficial occupancy, Lessor grants to Lessee, its employees, agents, guests, patrons and invitees, the common use, along with all other air carriers operating Air Transportation businesses in the Midfield Terminal, of space, improvements and facilities in the Midfield Terminal consisting of the Common Use Midfield Terminal Space identified on EXHIBIT D attached hereto (hereinafter referred to as "Lessee's Common Use

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for use by the users thereof in accordance with the priorities described in Exhibit D-1 attached hereto.

C. PUBLIC SPACE: Lessee, its employees, passengers, guests, patrons and invitees, in common with others, shall have the use of all public space in the Existing Terminal Facilities and the Midfield Terminal, and all additional public space which may thereafter be made available therein and in any additions thereto, including, without limiting the generality thereof, lobbies, passenger lounges and waiting rooms, hallways, rest rooms and rooms for other public and passenger convenience.

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

E. RIGHT OF INGRESS AND EGRESS: Subject to the reasonable rules and regulations promulgated by Lessor in accordance with Article XI hereof, Lessee shall have the right and privilege over the Airport of ingress to and egress from the premises and facilities described in this Article I for its employees, agents, passengers, guests, patrons and invitees, its or their suppliers of materials and furnishers of service, its or their aircraft, equipment, vehicles, machinery and other property, and, except as herein otherwise specifically provided, no charges, fees or tolls of any nature, direct or indirect,

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shall be imposed by Lessor upon Lessee, its employees, agents, passengers, guests, patrons and invitees, its or their suppliers of materials and furnishers of service for such right of ingress and egress, or for the privilege of purchasing, selling or using any materials, or services purchased or otherwise obtained by Lessee, or for transporting, loading, unloading or handling persons, property, cargo or mail in connection with Lessee's business or exercising any right or privilege granted by Lessor hereunder. Nothing in this Article I shall limit Lessor's right to impose, collect and use PFCs.

F. FUEL: Lessee shall have the right during the term of this Agreement to lease land in the common fuel storage area as shown in the Airport Master Plan, at a rental rate of not to exceed five cents (\$.05) per square foot per year, together with the right to install thereon underground fuel storage tanks, pumps, piping, and appurtenances for the storage of aviation fuel; the location and amount of such land to be determined by written agreement of the parties hereto, a copy of which agreement, if entered into prior to the effective date of this Agreement, will be attached to this Agreement as an exhibit.

ARTICLE II

TERM

Except as expressly provided otherwise in Article IB.1., Lessee shall have full authority to use the premises and facilities and to exercise the rights, licenses and privileges set forth in Article I hereof for a term beginning on the Date of Beneficial Occupancy of the Midfield Terminal and ending on the last day of the Fiscal Year that is 30 years after the Fiscal Year in which the Date of Beneficial Occupancy of the Midfield Terminal occurs.

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RENTALS AND FEES

Lessee agrees to pay to Lessor for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, the following rentals, fees and charges, all payable in monthly installments in accordance with paragraph F. below. In the event that the commencement or termination of the term with respect to any of the particular premises, facilities, rights, licenses, services or privileges as herein provided falls on any date other than the first or last day of a calendar month, the applicable rentals, fees and charges for that month shall be paid for said month pro rata according to the number of days in that month during which the particular premises, facilities, rights, licenses, services or privileges were enjoyed. No rentals, fees, charges or tolls imposed by Lessor other than those specifically provided in this Agreement are payable by Lessee for the use of or access to the Airport, provided that the foregoing shall not be construed to prohibit Lessor from imposing and collecting charges and fees from passengers for the use of the public auto parking areas on the Airport, from operators of ground transportation to, from and on the Airport or from any concessionaire at the Airport in accordance with the terms of a contract with Lessor for the operation of such concession; and provided, further, that Lessor reserves the right to impose and use PFCs; and provided, further, that the foregoing shall not preclude Lessor from imposing or levying any permit or license fee not inconsistent with the rights and privileges granted to Lessee hereunder.

A. RENTALS WITH RESPECT TO TERMINAL FACILITIES: During the term hereof, Lessee shall pay to Lessor the following Terminal Charges:

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1. EXCLUSIVE EXISTING TERMINAL SPACE: For so long as Lessee shall retain any Lessee's Exclusive Existing Terminal Space pursuant to Article IB.1., Lessee shall be obligated to pay rental charges for such premises equal to that which would have been applicable for such space under the Basic Agreement, as in effect immediately prior to the effectiveness of this Agreement.

2. LESSEE'S EXCLUSIVE MIDFIELD TERMINAL SPACE AND LESSEE'S PREFERENTIAL MIDFIELD TERMINAL SPACE:

(a) Lessee shall pay the following Midfield Exclusive and Preferential Rental Charges:

(i) commencing on the date on which the first facilities in the Midfield Terminal become available for beneficial occupancy by Lessee, as evidenced by written notice thereof from Lessor to Lessee, for each Fiscal Year or portion thereof (on a pro rated basis), through Fiscal Year 2008, Lessee shall pay an amount equal to the product of the total number of square feet of Lessee's Exclusive Midfield Terminal Space and Lessee's Preferential Midfield Terminal Space multiplied by the following rental rates per square foot for the following Fiscal Years:

<Table>

<S>	<C>	<C>	<C>
2001	\$17.92	2005	\$19.71
2002	17.92	2006	19.71
2003	18.22	2007	19.71
2004	19.71	2008	20.04

</Table>

(ii) commencing on the first day of Fiscal Year 2009, for Fiscal Year 2009 and each Fiscal Year thereafter or portion thereof (on a pro rated basis), Lessee shall pay an amount equal to (x) the product of (I) the total number of square feet, if any, of Lessee's Exclusive Midfield Terminal

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Space and Lessee's Preferential Midfield Terminal Space in each case

in the Domestic Area of the Midfield Terminal multiplied by (II) the Midfield Domestic Exclusive and Preferential Rental Rate for such Fiscal Year, plus (y) the product of (I) the total number of square feet, if any, of Lessee's Exclusive Midfield Terminal Space and Lessee's Preferential Midfield Terminal Space in each case in the International Area of the Midfield Terminal multiplied by (II) the Midfield International Exclusive and Preferential Rental Rate for such Fiscal Year.

(b) The Midfield Domestic Exclusive and Preferential Rental Rate for any Fiscal Year shall be the sum of the Midfield Domestic O&M Rate for such Fiscal Year and the Midfield Domestic Bond Debt Service Rate for such Fiscal Year. The Midfield Domestic O&M Rate for any Fiscal Year shall be determined by dividing (i) Midfield O&M Expenses for such Fiscal Year allocated to the Domestic Area of the Midfield Terminal by (ii) the total number of Useable Square Feet in the Domestic Area of the Midfield Terminal. The Midfield Domestic Bond Debt Service Rate for any Fiscal Year shall be determined by dividing (i) Bond Debt Service allocated to the Domestic Area of the Midfield Terminal for such Fiscal Year by (ii) the total number of Useable Square Feet in the Domestic Area of the Midfield Terminal.

(c) The Midfield International Exclusive and Preferential Rental Rate for any Fiscal Year shall be the sum of the Midfield International O&M Rate for such Fiscal Year and the Midfield International Bond Debt Service Rate for such Fiscal Year. The Midfield International O&M Rate for any

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Fiscal Year shall be determined by dividing (i) Midfield O&M Expenses for such Fiscal Year allocated to the International Area of the Midfield Terminal by (ii) the total number of Useable Square Feet in the International Area of the Midfield Terminal. The Midfield International Bond Debt Service Rate for any Fiscal Year shall be determined by dividing (i) Bond Debt Service allocated to the International Area of the Midfield Terminal for such Fiscal Year by (ii) the total number of Useable Square Feet in the International Area of the Midfield Terminal.

(d) Lessor shall maintain accurate records allocating Bond Debt Service for each Fiscal Year between (i) the Midfield Terminal, (ii) the Existing Terminal Facilities and (iii) the rest of the Airport, and within the Midfield Terminal, between (A) the Domestic Area of the Midfield Terminal and (B) the International Area of the Midfield Terminal. The allocation of Bond Debt Service to the Midfield Terminal, the Existing Terminal Facilities and the rest of the Airport shall be based on capital expenditures made out of the proceeds of Bonds. Bond Debt Service shall be allocated within the Midfield Terminal to the Domestic Area of the Midfield Terminal and the International Area of the Midfield Terminal as set forth on EXHIBIT E attached hereto.

(e) Commencing with the Fiscal Year in which the Date of Beneficial Occupancy of the Midfield Terminal occurs, for each Fiscal Year an amount of PFC revenues equal to the lesser of (i) the PFC revenues received by Lessor in such Fiscal Year that are attributable to a PFC of \$3, and (ii) the PFC revenues received by Lessor in Fiscal Year 2001 that are

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attributable to a PFC of \$3, shall be allocated by Lessor to the Midfield Terminal and the Existing Terminal Facilities on a pro rata basis in accordance with the capital expenditures for the Midfield Terminal and the Existing Terminal Facilities made out of the proceeds of Bonds that are approved for PFC funding, and, for purposes of calculating Terminal Charges payable by Lessee, such PFC revenues allocated to the Midfield Terminal and the Existing Terminal Facilities shall be netted, on the same pro rata basis, against the Bond Debt Service allocated to the Midfield Terminal and the Existing

Terminal Facilities, as the case may be, for such Fiscal Year. The foregoing notwithstanding, for the Fiscal Year in which the Date of Beneficial Occupancy of the Midfield Terminal occurs, the amount of PFC revenues otherwise allocable to the Midfield Terminal and the Existing Terminal pursuant to the immediately preceding sentence shall be reduced by a fraction the numerator of which is the number of calendar months in such Fiscal Year preceding the month in which the Date of Beneficial Occupancy of the Midfield Terminal occurs, and the denominator of which is 12.

(f) Lessor shall maintain accurate records identifying O&M Expenses for each Fiscal Year and allocating such expenses among (i) the Midfield Terminal, (ii) the Existing Terminal Facilities and (iii) the rest of the Airport, and within the Midfield Terminal, among (A) the Domestic Area of the Midfield Terminal and (B) the International Area of the Midfield Terminal, in conformity with the methodologies set forth in EXHIBIT F attached hereto.

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3. LESSEE'S JOINT USE MIDFIELD TERMINAL SPACE:

(a) Lessee shall pay the following Midfield Joint Use Rental Charges:

(i) commencing on the date on which the first facilities in the Midfield Terminal become available for beneficial occupancy by Lessee, as evidenced by written notice thereof from Lessor to Lessee, for each Fiscal Year or portion thereof (on a pro rated basis), through Fiscal Year 2008, Lessee shall pay an amount equal to (x) the product of the total number of square feet of Lessee's Joint Use Midfield Terminal Space multiplied by the following rental rates per square foot for the following Fiscal Years:

<Table>

<S>	<C>	<C>	<C>
2001	\$17.92	2005	\$19.71
2002	17.92	2006	19.71
2003	18.22	2007	19.71
2004	19.71	2008	20.04

</Table>

times (y) a fraction the numerator of which is the number of Lessee's domestic deplaned passengers accommodated in such Joint Use Midfield Terminal Space during the prior Fiscal Year in the event that the Joint Use Midfield Terminal Space is in the Domestic Area of the Midfield Terminal or the number of Lessee's international deplaned passengers accommodated in such Joint Use Midfield Terminal Space during the prior Fiscal Year in the event that the Joint Use Midfield Terminal Space is in the International Area of the Midfield Terminal, and the denominator of which is the total number of domestic deplaned passengers of all Signatory Airlines having use of such Joint Use Midfield Terminal Space which passengers are accommodated in such Joint Use Midfield Terminal

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Space in the event that Joint Use Midfield Terminal Space is in the Domestic Area of the Midfield Terminal and the total number of international deplaned passengers of all Signatory Airlines having use of such Joint Use Midfield Terminal Space which passengers are accommodated in such Joint Use Midfield Terminal Space in the event that the Joint Use Midfield Terminal Space is in the International Area of the Midfield Terminal; and

(ii) commencing on the first day of Fiscal Year 2009, for Fiscal Year 2009 and for each Fiscal Year thereafter or portion thereof (on a pro rated basis), Lessee shall pay an amount equal to (x) the product of the total number of square feet of Lessee's Joint Use Midfield Terminal Space in the Domestic Area of the Midfield Terminal multiplied by the Midfield Domestic Joint Use Rental Rate for such

Fiscal Year, plus (y) the product of the total number of square feet of Lessee's Joint Use Midfield Terminal Space in the International Area of the Midfield Terminal multiplied by the Midfield International Terminal Joint Use Rental Rate for such fiscal year.

(b) The Midfield Domestic Joint Use Rental Rate for any fiscal year shall be (x) the sum of the Midfield Domestic O&M Rate for such fiscal year and the Midfield Domestic Bond Debt Service Rate for such fiscal year, multiplied by (y) a fraction the numerator of which is the number of Lessee's domestic deplaned passengers accommodated in such Joint Use Midfield Terminal Space during such Fiscal Year and the denominator of which is the number of domestic deplaned passengers of all Signatory Airlines having use of such Joint Use Midfield Terminal Space which

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passengers are accommodated in such Joint Use Midfield Terminal Space during such Fiscal Year.

(c) The Midfield International Joint Use Rental Rate for any Fiscal Year shall be (x) the sum of the Midfield International O&M Rate for such Fiscal Year and the Midfield International Bond Debt Service Rate for such Fiscal Year, multiplied by (y) a fraction the numerator of which is the number of Lessee's international deplaned passengers accommodated in such Joint Use Midfield Terminal Space during such Fiscal Year and the denominator of which is the total number of international deplaned passengers of all Signatory Airlines having use of such Joint Use Midfield Terminal Space which passengers are accommodated in such Joint Use Midfield Terminal Space during such Fiscal Year.

4. COMMON USE MIDFIELD TERMINAL SPACE:

(a) Lessee shall pay the following Midfield Common Use Rental Charges:

(i) commencing on the date on which the first facilities in the Midfield Terminal become available for beneficial occupancy by Lessee, as evidenced by written notice thereof from Lessor to Lessee, for each Fiscal Year or portion thereof (on a pro rated basis), through Fiscal Year 2008, Lessee shall pay an amount equal to (x) the product of the total number of square feet of Common Use Midfield Terminal Space multiplied by the following rental rates per square foot for the following Fiscal Years:

<Table>

<S>	<C>	<C>	<C>
2001	\$17.92	2005	\$19.71
2002	17.92	2006	19.71
2003	18.22	2007	19.71
2004	19.71	2008	20.04

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times (y) a fraction the numerator of which is the number of domestic deplaned passengers of Lessee accommodated in such Common Use Midfield Terminal Space during such Fiscal Year in the event that the Common Use Midfield Terminal Space is in the Domestic Area of the Midfield Terminal or the number of international deplaned passengers of Lessee accommodated in such Common Use Midfield Terminal Space during such Fiscal Year in the event that the Common Use Midfield Terminal Space is in the International Area of the Midfield Terminal, and the denominator of which is the total number of domestic deplaned passengers of all Signatory Airlines accommodated in such Common Use Midfield Terminal Space during such Fiscal Year in the event that the Common Use Midfield Terminal Space is in the Domestic Area of the Midfield Terminal or the total number of international deplaned passengers of all Signatory Airlines accommodated in such Common Use

Midfield Terminal Space during such Fiscal Year in the event such Common Use Midfield Terminal Space is in the International Area of the Midfield Terminal; provided that, for Common Use Midfield Terminal Space in the International Area of the Midfield Terminal that is used for both domestic and international operations (e.g., ramp access facilities, holdrooms and jet bridges), Lessee shall pay for each Fiscal Year an amount equal to (A) the product of the number of square feet of such space multiplied by the rental rate set forth above for the applicable Fiscal Year, times (B) a fraction the numerator of which is the total number of domestic and international deplaned passengers of Lessee accommodated

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in such Common Midfield Terminal Space during such Fiscal Year and the denominator of which is the total number of domestic and international deplaned passengers of all Signatory Airlines accommodated in such Common Midfield Terminal Space during such Fiscal Year; and

(ii) commencing on the first day of Fiscal Year 2009, for Fiscal Year 2009 and for each Fiscal Year thereafter or portion thereof (on a pro-rated basis), Lessee shall pay an amount equal to (x) the product of (A) the total number of Useable Square Feet of Common Use Midfield Terminal Space in the Domestic Area of the Midfield Terminal multiplied by the sum of the Midfield Domestic O&M Rate and the Midfield Domestic Bond Debt Service Rate for such Fiscal Year, times (B) a fraction the numerator of which is the total number of domestic deplaned passengers of Lessee accommodated in Common Use Midfield Terminal Space in the Domestic Area of the Midfield Terminal in such Fiscal Year and the denominator of which is the total number of domestic deplaned passengers of all Signatory Airlines accommodated in Common Use Midfield Terminal Space in the Domestic Area of the Midfield Terminal in such Fiscal Year, plus (y) the product of (A) the total number of Useable Square Feet of Common Use Midfield Terminal Space in the International Area of the Midfield Terminal multiplied by the sum of the Midfield International O&M Rate and the Midfield International Bond Debt Service Rate for such Fiscal Year, times (B) a fraction the numerator of which is the total number of international deplaned passengers of Lessee accommodated in Common Use Midfield Terminal Space in the International Area of the Midfield

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Terminal in such Fiscal Year and the denominator of which is the total number of international deplaned passengers of all Signatory Airlines accommodated in Common Use Midfield Terminal Space in the International Area of the Midfield Terminal in such Fiscal Year; provided, that, for Common Use Midfield Terminal Space in the International Area of the Midfield Terminal that is used for both domestic and international operations (e.g., ramp access facilities, holdrooms and jet bridges), Lessee shall pay for each Fiscal Year an amount equal to (x) the product of the total number of Useable Square Feet of such space times the sum of the Midfield International O&M Rate and the Midfield International Bond Debt Service Rate, for such Fiscal Year, multiplied by (y) a fraction the numerator of which is the total number of domestic and international deplaned passengers of Lessee accommodated in such space during such Fiscal Year and the denominator of which is the total number of domestic and international deplaned passengers of all Signatory Airlines accommodated in such space during such Fiscal Year.

B. ACTIVITY FEES AND CAPITAL EXPENDITURES:

1. ACTIVITY FEES: All rentals, fees and charges for the use of the premises, facilities, rights, licenses, services and privileges granted hereunder, except those for which rentals, fees or charges are otherwise specifically provided herein, shall be combined in and represented by an "Activity Fee" calculated for each Fiscal Year, and which shall be an amount equal to the product of the number of thousand pounds of Approved Maximum Landing Weight of aircraft landed at the Airport in such Fiscal

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Year, multiplied by the Activity Fee rate for such Fiscal Year. The Activity Fee rate for any Fiscal Year shall be the quotient arrived at by dividing:

- (a) the Revenue Requirement, as below defined, for such Fiscal Year, by
- (b) the aggregate amount of Approved Maximum Landing Weight of aircraft, in units of one thousand pounds, of all Signatory Airlines, for such Fiscal Year.

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

- (1) O&M Expenses for such Fiscal Year; plus
- (2) (a) one hundred twenty-five percent (125%) of the amount of principal and interest due (net of any capitalized interest) for such Fiscal Year on all then outstanding Bonds, less (b) any amounts on deposit in the Revenue Fund at the beginning of such Fiscal Year representing so-called "coverage" funds collected for so-called "rolling coverage" pursuant to any bond ordinance under which Bonds were issued that requires such rolling coverage, less (c) any PFC revenues received by Lessor during such Fiscal Year and allocated by Lessor to pay principal and interest on outstanding Bonds in such Fiscal Year; plus
- (3) deposits into the Bond Reserve Account, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund required for such Fiscal Year pursuant to the provisions of the Bond Ordinance; plus

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- (4) commencing in Fiscal Year 2001, an amount equal to \$5 million (which amount shall be escalated each Fiscal Year beginning in Fiscal Year 2002 to reflect percentage increases in the Producer Price Index during the most recently ended 12-month period for which such index is available) minus the amount, if any, deposited for such Fiscal Year into the ACE Account; plus
- (5) commencing in the Fiscal Year in which no Airport Revenue Bonds are subject to Paid-in Coverage (as defined in Article IIB.2.(a) below), \$350,000; minus
- (6) all other Airport revenues (including, but not limited to, all rental charges for Existing Terminal Facilities, Terminal Charges and all concession and parking revenue) received [or receivable if the Lessor is on an accrual accounting basis] during such Fiscal Year (excepting Special Facility Revenues).

The unit thus arrived at shall be the Activity Fee rate per thousand pounds of Approved Maximum Landing Weight payable by Lessee to Lessor for such of Lessee's aircraft, or aircraft of its subsidiary, as have landed at the Airport during the Fiscal Year for which such calculation is made.

The Activity Fee as herein established shall not be subject to further adjustment except by agreement of the parties hereto, or as provided in Article IIIF.

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2. LESSOR COVENANTS; CAPITAL EXPENDITURES:

- (a) Lessor covenants:
 - (i) That it will provide efficient management and operation of

the Airport on the basis of sound business principles and that it will not incur expense for Airport operation, maintenance and administration in excess of the amounts reasonably and necessarily required therefor.

(ii) That it shall operate the Airport in a manner so as to produce revenues from concessionaires, tenants, and users of a nature and amount which would be produced by a reasonably prudent operator of an airport.

(iii) That it will comply in all respects with the revenue retention requirement in Section 511(a)(12) of the Airport and Airway Improvement Act of 1982, as amended, now codified at 49 U.S.C. Section 47107(b). Commencing in Fiscal Year 1997, Lessor may include in O&M Expenses for each Fiscal Year administrative charges not in excess of \$5 million, provided that the foregoing cap amount shall be escalated each Fiscal Year, commencing in Fiscal Year 1998, by multiplying the prior year's cap amount by a factor of one (1) plus the percentage increase, if any, in the index of average hourly earnings for production workers for manufacturing industries in the United States, as published by the United States Department of Labor, Bureau of Labor Statistics (or if this index is discontinued or otherwise becomes unavailable to the public, the most nearly comparable index of such average hourly earnings published by a recognized financial institution, financial publication or university) during the most recently ended 12-month period for which such index is available. The annual

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administrative charges of \$5 million shall pay for all services provided directly or indirectly by any department, division or agency of Lessor other than the Airport, or Central Communications to the extent operated by the Airport, in the nature of administration and legislative oversight, finance, budget, accounting, legal, payroll, purchasing, personnel, information processing, imaging, planning and development. Administrative charges shall not include (A) optional contracted services by the Airport, such as landscaping, mowing, engineering (design, construction, inspection and project management) and mechanical, electrical and plumbing trade services to be performed on Airport property, or (B) payroll and fringe benefit costs for the employee positions described in Exhibit H; provided that any increase in such costs or the number of such positions above those shown on Exhibit H must be approved by a majority in number of the Signatory Airlines.

(iv) That it will utilize competitive bidding procedures for the award of all maintenance and operation contracts and construction contracts for the Airport.

(v) That all senior appointed Airport officials shall have professional qualifications commensurate with the responsibilities of the jobs to be performed by such officials.

(vi) That it will take all necessary actions to assure that the personnel of Lessor, whose wages and benefits are included in O&M Expenses, are actually performing work for the Airport as represented by such inclusion.

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(vii) That it will operate Willow Run Airport only as a reliever airport for the Airport with no scheduled air carrier or public charter passenger service.

(viii) That PFC revenues received by Lessor in each of Fiscal Years 2002, 2003, 2004, 2005, 2006, 2007 and 2008 that exceed in such year, by reason of increases in passenger activity levels at the Airport, the amount of PFC revenues received by Lessor in Fiscal Year 2001 that is attributable to a PFC of \$3 shall be used by Lessor to pay for capital projects in the Capital Improvement Program attached

hereto as EXHIBIT G that are approved by a Weighted Majority and by the FAA for PFC funding, whether on a pay-as-you-go basis or to pay Bond Debt Service on Bonds issued to fund such projects.

(ix) That PFC revenues received by Lessor through Fiscal Year 2008 that are attributable to increases in the PFC from \$3 per enplaned passenger shall be applied (A) as required by FAA Letter of Intent No. AGL-90-01, Amendment No. 7, dated August 21, 1996, and then (B) to capital projects at the Airport for safety or security, or to FAA required capital projects, so long as such projects are approved by the FAA for PFC funding, and then (C) to capital projects in the Capital Improvement Program attached hereto as EXHIBIT G that are approved by the FAA for PFC funding.

Lessor and Lessee recognize that payment of the Activity Fee, as herein provided, together with other funds, will result in an annual surplus, because, among other things, Ordinance 319 currently requires the collection by Lessor

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of rates and charges necessary to produce in each Fiscal Year revenues that include 125% of the principal and interest due in such year on Airport Revenue Bonds (exclusive of capitalized interest thereon) (the excess 25% required to be collected is herein referred to as "Paid-in Coverage"). Lessor covenants to utilize such surplus only for the retirement of Bonds or as follows:

- (1) Fifty percent (50%) of the amount attributable to the Paid-in Coverage, if any, on the Airport Revenue Bonds shall be deposited into the Airline Equity Account and allocated among the Airline Equity Subaccounts in accordance with the respective landed weights of each Signatory Airline for the applicable period;
- (2) Three Hundred Fifty Thousand Dollars (\$350,000) shall be deposited annually into the County Discretionary Fund;
- (3) Fifty percent (50%) of the amount attributable to the Paid-in Coverage, if any, on the Airport Revenue Bonds (less \$350,000 annually) shall be deposited into the ACE Account;
- (4) Deposits shall be made into the Subordinate Bond Reserve Account, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund pursuant to the provisions of Ordinance 319, and into any other funds for similar purposes established pursuant to other ordinances under which Bonds are issued; and
- (5) Amounts includible each Fiscal Year in the Revenue Requirement pursuant to item (4) of the definition thereof in Article IIIB.1. shall be deposited into the Airport Development Fund, to be established and held by Lessor for the purposes described in Article IIIB.2. (c) (4) below.

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

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

(c) The following limitations shall apply to expenditures from the below-described funds and accounts:

(1) EXPENDITURES TO BE MADE FROM THE COUNTY DISCRETIONARY FUND.
Lessor may make expenditures from the County Discretionary Fund without approval by the air carriers for any lawful Airport-system purpose, except that expenditures for Willow Run Airport shall only be made if Lessor is in compliance with its covenant in Article III B.2.(a)(vii).

(2) CAPITAL EXPENDITURES TO BE MADE FROM THE ACE ACCOUNT. If Lessor proposes to make a capital expenditure from the ACE Account it shall be subject to the approval of the air carriers if such capital expenditure greater than Fifty Thousand dollars (\$50,000). Such approval shall be

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deemed given unless within thirty (30) days after receipt of Lessor's proposal to make such expenditure Lessor is notified by a Majority-in-Interest of the air carriers that such expenditure is disapproved, such notification to contain specific reasons and grounds therefor.

(3) EXPENDITURES TO BE MADE FROM THE AIRLINE EQUITY SUBACCOUNTS.
Each Signatory Airline may choose to use any amounts deposited into its Airline Equity Subaccount for any of the following purposes:

- (i) as a direct credit against Activity Fees payable by it;
- (ii) for capital expenditures at the Airport; or
- (iii) to service Special Facility Revenue Bond debt for capital improvements at the Airport.

(4) EXPENDITURES TO BE MADE FROM AIRPORT DEVELOPMENT FUND.
Lessor may make capital expenditures from the Airport Development Fund without approval by the air carriers for any lawful Airport-system related purpose, provided that Lessor shall not pledge the Airport Development Fund as security for any Bond or other debt of Lessor without approval of a Majority-in-Interest of the air carriers, and provided, further, that capital expenditures for Willow Run Airport shall only be made if Lessor is in compliance with its covenant in Article III B.2.(a)(vii).

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

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C. CHARGES FOR ELECTRICAL CURRENT: Lessee shall pay to Lessor for Lessee's use and occupancy of Exclusive Use Premises, Preferential Use Premises, Joint Use Premises and Common Use Premises under this Agreement, a charge for electrical current furnished by Lessor to each such area, said charge to be computed as follows:

- (1) In metered areas at a rate not exceeding that which Lessee would have to pay if it established the same demand and took the same quantity directly from the public utility (or other third party provider) supplying electrical current to the Midfield Terminal.
- (2) In unmetered areas at a rate per square foot of occupied space as established by an electrical consultant appointed by Lessor. In the event the parties hereto shall be unable to agree on the aforementioned charges, the controversy shall be subject to arbitration in the manner provided in Article XVII of this Agreement.

- (3) In Common Use Premises the electrical current charge shall be shared with the other common users, 20% equally and 80% to be allocated on the basis of enplaned passengers.
- (4) In Joint Use Premises the electrical current charge shall be shared by the users of such premises based on the number of passengers of each such user.

D. CHARGES FOR WATER AND SEWERAGE FACILITIES: Lessor shall charge Lessee for water and sewerage facilities supplied to Lessee's Exclusive Use Premises and Preferential Use Premises and the amount of such charge shall be subject to future agreement of the parties hereto. In the event the parties hereto shall be unable to agree

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on such amount, the controversy shall be subject to arbitration in the manner provided in Article XVII of this Agreement.

E. CONTINUING RENTAL OBLIGATION

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

Should (a) all such aforesaid air carriers lose their operating authority to serve the Detroit Metropolitan Area, or (b) should Lessor fail to maintain the necessary certifications required to permit scheduled air carrier operations at the Airport, and ALL of such air carriers exercise the right of cancellation provided for in either event in said Article XV, the obligation to pay such aforesaid charges shall terminate subject, however, to the following condition. Until Fiscal Year 2009, upon such termination all such aforesaid carriers then operating at the Airport (including Lessee if such be the case) shall be obligated, to the extent hereinafter required, to pay annually, or in such installments as Lessor may require, an amount not in excess of three hundred percent (300%) of their respective annual rentals (calculated in the manner set forth in

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paragraph 2 immediately below) payable at that time for terminal building space at the Airport (whether leased under the Basic Agreement, this Agreement or otherwise) for the purpose of providing funds to be applied to Bond Debt Service (exclusive of any additional coverage) on the then outstanding issues of Bonds. Payments required of such carriers shall be assessed against each of them in a uniform manner per square foot leased and shall be diminished pro rata to the extent that Airport revenues or capital funds are realized from other sources and are available for application to the debt service on the said Bonds as provided for in Subparagraph 3 below.

2. For the purpose of calculating payments which such carriers may be obligated to make, Lessor shall first determine the average annual rental rate per square foot paid for such terminal building space by all such carriers by dividing their total annual rentals for such space by the total square footage of the space. The square footage leased by each carrier shall then be multiplied by such average rate in order to obtain an annual rental of each such carrier for the purpose of establishing the three hundred percent (300%) maximum annual limitation.

3. In the event Lessor fails to maintain the necessary certifications required to permit scheduled air carrier operations at the Airport and thereafter operates at the Airport for other purposes, any revenues earned as a

result shall, after providing for necessary operating and maintenance expenses, be first applied each year to such debt service requirements before requiring payments by the carriers pursuant to paragraph 1 above. In the foregoing circumstances and as long as any of the aforesaid Bonds are outstanding, Lessor shall use its best efforts to operate or lease the Airport properties so as to produce sufficient revenues to satisfy the requirements of the aforesaid Bonds. If under such circumstances the Airport properties or portion thereof are sold by Lessor,

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the proceeds of such sale(s) shall first be used (or set aside) and be applied to current and future debt service requirements or to retire the aforesaid Bonds before requiring payments by the carriers pursuant to subparagraph 1 above.

F. PAYMENT OF RENTALS AND ACTIVITY FEES

1. INFORMATION ON LESSEE OPERATIONS:

(a) Not earlier than 120 days nor later than 90 days prior to the last day of each Fiscal Year, Lessee shall furnish Lessor with an estimate for the next ensuing Fiscal Year of (i) the total Approved Maximum Landing Weight of all aircraft to be landed at the Airport by Lessee, (ii) the total number of enplaned domestic and international passengers and deplaned domestic and international passengers of Lessee, (iii) the total number of arriving and departing domestic and international flights of Lessee, and (iv) the Midfield O&M Expenses to be reimbursed to Lessee pursuant to Article VII.B.

(b) Lessee shall, no later than the 20th day of each calendar month, transmit to Lessor a report, certified by Lessee, setting forth (i) the actual number of Lessee's enplaned passengers and deplaned passengers for the preceding calendar month, (ii) the actual aggregate Approved Maximum Landing Weight for all aircraft operated by Lessee and landed at the Airport during the preceding calendar month, (iii) the actual number of Lessee's arriving and departing domestic and international flights for the preceding month, and (iv) the Midfield O&M Expenses actually paid by Lessee pursuant to Article VII.B. for the preceding calendar month.

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2. PROJECTION OF RENTALS AND ACTIVITY FEES: Not later than 60 days prior to the end of each Fiscal Year, Lessor shall furnish Lessee with a projection for the next ensuing Fiscal Year (the "Projection") of the Terminal Charges to be paid hereunder, and the Activity Fee rate per thousand pounds of Approved Maximum Landing Weight. Such Projection will include Lessor's proposed Airport budget, and shall set forth a calculation of the Activity Fee (including all sources of revenue and all expenses) for the next ensuing Fiscal Year, together with other information relevant thereto reasonably requested by Lessee. Lessor shall give due consideration to any suggestions and comments made by Lessee with respect to the Projection. The Projection, as revised by Lessor after considering Lessee's suggestions and comments, shall be the basis for computing Lessee's Terminal Charges and Activity Fees for the next ensuing Fiscal Year unless and until otherwise revised pursuant to paragraph 4 below.

3. PAYMENT OF RENTALS AND ACTIVITY FEES:

(a) Not later than the 20th day of each calendar month of each Fiscal Year, Lessee shall pay Lessor, without demand or invoice, an amount equal to 1/12 of Lessee's aggregate Terminal Charges for such Fiscal Year, computed in accordance with Article IIIA, and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below.

(b) Not later than the 20th day of each calendar month of each Fiscal Year, Lessee shall pay Lessor, without demand or invoice, an amount equal to Lessee's aggregate Activity Fees for the preceding calendar month, calculated by multiplying the total Approved Maximum Landing Weight for aircraft landed by Lessee at the Airport during the

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calendar month by the Activity Fee rate for such Fiscal Year, computed in accordance with Article IIIB.1., and based on the Projection, as such projection may have been revised pursuant to paragraph 4 below.

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

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

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5. PRELIMINARY ANNUAL SETTLEMENT AND FINAL AUDIT:

(a) Within 60 days after the end of each Fiscal Year, Lessor will furnish Lessee with a preliminary report, containing a preliminary calculation, based on actual data, in accordance with this Agreement, of Terminal Charges and Activity Fees estimated to be chargeable to Lessee for the preceding Fiscal Year, and setting forth the amounts actually paid by Lessee for such period. If such report indicates that the aggregate of such fees and charges actually paid by Lessee were greater than the aggregate amounts chargeable to Lessee, then within 90 days after the end of such Fiscal Year Lessor shall refund 80% of any such estimated excess to Lessee. If such report indicates that the aggregate of such fees and charges paid by Lessee were less than the amounts chargeable to Lessee, then within 90 days after the end of such Fiscal Year Lessee shall pay to Lessor 80% of the amount of any such estimated deficiency. Interest shall accrue at a rate of 7% per annum, and be payable by Lessee in cash, on any portion of any deficiency not paid by Lessee when due. Interest shall accrue at a rate of 7% per annum, and be payable by Lessor, through a reduction in the amount of Lessor's administrative costs includible in O&M Expenses for the then Fiscal Year pursuant to Article IIIB.2. (a) (iii), on any portion of any excess not refunded to Lessee when due.

(b) By the 180th day of each Fiscal Year, Lessor shall furnish to Lessee a copy of an annual audit report prepared by a nationally recognized accounting firm, covering the operation of the Airport for the preceding Fiscal Year (the "Final Audit"). Lessor shall prepare a calculation, based

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on the Final Audit, in accordance with this Agreement, of all Terminal Charges and Activity Fees chargeable to Lessee for the preceding Fiscal Year, and setting forth the amounts actually paid by Lessee for such period, taking into account all payments and refunds pursuant to paragraph 5.(a) above. If aggregate fees and charges actually paid by Lessee were greater than the aggregate amount chargeable, then within

30 days after delivery of the Final Audit Lessor shall refund the amount of such overpayment to Lessee. If aggregate fees or charges actually paid by Lessee were less than the aggregate amount chargeable to Lessee, then within 30 days after receipt of the Final Audit Lessee shall pay to Lessor the amount of any such deficiency. The amount of Lessor's administrative costs includible in O&M Expenses for the then Fiscal Year shall be reduced by \$50,000 for each month that delivery of the Final Audit to Lessee is delayed beyond the 180th day of such Fiscal Year.

(c) The payment by Lessee of any fees and charges hereunder and the acceptance by Lessor thereof for any Fiscal Year, shall not preclude either Lessee or Lessor from questioning, within a period of one (1) year from the date of receipt by Lessee of the Final Audit for such Fiscal Year, the accuracy of any report or statement on the basis of which such payment was made, or preclude Lessor from making any claim against Lessee for any additional amount payable by Lessee, or preclude Lessee from making any claim against Lessor for the return of any excess amount paid by Lessee.

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G. SUPPLEMENTAL CAPITAL COST PAYMENTS: In addition to all other rentals and charges payable hereunder by Lessee, Lessee shall pay the following annual Bond Debt Service charges, which shall be billed on a monthly basis in advance each month, in respect of certain projects that were constructed for the benefit of Lessee in the Existing Terminal Facilities pursuant to the Basic Agreement:

1. \$753,317.26 for the United Airlines relocation project;
2. \$19,507.27 for the Concourse G elevator project;
3. \$412,648.00 for the extension to Concourse C; and
4. \$1,958,194.00 for the new Concourse G and related projects.

Lessee will pay the above annual Bond Debt Service on that portion of the 1986 and 1993 General Airport Revenue Bonds even though the term of such debt service obligation extends beyond the term of the lease of such temporary facilities. The foregoing notwithstanding, the parties acknowledge that (a) the aforesaid amounts represent annual Bond Debt Service charges in effect on the execution date of this Agreement and include amounts for 25% Paid in Coverage, and (b) such amounts will be adjusted if and when coverage requirements change and/or the Bonds to which such debt service charges relate are refinanced or refunded.

ARTICLE IV

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ARTICLE V

CONSTRUCTION, MAINTENANCE, REPAIR AND OPERATION BY LESSEE

Lessee may construct or install at its own expense any equipment, improvements and facilities, and any additions thereto, upon all or any part of the premises hereunder leased to Lessee for its exclusive use or preferential use and may construct or install at its own expense, any equipment, improvements and facilities authorized under Article I hereof upon any Airport property not leased to Lessee for its exclusive use or preferential use at such locations as may be approved by Lessor. Plans and specifications of any proposed construction or installation of improvements and facilities (including any substantial alteration or addition thereto) shall be submitted to and receive the prior approval of Lessor. Lessor shall have the right to refuse approval of such plans and specifications if the external appearance of such improvements and facilities does not meet Lessor's reasonable requirements for substantial uniformity of appearance of improvements and facilities on the Airport, or, if the type or time of construction or installation, or the location thereof does not meet Lessor's reasonable requirements for safe use of the Airport and

appurtenances by other authorized persons. Lessor may, at its own cost, inspect any such construction or installation.

Lessee shall keep and maintain all premises hereunder leased to Lessee for its exclusive use or preferential use and all such improvements and facilities and additions thereto, whether constructed or installed by it upon premises hereunder leased to it for its exclusive use or preferential use or upon Airport property not leased to it for its exclusive use or preferential use, in good condition and repair, reasonable wear and tear excepted, and damage by fire or other casualty excepted. Lessee shall not be liable for

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the repair or restoration of damage to premises hereunder leased where such damage results from fire, structural defect, or other casualty for which Lessor has obtained and there is in effect adequate insurance protection covering such fire or other casualty. No restriction shall be placed upon Lessee as to the architects, builders or contractors who may be employed by it in connection with any construction, installation, alteration, repair or maintenance of any such equipment, improvements, facilities and additions.

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

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

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charge to Lessee, and Lessee shall pay, as aforesaid, the reasonable cost and expense of such performance. If Lessor shall perform any of Lessee's obligations in accordance with the provisions of this section, Lessor shall not be liable to Lessee for any loss of revenues to Lessee resulting from such performance.

ARTICLE VI

RIGHT OF ENTRY BY LESSOR

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

ARTICLE VII

MAINTENANCE, OPERATION AND REPAIR BY LESSOR

A. Lessor shall operate, maintain and keep in good repair the areas and facilities described in Article I hereof. Lessor shall keep the Airport free from obstruction, including, without limitation, the clearing and removal of snow, vegetation, stones and other foreign matter from the runways, taxiways, and loading areas and areas immediately adjacent to such runways, taxiways and loading areas, as may be reasonably necessary for the safe, convenient and

proper use of the Airport by Lessee, and shall maintain and operate the Airport in all respects in a manner at least equal to the highest standards or ratings issued by the FAA for airports of similar size and character and in accordance with all rules and regulations of the FAA.

Lessor, at its cost, shall provide and supply adequate heat to and air conditioning for the premises hereunder leased to Lessee for its exclusive use or preferential use or for its use jointly or in common with others, and shall provide reasonable illumination

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and drinking water in the public and passenger space in the Midfield Terminal and the Existing Terminal Facilities and, except as otherwise provided herein, for the areas and facilities adjacent thereto respecting which Lessee is given a non-exclusive use hereunder. Lessor, at its cost, shall also provide adequate lighting for the vehicular parking spaces and adequate field lighting on and for the Airport, including, without limiting the generality hereof, boundary lights, landing lights, flood lights and beacons. Lessor, at its cost, shall also provide all janitor services and other cleaners necessary to keep the vehicular parking spaces and the landing field of the Airport at all times clean, neat, orderly, sanitary and presentable.

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

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

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expiration of said thirty day period, and Lessee may deduct its reasonable costs of performance thereof from any rentals, fees or charges as aforesaid.

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

B. Notwithstanding the foregoing, Lessor hereby appoints Lessee as its agent for the performance of, and Lessee agrees to and undertakes to perform, the Assigned Operations and Maintenance Functions to be performed by Lessor pursuant to this Article VII in, on and under the Midfield Terminal, pursuant to the following agreements:

1. Lessee agrees to perform the Assigned Operations and Maintenance Functions in a manner and to standards as are established for Lessor in this Article VII.

2. In the event that Lessee fails to perform, for a period of 30 days after written notice from Lessor so to do, any obligation required by this Article VII to be performed by Lessee at Lessee's cost, Lessor, upon the

expiration of such 30 day period, may, but shall not be obligated to, enter upon the premises involved and perform such obligation of Lessee, provided, however, that if Lessee's failure to perform any such obligation adversely affects, or endangers the health or safety of the public or of

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employees of Lessor, and if Lessor so states in its aforesaid notice to Lessee, Lessor may, but shall not be obligated to, perform such obligation of Lessee, at any time after the giving of such notice and without awaiting the expiration of said 30 day period.

3. As required by Article IIIF.1.(b)(vii) above, Lessee shall render a detailed statement for reimbursement of the out of pocket costs incurred by Lessee in connection with the Assigned Operations and Maintenance Functions undertaken by Lessee under this Article VII within 20 days after the end of each month, and Lessee shall be entitled to net such amounts against payments due Lessor pursuant to Article IIIF.3. above. Lessor shall be entitled to audit any monthly statement of costs rendered by Lessee and Lessee will make available to Lessor all of the records supporting such statements. With respect to employees of Lessee, Lessee shall be entitled to reimbursement for any out-of-pocket costs incurred by it for salaries and benefits of Lessee's employees exclusively assigned to the Assigned Operations and Maintenance Functions and who are based at, and spend substantially all of their work time at, the Airport. The payments made by Lessor to Lessee pursuant to this subsection shall be deemed to be Midfield O&M Expenses.

4. In the performance of the functions undertaken pursuant to this Article VII by contractor or third party forces engaged by Lessee, Lessee shall require payment of wage rates and provision of benefits comparable to the wage rates and benefits paid and provided to workers engaged in similar skilled trades work for building maintenance projects in the Detroit Metropolitan Area.

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ARTICLE VIII

UTILITY SERVICES

Lessor shall, directly or by arrangement with appropriate utility companies or suppliers, supply Lessee with electrical current, gas, water, telephone and sewerage facilities, and shall charge Lessee for such utility services at rates not exceeding those which Lessee would have to pay if it established the same demand and took the same quantity directly from such utility companies or suppliers. Lessor shall also supply electrical current to the ramp areas to be used by Lessee in common with others and shall charge Lessee its appropriate share of such electrical current at the rates hereinabove specified.

ARTICLE IX

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

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

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ARTICLE X

RESTAURANT

Any other provision of this Agreement to the contrary notwithstanding, Lessee shall have the right to operate directly or through a designee, assignee

or sub-lessee, private club facilities within such appropriate space leased to it in the Midfield Terminal for such purposes, which club facilities shall be authorized to serve food and beverages; provided, however, food and beverages served in such private club facilities will be obtained by Lessee from the Airport food concessionaire to the extent that same are available for purchase from said Airport food concessionaire.

ARTICLE XI

RULES AND REGULATIONS

Lessor shall adopt and enforce reasonable rules and regulations and any reasonable amendments thereto, with respect to the use of the Airport, which shall provide for the safety of those using the Airport, and Lessee agrees to observe and obey the same; provided, that such rules and regulations shall be consistent with safety and with rules, regulations and orders of the FAA with respect to aircraft operations at the Airport; and provided further, that such rules and regulations shall not be inconsistent with the procedures prescribed or approved from time to time by the FAA with respect to the operation of Lessee's aircraft at the Airport. Lessee shall be given notice of all amendments to rules and regulations as are from time to time adopted by Lessor and no such amendment shall be effective as to Lessee until thirty (30) days after the date of such notice unless Lessor states in said notice that the amendment is of an emergency nature, in which case the amendment shall be immediately effective.

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ARTICLE XII

CONTROL OF RATES, FARES OR CHARGES

Lessor shall have no control whatsoever over the rates or charges that Lessee may prescribe for any of its services to, from, through or at the Airport, or between the Airport and Lessee's ticket offices or other stopping places in the City of Detroit or the County of Wayne, or elsewhere, nor shall Lessor, except to the extent reasonably necessary to prevent physical damage or injuries to persons or property at the Airport, in any manner whatsoever, control the type, design, style, figuration, weight, allowable loads, specifications or means of propulsion of, or use of space on, the aircraft Lessee may operate to and from said Airport, or the point of origin or destination of flights operated by Lessee to or from the Airport.

ARTICLE XIII

DAMAGE OR DESTRUCTION OF PREMISES

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

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

ARTICLE XIV

CANCELLATION BY LESSOR

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

(a) The filing by Lessee of a voluntary petition in bankruptcy;

(b) The institution of proceedings in bankruptcy against Lessee and the adjudication of Lessee as a bankrupt pursuant to such proceedings if such adjudication shall remain unvacated or unstayed for a period of at least sixty (60) days;

(c) The taking by a court of competent jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal reorganization act if the judgment of such court shall remain unvacated or unstayed for a period of at least sixty (60) days;

(d) The appointment of a receiver of Lessee's assets if such appointment by a court of competent jurisdiction shall remain unvacated or unstayed for a period of at least sixty (60) days;

(e) The divestiture of Lessee's estate herein by other operation of law;

(f) The abandonment by Lessee of its conduct of Air Transportation at the Airport;

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(g) If the Lessee shall be prevented for a period of sixty (60) days (after exhausting or abandoning all appeals) by any action of any governmental authority, board, agency or officer having jurisdiction thereof from conducting Air Transportation at the Airport unless it is so prevented from conducting Air Transportation, either (1) by reason of the United States or any agency thereof acting directly or indirectly, taking possession of and operating, in whole or in substantial part, the premises and space leased or operated by the Lessee, or premises required for the actual operation of Lessee's aircraft to and from the Airport, or (2) if all or a substantial part of the premises and space leased by the Lessee shall be acquired in the manner described in Article XXIV hereof;

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

Notwithstanding anything to the contrary herein contained, Lessor shall not have the right to cancel, or give notice of cancellation of, this Agreement solely by reason of Lessee's failure or refusal to pay any part of the rentals, fees or charges provided for in this Agreement if, within sixty (60) days after such failure or refusal, Lessee shall have given to Lessor a written notice stating that Lessee in good faith predicates such failure or refusal upon either or both of the following: (1) Any provision of this Agreement granting to Lessee in specified events a reduction in or abatement of any rentals, fees or charges payable by Lessee to Lessor hereunder, or (2) Any provision of this

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

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

ARTICLE XV

CANCELLATION BY LESSEE

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

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

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

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

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

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

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subsequent default of any of the terms, covenants and conditions herein contained to be performed, kept and observed by Lessor.

ARTICLE XVI

SUSPENSION AND ABATEMENT

In the event that Lessor's operation of the Airport or Lessee's operation at the Airport should be restricted substantially by action of any court of competent jurisdiction or by action of the federal government or any agency thereof, or by action of the State of Michigan or any agency thereof, then either party hereto shall have the right, upon written notice to the other, to a suspension of this Agreement and an abatement of a just proportion of the services and facilities to be afforded hereunder, or a just proportion of the payments to become due hereunder, from the time of such notice until such restriction shall have been remedied and normal operations restored. Ascertainment of all matters under this Article shall be determined by agreement or by arbitration as provided in Article XVII hereof.

ARTICLE XVII

ARBITRATION

If any controversy or claim should arise out of, under, or relating to, the provisions of Articles III or XVI of this Agreement, then either party may by notice in writing to the other, submit the controversy or claim to arbitration. The party desiring such arbitration shall give written notice to that effect to the other party, specifying in said notice the name and address of the person designated to act as arbitrator on its behalf. Within fifteen (15) days after the service of such notice, the other party shall give written notice to the first party specifying the name and address of the person designated to act as arbitrator on its behalf. The arbitrators thus appointed shall

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appoint a third disinterested person of recognized competence in such field, and such three arbitrators shall as promptly as possible determine the controversy or claim.

If the two arbitrators appointed by the parties shall be unable to agree upon the appointment of a third arbitrator within fifteen (15) days after the appointment of the second arbitrator, then within fifteen (15) days thereafter either of the parties upon written notice to the other party, on behalf of both, may request the appointment of a disinterested person of recognized competence in the field involved as the third arbitrator by the then chief judge of the United States District Court for the Eastern District of Michigan, Southern Division, or upon his failure, refusal or inability to act, may request such appointment by the then miscellaneous presiding judge of the Circuit Court (Third Judicial Circuit) of the State of Michigan, County of Wayne, or, upon his failure, refusal or inability to act, may apply to the Circuit Court (Third Judicial Circuit) of the State of Michigan, County of Wayne for the appointment of such third arbitrator, and the other party shall not raise any question as to the court's full power and jurisdiction to entertain the application and make the appointment. If none of the parties shall so request such appointment of a third arbitrator within fifteen (15) days after the expiration of the period within which the two arbitrators are to appoint a third arbitrator as hereinabove provided, the rights of each party to arbitrate the matter shall be deemed to have been waived and either of the parties may proceed to enforce whatever remedies, legal or otherwise, it may otherwise have.

The decision in which any two of the three arbitrators so appointed and acting hereunder concur shall in all cases be binding and conclusive upon the parties. Each party shall pay the fees and expense of the arbitrator appointed by such party and one-half of the other expense of the arbitration properly incurred hereunder.

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Each of the parties hereto agree that if, in the opinion of the other party, any separate agreement is required by law in order to effectuate or enforce the arbitration provisions hereinabove contained, it will execute such separate agreement provided that the same is not inconsistent with the terms and provisions of this Agreement.

ARTICLE XVIII

INDEMNITY

Lessee agrees to indemnify and hold Lessor harmless from and against all liability for injuries to persons or damage to property caused by Lessee's use and occupancy of or operations at the Airport; provided, however, that Lessee shall not be liable for any injury, damage or loss caused by Lessor's sole negligence or by the joint negligence of Lessor and any person other than Lessee; and provided further that Lessor shall give to the Lessee prompt and timely notice of any claim made or suit instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect Lessee, and Lessee shall have the right to compromise and defend the same to the extent of its own interest.

ARTICLE XIX

Lessee shall, at all times during the term of this Agreement maintain in effect policies of insurance issued by a company or companies of sound and adequate financial responsibility, insuring Lessee against all liabilities to the public for loss resulting from injury to persons or damage to property arising out of or caused by Lessee's operations, acts or omissions or those of Lessee's employees, agents or contractors. Such policies shall name the Lessor as additional assured thereunder,

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subject to the limitations set forth in Article XVIII hereof in respect of Lessor's negligence, and shall be in at least the following amounts:

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Aircraft Public Liability Insurance - \$ 5,000,000 per person 50,000,000 per accident	
Aircraft Property Damage Insurance - \$10,000,000 per accident	
Comprehensive Public Liability Ins. - \$ 5,000,000 per person 10,000,000 per accident	
Comprehensive Property Damage Ins. - \$ 5,000,000 per accident	

Lessee shall furnish to Lessor certificates evidencing such insurance.

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ARTICLE XX

QUIET ENJOYMENT

Lessor agrees that on payment of the rentals, fees and charges as herein provided and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably have and enjoy the leased premises and all the rights and privileges of the Airport, its appurtenances and facilities granted herein.

ARTICLE XXI

TITLE TO EQUIPMENT, IMPROVEMENTS
AND FACILITIES ERECTED BY LESSEE

It is agreed that title to any equipment, improvements, and facilities, and any additions thereto, irrespective of whether the same would otherwise become a fixture under Michigan law (including without limitation all buildings, hangars, structures, storage tanks, pipes, pumps, wires, poles, machinery and air-conditioning equipment), constructed or installed by Lessee upon the premises leased hereunder to Lessee for its exclusive or preferential use or upon other Airport property (other than equipment,

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improvements and facilities financed by Lessor, whether with the proceeds of Bonds, PFCs, Federal funds or otherwise), shall remain the property of Lessee, unless it has at any time during the term of this Agreement by written notice and election, vested title to all or any part thereof in Lessor. Lessee shall have the right at any time during the term of this agreement, or any renewal or extension hereof, to remove any or all of such equipment, improvements and facilities, provided Lessee is not at any such time in default in its payments to Lessor hereunder and subject further to Lessee's obligation to repair all damage, if any, reasonable wear and tear excepted, resulting from such removal. If at any time during this Agreement, Lessee has exercised its right to vest title to such equipment, improvements and facilities in Lessor, it shall no longer have the right to remove such property. Lessee agrees to remove said equipment, improvements and facilities at the expiration or other termination of this Agreement irrespective of whether it has exercised its right of election to vest title to the same in Lessor, if so requested by Lessor, and, upon failure so to do, Lessor shall have the right to remove the same and charge to Lessee

the actual cost of such removal and restoration of the site to its original condition, ordinary wear and tear excepted. Any such equipment, improvements or facilities not removed by Lessee prior to the expiration or other termination of this Agreement shall thereupon become the property of Lessor.

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ARTICLE XXII

SURRENDER OF POSSESSION

Upon the expiration or earlier termination of this Agreement or any renewal hereof, Lessee shall forthwith surrender possession of the premises in as good condition as when received, reasonable wear and tear, damage by flood, fire, earthquake, other casualty, Acts of God or the public enemy, excepted.

ARTICLE XXIII

MINERAL RIGHTS

It is agreed and understood that all water, gas, oil and mineral rights in and under the soil are expressly reserved to Lessor.

ARTICLE XXIV

CONDEMNATION

Upon the acquisition by condemnation or the exercise of the power of eminent domain under any Federal or state statute by the Federal Government, the State of Michigan, or any Federal or state agency or any other person vested with such power, of a temporary or permanent interest in all or any part of the Airport, the Lessor and the Lessee each shall have the right to appear and file claims for damages, to the extent of their respective interests, in the condemnation or eminent domain proceedings, to participate in any and all hearings, trials and appeals therein, and to receive and retain such amount as they may lawfully be entitled to receive as damages or payment as a result of such acquisition.

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ARTICLE XXV

ASSIGNMENT AND SUBLETTING

A. Lessee shall not at any time assign this Agreement or any part hereof, or sublet any premises now or hereafter leased to Lessee, without the consent in writing of Lessor, which consent will not be unreasonably withheld; provided, that the foregoing shall not prevent the assignment of this Agreement to any corporation with which Lessee may merge or consolidate, or which may succeed to the business of Lessee. No such subletting, however, shall release Lessee from its obligations to pay any and all of the rentals, charges, and fees provided or from any other obligation under this Agreement.

B. Except as provided in Article IIIB.2.(b), Lessor shall not at any time assign this Agreement or any part hereof, or pledge, sell, convey, mortgage, encumber, assign or otherwise transfer the Airport or any portion thereof during the term of this Agreement.

ARTICLE XXVI

SUBSIDIARY COMPANIES

The right to use the premises and facilities leased to Lessee under Article I hereof, or which it may subsequently be entitled to use in accordance with the exercise of options pursuant to this Agreement, in the manner specified in such Article and any other Articles of this Agreement, shall be extended to all of Lessee's subsidiary companies at no additional cost.

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ARTICLE XXVII

NOTICES

Notices to Lessor provided for herein shall be sufficient if sent by registered mail, postage prepaid, addressed to Director of Airports, Detroit Metropolitan Wayne County Airport, Detroit, Michigan 48242; and notices to Lessee, if sent by registered mail, postage prepaid, addressed to Northwest Airlines, Inc., 5101 Northwest Drive, St. Paul, Minnesota 55111, Attention: General Counsel, or to such other respective addresses as the parties may designate to each other in writing from time to time.

ARTICLE XXVIII

DEFINITIONS

1. "ACE ACCOUNT" shall mean the AIRLINE CAPITAL EXPENDITURE (SUBORDINATE LIEN) ACCOUNT OF THE SUBORDINATE LIEN COVERAGE FUND as established pursuant to Ordinance 319.
2. "ACTIVITY FEE" shall have the meaning set forth in Article IIIB.1.
3. "AGREEMENT" shall mean this Second Amended and Restated Airport Agreement.
4. "AIRLINE EQUITY ACCOUNT" shall mean that account as established pursuant to Ordinance 319.
5. "AIRLINE EQUITY SUBACCOUNTS" shall mean those subaccounts of the Airline Equity Accounts as established pursuant to Ordinance 319.
6. "AIRPORT" shall have the meaning set forth in the first "Whereas" clause of this Agreement.
7. "AIRPORT DEVELOPMENT FUND" shall mean that fund created by Lessor pursuant to Article IIIB.2.(a)(5).

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8. "AIRPORT REVENUE BONDS" shall mean Bonds issued pursuant to Ordinance 319.
9. "AIRPORT-SYSTEM" shall mean the Airport and Willow Run Airport.
10. "AIR TRANSPORTATION" shall mean the business of transporting natural persons, property, cargo and mail by aircraft.
11. "APPROVED MAXIMUM LANDING WEIGHT" for any aircraft shall mean the maximum landing weight approved by the FAA for landing such aircraft at the Airport.
12. "ASSIGNED OPERATIONS AND MAINTENANCE FUNCTIONS" shall mean: (a) operations and maintenance for all of Lessee's Exclusive Midfield Terminal Space, Lessee's Preferential Midfield Terminal Space and Lessee's Joint Use Midfield Terminal Space, (b) operation and maintenance (including janitorial services, cleaning and minor repairs) of all of the Common Use Midfield Terminal Space and public space in the Midfield Terminal and the mechanical equipment therein, (c) the operation and maintenance of all building-wide services, such as heating, cooling, lighting, and electrical services and (d) the maintenance and repairs of the interior and exterior floors, walls, ceilings and roof of the Midfield Terminal. The foregoing notwithstanding, Assigned Operations and Maintenance Functions shall not include: (i) operation of the Common Use Midfield Terminal Space in the Midfield Terminal (including gate allocation and utilization, and federal inspection services facilities), (ii) the selection of concessionaires in the Midfield Terminal and operations and maintenance functions to be performed by such concessionaires in the Midfield Terminal, and (iii) police and building security functions in the Midfield Terminal.

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13. "BASIC AGREEMENT" shall mean that certain Airport Agreement dated February 26, 1959, as amended, to which Lessor and Lessee were parties as of the

execution of this Agreement.

14. "BONDS" shall mean bonds issued by the Lessor pursuant to the Bond Ordinance or any other ordinance of the Lessor pursuant to which airport revenue bonds secured by a pledge of Airport revenue, on a senior or subordinate lien basis, are issued.
15. "BOND DEBT SERVICE" shall mean, for any fiscal year, all amounts of any nature whatsoever payable during such fiscal year under Ordinance 319 into the Bond Fund (including, but not limited to, the Bond Reserve Account), the Operation and Maintenance Reserve Fund and the Renewal and Replacement Fund, any other payment required by Section 604 of Ordinance 319 (including, but not limited to, amounts required to satisfy Lessor's rate covenant) and all amounts of any nature whatsoever payable during such fiscal year under any other ordinance of Lessor pursuant to which Bonds are issued into funds with purposes similar to the aforementioned Ordinance 319 funds, including coverage payments, reduced in all cases by an amount equal to any interest payable on Bonds during such fiscal year from Bond proceeds.
16. "BOND ORDINANCE" shall mean Ordinance 319 and such other ordinances enacted and amended from time to time under which Lessor is authorized to issue Bonds.
17. "BOND RESERVE ACCOUNT" shall mean the fund of such name as established pursuant to Ordinance 319.

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18. "COMMON USE MIDFIELD TERMINAL SPACE" shall mean Common Use Premises in the Midfield Terminal.
19. "COMMON USE PREMISES" shall mean space, improvements and facilities at the Airport to be used in common by air carriers.
20. "COUNTY DISCRETIONARY FUND" shall mean the fund of such name as established pursuant to Ordinance 319.
21. "DATE OF BENEFICIAL OCCUPANCY" shall mean, with regard to any terminal facility, the date on which an air transportation company occupies such facility for the operation of its Air Transportation business.
22. "DOMESTIC AREA OF THE MIDFIELD TERMINAL" shall mean that portion of the Midfield Terminal identified on EXHIBIT B as Domestic Area.
23. "EXCLUSIVE EXISTING TERMINAL SPACE" shall mean Exclusive Use Premises in the Existing Terminal Facilities.
24. "EXCLUSIVE MIDFIELD TERMINAL SPACE" shall mean Exclusive Use Premises in the Midfield Terminal.
25. "EXCLUSIVE USE PREMISES" shall mean space, improvements and facilities at the Airport leased for the exclusive use of an air carrier.
26. "EXISTING TERMINAL FACILITIES" shall mean space, improvements and facilities in the terminals in operation at the Airport immediately prior to the Date of Beneficial Occupancy of any space in the Midfield Terminal.
27. "FAA" shall mean the Federal Aviation Administration, or any successor agency.
28. "FINAL AUDIT" shall have the meaning set forth in Article IIIF.5.(b).
29. "FISCAL YEAR" shall mean December 1 of any year through November 30 of the following year, or such other fiscal year as Lessor may adopt for the Airport.

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30. "INTERNATIONAL AREA OF MIDFIELD TERMINAL" shall mean that portion of the Midfield Terminal identified on EXHIBIT B as International Area.

31. "JOINT USE MIDFIELD TERMINAL SPACE" shall mean Joint Use Premises in the Midfield Terminal.
32. "JOINT USE PREMISES" shall mean space, improvements and facilities at the Airport leased for the joint use of two or more (but not all) air carriers.
33. "LESSEE'S COMMON USE MIDFIELD TERMINAL SPACE" shall have the meaning set forth in Article IB.5.
34. "LESSEE'S EXCLUSIVE EXISTING TERMINAL SPACE" shall have the meaning set forth in Article IB.1.
35. "LESSEE'S EXCLUSIVE MIDFIELD TERMINAL SPACE" shall have the meaning set forth in Article IB.2.
36. "LESSEE'S EXISTING TERMINAL SPACE TO BE DEMOLISHED" shall have the meaning set forth in Article IB.1.
37. "LESSEE'S JOINT USE MIDFIELD TERMINAL SPACE" shall have the meaning set forth in Article IB.4.
38. "LESSEE'S PREFERENTIAL MIDFIELD TERMINAL SPACE" shall have the meaning set forth in Article IB.3.(a).
39. "MAJORITY-IN-INTEREST OF THE AIR CARRIERS" shall mean either (i) seventy-five percent (75%) of the Signatory Airlines who together have landed fifty-one percent (51%) of the total landed weight of all such Signatory Airlines during the immediately preceding calendar year (as such weight is reflected by official Airport records), or (ii) fifty-one percent (51%) of the Signatory Airlines who have together landed seventy-five percent (75%) of the total landed weight of all such

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Signatory Airlines during the immediately preceding calendar year (as such weight is reflected by official Airport records).

40. "MIDFIELD COMMON USE RENTAL CHARGES" shall mean the charges established in Article IIIA.4.(a).
41. "MIDFIELD DOMESTIC BOND DEBT SERVICE RATE" shall mean the rate established as such pursuant to Article IIIA.2.(b).
42. "MIDFIELD DOMESTIC EXCLUSIVE AND PREFERENTIAL RENTAL RATE" shall mean the rate established as such pursuant to Article IIIA.2.(b).
43. "MIDFIELD DOMESTIC JOINT USE RENTAL RATE" shall mean the rate established as such pursuant to Article IIIA.3.(b).
44. "MIDFIELD DOMESTIC O&M RATE" shall mean the rate established as such pursuant to Article IIIA.2.(b).
45. "MIDFIELD EXCLUSIVE AND PREFERENTIAL RENTAL CHARGES" shall mean the charges established in Article IIIA.2.(a).
46. "MIDFIELD INTERNATIONAL BOND DEBT SERVICE RATE" shall mean the rate established as such pursuant to Article IIIA.2.(c).
47. "MIDFIELD INTERNATIONAL EXCLUSIVE AND PREFERENTIAL RENTAL RATE" shall mean the rate established as such pursuant to Article IIIA.2.(c).
48. "MIDFIELD INTERNATIONAL JOINT USE RENTAL RATE" shall mean the rate established as such pursuant to Article IIIA.3.(c).
49. "MIDFIELD INTERNATIONAL O&M RATE" shall mean the rate established as such pursuant to Article IIIA.2(c).
50. "MIDFIELD JOINT USE RENTAL CHARGES" shall mean the charges established in Article IIIA.3.(a).

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51. "MIDFIELD O&M EXPENSES" shall mean direct O&M Expenses of the Midfield Terminal (but excluding all administrative charges by Lessor and other indirect O&M expenses).
52. "MIDFIELD TERMINAL" shall have the meaning set forth in the fourth "Whereas" clause of this Agreement.
53. "MID-YEAR PROJECTION" shall have the meaning set forth in Article IIIF.4.
54. "O&M EXPENSES" shall mean, for any Fiscal Year, expenses of maintenance, operation and administration of the Airport (including, but not limited to, the Midfield Terminal) for such Fiscal Year.
55. "OPERATION AND MAINTENANCE RESERVE FUND" shall mean the fund of such name as established pursuant to Ordinance 319.
56. "ORDINANCE 319" shall mean that ordinance of Lessor dated July 24, 1986 entitled "Charter County of Wayne Ordinance Number 319," as such ordinance has been amended or supplemented from time to time.
57. "PERSONS" shall mean natural persons, firms, corporations, partnerships, limited liability companies and other legal entities.
58. "PAID-IN COVERAGE" shall have the meaning set forth in Article IIB.2.(a).
59. "PFCS" shall mean passenger facility charges imposed by Lessor pursuant to the Aviation and Safety Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, Sections 9110 and 911, recodified as 49 U.S.C. 40117, as amended from time to time, and Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time.
60. "PREFERENTIAL MIDFIELD TERMINAL SPACE" shall mean Preferential Use Premises in the Midfield Terminal.

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61. "PREFERENTIAL USE PREMISES" shall mean space, improvements and facilities at the Airport provided to an air carrier on a preferential, non-exclusive manner, e.g, in the manner provided in Article IB.3.(b).
62. "PRODUCER PRICE INDEX" shall mean the Producer Price Index/All Commodities published by the United States Department of Labor, Bureau of Labor Statistics (January, 1996 = 100), or if such index is discontinued or otherwise becomes unavailable to the public, the most nearly comparable index published by a recognized financial institution, financial publication or university.
63. "PROJECT DEVELOPMENT AGREEMENT" shall mean the Project Development Agreement dated as of October 10, 1996, between Lessor and Lessee.
64. "PROJECTION" shall have the meaning set forth in Article IIIF.2.
65. "RENEWAL AND REPLACEMENT FUND" shall mean the fund of such name as established pursuant to Ordinance 319.
66. "RESERVE FUND" shall mean the fund of such name as established pursuant to Ordinance 319.
67. "REVENUE FUND" shall mean the fund of such name as established pursuant to Ordinance 319.
68. "REVENUE REQUIREMENT" shall have the meaning set forth in Article IIIB.1.
69. "SIGNATORY AIRLINES" shall mean Lessee and those air carriers who have executed an agreement substantially similar to the Basic Agreement. After December 1, 2008, in order to be a Signatory Airline, an air carrier shall also have executed an agreement substantially similar to this Agreement (except for the premises leased thereunder).

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70. "SPECIAL FACILITY REVENUES" shall have the meaning for such term set forth in Ordinance 319.
71. "SPECIAL FACILITY REVENUE BOND" shall mean a bond of Lessor secured solely by Special Facility Revenues.
72. "SUBORDINATE BOND RESERVE ACCOUNT" shall mean the account of such name as established pursuant to Ordinance 319.
73. "TERMINAL CHARGES" shall mean the charges established pursuant to Article IIIA.
74. "USEABLE SQUARE FEET" shall mean square feet of space available for public and tenant use exclusive of nonpublic mechanical, service and support areas.
75. "WEIGHTED MAJORITY" shall mean either (a) Signatory Airlines which, in the aggregate, landed eighty-five percent (85%) or more of the landed weight of all Signatory Airlines for the preceding twelve-month period for which records are available, or (b) all but one of the Signatory Airlines regardless of landed weight.

ARTICLE XXIX

PARAGRAPH HEADINGS

The paragraph headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provision of this Agreement.

ARTICLE XXX

INVALID PROVISION

In the event any covenant, condition or provision herein contained is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained; provided that the invalidity of any such covenant, condition or

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provision does not materially prejudice either Lessor or Lessee in its respective rights and obligations contained in the valid covenants, conditions or provisions of this Agreement.

ARTICLE XXXI

SUCCESSORS AND ASSIGNS BOUND BY COVENANTS

All the covenants, stipulations and agreements in this Agreement shall extend to and bind the legal representatives, successors and assigns of the respective parties hereto.

ARTICLE XXXII

RIGHT TO LEASE TO UNITED STATES GOVERNMENT

It is agreed that during time of war or national emergency the Lessor shall have the right to lease the landing area or any part thereof to the United States Government for military or naval use, and, if any such lease is executed, the provisions of this instrument insofar as they are inconsistent with the provisions of the lease to the Government shall be suspended.

It is agreed that this lease shall be subordinate to the provisions of any existing or future agreement between the Lessor and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of Federal funds for the development of the Airport.

COVENANTS AGAINST DISCRIMINATION

A. COVENANT PURSUANT TO REQUIREMENTS OF THE DEPARTMENT OF TRANSPORTATION: Lessee, for itself, its personal representatives, successors in

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<Page>

interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land, that (1) no person on the grounds of race, color, national origin or gender shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of facilities at the Airport, (2) that in the construction of any improvements on, over, or under land at the Airport and the furnishing of services thereon, no person on the grounds of race, color, national origin or gender shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

In the event of a breach of any of the above non-discrimination covenants, Lessor shall have the right to terminate this agreement and to reenter and repossess said land and the facilities thereon, and hold the same as if said agreement had never been made or issued.

B. EMPLOYMENT: The parties hereto hereby covenant not to discriminate against an employee or applicant for employment with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment because of his or her age or sex, except where based on a bona fide occupational qualification, or because of his or her race, color, religion, national origin or ancestry, and to require a similar covenant on the part of any sublessee hereunder and any subcontractor employed as a result, or in connection with the

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exercise of rights granted and/or the performance of obligations assumed under this Agreement.

C. AFFIRMATIVE ACTION PROGRAM: In addition to the foregoing, the parties hereto agree to carry out and be subject to the provisions of Addendum 1, entitled "NON-DISCRIMINATION AFFIRMATIVE ACTION AND SET ASIDE PROGRAMS FOR WAYNE COUNTY" attached hereto and made a part hereof.

D. DISADVANTAGED BUSINESS ENTERPRISE: Lessee agrees to comply with the following policy and requirements of the Department of Transportation:

1. POLICY. It is the policy of the Department of Transportation that disadvantaged business enterprises as defined in 49 CFR Part 23 shall have the maximum opportunity to participate in the performance of contracts financed in whole or in part with Federal funds under this Agreement. Consequently the disadvantaged business enterprise requirements of 49 CFR Part 23 apply to this Agreement.

2. DBE OBLIGATION. (i) The recipient or its contractor agrees to ensure that disadvantaged business enterprises as defined in 49 CFR Part 23 have the maximum opportunity to participate in the performance of contracts and subcontracts financed in whole or in part with Federal funds provided under this Agreement. In this regard all recipients or contractors shall take all necessary and reasonable steps in accordance with 49 CFR Part 23 to ensure that disadvantaged business enterprises have the maximum opportunity to compete for and perform contracts. Recipients and their contractors shall not discriminate on the basis of

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race, color, national origin, or sex in the award and performance of Department of Transportation-assisted contracts.

Failure of a contractor or subcontractor to carry out the requirements set forth in paragraph 23.43(a) of 49 CFR Part 23 shall constitute a breach of contract and, after notification of the Department of Transportation, may result in termination of the Agreement or contract by the recipient or such remedy as the recipient deems appropriate.

The definitions set forth in paragraph 23.5 of 49 CFR Part 23 shall apply to the foregoing statements concerning disadvantaged business enterprises.

ARTICLE XXXIV

CONFORMITY OF AGREEMENT

In the event that Lessor shall hereafter enter into any lease, contract or agreement with any other scheduled air transport operator, with respect to the use of the Airport or terminal facilities, containing more favorable terms than this Agreement, or shall hereafter grant to any other scheduled air transport operator, rights or privileges with respect thereto which are not accorded to Lessee hereunder, then the same rights, privileges and more favorable terms shall be concurrently and automatically made available to Lessee.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

COUNTY OF WAYNE
CHIEF EXECUTIVE OFFICER

/s/ Edward H. McNamara

Edward H. McNamara

NORTHWEST AIRLINES, INC.

By JAMES M. GREENWALD

Its VP FACILITIES AND AIRPORT AFFAIRS

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<Page>

EXHIBIT A

EXISTING AIRPORT LAYOUT PLAN

[Site Plan]

<Page>

DAVEY TERMINAL
MAIN LEVEL - NORTH PORTION

[Site Plan]

EXHIBIT # NWA-1
DATE 1-1-1996

<Page>

DAVEY TERMINAL
APRON LEVEL - CENTRAL PORTION

[Site Plan]

EXHIBIT # NWA-2
DATE 1-1-1996

<Page>

DAVEY TERMINAL
APRON LEVEL - NORTH PORTION

[Site Plan]

EXHIBIT # NWA-3
DATE 1-1-1996

<Page>

DAVEY TERMINAL
MEZZANINE LEVEL

[Site Plan]

EXHIBIT # NWA-4
DATE 1-1-1996

<Page>

DAVEY TERMINAL
MAIN LEVEL - NORTH PORTION

[Site Plan]

EXHIBIT # NWA-5
DATE 1-1-1996

<Page>

DAVEY TERMINAL
APRON LEVEL - SOUTH PORTION

[Site Plan]

EXHIBIT # NWA-6
DATE 1-1-1996

<Page>

CONCOURSE A - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-7
DATE 1-1-1996

<Page>

CONCOURSE B - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-8
DATE 1-1-1996

<Page>

CONCOURSE B - APRON LEVEL

[Site Plan]

EXHIBIT # NWA-9
DATE 1-1-1996

<Page>

CONCOURSE 'C'
MAIN LEVEL - SOUTH EXPANSION

[Site Plan]

EXHIBIT # NWA-10
DATE 1-1-1996

<Page>

CONCOURSE C
APRON LEVEL - SOUTH EXPANSION PORTION

[Site Plan]

EXHIBIT # NWA-11
DATE 1-1-1996

<Page>

CONCOURSE C
MAIN LEVEL - SOUTHWEST PORTION

[Site Plan]

EXHIBIT # NWA-12
DATE 1-1-1996

<Page>

CONCOURSE C
APRON LEVEL - SOUTHWEST PORTION

[Site Plan]

EXHIBIT # NWA-13
DATE 1-1-1996

<Page>

L.C. SMITH TERMINAL
MAIN LEVEL - CENTRAL PORTION

[Site Plan]

EXHIBIT # NWA-14
DATE 1-1-1996

<Page>

L.C. SMITH TERMINAL
APRON LEVEL - NORTHWEST PORTION

[Site Plan]

EXHIBIT # NWA-15
DATE 1-1-1996

<Page>

CONCOURSE C - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-16
DATE 1-1-1996

<Page>

CONCOURSE C
APRON LEVEL - SOUTHWEST PORTION

[Site Plan]

EXHIBIT # NWA-17
DATE 1-1-1996

<Page>

CONCOURSE D - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-18
DATE 1-1-1996

<Page>

CONCOURSE D - APRON LEVEL

[Site Plan]

EXHIBIT # NWA-19
DATE 1-1-1996

<Page>

CONCOURSE E: - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-20
DATE 1-1-1996

<Page>

CONCOURSE E - APRON LEVEL

[Site Plan]

EXHIBIT # NWA-21
DATE 1-1-1996

<Page>

CONCOURSE F - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-22
DATE 1-1-1996

<Page>

CONCOURSE F - APRON LEVEL

[Site Plan]

EXHIBIT # NWA-23
DATE 1-1-1996

<Page>

CONCOURSE F - TUNNEL LEVEL

[Site Plan]

EXHIBIT # NWA-24
DATE 1-1-1996

<Page>

CONCOURSE G
APRON LEVEL - NORTH PORTION

[Site Plan]

EXHIBIT # NWA-25
DATE 1-1-1996

<Page>

CENTRAL SERVICES - MAIN LEVEL

[Site Plan]

EXHIBIT # NWA-26
DATE 1-1-1996

<Page>

CENTRAL SERVICES - APRON LEVEL (SOUTH)

[Site Plan]

EXHIBIT # NWA-27
DATE 1-1-1996

<Page>

INTERNATIONAL TERMINAL
APRON LEVEL - SOUTH PORTION

[Site Plan]

EXHIBIT # NWA-28
DATE 1-1-1996

<Page>

INTERNATIONAL TERMINAL
MEZZANINE LEVEL

[Site Plan]

EXHIBIT # NWA-29
DATE 1-1-1996

<Page>

MAIN LEVEL - BUS STOP (NWA)

[Site Plan]

EXHIBIT # NWA-30
DATE 7-1-1996

<Page>

APRON LEVEL BUS STOP

[Site Plan]

EXHIBIT # NWA-31
DATE 7-1-1996

<Page>

EXHIBIT D

TERMINAL AND EAST CONCOURSES
INTERNATIONAL ARRIVAL LEVEL

[Site Plan]

<Page>

EXHIBIT D

EAST CONCOURSE - SOUTH
APRON LEVEL

[Site Plan]

<Page>

EXHIBIT D

EAST CONCOURSE - SOUTH
APRON LEVEL

[Site Plan]

<Page>

EXHIBIT D

TERMINAL AND EAST CONCOURSE - CENTER
DOMESTIC ARRIVAL / APRON LEVEL

[Site Plan]

<Page>

EXHIBIT D

EAST CONCOURSE - NORTH
APRON LEVEL

[Site Plan]

<Page>

EXHIBIT D

EAST CONCOURSE - SOUTH
CONCOURSE LEVEL

[Site Plan]

<Page>

EXHIBIT D

TERMINAL AND EAST CONCOURSE - CENTER
DEPARTURE / CONCOURSE LEVEL

[Site Plan]

<Page>

EXHIBIT D

EAST CONCOURSE - NORTH
CONCOURSE LEVEL

[Site Plan]

<Page>

EXHIBIT D

EAST CONCOURSE
MEZZANINE LEVEL

[Site Plan]

<Page>

EXHIBIT D

WEST CONCOURSE ALL LEVELS

[Site Plan]

CONCOURSE LEVEL

[Site Plan]

APRON LEVEL

[Site Plan]

BASEMENT LEVEL

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EXHIBIT D-1
Protocol for Use of International Gates
Midfield Terminal

The international gates, together with related holdrooms, jetbridges, ramp access and baggage facilities, will be made available in accordance with the following priority of use:

1. Regularly scheduled international airline service, with existing service having precedence over new service;
2. International charter arrivals, if and for so long as the Federal government prohibits FIS operations at the Berry International Terminal;
3. Regularly scheduled Northwest domestic service;
4. Delayed international charter arrivals when the expected delay for the flight to use the Berry International Terminal will exceed 90 minutes and use of a Midfield Terminal FIS gate will not interfere with the scheduled international or domestic use of the gate.
5. Non-scheduled or irregular charter arrivals and the use of a Midfield Terminal FIS gate will not interfere with the scheduled international or domestic use of that gate.

In making the determination of whether an international non-stop passenger flight to the Airport is a regularly scheduled flight or a charter operation for purposes of this protocol, the Airport will apply the following criteria:

1. Does the international operation generally have passengers connecting at the Airport on-line, inter-line, or via code share, and the operational need for connecting facilities?
2. Is the carrier operating the flight a signatory under the airport agreement for the Airport?
3. Does the carrier operating the flight hold all necessary government approvals to operate international regularly scheduled service?
4. Is the carrier's international service primarily scheduled on a year-round basis or does it primarily offer seasonal services to different locations?

<Page>

5. Are the carrier's schedules published each month in the Official Airline Guide and displayed in computer reservation systems? Are the fares regularly published by the Airline Tariff Publishing Company?
6. Does the carrier providing the service provide reservation services and create PNR (passenger name records) for the flights with its own employees?

International operations that meet these criteria overall shall be considered international regularly scheduled flights for purposes of this protocol. However, the failure to meet any one or more criteria shall not necessarily preclude the operation from being considered an international regularly scheduled flight. The Airport's goal of optimizing overall airport operating efficiency shall be an important consideration.

<Page>

Exhibit E
ALLOCATION OF BOND DEBT SERVICE
Detroit Metropolitan Wayne County Airport
(All figures in thousands, except where noted)

This exhibit details the methodology for allocating Bond Debt Service to various components of the Airport. This is required when terminal rental rates transition to a compensatory-based approach in FY2009. These steps should be followed for each bond series and issuance. An example is provided to illustrate the allocation methodology.

STEP 1: IDENTIFY NET FINANCEABLE COSTS FROM EACH BOND ISSUANCE

The first step is determine the net financeable project costs which constitute each bond issuance. Net financeable costs should be grouped into one of the following categories: Midfield Domestic Terminal, Midfield International Terminal, Midfield Overhead, Existing Terminals, and all Airfield projects. The following projects, related to the construction of the Midfield Terminal Complex, are considered Midfield Overhead; tunnels and walkways, terminal arrival and departure roadways, powerplant and utilities, and relocated facilities.

EXAMPLE: 1998 BONDS

<Table>		<C>
<S>	1998 BONDS	
	Bond Debt Service	\$11,400
	NET FINANCEABLE COSTS	
	Midfield-Domestic	\$73,400
	Midfield-International	7,600
	Midfield-Overhead	10,700
	Existing Terminals	1,000
	Airfield	3,400

	Total Costs	\$96,100

</Table>

STEP 2: ALLOCATE MIDFIELD OVERHEAD CAPITAL COSTS

The next step is to allocate the Midfield Overhead capital costs to either the Midfield Domestic Terminal or the Midfield International Terminal. The allocation of Midfield Overhead capital costs will be based on each terminal (Midfield Domestic and International) share of net financeable costs in the bond issuance.

EXAMPLE: 1998 BONDS

<Table>			
<Caption>		\$ Share	% Share
		-----	-----
<S>		<C>	<C>
	NET FINANCEABLE COSTS		
	Midfield-Domestic	\$73,400	90.6%
	Midfield-International	7,600	9.4%
	ALLOCATION OF MIDFIELD OVERHEAD COSTS		
	Midfield-Overhead	\$10,700	
	TO:		
	Midfield-Domestic	\$ 9,696	
	Midfield-International	\$ 1,004	

</Table>

<Page>

Exhibit E-continued
ALLOCATION OF BOND DEBT SERVICE
Detroit Metropolitan Wayne County Airport

(All figures in thousands, except where noted)

STEP 3: DETERMINE PERCENTAGE SHARE OF NET FINANCEABLE COSTS

The third step is to determine the percentage share of net financeable costs for each category. This share will be used to allocate Bond Debt Service. After Step 2, allocation of Midfield Overhead costs, there will be four remaining categories--Midfield Domestic terminal, Midfield International terminal, Existing Terminals, and all Airport projects.

EXAMPLE: 1998 BONDS

	<C>	<C>
NET FINANCEABLE COSTS		
Midfield-Domestic	\$73,400	
From Midfield-Overhead	9,696	

Total Midfield-Domestic	\$83,096	86.47%
Midfield-International	\$ 7,600	
From Midfield-Overhead	1,004	

Total Midfield-International	\$ 8,604	8.95%
Existing Terminals	\$ 1,000	1.04%
Airfield	\$ 3,400	3.54%
	-----	-----
Total Costs	\$96,100	100.00%

STEP 4: ALLOCATE BOND DEBT SERVICE

The last step is to allocate Bond Debt Service to one of the four categories. The allocation of Bond Debt Service is based on the percentage share of net financeable costs calculated in Step 3. The allocated Bond Debt Service will be incorporated into the compensatory-based terminal rental rates.

EXAMPLE: 1998 BONDS

	\$ Share	% Share
	-----	-----
	<C>	<C>
1998 BONDS		
Bond Debt Service	\$11,400	
BOND DEBT SERVICE ALLOCATION		
Midfield-Domestic	\$ 9,858	86.47%
Midfield-International	1,020	8.95%
Existing Terminals	119	1.04%
Airfield	403	3.54%
	-----	-----
Total Bond Debt Service	\$11,400	100.00%

Exhibit E

<Page>

Exhibit F
O&M EXPENSE ALLOCATION
Detroit Metropolitan Wayne County Airport

O&M EXPENSES ARE ALLOCATED TO MIDFIELD AND EXISTING TERMINAL COMPLEXES	THEN DIVIDED BY TOTAL USEABLE SPACE	GENERATING O&M EXPENSES PER SQ FT RENTAL RATES
--	-------------------------------------	--

<S>	<C>	<C>
Midfield-Domestic	Midfield-Domestic	Midfield-Domestic O&M
1) Midfield Complete		Expense/ Sq Ft
Midfield-International	Midfield-International	Midfield-International
		O&M Expenses/ Sq Ft
2) Existing Complex	Existing Terminal	Existing Terminal Complex
	Complex	O&M Expense/ Sq Ft
3) Other Airport		Expenses Flow to
(Airfield, indirect		Activity Fee
O&M, etc.)		
</Table>		

STEP 1

O&M Expenses are allocated to Midfield and Existing Complexes. The allocated O&M Expenses will be directly related to the operation and maintenance of either the Domestic Midfield Terminal, the International Midfield Terminal, or the Existing Complex (Smith, Davey, and Berry) Terminals. Other Airport O&M Expenses, like airfield and other indirect operating costs will flow to the activity fee.

STEP 2

Allocated O&M Expenses for each terminal (Midfield Domestic, Midfield International and Existing Terminals) are then divided by the total useable space of each respective terminal. This generates an O&M Expense per square foot which air carriers will begin paying in FY2009.

STEP 3

Indirect O&M Expenses will flow to the activity fee. Signatory Airlines will pay these indirect O&M Expenses in proportion to their landed weight at the Airport.

<Page>

Exhibit G
CAPITAL IMPROVEMENT PROGRAM
Detroit Metropolitan Wayne County Airport
(In thousands of dollars, except as noted)

<Table>
<Caption>

1995 \$	Construction Cost (2)	A&E/Other Fees (3)	Contingency (3)	Total Project Cost
<S>	<C>	<C>	<C>	<C>
AIRFIELD				
1. Apron Replacement (Phase III-VII)	\$ 14,696	\$ 755	\$ 1,470	\$ 16,900
2. Permanent Secondary De-icing	\$ 609	\$ 30	\$ 61	\$ 700
3. Extend Taxiway "PP": between Taxiway Fox & Arc	\$ 3,306	\$ 165	\$ 330	\$ 3,800
4. Runway 4/22 and Taxiways & Related Projects	\$ 92,348	\$ 4,617	\$ 9,235	\$ 106,200
5. Extend Taxiway "S" from Fox to Runway 9R/27L	\$ 3,043	\$ 152	\$ 304	\$ 3,500
6. Construct Taxiway Parallel to Taxiway "T"	\$ 8,000	\$ 400	\$ 800	\$ 9,200
7. Parallel Frank & Poet Pump Station 6B	\$ 18,609	\$ 930	\$ 1,861	\$ 21,400
8. Rehab Runway 31 and 3C	\$ 5,565	\$ 278	\$ 557	\$ 6,400
9. Hold Apron East of Runway 21C	\$ 2,522	\$ 126	\$ 252	\$ 2,900
10. Replace 3C Keel Section	\$ 3,913	\$ 196	\$ 391	\$ 4,500
11. Balance of SCAN Systems	\$ 609	\$ 30	\$ 61	\$ 700
	\$ 153,217	\$ 7,661	\$ 15,322	\$ 176,200
SUB=TOTAL AIRFIELD PROJECTS				

OTHER

12. Renovate/Replace Waste Disposal Building	\$ 2,609	\$ 130	\$ 261	\$ 3,000
13. Sanitary Lift Station #1	\$ 2,174	\$ 109	\$ 217	\$ 2,500
14. Replace/Renovate Electric Secondary	\$ 5,652	\$ 283	\$ 565	\$ 6,500
15. Revise Powerhouse Monitoring	\$ 1,130	\$ 57	\$ 113	\$ 1,300

16. Chiller, Air Handling Unit, DDC Controls/Hotel	\$ 14,435	\$ 722	\$ 1,443	\$ 16,600
17. Replace 4 Old Switchhouse on Goddard	\$ 1,739	\$ 87	\$ 174	\$ 2,000
18. Burn Pit	\$ 2,483	\$ 124	\$ 248	\$ 2,855
19. 12" Water Loop Connection (N-S and E-W)	\$ 4,435	\$ 222	\$ 443	\$ 5,100
20. Expand Green Lot	\$ 348	\$ 17	\$ 35	\$ 400
21. Noise Mitigation Program(1)	\$ 100,000	\$ 5,000	\$ 10,000	\$ 115,000
22. Airport Equipment/Vehicles	\$ 17,391	\$ 870	\$ 1,739	\$ 20,000
23. Roadway (Inner Perimeter Security Road)	\$ 8,696	\$ 435	\$ 870	\$ 10,000
24. Concession Expansion (Miscellaneous)	\$ 1,739	\$ 87	\$ 174	\$ 2,000
25. Re-roof Powerhouse	\$ 174	\$ 9	\$ 17	\$ 200
26. South Access Road (Phases 2,3 & 4)	\$ 61,130	\$ 3,057	\$ 6,113	\$ 70,300
27. Willow Run Project	\$ 12,174	\$ 609	\$ 1,217	\$ 14,000
	-----	-----	-----	-----
SUB=TOTAL OTHER PROJECTS	\$ 236,309	\$ 11,815	\$ 23,631	\$ 271,755
	-----	-----	-----	-----
TOTAL -- ALL PROJECTS	\$ 389,526	\$ 19,476	\$ 38,953	\$ 447,955
	-----	-----	-----	-----

</Table>

- (1) MII-approved portion of the Noise Mitigation Program approximately \$55.05 million.
- (2) Construction costs per Northwest Memorandum of Understanding (MOU) of 11/28/95 and or County and Northwest negotiations.
- (3) Calculated based on rates in Northwest MOU (A&E/Other Fees @ 5%, Contingency @ 10%).

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EXHIBIT H

Corporation Counsel Staff Assigned to
Detroit Metropolitan Airport

<Table>

<Caption>

Position	Description	Salary
-----	-----	-----
<S>	<C>	<C>
9979	Principal Attorney	\$ 89,355
9976	Asst. Corp. Counsel Attorney IV	\$ 70,836
9913	Asst. Corp. Counsel Attorney III	\$ 58,909
Total Salaries		\$219,100
Fringe Benefits @ 59.47%		\$130,299
Total Salaries & Fringe Benefits		\$349,399

</Table>

The above positions are assigned to the Airport on a full-time basis.

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AIRPORT FINANCE OFFICE
996 SALARIES AND FRINGE INFORMATION

<Table>

<Caption>

POSITION #	CLASSIFICATION	SALARY
-----	-----	-----
<S>	<C>	<C>
66900	Dept Mgr 7	\$ 57,967
66901	Dept Exec 6	67,244
66903	Buyer 2	32,249
66904	Dept Mgr 1	35,967
66905	Account Clerk 2	29,308
66907	Dept Mgr 3	39,555
66908	Clerical Leader	25,736
66909	Accountant 3	34,304
66910	Typist 3	20,303
66912	Clerical Leader	28,716

TOTAL	\$371,349
FRINGES	\$220,841

The above positions are assigned to the Airport on a full-time basis.

SECOND AMENDMENT

SECOND AMENDMENT, dated as of October 23, 2001 (this "Amendment"), to the CREDIT AND GUARANTEE AGREEMENT, dated as of October 24, 2000 (as amended, supplemented or otherwise modified, the "*Credit and Guarantee Agreement*"), among NORTHWEST AIRLINES CORPORATION, a Delaware corporation ("*Holdings*"), NORTHWEST AIRLINES HOLDINGS CORPORATION, a Delaware corporation ("*NWAC*"), NWA INC., a Delaware corporation ("*NWA*") (Holdings, NWAC and NWA collectively referred to hereafter as the "*Guarantors*"), NORTHWEST AIRLINES, INC., a Minnesota corporation (the "*Borrower*"), the several banks and other financial institutions or entities from time to time parties to the Credit and Guarantee Agreement (the "*Lenders*"), CREDIT LYONNAIS NEW YORK BRANCH and ABN AMRO BANK N.V., as co-documentation agents (in such capacities, the "*Co-Documentation Agents*"), CITICORP USA, INC. and U.S. BANK NATIONAL ASSOCIATION, as co-arrangers (in such capacities, the "*Co-Arrangers*"), BANKERS TRUST COMPANY, as syndication agent (in such capacity, the "*Syndication Agent*"), THE CHASE MANHATTAN BANK, as administrative agent (in such capacity, the "*Administrative Agent*"), and J.P. MORGAN SECURITIES INC. and DEUTSCHE BANK SECURITIES INC., as joint lead arrangers and joint bookrunners (in such capacities, the "*Joint Lead Arrangers*").

WITNESSETH:

WHEREAS, the Guarantors, the Borrower, the Lenders, the Administrative Agent, the Co-Documentation Agents, the Co-Arrangers, the Syndication Agent and the Joint Lead Arrangers are parties to the Credit and Guarantee Agreement; and

WHEREAS, the Borrower and the Guarantors have requested that the Credit and Guarantee Agreement be amended as set forth herein;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

SECTION 1. *Defined Terms.* Terms defined in the Credit and Guarantee Agreement and used herein shall have the meanings given to them in the Credit and Guarantee Agreement.

SECTION 2. *Amendments to Credit Agreement.*

(a) *Amendments to Section 1.1.* Section 1.1 of the Credit and Guarantee Agreement is hereby amended as follows:

(i) Section 1.1 of the Credit and Guarantee Agreement is hereby amended by replacing the following defined terms in their entirety as follows:

"*Agents*": the collective reference to the Syndication Agent, the Co-Documentation Agents, the Joint Lead Arrangers, the Co-Arrangers, the Administrative Agent and the Collateral Agent.

"*Applicable Rate*": for each Type of Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Applicable Rate for ABR Loans," "Applicable Rate for Eurodollar Loans" or "Commitment Fee Rate," as the case may be, based upon the ratings by the Rating Agencies, applicable on such date to the Index Debt; *provided, however*, to the extent that either Rating Agency ceases to rate the Index Debt for any reason, then the rating of the Borrower by such Rating Agency with respect to the senior unsecured debt of the Borrower (without any credit

enhancement and based upon an actual issuance of senior secured debt and not upon an "implied" rating):

<u>Category</u>	<u>Index Debt Ratings</u>	<u>Applicable Rate for ABR Loans</u>	<u>Applicable Rate for Eurodollar Loans</u>	<u>Commitment Fee Rate</u>
1	>Ba1/BB+	0.500%	1.500%	0.275%
2	Ba1/BB+	0.750%	1.750%	0.325%
3	Ba2/BB	1.000%	2.000%	0.350%
4	Ba3/BB-	1.500%	2.500%	0.500%
5	<Ba3/BB-	2.000%	3.000%	0.500%

In the event both Rating Agencies cease to rate the Index Debt and the senior unsecured debt of the Borrower for any reason, then the Category 5 rating set forth above shall be applicable for purposes of determining the Applicable Rate. In the event the ratings of the Rating Agencies correspond to different levels on the above table, the higher rating shall be used to determine the Applicable Rate.

Any necessary adjustment of the Applicable Rate pursuant to the terms hereof as a result of a change in the rating of Index Debt shall be effective as of the date the applicable rating is first announced by the applicable Rating Agency.

In the event that an Appraisal furnished pursuant to Section 6.2(f) discloses that the Coverage Test is not satisfied (a "*Coverage Event*"), unless within 30 days after the date of such Appraisal, (I) the Borrower shall designate additional assets as Pool Assets to the extent that, after giving effect to such designation and after giving effect to the Appraised Value of the Pool Assets, based on the most recently delivered Appraisals with respect to assets already constituting Pool Assets and based on an Appraisal performed at the time of such addition with respect to assets being added to Pool Assets (and Schedule 7.5 shall be modified to reflect such addition), the Coverage Test shall be satisfied, *provided* that (1) at the time of such addition, the Lenders shall have received a certificate of a Responsible Officer of the Borrower certifying that the conditions set forth in this paragraph shall have been satisfied after giving effect to such addition and attaching thereto any Appraisals not previously delivered to the Lenders and (2) the asset being added shall constitute a "pacific route authority" or a Stage III Aircraft or (II) the Borrower shall prepay Loans and Pari Passu Secured Indebtedness and cash collateralize outstanding Letters of Credit in accordance with Section 3.2(a) to the extent necessary to comply with the Coverage Test (with any such prepayment of Loans and/or cash collateralization of outstanding Letters of Credit being in an aggregate amount at least equal to the Allocable Prepayment Percentage of the aggregate amount of such prepayments and cash collateralizations so required), then the "Applicable Rate for ABR Loans" and the "Applicable Rate for Eurodollar Loans" shall include, until such time as the Coverage Test is subsequently satisfied, the Additional Rate Amount based on the Total Appraised Value Ratio in effect from time to time as set forth below:

<u>Total Appraised Value Ratio</u>	<u>Additional Rate Amount</u>
>2.0	0.25%
>1.75 but ≤2.0	0.50%
≤1.75	1.00%

"*Index Debt*": the debt of the Borrower pursuant to the Revolving Commitments.

"*Loan Documents*": this Agreement, each Security Document and any Notes.

(ii) Section 1.1 of the Credit and Guarantee Agreement is hereby amended by adding the following terms in the appropriate alphabetical order as follows:

"Aircraft Collateral": all "Collateral" as defined in the Aircraft Mortgage Agreement.

"Aircraft Mortgage Agreement": the Aircraft Mortgage and Security Agreement executed and delivered by the Borrower in connection with the Second Amendment, as the same may be amended, supplemented or otherwise modified from time to time.

"Allocable Commitment Percentage": at any time, the ratio (expressed as a percentage) of (i) the sum of (a) the Total Revolving Commitments at such time and (b) the aggregate outstanding principal amount of all Term-Out Loans at such time to (ii) the sum of (x) the Total Revolving Commitments at such time, (y) the aggregate outstanding principal amount of all Term-Out Loans at such time and (z) the sum, without duplication, of (i) any Pari Passu Commitments at such time and (ii) the aggregate outstanding principal amount of Pari Passu Secured Indebtedness at such time.

"Allocable Prepayment Percentage": at any time, the ratio (expressed as a percentage) of (i) the Total Revolving Extensions of Credit at such time to (ii) the sum of the Total Revolving Extensions of Credit at such time *plus* the aggregate outstanding principal amount of any Pari Passu Secured Indebtedness at such time.

"Augmenting Five-Year Lender": as defined in Section 2.18.

"Augmenting Lenders": as defined in Section 2.18.

"Augmenting Tranche B Lender": as defined in Section 2.18.

"Cash Liquidity": at any time, the sum of (i) unrestricted cash and cash equivalents of Holdings and its Subsidiaries at such time, (ii) unrestricted short term investments of Holdings and its Subsidiaries at such time, (iii) up to \$100,000,000 in the aggregate of restricted cash and cash equivalents of Holdings and its Subsidiaries at such time and restricted short term investments of Holdings and its Subsidiaries at such time, (iv) the Available Five-Year Revolving Commitments, (v) the Available Tranche A Revolving Commitments and (vi) the Available Tranche B Revolving Commitments.

"Collateral": collectively, the Aircraft Collateral and the Route Collateral.

"Collateral Agent": The Chase Manhattan Bank, in its capacity as Collateral Agent.

"Coverage Event": as defined in the definition of Applicable Rate.

"Five-Year Revolving Commitment Increase": as defined in Section 2.18.

"Increase Notice": as defined in Section 2.18.

"Increasing Five-Year B Lender": as defined in Section 2.18.

"Increasing Tranche B Lender": as defined in Section 2.18.

"Increasing Lenders": as defined in Section 2.18.

"Initial Five-Year Loans": as defined in Section 2.18.

"Non-Increasing Five-Year Lender": as defined in Section 2.18.

"Non-Increasing Lenders": as defined in Section 2.18.

"*Non-Increasing Tranche B Lender*": as defined in Section 2.18.

"*Pari Passu Secured Indebtedness*": as defined in Section 7.3(f).

"*Pari Passu Commitments*": at any time, the amount of unfunded lending commitments under any *Pari Passu Secured Indebtedness* at such time.

"*Permitted Liens*": as defined in Section 7.3.

"*Proposed Effective Date*": as defined in Section 2.18.

"*Removed Pool Assets*": assets which are no longer Pool Assets as a result of such assets either (a) having been removed from the Pool Assets in accordance with Section 7.5(a)(ii) hereof or (b) having been involuntarily disposed of (whether by loss of property due to theft, destruction, confiscation, prohibition or use, any similar event or otherwise).

"*Replacement Airframe*": an aircraft (except Engines (as defined in the Aircraft Mortgage Agreement) or engines from time to time installed thereon) which shall have been made subject to the Lien of the Aircraft Mortgage Agreement pursuant to Section 3.4 or 3.5 thereof.

"*Replacement Engine*": an aircraft engine suitable for installation and use on the relevant Airframe (as defined in the Aircraft Mortgage Agreement) and which has a value, utility and remaining useful life (except for maintenance cycle condition) at least equal to the Engine (as defined in the Aircraft Mortgage Agreement) which it is replacing, assuming such Engine was of the value, utility and remaining useful life (except for maintenance cycle condition) required by the terms of the Aircraft Mortgage Agreement, and which shall have been made subject to the Lien of the Aircraft Mortgage Agreement pursuant to Section 3.4 or 3.5 thereof.

"*Replacement Route*": a Route which has a value at least equal to the Route which it is replacing and which shall have been made subject to the pledge of the Route Security Agreement pursuant to Section 1 thereof, subject to the satisfactory review of the Administrative Agent.

"*Required Commitment Reduction*": as defined in Section 3.2(b).

"*Required Prepayment*": as defined in Section 3.2(a).

"*Route Collateral*": all of the "Collateral" as defined in the Route Security Agreement.

"*Route Security Agreement*": the Route Security Agreement executed and delivered by the Borrower in connection with the Second Amendment, as the same may be amended, supplemented or otherwise modified from time to time.

"*Second Amendment*": the Second Amendment to this Agreement dated as of October 23, 2001.

"*Secured Creditors*": the Lenders, the Administrative Agent and the Collateral Agent.

"*Security Documents*": the collective reference to the Aircraft Mortgage Agreement and the Route Security Agreement, and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"*Subsequent Five-Year Loans*": as defined in Section 2.18.

"*Subsequent Tranche B Loans*": as defined in Section 2.18.

"*Term Conversion Date*": as defined in Section 2.8(c).

"*Term-Out Lender*": as defined in Section 2.8(c).

"*Total Appraised Value*": as of any date of determination, the value as of such date of all Pool Assets other than Removed Pool Assets.

"*Total Appraised Value Ratio*": at any time, the ratio of (a) Total Appraised Value (determined as of the then most recent Appraisal of the Pool Assets) to (b) the *sum* of the Total Revolving Commitments and any Pari Passu Secured Indebtedness (for purposes of this definition, Pari Passu Secured Indebtedness shall include any unfunded commitments to provide Pari Passu Secured Indebtedness under the definitive documentation relating thereto).

"*Tranche B Increase Effective Date*": as defined in Section 2.18.

"*Tranche B Revolving Commitment Increase*": as defined in Section 2.18.

(b) *Amendments to Section 2.8.* Section 2.8 of the Credit and Guarantee Agreement is hereby amended by adding a new subsection (c) immediately after subsection (b) as follows:

"(c) In the event the Administrative Agent receives a request (which request shall be irrevocable) not more than 30 days after the date in October 2001 on which the Tranche B Revolving Loans of a Tranche B Lender are converted to Term-Out Loans (such date, the "*Term Conversion Date*") from such Lender (each such Lender, a "*Term-Out Lender*") requesting the conversion of such Term-Out Lender's Term-Out Loans to Tranche B Revolving Commitments hereunder in an aggregate amount equal to the aggregate principal amount of such Term-Out Loans, then, subject to the approval of the Borrower and the Administrative Agent, the aggregate principal amount of such Term-Out Loans owing to such Term-Out Lender shall be converted to Tranche B Revolving Commitments hereunder. Upon the conversion of any Term-Out Loans to Tranche B Revolving Commitments hereunder, the Administrative Agent is authorized to request Borrowings and/ or make prepayments on a non-ratable basis solely for the purpose of causing the Lenders to comply with the requirements of the ratability provisions of this Agreement. Any such conversion of Term-Out Loans to Tranche B Revolving Commitments hereunder shall be effective on the date that the Borrower and the Administrative Agent shall notify the relevant Term-Out Lender of the approval of such request.

(c) *Amendments to Section 2.* Section 2 of the Credit and Guarantee Agreement is hereby amended by adding a new Section 2.18 immediately after subsection Section 2.17, as follows:

"Section 2.18. *Increase in Commitments.* (a) The Borrower may at any time and from time to time prior to the Five-Year Revolving Termination Date or Tranche B Revolving Termination Date, as applicable, by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request that the total Five-Year Revolving Commitments and/or the Tranche B Revolving Commitments be increased by an amount, in the aggregate, not exceeding \$150,000,000. Each such notice shall set forth the amount of the requested increase in the Total Five-Year Revolving Commitments or the Total Tranche B Revolving Commitments, as the case may be, and the date (the "*Proposed Effective Date*") on which such increase is requested to become effective (which shall be not less than 30 days after the date of such notice), and shall offer each Lender the opportunity to increase its (i) Five-Year Revolving Commitment by its Five-Year Revolving Percentage of the proposed increase in the amount of the Total Five-Year Revolving Commitments or (ii) Tranche B Revolving Commitment by its Tranche B Revolving Percentage of the proposed increase in the amount of the Total Tranche B Revolving Commitments. Each Lender shall, by notice to the Borrower and the Administrative Agent given not less than 15 days prior to the Proposed Effective Date, either agree to increase its Five-Year Revolving Commitment or Tranche B Revolving Commitment, as the case may be, by all or a portion of the offered amount (each

- (i) Lender so agreeing to an increase in its Five-Year Revolving Commitment being an "*Increasing Five-Year Lender*" and
- (ii) Lender so agreeing to an increase in its Tranche B Revolving Commitment being an "*Increasing Tranche B Lender*", and the

Increasing Five-Year Lenders and the Increasing Tranche B Lenders being collectively referred to as "*Increasing Lenders*") or decline to increase its Five-Year Revolving Commitment or Tranche B Revolving Commitment, as the case may be (and any Lender that does not deliver such a notice within such period shall be deemed to have declined to increase its Five-Year Revolving Commitment or Tranche B Revolving Commitment, as the case may be) (each Lender so declining or deemed to have declined an increase in its Five-Year Revolving Commitment being a "*Non-Increasing Five-Year Lender*" and each Lender so declining or deemed to have declined an increase in its Tranche B Revolving Commitment being a "*Non-Increasing Tranche B Lender*", as the case may be, and the Non-Increasing Five-Year Lenders and Non-Increasing Tranche B Lenders being collectively referred to herein as "*Non-Increasing Lenders*"). In the event that, on the 15th day prior to the Proposed Effective Date, the Lenders shall have agreed pursuant to the preceding sentence to increase their Five-Year Revolving Commitments or Tranche B Revolving Commitments, as the case may be, by an aggregate amount less than either the increase in the Total Five-Year Revolving Commitments or Tranche B Revolving Commitments, as the case may be, requested by the Borrower, the Borrower may arrange for one or more banks, financial institutions or other entities (any such banks, financial institutions or other entities referred to in this paragraph being called (i) in the case of an increase in the Five-Year Revolving Commitments, an "*Augmenting Five-Year Lender*" and (ii) in the case of an increase in the Tranche B Revolving Commitments, an "*Augmenting Tranche B Lender*", and the Augmenting Five-Year Lenders and Augmenting Tranche B Lenders, collectively referred to herein as the "*Augmenting Lenders*"), which may include any Lender, to extend Five-Year Revolving Commitments or Tranche B Revolving Commitments, as the case may be, or increase their existing Five-Year Revolving Commitments or Tranche B Revolving Commitments, as the case may be, in an aggregate amount equal to the unsubscribed amount for such type of Commitment, *provided* that (i) each Augmenting Lender, if not already a Lender hereunder, shall be subject to the approval of the Borrower and the Administrative Agent (which approvals shall not be unreasonably withheld) and (ii) the Borrower and each applicable Increasing Lender or Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence its Five-Year Revolving Commitment or Tranche B Revolving Commitment, as the case may be, and its status as a Lender. Increases and new Commitments created pursuant to this clause shall become effective on the Proposed Effective Date (or such later date as shall be agreed by the Borrower, the Administrative Agent and the relevant Lender) and the Administrative Agent shall notify each affected Lender thereof (each such notice, an "*Increase Notice*"). Notwithstanding the foregoing, no increase in the Total Five-Year Revolving Commitments or the Total Tranche B Revolving Commitments, as the case may be (or in the Five-Year Revolving Commitment or Tranche B Revolving Commitment of any Lender), shall become effective under this paragraph unless, (i) on the proposed date of the effectiveness of such increase, the conditions set forth in paragraphs (a) and (b) of Section 5.2 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Responsible Officer of the Borrower and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) documents consistent with those delivered on the Closing Date under paragraphs (d) and (e) of Section 5.1 as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such increase.

(b) On the effective date (a "*Five-Year Increase Effective Date*") of any increase in the Total Five-Year Revolving Commitments pursuant to paragraph (a) above (each a "*Five-Year Revolving Commitment Increase*"), (i) the aggregate principal amount of the Five-Year Revolving Loans outstanding (the "*Initial Five-Year Loans*") immediately prior to giving effect to such Five-Year Revolving Commitment Increase on the related Five-Year Increase Effective Date shall be deemed to be paid, (ii) each Increasing Five-Year Lender and each Augmenting Five-Year Lender that shall have been a Lender prior to such Five-Year Revolving Commitment Increase shall pay to the

Administrative Agent in same day funds an amount equal to the difference between (A) the product of (I) such Lender's Five-Year Revolving Percentage (calculated after giving effect to such Five-Year Revolving Commitment Increase but prior to the making of the related Subsequent Five-Year Loans) multiplied by (II) the amount of the related Subsequent Five-Year Loans and (B) the product of (I) such Lender's Five-Year Revolving Percentage (calculated without giving effect to such Five-Year Revolving Commitment Increase, the deemed payment of the Initial Five-Year Loans and the making of the related Subsequent Five-Year Loans) multiplied by (II) the amount of such Initial Five-Year Loans, (iii) each Augmenting Five-Year Lender that shall not have been a Lender prior to such Five-Year Revolving Commitment Increase shall pay to Administrative Agent in same day funds an amount equal to the product of (a) such Augmenting Five-Year Lender's Five-Year Revolving Percentage (calculated after giving effect to such Five-Year Revolving Commitment Increase and the deemed payment of the Initial Five-Year Loans but prior to the making of the related Subsequent Five-Year Loans) multiplied by (b) the amount of such Subsequent Five-Year Loans, and (iv) after the Administrative Agent receives the funds specified in clauses (ii) and (iii) above, the Administrative Agent shall pay to each Non-Increasing Five-Year Lender the portion of such funds that is equal to the difference between (A) the product of (I) such Non-Increasing Five-Year Lender's Five-Year Revolving Percentage (calculated without giving effect to such Five-Year Revolving Commitment Increase, the deemed payment of the Initial Five-Year Loans and the making of the related Subsequent Five-Year Loans) multiplied by (II) the amount of such Initial Five-Year Loans, and (B) the product of (I) such Non-Increasing Five-Year Lender's Five-Year Revolving Percentage (calculated after giving effect to such Five-Year Revolving Commitment Increase and the deemed payment of the Initial Five-Year Loans but prior to the making of the related Subsequent Five-Year Loans) multiplied by (II) the amount of the related Subsequent Five-Year Loans, (v) after the effectiveness of such Five-Year Revolving Commitment Increase, the Lenders shall be deemed to have made new Five-Year Loans (the "*Subsequent Five-Year Loans*") pursuant to Section 2.1 in an aggregate principal amount equal to the aggregate principal amount of such Initial Five-Year Loans and of the Type and for the Interest Periods specified in a borrowing request delivered to the Administrative Agent in accordance with Section 2.4, (vi) each Non-Increasing Five-Year Lender, each Increasing Five-Year Lender and each Augmenting Five-Year Lender shall be deemed to hold its Five-Year Revolving Percentage of each related Subsequent Five-Year Loans (calculated after giving effect to such Five-Year Revolving Commitment Increase and the deemed payment of the Initial Five-Year Loans, but prior to the making of the related Subsequent Five-Year Loans) and (vii) the Borrower shall pay each Increasing Five-Year Lender and each Non-Increasing Five-Year Lender any and all accrued but unpaid interest on such Initial Five-Year Loans. The deemed payments made pursuant to clause (i) above in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 3.11 if the relevant Five-Year Increase Effective Date occurs other than on the last day of the Interest Period relating thereto.

(c) On the effective date (a "*Tranche B Increase Effective Date*") of any increase in the Total Tranche B Revolving Commitments pursuant to paragraph (a) above (each a "*Tranche B Revolving Commitment Increase*"), (i) the aggregate principal amount of the Tranche B Revolving Loans outstanding (the "*Initial Tranche B Loans*") immediately prior to giving effect to such Tranche B Revolving Commitment Increase on the related Tranche B Increase Effective Date shall be deemed to be paid, (ii) each Increasing Tranche B Lender and each Augmenting Tranche B Lender that shall have been a Lender prior to such Tranche B Revolving Commitment Increase shall pay to the Administrative Agent in same day funds an amount equal to the difference between (A) the product of (I) such Lender's Tranche B Revolving Percentage (calculated after giving effect to such Tranche B Revolving Commitment Increase but prior to the making of the related Subsequent Tranche B Loans) multiplied by (II) the amount of the related Subsequent Tranche B Loans and (B) the product of (I) such Lender's Tranche B Revolving Percentage

(calculated without giving effect to such Tranche B Revolving Commitment Increase, the deemed payment of the Initial Tranche B Loans and the making of the related Subsequent Tranche B Loans) multiplied by (II) the amount of such Initial Tranche B Loans, (iii) each Augmenting Tranche B Lender that shall not have been a Lender prior to such Tranche B Revolving Commitment Increase shall pay to Administrative Agent in same day funds an amount equal to the product of (a) such Augmenting Tranche B Lender's Tranche B Revolving Percentage (calculated after giving effect to such Tranche B Revolving Commitment Increase and the deemed payment of the Initial Tranche B Loans but prior to the making of the related Subsequent Tranche B Loans) multiplied by (b) the amount of such Subsequent Tranche B Loans, and (iv) after the Administrative Agent receives the funds specified in clauses (ii) and

(iii) above, the Administrative Agent shall pay to each Non-Increasing Tranche B Lender the portion of such funds that is equal to the difference between (A) the product of (I) such Non-Increasing Tranche B Lender's Tranche B Revolving Percentage (calculated without giving effect to such Tranche B Revolving Commitment Increase, the deemed payment of the Initial Tranche B Loans and the making of the related Subsequent Tranche B Loans) multiplied by (II) the amount of such Initial Tranche B Loans, and (B) the product of (I) such Non-Increasing Tranche B Lender's Tranche B Revolving Percentage (calculated after giving effect to such Tranche B Revolving Commitment Increase and the deemed payment of the Initial Tranche B Loans but prior to the making of the related Subsequent Tranche B Loans) multiplied by (II) the amount of the related Subsequent Tranche B Loans, (v) after the effectiveness of such Tranche B Revolving Commitment Increase, the Lenders shall be deemed to have made new Tranche B Loans (the "*Subsequent Tranche B Loans*") pursuant to Section 2.3 in an aggregate principal amount equal to the aggregate principal amount of such Initial Tranche B Loans and of the Type and for the Interest Periods specified in a borrowing request delivered to the Administrative Agent in accordance with Section 2.4, (vi) each Non-Increasing Tranche B Lender, each Increasing Tranche B Lender and each Augmenting Tranche B Lender shall be deemed to hold its Tranche B Revolving Percentage of each related Subsequent Tranche B Loans (calculated after giving effect to such Tranche B Revolving Commitment Increase and the deemed payment of the Initial Tranche B Loans, but prior to the making of the related Subsequent Tranche B Loans) and (vii) the Borrower shall pay each Increasing Tranche B Lender and each Non-Increasing Tranche B Lender any and all accrued but unpaid interest on such Initial Tranche B Loans. The deemed payments made pursuant to clause (i) above in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 3.11 if the relevant Tranche B Increase Effective Date occurs other than on the last day of the Interest Period relating thereto."

(d) *Amendments to Section 3.2.* Section 3.2 of the Credit and Guarantee Agreement is hereby replaced in its entirety with the following:

"(a) To the extent any prepayment of Loans and/or cash collateralization of Letters of Credit are required as a result of a Coverage Event or pursuant to Section 7.5(a)(iii), such amounts shall be applied, *first*, to prepay the Five-Year Revolving Loans (and to the extent there are no Five-Year Revolving Loans outstanding, cash collateralize any outstanding Letters of Credit) and *second*, to prepay the Tranche A Revolving Loans, the Tranche B Revolving Loans and any outstanding Term-Out Loans, ratably. The application of any prepayment pursuant to this Section 3.2(a) shall be made, *first*, to ABR Loans and, *second*, to Eurodollar Loans. Each prepayment of the Loans under this Section 3.2(a) (except in the case of Revolving Loans that are ABR Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount so prepaid.

(b) To the extent any reduction of the Commitments is required pursuant to Section 7.5(a)(iii) or 7.5(a)(iv), the Borrower shall reduce the Revolving Commitments, prepay Loans and cash collateralize outstanding Letters of Credit and such Commitment reductions shall

be applied *first*, to reduce permanently the Five-Year Revolving Commitments and second, to reduce permanently the Tranche A Revolving Commitments and Tranche B Revolving Commitments and prepay any outstanding Term-Out Loans, ratably. Any such reduction of the Five-Year Revolving Commitments shall be accompanied by the prepayment of Five-Year Revolving Loans to the extent, if any, that the Total Five-Year Revolving Extensions of Credit plus the aggregate principal amount of Competitive Loans then outstanding exceed the aggregate amount of the Total Five-Year Revolving Commitments as so reduced, *provided* that if the aggregate amount of Five-Year Revolving Loans then outstanding are less than the amount of such excess (because of outstanding L/C Obligations), the Borrower shall, to the extent of the balance of such excess, replace outstanding Letters of Credit and/or deposit an amount in cash in a cash collateral account established with the Administrative Agent for the benefit of the relevant Lenders on terms and conditions satisfactory to the Administrative Agent, *provided, further*, that, if after giving effect to the foregoing, the aggregate principal amount of Competitive Loans then outstanding exceeds the aggregate amount of the Total Five-Year Revolving Commitments as so reduced, the Borrower shall, to the extent of such excess, deposit an amount in a cash collateral account established with the Administrative Agent for the benefit of the relevant Lenders on terms and conditions satisfactory to the Administrative Agent. Any such reduction of the Tranche A Revolving Commitments shall be accompanied by the prepayment of Tranche A Revolving Loans to the extent, if any, that the Total Tranche A Revolving Extensions of Credit exceed the aggregate

amount of the Total Tranche A Revolving Commitments as so reduced. Any such reduction of the Tranche B Revolving Commitments shall be accompanied by the prepayment of Tranche B Revolving Loans to the extent, if any, that the Total Tranche B Revolving Extensions of Credit exceed the aggregate amount of the Total Tranche B Revolving Commitments as so reduced. The application of any prepayment pursuant to this Section 3.2(b) shall be made, *first*, to ABR Loans and, *second*, to Eurodollar Loans. Each prepayment of the Loans under this Section 3.2(b) (except in the case of Revolving Loans that are ABR Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid."

(e) *Amendments to Section 4.2.* Section 4.2 of the Credit and Guarantee Agreement is hereby replaced in its entirety with the following:

"4.2 *No Change.* Since October 1, 2001, there has been no material adverse change in the financial condition or results of operations of any Loan Party."

(f) *Amendments to Section 6.2(f).* Section 6.2(f) of the Credit and Guarantee Agreement is hereby replaced in its entirety with the following:

"(f) (i) on April 24, 2003 and on each one year anniversary thereof and (ii) to the extent an appraisal of Pool Assets is required by any Augmenting Lender in connection with any increase in Commitments pursuant to Section 2.18 or by the provider of any Pari Passu Secured Indebtedness, an Appraisal of the Collateral; and"

(g) *Amendments to Section 6.* Section 6 of the Credit and Guarantee Agreement is hereby amended by adding Section 6.12 as follows:

"6.12 *Security Interests.* The Borrower shall perform any and all acts and execute any and all documents (including, without limitation, the execution, amendment or supplementation of any financing statement and continuation statement) for filing under the provisions of the UCC or the Federal Aviation Act and the rules and regulations thereunder, which are necessary in order to maintain in favor of the Collateral Agent for the benefit of the Secured Creditors a valid and perfected Lien on the Collateral, subject to no other Liens except for Permitted Liens."

(h) *Amendments to Section 7.1.* Section 7.1 of the Credit and Guarantee Agreement is hereby amended as follows:

(i) Section 7.1(a) of the Credit and Guarantee Agreement is hereby replaced in its entirety as follows:

"(a) *Cash Liquidity.* Permit Cash Liquidity to be less than \$750,000,000 at any time."

(ii) Section 7.1(b) of the Credit and Guarantee Agreement is hereby replaced in its entirety as follows:

"(b) *Consolidated EBITDAR to Consolidated Fixed Charges.* Permit the ratio of Consolidated EBITDAR to Consolidated Fixed Charges for (i) the three-month period ended on June 30, 2003, (ii) the six-month period ended on September 30, 2003, (iii) the nine-month period ended December 31, 2003, (iv) the twelve-month period ended March 31, 2004 or (v) after March 31, 2004, any period of four consecutive fiscal quarters ended on the last day of any fiscal quarter, in each case to be less than 1.00 to 1.00."

(i) *Amendments to Section 7.2.* Section 7.2 of the Credit and Guarantee Agreement is hereby amended as follows:

(i) Section 7.2 of the Credit and Guarantee Agreement is hereby amended by replacing the number "500,000,000" with the number "1,500,000,000" in the first paragraph thereof and in paragraphs (c), (d) and (e) thereof.

(ii) Section 7.2 of the Credit and Guarantee Agreement is hereby amended by deleting the word "and" at the end of paragraph (e) thereof, adding the word "; and" in place of the period at the end of paragraph (f) thereof and adding a new paragraph (g) as follows:

"(g) additional Indebtedness of the Borrower in an aggregate principal amount, together with any increase in the Total Five-Year Revolving Commitments or the Total Tranche B Revolving Commitments, or a combination thereof, permitted pursuant to Section 2.18, not exceeding \$150,000,000."

(j) *Amendments to Section 7.3.* Section 7.3 of the Credit and Guarantee Agreement is hereby amended as follows:

(i) Section 7.3 of the Credit and Guarantee Agreement is hereby amended by adding the phrase "(Liens described below are herein referred to as "*Permitted Liens*")" immediately after the words "except for" in the first paragraph of such Section.

(ii) Section 7.3 of the Credit and Guarantee Agreement is hereby amended by deleting the word "and" at the end of paragraph (b), changing the period at the end of paragraph (c) to a semicolon and adding new paragraphs (d), (e) and (f) as follows:

"(d) Liens created pursuant to the Security Documents;

(e) Liens securing an amount not to exceed \$1,000,000,000; *provided* that (i) prior to the creation of any such Lien (to the extent such Lien is a Lien on the Pool Assets), the Administrative Agent for the benefit of the Lenders shall have entered into an intercreditor agreement with the parties (or their representative) secured by such Lien pursuant to which such Lien shall be subordinate to the Lien in favor of the Administrative Agent, on terms and conditions satisfactory to the Administrative Agent and (ii) after giving effect to such Lien, no Default or Event of Default shall have occurred and be continuing; and

(f) Liens securing Indebtedness permitted pursuant to Section 7.2(g)(which is not incurred pursuant to Section 2.18) ("*Pari Passu Secured Indebtedness*"); *provided* that, (i) prior to the creation of any such Lien, the Administrative Agent on behalf of the Lenders shall

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have entered into an intercreditor agreement with the parties (or their representative) secured by such Lien pursuant to which such Liens shall rank *pari passu* with the Liens created pursuant to the Security Documents, on terms and conditions satisfactory to the Administrative Agent and (ii) after giving effect to such Lien, no Default or Event of Default shall have occurred and be continuing."

(k) *Amendments to Section 7.5(a)(ii).* Section 7.5(a)(ii) of the Credit and Guarantee Agreement is hereby amended by inserting the phrase "at any time after April 24, 2003," immediately prior to the phrase "the Borrower may remove an aircraft from the Pool Assets", replacing "(A)" with "(A) either (I)" and inserting the phrase "or (II) the Borrower shall prepay Loans and *Pari Passu Secured Indebtedness* and cash collateralize outstanding Letters of Credit in accordance with Section 3.2(a) to the extent necessary to comply with the Coverage Test (with any such prepayment of Loans and/or cash collateralization of outstanding Letters of Credit being in an aggregate amount at least equal to the Allocable Prepayment Percentage of the aggregate amount of such prepayments and cash collateralizations so required)" immediately prior to the phrase "and (B)" in such paragraph.

(l) *Amendments to Section 7.5(a)(iii).* Section 7.5(a)(iii) of the Credit and Guarantee Agreement is hereby replaced in its entirety with the following:

(iii) in the event of an involuntary disposal of any Pool Asset (including, without limitation, in the case of an Airframe or Engine, an Event of Loss (as defined in the Aircraft Mortgage Agreement) for such Airframe or Engine)(whether by loss of property due to theft, destruction, confiscation, prohibition or use, any similar event or otherwise), the Borrower shall within 30 days after the

date of such involuntary disposal (A) either (I) in the event that such Pool Asset subject to such involuntary disposal is an Airframe or Engine (as such terms are defined in the Aircraft Mortgage Agreement), cause to be subjected to the Lien of the Aircraft Mortgage Agreement a Replacement Airframe (together with the same number of Replacement Engines as the number of Engines, if any, installed on such Airframe at the time such involuntary disposal occurred) or Replacement Engine, all in accordance with the requirements of the Aircraft Mortgage Agreement, or (II) in the event that such Pool Asset subject to such involuntary disposal is Route Collateral, then cause to be subjected to the Lien of the Route Security Agreement a Replacement Route, such Replacement Route to be free and clear of all Liens except Permitted Liens and to have a value, utility and remaining useful life at least equal to such Route Collateral so replaced as of the date of such involuntary disposal or (B) reduce the Total Revolving Commitments in an amount which shall equal or exceed the Allocable Commitment Percentage of the Appraised Value of the Pool Assets subject to such involuntary disposal, in accordance with Section 3.2(b).

(iv) in the event that an Appraisal furnished pursuant to Section 6.2(f) discloses that the Total Appraised Value Ratio is less than or equal to 1.25:1.00, the Borrower shall within 30 days after the date of such Appraisal (A) designate additional assets as Pool Assets to the extent that, after giving effect to such designation, the Total Appraised Value Ratio based on the most recently delivered Appraisals with respect to assets already constituting Pool Assets and based on an Appraisal performed at the time of such addition with respect to assets being added to Pool Assets (and Schedule 7.5 shall be modified to reflect such addition), shall exceed 1.25 to 1.00, *provided* that (1) at the time of such addition, the Lenders shall have received a certificate of a Responsible Officer of the Borrower certifying that the conditions set forth in this Section shall have been satisfied after giving effect to such addition and attaching thereto any Appraisals not previously delivered to the Lenders and (2) the asset being added shall constitute a "pacific route authority" or a Stage III Aircraft or (B) reduce the Total Revolving Commitments and reduce Pari Passu Commitments and/or prepay Pari Passu Secured Indebtedness in accordance with Section 3.2(b) to the extent necessary for the Total Appraised Value Ratio to exceed 1.25 to 1.00 (with such reduction in the Total Revolving Commitments being in an amount at least equal to the Allocable

Commitment Percentage of the aggregate amount of any such commitment reductions and prepayments so required)."

(m) *Amendments to Section 7.6.* Section 7.6 of the Credit and Guarantee Agreement is hereby replaced in its entirety with the following:

"Pool Asset Coverage. For purposes of this Agreement, the Coverage Test shall be satisfied if the *sum* of Total Revolving Extensions of Credit and any Pari Passu Secured Indebtedness then outstanding shall be equal to or less than the *sum* of (i) the lesser of (x) 50% of the Appraised Value of the Pacific Routes (determined as of the then most recent Appraisal of the Pool Assets) or (y) 70% of the *sum* of (A) of the Aggregate Exposure of all the Lenders *plus* (B) any commitments to provide the Pari Passu Secured Indebtedness, *plus* (ii) 75% of the Appraised Value of the aircraft included in the Pool Assets (as so determined) (the "*Coverage Test*")."

(n) *Amendments to Section 8.* Section 8 of the Credit and Guarantee Agreement is hereby amended by adding the word "or" immediately at the end of subsection (i) and adding a new subsection "(j)" as follows:

"(j) any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party 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;"

(o) *Amendments to Schedule 1.1A.* Schedule 1.1A shall be replaced in its entirety with the schedule attached hereto as Exhibit A.

SECTION 3. *Conditions to Effectiveness of this Amendment.*

This Amendment shall become effective on the date (the "*Amendment Effective Date*") on which the following conditions precedent have been satisfied:

- (a) the Administrative Agent shall have received counterparts of this Amendment duly executed and delivered by (i) the Borrower, (ii) the Guarantors and (iii) the Required Lenders;
- (b) the Administrative Agent shall have received (i) the Aircraft Mortgage Agreement, substantially in the form of Exhibit B hereto, duly executed and delivered by the Borrower and (ii) the Route Security Agreement, substantially in the form of Exhibit C hereto, duly executed and delivered by the Borrower and the Administrative Agent;
- (c) no Default or Event of Default shall have occurred and be continuing after giving effect to the amendments contemplated herein;
- (d) each of the representations and warranties made by the Loan Parties and their Subsidiaries in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the Amendment Effective Date as if made on and as of such date, except for any representation and warranty which is expressly made as of an earlier date, which representation and warranty shall have been true and correct in all material respects as of such earlier date;
- (e) the Administrative Agent shall have received a legal opinion of counsel from Thaddeus J. Marciniak, counsel to the Borrower and the Guarantors, in form and substance satisfactory to the Administrative Agent;
- (f) the Administrative Agent shall have received a legal opinion of counsel from Dorsey & Whitney, special counsel for the Borrower, in form and substance satisfactory to the Administrative Agent;

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- (g) the Administrative Agent shall have received a legal opinion of counsel from Crowe & Dunlevy, special aviation counsel for the Administrative Agent, in form and substance satisfactory to the Administrative Agent;
- (h) the Administrative Agent shall have received each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Permitted Liens), which shall be in proper form for filing, registration or recordation;
- (i) the Administrative Agent shall have received such documents and certificates as the Administrative Agent may reasonably request relating to the organization, existence and good standing of the Loan Parties and the authorization of the transactions pursuant to the Loan Documents, all in form and substance satisfactory to the Administrative Agent;
- (j) the Administrative Agent shall have received a certificate of an officer of the Borrower and each Guarantor in form and substance as may reasonably be requested by the Administrative Agent which shall, among other things, certify as to matters described in clauses (c) and (d) above; and
- (k) the Borrower shall have paid to the Administrative Agent, for the account of each Lender which executes and delivers this Amendment prior to 5:00 P.M., New York City time, October 22, 2001, such amendments fee as the Borrower and the Administrative Agent have mutually agreed upon;

provided, that, notwithstanding the forgoing, to the extent filings required pursuant to the Federal Aviation Act or Uniform Commercial Code in subsection 3(h) above have not been completed (and opinions contemplated in subsections 3(e), (f) and (g) have not been delivered to the extent such opinions are based upon completion of such filings) at or prior to the time that the other conditions set forth herein shall have been satisfied, such conditions shall nonetheless be deemed satisfied and the Borrower shall use reasonable efforts to complete such filings and

deliver such opinions as soon as practicable following the Amendment Effective Date; *provided further* that, in the event such conditions have not been satisfied within 15 days from the date hereof, such failure shall constitute an Event of Default.

SECTION 4. *Payment of Expenses.* The Borrower agrees to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with this Amendment and any other documents prepared in connection herewith, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

SECTION 5. *Miscellaneous.*

(a) *Effect.* Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Loan Documents shall remain unamended and not waived and shall continue to be in full force and effect.

(b) *Counterparts.* This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Amendment signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

(c) *Severability.* Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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(d) *Integration.* This Amendment and the other Loan Documents represent the agreement of the Loan Parties and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Lenders relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

(e) **GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

NORTHWEST AIRLINES CORPORATION

/s/ DANIEL B. MATTHEWS

By: Name: Daniel B. Matthews
Title: Senior Vice President & Treasurer

NORTHWEST AIRLINES HOLDINGS
CORPORATION

/s/ DANIEL B. MATTHEWS

By: Name: Daniel B. Matthews
Title: Senior Vice President & Treasurer

NWA INC.

/s/ DANIEL B. MATTHEWS

By: Name: Daniel B. Matthews
Title: Senior Vice President & Treasurer

NORTHWEST AIRLINES, INC.

/s/ DANIEL B. MATTHEWS

By: Name: Daniel B. Matthews
Title: Senior Vice President & Treasurer

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THE CHASE MANHATTAN BANK, as Administrative Agent and as
a Lender

/s/ MATTHEW H. MASSIE

By: Name: Matthew H. Massie
Title: Managing Director

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BANKERS TRUST COMPANY, as Syndication Agent and as a
Lender

/s/ MARGUERITE SUTTON

By: Name: Marguerite Sutton
Title: Vice President

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CREDIT LYONNAIS NEW YORK BRANCH, as Co-Documentation
Agent and as a Lender

/s/ PHILIPPE SOUSTRA

By: Name: Philippe Soustra
Title: Executive Vice President

17

ABN AMRO BANK N.V., as Co-Documentation Agent and as a
Lender

/s/ THOMAS K. PETERSON

By: Name: Thomas K. Peterson
Title: Senior Vice President
Diversified Industries Central

/s/ MARY L. HONDA

By: Name: Mary L. Honda
Title: Group Vice President

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THE BANK OF TOKYO-MITSUBISHI, LTD.,
CHICAGO BRANCH

/s/ PATRICK MCCUE

By: Name: Patrick McCue
Title: Vice President & Manager

19

BNP PARIBAS

/s/ CHRISTINE L. HOWATT

By: Name: Christine L. Howatt
Title: Vice President

/s/ RICHARD L. STED

By: Name: Richard L. Sted
Title: Managing Director &
Central Region Manager

20

CHANG HWA COMMERCIAL BANK LTD.,
NEW YORK BRANCH

/s/ MING-HSIEU LIU

By: Name: Ming-Hsieu Liu
Title: VP & General Manager

21

CHINATRUST COMMERCIAL BANK, LTD.

/s/ JOHN TENG

By: Name: John Teng
Title: EVP, Branch General Manager

22

CITICORP USA, INC.

/s/ PATRICIA DEN BRINKER

By: Name: Patricia den Brinker
Title: Vice President

23

CREDIT SUISSE FIRST BOSTON

/s/ ROBERT N. FINNEY

By: Name: Robert N. Finney
Title: Managing Director

/s/ VITALY G. BUTENKO

By: Name: Vitaly G. Butenko
Title: Asst. Vice President

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DRESDNER BANK AG NEW YORK AND
GRAND CAYMAN BRANCHES

/s/ JOANNA M. SOLOWSKI

By: Name: Joanna M. Solowski
Title: Vice President

/s/ JOHN A. RAMELLI

By: Name: John A. Ramelli
Title: Vice President

25

FIRST COMMERCIAL BANK, NEW YORK AGENCY

/s/ BRUCE M.J. JU

By: Name: Bruce M.J. Ju
Title VP & General Manager

26

THE FUJI BANK, LIMITED

/s/ PETER L. CHINNICI

By: Name: Peter L. Chinnici
Title: Senior Vice President & Group Head

27

HUA NAN COMMERCIAL BANK, LTD.
NEW YORK AGENCY

/s/ YUN-PENG CHANG

By: Name: Yun-Peng Chang
Title: SVP & General Manager

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KREDITANSTALT FUR WIEDERAUFBAU

/s/ M. NOSBUSCH

By: Name: M. Nosbusch
Title: Vice President

/s/ A. BELGER

By: Name: A. Belger
Title: Senior Project Manager

29

THE MITSUBISHI TRUST AND BANKING CORPORATION

/s/ SCOTT J. PAIGE

By: Name: Scott J. Paige
Title: Executive Vice President

30

MORGAN STANLEY SENIOR FUNDING, INC.

/s/ LESLIE E. BRADFORD

By: Name: Leslie E. Bradford
Title: Managing Director

31

THE ROYAL BANK OF SCOTLAND PLC

/s/ DAVID E. APPS

By: Name: David E. Apps
Title: Senior Vice President

32

STATE STREET BANK AND TRUST COMPANY

By: /s/ MARY H. CAREY

Name: Mary H. Carey

33

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ JOHN H. KEMPER

Name: John H. Kemper

Title: Senior Vice President

34

UNION PLANTERS BANK, NATIONAL ASSOCIATION

By: /s/ CRAIG E. GARDELLA

Name: Craig E. Gardella

Title: Senior Vice President

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U.S. BANK NATIONAL ASSOCIATION

By: /s/ MARK R. OLMON

Name: Mark R. Olmon

Title: Senior Vice President

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CONFORMED COPY

AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

Dated as of October 23, 2001

between

NORTHWEST AIRLINES, INC.

and

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AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

This AIRCRAFT MORTGAGE AND SECURITY AGREEMENT (as amended, modified or supplemented from time to time, the "*Mortgage*"), dated as of October 23, 2001, between NORTHWEST AIRLINES, INC., a Minnesota corporation (together with its successors and permitted assigns, the "*Company*"), and THE CHASE MANHATTAN BANK, as Collateral Agent (the "*Collateral Agent*"), for the benefit of the Lenders and the Agents under, and any other lender from time to time party to, the Credit Agreement hereinafter referred to (such Lenders, Agents and the other lenders, if any, are hereinafter called the "*Secured Creditors*").

W I T N E S S E T H:

WHEREAS, subject to and upon the terms and conditions set forth in the Credit Agreement, the Lenders have agreed to make available the Loans to the Company provided for therein;

WHEREAS, the Company has requested certain amendments to the terms and conditions set forth in the Credit Agreement;

WHEREAS, it is a condition precedent to the above-described amendments that the Company shall have executed and delivered to the Collateral Agent this Mortgage; and

WHEREAS, the Company desires to execute the Mortgage to satisfy the condition described in the preceding paragraph.

NOW, THEREFORE, to secure the due and punctual payment of the Obligations, it is hereby covenanted and agreed by and between the parties hereto as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1. *Certain Definitions.*

Unless otherwise defined herein or the context requires otherwise, capitalized terms used herein shall have the meanings set forth in *Appendix A* hereto.

ARTICLE 2

SECURITY

SECTION 2.1. *Grant of Security Interest.*

The Company, in order to secure (i) the prompt payment when due of all the Obligations and (ii) the performance and observance by the Company and the Guarantors of all agreements, covenants and provisions contained herein and in the other Loan Documents, and in consideration of the premises and of the covenants herein contained, and of other good and valuable consideration, the receipt of which is hereby acknowledged, has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm unto the Collateral Agent, its permitted successors and assigns, for the security and benefit of the Secured Creditors, forever, a continuing security interest in, and mortgage lien on, all estate, right, title and interest of the Company in, to and under the following described properties, rights, interests and privileges (which, collectively, including all property hereafter specifically subjected to the lien of this Mortgage by any instrument supplemental hereto, are referred to herein as the "*Collateral*"):

(a) the Airframes described in Schedule I hereto and the Engines described in Schedule II hereto, each of which Engines is a 750 or more rated take-off horsepower or the equivalent of such

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horsepower, and in the case of such Engines, whether or not such Engines shall be installed in or attached to the Airframes, described in this clause or any other airframes, together with all accessories, equipment, parts and appurtenances appertaining or attached to the Airframes (other than jet aircraft engines not constituting Engines) or the Engines, whether now owned or hereafter acquired, and all substitutions, renewals and replacements of and additions, improvements, accessions and accumulations to the Airframe and Engines and all records, logs and other documents at any time maintained with respect to the foregoing;

(b) the Contract Rights;

(c) all proceeds with respect to the requisition of title to or use of the Aircraft, or any part thereof, all insurance proceeds with respect to the Aircraft or any part thereof, and any other proceeds of any kind resulting from an Event of Loss, but excluding any insurance maintained by the Company and not required under Section 3.6 hereof;

(d) all moneys and securities now or hereafter paid or deposited or required to be paid or deposited to or with the Collateral Agent in pledge hereunder and held or required to be held by the Collateral Agent hereunder;

(e) any and all property that may, from time to time hereafter, in accordance with the provisions of this Mortgage, by delivery or by Mortgage Supplement or by other writing of any kind, for the purposes hereof be in any way subjected to the lien and security interest hereof or be expressly conveyed, mortgaged, assigned, transferred, deposited, in which a security interest may be granted by the Company and/or pledged by the Company, or by any Person authorized to so do on its behalf or with its consent, to and with the Collateral Agent, who is hereby authorized to receive the same at any and all times as and for additional security hereunder; and

(f) all proceeds of the foregoing.

PROVIDED, HOWEVER, that notwithstanding any of the foregoing provisions of this Section 2.1, so long as no Event of Default shall have occurred and be continuing, (i) the Company shall have the right, to the exclusion of the Collateral Agent, to quiet enjoyment of the Airframe and Engines, and to possess, use, retain and control the Airframe and Engines and all revenues, income and profits derived therefrom and (ii) the Collateral Agent, acting on behalf of the Secured Creditors, (A) shall not, through its own actions or inactions, interfere with, or suffer to exist with respect to any Aircraft any Lien attributable to the Collateral Agent which might interfere with, the Company's (or any Lessee's) continued possession, use and operation of, and quiet enjoyment (including, without limitation, administrative quiet enjoyment) of, the Aircraft during the term of this Mortgage in accordance with the terms of the Loan Documents so long as no Event of Default shall have occurred and be continuing, (B) shall not suffer to exist a default in any of its obligations pursuant to this Mortgage that does not correspond to or result from an Event of Default or Default and (C) neither the Collateral Agent nor any Secured Creditor shall assign this Mortgage for security purposes without the prior written consent of the Company, which may be granted or withheld in its sole discretion (such consent, if granted, to be conveyed by the Company in writing).

TO HAVE AND TO HOLD the Collateral unto the Collateral Agent, its permitted successors and assigns, forever, upon the terms herein set forth, in trust for the benefit, security and protection of the Secured Creditors, without any priority of any one Secured Creditor over any other, and for the uses and purposes and subject to the terms and provisions set forth in this Mortgage.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Company and the Guarantors shall remain liable under each of the Loan Documents to which they are party to perform all of the obligations assumed by them thereunder, all in accordance with and pursuant to the terms and provisions thereof, and neither the Administrative Agent, the Collateral Agent nor the Lenders shall have any obligation or liability under any of the Loan Documents to which the Company

or the Guarantors is a party by reason of or arising out of the assignment hereunder, nor shall the Administrative Agent, the Collateral Agent or the Lenders be required or obligated in any manner to perform or fulfill any obligations of the Company or the Guarantors under any of the Loan Documents to which the Company or the Guarantors is a party, or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

The Company does hereby irrevocably constitute and appoint the Collateral Agent the true and lawful attorney of the Company (which appointment is coupled with an interest) with full power (in the name of the Company or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys (in each case including insurance and requisition proceeds) and all other property which now or hereafter constitutes part of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or to take any action or to institute any proceeding which the Collateral Agent may deem to be necessary or advisable in the premises; provided that the Collateral Agent shall not exercise any such rights except upon the occurrence and during the continuance of an Event of Default.

The Company agrees that at any time and from time to time, upon the written request of the Collateral Agent, the Company will promptly and duly execute and deliver or cause to be duly executed and delivered any and all such further instruments and documents as the Collateral Agent may reasonably deem desirable in obtaining the full benefits of the assignment hereunder and of the rights and powers herein granted.

The Company does hereby warrant and represent that it has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, any of its right, title or interest hereby assigned, to anyone other than the Collateral Agent.

ARTICLE 3

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

SECTION 3.1. *General.*

The Company represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Mortgage, as follows:

(a) *Necessary Filings.*

All filings, registrations and recordings necessary to create, preserve, protect and perfect the security interest granted by the Company to the Collateral Agent hereby in respect of the Collateral have been accomplished and the security interest granted to the Collateral Agent pursuant to this Mortgage in and to the Collateral constitutes a perfected security interest therein prior to the rights of all other Persons therein and subject to no other Liens (other than Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the Federal Aviation Act and other relevant law as enacted in any relevant jurisdiction to perfected security interests.

(b) *No Liens.*

The Company is, and as to Collateral acquired by it from time to time after the date hereof the Company will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens), and the Company shall defend the Collateral against all claims and demands of all Persons (other than Persons claiming by, through or under the Collateral Agent) at any time claiming the same or any interest therein adverse to the Collateral Agent.

(c) *Other Financing Statements.*

There is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral (other than Permitted Liens), and so long as the Commitments have not been terminated or any Letter of Credit remains outstanding or any of the Reimbursement Obligations or the other Obligations remain unpaid, the Company will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by the Company.

(d) *Chief Executive Office; State of Incorporation.*

The chief executive office of the Company is located at 2700 Lone Oak Parkway, Eagan, Minnesota 55121 and the Company is incorporated in the state of Minnesota. The Company will not move its chief executive office or change its jurisdiction of incorporation until it shall have given the Collateral Agent 30 days' prior written notice of its intention to do so and the Company will provide such other information in connection therewith as the Collateral Agent may reasonably request.

(e) *Name.*

The name of the Company is Northwest Airlines, Inc. The Company will not change its name until (i) it shall have given to the Collateral Agent not less than 30 days' prior written notice of its intention to do so, (ii) with respect to such new name, it shall have taken all action, satisfactory to the Collateral Agent, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect, (iii) at the request of the Collateral Agent, it shall have furnished an opinion of counsel acceptable to the Collateral Agent to the effect that all financing or continuation statements and amendments or supplements thereto have been filed in the appropriate filing office or offices, and (iv) the Collateral Agent shall have received evidence that all other actions (including, without limitation, the payment of all filing fees and taxes, if any, payable in connection with such filings) have been taken, in order to perfect (and maintain the perfection and priority of) the security interest granted hereby.

(f) *Recourse.*

This Mortgage is made with full recourse to the Company and pursuant to and upon all the warranties, representations, covenants and agreements on the part of the Company contained herein, in the other Loan Documents and otherwise in writing in connection herewith or therewith.

SECTION 3.2. *Possession, Operation and Use, Maintenance and Registration.*

(a) *Possession.*

The Company shall not, without the prior written consent of the Collateral Agent, lease or otherwise in any manner deliver, transfer or relinquish possession of any Airframe, Engine or Part, install or permit any Engine to be installed in any airframe other than the Airframes or enter into any Wet Lease; *provided* that so long as no Default of the type referred to in Sections 8(a) or (f) of the Credit Agreement or Event of Default shall have occurred and be continuing at the time of such lease, delivery, transfer or relinquishment of possession or installation or such Wet Lease, so long as the action to be taken shall not deprive the Collateral Agent of the first priority Lien (subject to Permitted Liens) of this Mortgage on the Collateral and so long as the Company (or any Lessee) shall comply with the provisions of Sections 3.2(c) and 3.6 hereof, the Company may, without the prior written consent of the Collateral Agent:

(i) subject any Airframe or Engine or engines installed on an Airframe to normal interchange agreements or any Engine to normal pooling or similar arrangements, in each case

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customary in the airline industry and entered into by the Company (or any Lessee) in the ordinary course of its business; provided that (A) no such agreement or arrangement contemplates or requires the transfer of title to any Airframe, (B) if the Company's title to any Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and the Company shall (or shall cause Lessee to) comply with Section 3.4(e) hereof in respect thereof, and (C) any interchange agreement to which the Airframes may be subject shall be with a U.S. Air Carrier or a Foreign Air Carrier;

(ii) deliver possession of any Airframe or Engine to the manufacturer thereof (or for delivery thereto) or to any organization (or for delivery thereto) for testing, service, repair, maintenance or overhaul work on such Airframe or Engine or any part thereof or for alterations or modifications in or additions to such Airframe or Engine to the extent required or permitted by the terms of Section 3.4(d) hereof;

(iii) install any Engine on an airframe which is owned by the Company (or any Lessee) free and clear of all Liens, except: (A) Permitted Liens and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety), (B) the rights of third parties under interchange agreements which would be permitted under clause (i) above *provided* that the Company's title to any such Engine and the first priority Lien of this Mortgage shall not be divested or impaired as a result thereof and (C) mortgage liens or other security interests, *provided* that (as regards this subclause (C)) such mortgage liens or other security interests effectively provide that such Engine shall not become subject to such mortgage or security interest, notwithstanding the installation thereof on such airframe;

(iv) install any Engine on an airframe which is leased to the Company (or any Lessee) or purchased by the Company (or any Lessee) subject to a conditional sale or other security agreement, *provided* that (x) such airframe is free and clear of all Liens, except: (A) the rights of the parties to the lease or conditional sale or other security agreement covering such airframe, or their assignees, and (B) Liens of the type permitted by clause (iii) of this Section 3.2(a) and (y) such lease, conditional sale or other security agreement effectively provides that such Engine shall not become subject to the lien of such lease, conditional sale or other security agreement, notwithstanding the installation thereof on such airframe;

(v) install any Engine on an airframe owned by the Company (or any Lessee), leased to the Company (or any Lessee) or purchased by the Company (or any Lessee) which is subject to a conditional sale or other security agreement under circumstances where neither clause (iii) nor clause (iv) of this Section 3.2(a) is applicable, *provided* that such installation shall be deemed an Event

of Loss with respect to such Engine and that the Company shall (or shall cause any Lessee to) comply with Section 3.4(e) hereof in respect thereof, the Collateral Agent not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by the Company with such Section 3.4(e);

(vi) to the extent permitted by Section 3.4(c) hereof, subject any appliances, Parts or other equipment owned by the Company and removed from any Airframe or Engine to any pooling arrangement referred to in such Section;

(vii) subject (or permit any Lessee to subject) any Airframe or Engine to the Civil Reserve Air Fleet Program and transfer (or permit any Lessee to transfer) possession of any Airframe or Engine to the United States of America or any instrumentality or agency thereof pursuant to the Civil Reserve Air Fleet Program, so long as the Company (or any Lessee) shall (A) promptly notify the Collateral Agent upon subjecting such Airframe or Engine to the Civil Reserve Air Fleet Program in any contract year and provide the Collateral Agent with the name and address of the Contracting Office Representative for the Air Mobility Command of the United States Air Force

to whom notice must be given pursuant to Section 4.2 hereof, and (B) promptly notify the Collateral Agent upon transferring possession of the Airframe or any Engine to the United States of America or any agency or instrumentality thereof pursuant to such program;

(viii) enter into a Wet Lease for any Airframe or engines then installed thereon with any third party, *provided* that if the Company (or any Lessee) shall enter into any Wet Lease for a period of more than one year (including renewal options) the Company shall provide to the Collateral Agent written notice of such Wet Lease (such notice to be given prior to entering into such Wet Lease, if practicable, but in any event promptly after entering into such Wet Lease);

(ix) transfer possession of any Airframe or Engine to the United States of America or any instrumentality or agency thereof pursuant to a contract, a copy of which shall be provided to the Collateral Agent, or

(x) enter, any time, into any lease of any Airframe or Engine with (A) a U.S. Air Carrier, (B) any Person approved in writing by the Collateral Agent (with the approval of the Required Lenders), (C) any Permitted Lessee, or (D) any airline alliance partner of the Company that otherwise meets the requirement of (A), (B) or (C) above or has been previously approved in writing by the Collateral Agent, in any such case, if (1) the lessee under such lease is not subject to a proceeding or final order under applicable bankruptcy, insolvency or reorganization laws on the date such lease is entered into, (2) in the event that the lessee under such lease is a Foreign Air Carrier (other than a Foreign Air Carrier principally based in Taiwan), the United States maintains diplomatic relations with the country in which such Foreign Air Carrier is principally based at the time such lease is entered into (or, in the case of a lease to a lessee principally based in Taiwan, maintains diplomatic relations at least as good as those in effect on the Effective Date) and (3) in the event that the lessee under such lease is a Foreign Air Carrier, the Collateral Agent shall receive at the time such lease is entered into an opinion of counsel (in form and substance reasonably satisfactory to the Collateral Agent) to the Company to the effect that (I) the terms of the proposed lease will be legal, valid, binding and (subject to customary exceptions in foreign opinions generally) enforceable against the proposed lessee in the country in which the proposed lessee is principally based, (II) there exist no possessory rights in favor of the lessee under such lease under the laws of such lessee's country of domicile that would, upon bankruptcy or insolvency of or other default by the Company and assuming at such time such lessee is not insolvent or bankrupt, prevent the return or repossession of the Aircraft in accordance with the terms of this Mortgage, (III) the laws of such lessee's country of domicile require fair compensation by the government of such jurisdiction payable in currency freely convertible into Dollars for the loss of use of the Aircraft in the event of the requisition by such government of such use, and (IV) the laws of such lessee's country of domicile would give recognition to the Company's title to the Aircraft, to the registry of the Aircraft in the name of the Company (or the proposed lessee, as "lessee," as appropriate), and to the Lien of this Mortgage.

The rights of any Lessee or other transferee who receives possession by reason of a transfer permitted by this Section 3.2(a) (other than the transfer of an Engine which is deemed an Event of Loss) shall be effectively subject and subordinate to, and any lease permitted by this Section 3.2(a) shall be expressly subject and subordinate to, all the terms of this Mortgage and to the Lien of this Mortgage, including, without limitation, the covenants contained in this Section 3.2 and the Collateral Agent's rights to foreclosure and possession pursuant to Section 4.2 hereof and to avoid such lease upon such repossession, and the Company shall remain primarily liable hereunder for the performance of all of the terms of this Mortgage to the same extent as if such lease or transfer had not occurred, and, except as otherwise provided herein, the terms of any such lease shall not permit any Lessee to take any action not permitted to be taken by the Company in this Mortgage with respect to the Aircraft. No pooling agreement, lease or other relinquishment of possession of any Airframe or Engine, or Wet Lease shall in any way discharge or diminish any of the Company's obligations to the Collateral

Agent hereunder or constitute a waiver of the Collateral Agent's rights or remedies hereunder. Any lease permitted under this Section 3.2(a) shall expressly prohibit any further sublease by the Lessee. The Collateral Agent agrees, for the benefit of the Company (and any Lessee) and for the benefit of any mortgagee or other holder of a security interest in any engine (other than an Engine) owned by the Company (or any Lessee), any lessor of any engine (other than an Engine) leased to the Company (or any Lessee) and any conditional vendor of any engine (other than an Engine) purchased by the Company (or any Lessee) subject to a conditional sale agreement or any other security agreement, that no interest shall be created hereunder in any engine so owned, leased or purchased and that neither the Collateral Agent nor its successors or assigns will acquire or claim, as against the Company (or any Lessee) or any such mortgagee, lessor or conditional vendor or other holder of a security interest or any successor or assignee of any thereof, any right, title or interest in such engine as the result of such engine being installed on the Airframes; *provided, however*, that such agreement of the Collateral Agent shall not be for the benefit of any lessor or secured party of any airframe (other than the Airframes) leased to the Company (or any Lessee) or purchased by the Company (or any Lessee) subject to a conditional sale or other security agreement or for the benefit of any mortgagee or of any other holder of a security interest in an airframe owned by the Company (or any Lessee), unless such lessor, conditional vendor, other secured party or mortgagee has expressly agreed (which agreement may be contained in such lease, conditional sale or other security agreement or mortgage) that neither it nor its successors or assigns will acquire, as against the Collateral Agent, any right, title or interest in an Engine as a result of such Engine being installed on such airframe. The Company shall provide to the Collateral Agent (i) written notice of any lease hereunder (such notice to be given not later than five days prior to entering into such lease) and (ii) a copy of each lease which has a term of more than three months.

(b) *Operation and Use.*

The Company will not maintain, use, service, repair, overhaul or operate the Aircraft (or permit any Lessee or other Person to maintain, use, service, repair, overhaul or operate the Aircraft) in violation of any law or any rule, regulation, order or certificate of any government or governmental authority (domestic or foreign) having jurisdiction, or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority, except to the extent that the Company (or any Lessee) is contesting in good faith the validity or application of any such law, rule, regulation or order in any reasonable manner which does not adversely affect the first priority Lien (subject to Permitted Liens) of this Mortgage and does not involve any material risk of sale, forfeiture or loss of the Aircraft.

The Company shall not operate the Aircraft, or permit any Lessee to operate the Aircraft, in any area excluded from coverage by any insurance required by the terms of Section 3.6 hereof, *provided, however*, that the failure of the Company to comply with the provisions of this sentence shall not give rise to an Event of Default hereunder where such failure is attributable to causes beyond the reasonable control of the Company (or any Lessee) or to extraordinary circumstances involving an isolated occurrence or series of incidents not in the ordinary course of the regular operations of the Company (or any Lessee) and in each case the Company (or such Lessee, as the case may be) is taking all reasonable steps to remedy such failure as soon as is reasonably practicable.

(c) *Maintenance.*

The Company, at its own cost and expense, shall (or shall cause any Lessee to) maintain, service, repair and overhaul (or cause to be maintained, serviced, repaired and overhauled) the Aircraft so as to keep the Aircraft in as good an operating condition as when initially subjected to the Lien hereof, ordinary wear and tear excepted, and as may be necessary to enable the applicable airworthiness certification for

the Aircraft to be maintained in good standing at all times (other than temporary periods of storage in accordance with applicable regulations or during maintenance or modification

permitted hereunder) under the Federal Aviation Act, except when all Aircraft powered by engines of the same type as those with which such Aircraft shall be equipped at the time of such grounding and registered in the United States have been grounded by the FAA (although such certification need actually be maintained only during such period as an Aircraft is registered in the United States), or the applicable laws of any other jurisdiction in which an Aircraft may then be registered from time to time in accordance with the terms hereof, utilizing, except during any period that a Lease is in effect, the same manner and standard of maintenance, service, repair or overhaul used by the Company with respect to similar aircraft operated by the Company in similar circumstances and utilizing, during any period that a Lease is in effect, the same manner and standard of maintenance, service, repair or overhaul used by the Lessee with respect to similar aircraft operated by the Lessee in similar circumstances; *provided, however*, that in all circumstances the Aircraft shall be maintained by the Company (or any Lessee) in accordance with maintenance standards required by, or substantially equivalent to those required by, the FAA or the central civil aviation authority of Canada, France, Germany, Japan, the Netherlands or the United Kingdom. The Company shall maintain or cause to be maintained all records, logs and other materials required to be maintained in respect of the Aircraft by the FAA or the applicable regulatory agency or body of any other jurisdiction in which the Aircraft may then be registered.

(d) *Identification of Collateral Agent's Interest.*

As soon as practicable, the Company agrees to fix and maintain (or cause to be fixed and maintained), at its expense, in the cockpit of the Airframes adjacent to the airworthiness certificate therein and on each Engine a nameplate bearing the inscription:

"SUBJECT TO AN AIRCRAFT MORTGAGE AND SECURITY AGREEMENT IN FAVOR OF THE CHASE MANHATTAN BANK, AS COLLATERAL AGENT"

(such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Collateral Agent). Except as above provided, the Company will not allow the name of any Person (other than the Company) to be placed on the Airframes or the Engines as a designation that might be interpreted as a claim of security interest or ownership; *provided* that nothing herein contained shall prohibit the Company (or any Lessee) from placing its customary colors and insignia on the Airframes or the Engines.

(e) *Registration.*

The Company, at its own expense, will (or will cause any Lessee to) cause the Aircraft to be duly registered, and at all times to remain duly registered, in the name of the Company under the Federal Aviation Act, *provided, however*, that the Company may elect to effect a change in the registration of the Aircraft, at the Company's expense, with the prior written consent of the Collateral Agent (which shall not be unreasonably withheld).

SECTION 3.3. *Inspection.*

At reasonable times and, so long as no Event of Default shall have occurred and be continuing, on at least 15 days' prior written notice to the Company, the Collateral Agent or its authorized representatives may (not more than once every calendar year (unless an Event of Default has occurred and is continuing)) inspect the Aircraft and inspect and make copies (at the Collateral Agent's expense) of the books and records of the Company relating to the maintenance of the Aircraft; any such inspection of the Aircraft shall be limited to a visual, walk-around inspection and shall not include opening any panels, bays or the like without the express consent of the Company; *provided* that no exercise of such inspection rights shall interfere with the normal operation or maintenance of the Aircraft by, or the business of, the Company or any Lessee. The Collateral Agent shall not have any duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection.

SECTION 3.4. *Replacement and Pooling of Parts; Alterations, Modifications and Additions; Substitution of Engines.*

(a) *Replacement of Parts.*

The Company, at its own cost and expense, will so long as any Airframe or Engine is subject to the Lien of this Mortgage promptly replace or cause to be replaced all Parts which may from time to time be incorporated or installed in or attached to such Airframe or Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever, except as otherwise provided in Section 3.4(d) hereof or if any Airframe or any Engine to which a Part relates has suffered an Event of Loss. In addition, the Company (or any Lessee) may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, *provided* that the Company (or such Lessee), except as otherwise provided in Section 3.4(d) hereof, will, at its own cost and expense, replace such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens (except Permitted Liens and pooling arrangements to the extent permitted by Section 3.4(c) and except in the case of replacement property temporarily installed on an emergency basis) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof

(b) *Parts.*

Except as otherwise provided in Section 3.4(d) hereof, all Parts at any time removed from any Airframe or Engine shall remain subject to the Lien of this Mortgage, no matter where located, until such time as such Parts shall be replaced by parts that have been incorporated or installed in or attached to such Airframe or Engine and which meet the requirements for replacement parts specified in Section 3.4(a) hereof. Immediately upon any replacement part becoming incorporated or installed in or attached to any Airframe or Engine as provided in Section 3.4(a) hereof, without further act (subject only to Permitted Liens and any pooling arrangement to the extent permitted by Section 3.4(c) hereof and except in the case of replacement property temporarily installed on an emergency basis), (i) title to such replacement Part shall be owned by the Company, (ii) the replaced Part shall thereupon be free and clear of all rights of the Collateral Agent and the replacement part shall be deemed a Part hereunder; and (iii) such replacement Part shall become subject to the Lien of this Mortgage and be deemed part of such Airframe or Engine, as the case may be, for all purposes hereof to the same extent as the Parts originally incorporated or installed in or attached to such Airframe or Engine.

(c) *Pooling of Parts.*

Any Part removed from any Airframe or Engine as provided in Section 3.4(a) hereof may be subjected by the Company (or any Lessee) to a normal pooling arrangement customary in the airline industry of which the Company (or any Lessee) is a party entered into in the ordinary course of the Company's (or such Lessee's) business; *provided* that the Part replacing such removed Part shall be incorporated or installed in or attached to such Airframe or Engine in accordance with Sections 3.4(a) and 3.4(b) hereof as promptly as practicable after the removal of such removed Part. In addition, any replacement part when incorporated or installed in or attached to any Airframe or any Engine in accordance with Section 3.4(a) hereof may be owned by any third party subject to such a normal pooling arrangement, *provided* that the Company (or any Lessee), at its expense, as promptly thereafter as practicable, either (i) causes such replacement Part to become subject to the Lien of this Mortgage, free and clear of all Liens except Permitted Liens (other than pooling arrangements), at which time such temporary replacement Part shall become a Part or (ii) replaces such replacement Part by incorporating or installing in or attaching to such Airframe or Engine a further replacement Part which

is subject to the Lien of this Mortgage, free and clear of all Liens except Permitted Liens (other than pooling arrangements).

(d) *Alterations; Modifications and Additions.*

The Company, at its own expense, will make (or cause to be made) such alterations and modifications in and additions to any Airframe or Engine as may be required to be made from time to time to meet the applicable standards of the FAA or any applicable regulatory agency or body of any other jurisdiction in which the Aircraft may then be registered as permitted by Section 3.2(e) hereof, *provided, however*, that the Company (or any Lessee) may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not adversely affect the Collateral Agent. In addition, the Company (or any Lessee), at its own expense, may from time to time add further parts or accessories and make such alterations and modifications in and additions to any Airframe or Engine as the Company (or such Lessee) may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts which the Company (or such Lessee) has determined in its reasonable judgment to be obsolete or no longer suitable or appropriate for use on such Airframe or Engine (such parts, "*Obsolete Parts*"); *provided* that no such alteration, modification or addition shall materially diminish the value, utility or remaining useful life of such Airframe or Engine below the value, utility or remaining useful life thereof immediately prior to such alteration, modification or addition, assuming such Airframe or Engine was then in the condition required to be maintained by the terms of this Mortgage, except that the value (but not the utility or remaining useful life) of any Airframe or Engine may be reduced by the value of Obsolete Parts which have been removed so long as the aggregate original value of all Obsolete Parts that shall have been removed and not replaced with respect to any Aircraft shall not exceed an amount equal to 1.5% of the Appraised Value of such Aircraft. All Parts incorporated or installed in or attached or added to the Airframes or the Engines as the result of such alteration, modification or addition (the "*Additional Parts*") shall become subject to the Lien of this Mortgage. Notwithstanding the foregoing sentence, the Company (or any Lessee) may remove or suffer to be removed any Additional Part, *provided* that such Additional Part (i) is in addition to, and not in replacement of or in substitution for, any Part originally incorporated or installed in or attached to such Airframe or Engine at the time of delivery thereof hereunder or any Part in replacement of, or in substitution for, any such Part, (ii) is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the terms of Section 3.2(a) or (c) hereof or the first sentence of this Section 3.4(d), and (iii) can be removed from such Airframe or Engine without diminishing or impairing the value, utility or remaining useful life which such Airframe or Engine would have had at the time of removal had such alteration, modification or addition not occurred, assuming that such Airframe or Engine was in the condition and repair required to be maintained by the terms hereof. Upon the removal by the Company (or any Lessee) of any such part as above provided, such part shall, without further act, be free and clear of all rights of the Collateral Agent and such Part shall not be deemed a Part hereunder.

(e) *Substitution of Engines.*

The Company shall have the right at its option at any time, on at least twenty (20) days' prior written notice to the Collateral Agent, to substitute, and if an Event of Loss shall have occurred with respect to an Engine (not involving an Event of Loss with respect to the Airframe to which such Engine is attached with respect to which the Company reduces the Total Revolving Commitments as required by Section 7.5(a)(iii) of the Credit Agreement or makes the substitution permitted by Section 3.5(a) hereof), shall within thirty (30) days after the occurrence of such Event of Loss substitute, a Replacement Engine of the same make and model. In such event, immediately upon the effectiveness of such substitution on the date set forth in such notice and without further act, (i) the replaced Engine shall thereupon be free and clear of all rights of the Collateral Agent and shall no longer be deemed an Engine hereunder, and (ii) such Replacement Engine shall become subject to the Lien of this Mortgage, free and clear of all Liens except Permitted Liens, and be deemed part of the

relevant Aircraft for all purposes hereof to the same extent as the Engine originally installed on or attached to the Airframe. The Company's right to make a replacement hereunder shall be subject to the fulfillment of the following conditions precedent at the Company's sole cost and expense:

- (i) The following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect, and an executed counterpart of each shall have been delivered to the Collateral Agent (except that any financing statements under the UCC shall only be executed if so required by the UCC):

(A) a Mortgage Supplement covering the Replacement Engine (filed for recording pursuant to the Federal Aviation Act, or the applicable laws, rules and regulations of any other jurisdiction in which the relevant Aircraft may then be registered as permitted hereby);

(B) an Officer's Certificate of the Company stating (i) that the Replacement Engine is of at least equal value, utility and remaining useful life as the Engine it replaces assuming such Engine had been maintained in the condition required hereunder and (ii) each of the conditions specified in this paragraph (e) with respect to such Replacement Engine, and any comparable provisions of any Lease permitted hereby to which such Engine is subject, have been satisfied;

(C) such UCC financing statements covering the Lien created by this Mortgage as deemed necessary or desirable by counsel for the Collateral Agent to protect the security interests of the Collateral Agent in the Replacement Engine; and

(D) a certificate, reasonably acceptable to the Collateral Agent in form and substance, of an aircraft engineer or qualified independent aircraft appraiser certifying, with respect to such Replacement Engine, to the effect specified in Section 3.4(e)(i)(B) hereof;

(ii) Upon request by the Collateral Agent, the Company shall furnish the Collateral Agent with (A) an opinion addressed to the Collateral Agent, reasonably satisfactory in form and substance to the Collateral Agent, of the Company's counsel, which may be the Company's General Counsel or an Associate General Counsel, to the effect that such documents reasonably requested by the Collateral Agent are sufficient to cause such Replacement Engine to be subject to the Lien of this Mortgage, (B) upon recordation, an opinion of qualified FAA counsel, or if applicable, qualified counsel in the jurisdiction of the relevant Aircraft's registration addressed to the Collateral Agent, in either case satisfactory in form and substance to the Collateral Agent as to the due recordation of the Mortgage Supplement as a first priority Lien on the Replacement Engine, registration of the ownership of the Replacement Engine and the freedom from Liens of record (except Permitted Liens), and (C) such evidence of compliance with the insurance provisions of Section 3.6(b) hereof with respect to such Replacement Engine as the Collateral Agent may reasonably request; and

(iii) The Company shall have delivered to the Collateral Agent (A) a copy of the bill of sale respecting such Replacement Engine or other evidence of the Company's ownership of such Replacement Engine, reasonably satisfactory to the Collateral Agent and (B) appropriate instruments assigning to the Collateral Agent the benefits, if any, of all manufacturer's and vendor's warranties generally available and permitted to be assigned by the Company with respect to such Replacement Engine.

Upon such substitution, (x) the Collateral Agent shall execute and deliver to the Company such documents and instruments, prepared at the Company's expense, as the Company shall reasonably request, to evidence the release of such replaced Engine from the Lien of this Mortgage; (y) the Collateral Agent shall assign to the Company all claims it may have against any other Person relating to an Event of Loss of such replaced Engine giving rise to such substitution; and (z) the Company shall receive all insurance proceeds and proceeds in respect of any Event of Loss of such replaced Engine

giving rise to such replacement to the extent not previously applied to the purchase price of the Replacement Engine as provided in Sections 3.6(b)(I), second paragraph, and 3.5(d)(ii) hereof.

(f) *Substitution of Aircraft.*

(I) The Company shall have the right at its option at any time, on at least five (5) Business Days' prior written notice to the Collateral Agent, to substitute for one or more Aircraft one or more Replacement Aircraft so long as on the date of such replacement no Event of Default shall have occurred and be continuing, such Replacement Aircraft are free and clear of all Liens except Permitted Liens and the aggregate appraised value (as determined by an appraisal, dated not more than ten Business Days prior to the date of such substitution, by an independent appraisal firm satisfactory, at the time of such appraisal, to the Collateral Agent setting forth the fair market value, as determined in accordance with the definition of "fair market value" promulgated by the International Society of Transport Aircraft Trading, as of the date

of such appraisal, of the Replacement Aircraft) of the Replacement Aircraft shall be not less than the aggregate Appraised Value of the Aircraft for which the Replacement Aircraft are being substituted.

(II) Upon the Company having provided Replacement Aircraft as provided for in Section 3.4(f)(I) above, the Lien of the Mortgage shall continue with respect to such Replacement Aircraft as though no substitution had occurred; the Collateral Agent shall, at the cost and expense of the Company, release from the Lien of this Mortgage the replaced Aircraft upon the occurrence of the substitution by executing and delivering to the Company such documents and instruments, prepared at the Company's expense, as the Company may reasonably request to evidence such release.

(III) *Conditions to Aircraft Substitution.*

(i) The Company's right to make a substitution under Section 3.4(f)(I) hereof shall be subject to the fulfillment, at the Company's sole cost and expense and in addition to the conditions contained in such Section 3.4(f)(I), of the following conditions precedent:

(A) a Mortgage Supplement covering the Replacement Aircraft (filed for recording pursuant to the Federal Aviation Act, or the applicable laws, rules and regulations of any other jurisdiction in which the relevant Aircraft may then be registered as permitted hereby);

(B) an appraisal for the Replacement Aircraft satisfying the requirements of Section 3.4(f)(I) above;

(C) such Uniform Commercial Code financing statements covering the Lien created by this Mortgage as deemed necessary or desirable by counsel for the Collateral Agent to protect the security interests of the Collateral Agent in the Replacement Aircraft; and

(ii) the Collateral Agent shall have received from the Company such documents and evidence with respect to the Company as the Collateral Agent may reasonably request in order to establish the consummation of the transactions contemplated by this Section 3.4(f), evidence of taking of all necessary corporate action in connection therewith and compliance with the conditions set forth in this Section 3.4(f), in each case in form and substance reasonably satisfactory to the Collateral Agent;

(iii) the Company shall cause the Replacement Aircraft to be subject to the Lien of this Mortgage, free and clear of Liens (other than Permitted Liens);

(iv) the Replacement Aircraft shall have been duly certified by the FAA or the relevant body or agency of the jurisdiction then applicable to the registration of the Aircraft to be replaced as to type and airworthiness in accordance with the terms of this Mortgage, and the registration of the Replacement Aircraft in the name of the Company (or any Lessee as lessee if the Aircraft to be replaced had been so registered immediately prior to such substitution) shall have been duly made

with the FAA or the relevant body or agency of the jurisdiction then applicable to the registration of the Airframe to be replaced;

(v) the Collateral Agent shall have received evidence satisfactory to it with respect to the matters covered by subparagraphs (iii) and (iv) above;

(vi) the Collateral Agent shall, at the expense of the Company, have received (A) an opinion addressed to the Collateral Agent, reasonably satisfactory in form and substance to the Collateral Agent, from Cadwalader, Wickersham & Taft or other counsel selected by the Company and reasonably satisfactory to the Collateral Agent to the effect that (x) the Replacement Aircraft has or have been made subject to the Lien of this Mortgage and (y) all required action has been taken in order to maintain, and such action shall maintain, the effectiveness and priority of the interests in the Collateral which the Mortgage purports to create and (B) an

opinion of qualified FAA counsel or, if applicable, qualified local counsel in the jurisdiction where the Aircraft to be replaced is registered, in either case addressed to the Collateral Agent and in form and substance satisfactory to the Collateral Agent, respecting the due recordation of the Mortgage Supplement as a first priority Lien respecting such Replacement Aircraft, the registration of the ownership thereof and freedom from Liens of record (other than Permitted Liens);

(vii) the Company shall have delivered to the Collateral Agent (A) a copy of the original bill of sale respecting such Replacement Aircraft, and (B) appropriate instruments assigning to the Collateral Agent the benefits, if any, of all manufacturer's and vendor's warranties generally available and permitted to be assigned by the Company with respect to such Replacement Aircraft;

(viii) the Collateral Agent shall have received evidence satisfactory to the Collateral Agent as to the due compliance with Section 3.6 hereof with respect to the Replacement Aircraft; and

(ix) the following statement shall be true and the Collateral Agent shall have received an Officer's Certificate of the Company, dated the date of such substitution, stating that each of the conditions specified in this paragraph (III) with respect to such Replacement Aircraft, and any comparable provisions of any lease permitted hereby to which such Aircraft is subject, have been satisfied.

SECTION 3.5. *Loss, Destruction or Requisition.*

(a) *Event of Loss With Respect to Airframes.*

Upon the occurrence of an Event of Loss with respect to an Airframe or an Engine, the Company shall forthwith (and in any event within ten (10) days after such occurrence) give the Collateral Agent written notice of such Event of Loss. The Company shall, within twenty (20) days after the occurrence of an Event of Loss with respect to such Airframe give the Collateral Agent written notice of its election to perform one of the following options (it being agreed that, if the Company shall not have given notice of such election within such 20 day period, the Company shall be required to reduce the Total Revolving Commitments pursuant to Section 7.5(a)(iii) of the Credit Agreement). The Company may elect either to (i) reduce the Total Revolving Commitments pursuant to Section 7.5(a)(iii) of the Credit Agreement or (ii) cause to be subjected to the Lien of this Mortgage in replacement thereof not later than the Business Day next succeeding the 30th day following the occurrence of such Event of Loss, a Replacement Airframe (together with the same number of Replacement Engines as the number of Engines, if any, installed on such Airframe at the time such Event of Loss occurred), such Replacement Airframe and Replacement Engines to be free and clear of all Liens except Permitted Liens, to have a value, utility and remaining useful life at least equal to, and to be of a comparable or improved model as, such Airframe and Engines, if any, so replaced, as of the date of the Event of Loss (assuming such Airframes and Engines were in the condition required by the terms hereof); *provided* that if the Company does not perform its obligation to effect such replacement in accordance with this Section 3.5(a) during the period of time provided herein, then the Company shall reduce the Total

Revolving Commitments pursuant to Section 7.5(a)(iii) of the Credit Agreement on the Business Day next succeeding the 30th day following the occurrence of such Event of Loss.

(b) *Effect of Replacement.*

Upon the Company having provided a Replacement Aircraft as provided for in Section 3.5(a) above, (x) the Lien of this Mortgage shall continue with respect to such Replacement Aircraft as though no Event of Loss had occurred; the Collateral Agent shall, at the cost and expense of the Company, release from the Lien of this Mortgage the replaced Airframe and Engines or engines, if any, attached to such Airframe upon the occurrence of the Event of Loss by executing and delivering to the Company such documents and instruments, prepared at the Company's expense, as the Company may reasonably request to evidence such release and (y) the Collateral Agent shall assign to the Company all claims it may have against any other Person arising from the Event of Loss and the Company shall receive all insurance proceeds

and proceeds from any award in respect of condemnation, confiscation, seizure or requisition, including any investment interest thereon, to the extent not previously applied to the purchase price of the Replacement Aircraft as provided in Sections 3.5(d)(i) and 3.6 hereof.

(c) *Conditions to Airframe Replacement.*

(i) The Company's right to make a replacement under Section 3.5(a) hereof shall be subject to the fulfillment, at the Company's sole cost and expense and in addition to the conditions contained in such Section 3.5(a), of the following conditions precedent:

(1) on the date that the Replacement Aircraft is delivered, which date shall be not later than the Business Day next succeeding the 30th day following the Event of Loss leading to such replacement (hereinafter referred to as the "*Replacement Closing Date*"), no Event of Default shall have occurred and be continuing;

(2) on the Replacement Closing Date, the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect, and an executed counterpart of each thereof shall have been delivered to the Collateral Agent (except that any financing statements under the UCC shall only be executed if so required by the UCC):

(A) a Mortgage Supplement covering the Replacement Aircraft (filed for recording pursuant to the Federal Aviation Act, or the applicable laws, rules and regulations of any other jurisdiction in which the Aircraft to be replaced may then be registered as permitted hereby);

(B) such UCC financing statements covering the Lien created by this Mortgage as deemed necessary or desirable by counsel for the Collateral Agent to protect the security interests of the Collateral Agent in the Replacement Aircraft; and

(C) a certificate, reasonably acceptable to the Collateral Agent in form and substance, of an aircraft engineer or qualified independent aircraft appraiser Certifying (I) that the Replacement Airframe is the same model as the Airframe to be replaced (or an improved model, as the case may be) and has a value, utility and remaining useful life at least equal to the Airframe to be replaced, assuming such Airframe had been maintained in the condition required hereunder and (II) with respect to the Replacement Engines constituting part of such Replacement Aircraft to the effect specified in Section 3.4(e)(i)(B) hereof;

(3) on or before the Replacement Closing Date, the Collateral Agent shall have received from the Company such documents and evidence with respect to the Company as the Collateral Agent may reasonably request in order to establish the consummation of the transactions contemplated by this Section 3.5(c), evidence of taking of all necessary corporate action in connection therewith and compliance with the conditions set forth in this Section 3.5(c), in each case in form and substance reasonably satisfactory to the Collateral Agent;

(4) the Collateral Agent shall have received evidence satisfactory to the Collateral Agent as to the due compliance with Section 3.6 hereof with respect to the Replacement Aircraft;

(5) on the Replacement Closing Date, (A) the Company shall cause the Replacement Aircraft to be subject to the Lien of this Mortgage, free and clear of Liens (other than Permitted Liens), (B) the Replacement Aircraft shall have been duly certified by the FAA or the relevant body or agency of the jurisdiction then applicable to the registration of the Airframe to be replaced as to type and airworthiness in accordance with the terms of this Mortgage, and the registration of the Replacement Aircraft in the name of the Company (or any Lessee as lessee if the Aircraft to be replaced had been so registered immediately prior to the occurrence of the Event of Loss with respect thereto) shall have been duly made with the FAA or the relevant body or agency of the jurisdiction then applicable to the registration of the Airframe to be replaced and (C) the Collateral Agent shall have received evidence satisfactory to it with respect to the matters covered by this subparagraph (5);

(6) on the Replacement Closing Date, the following statements shall be true and the Collateral Agent shall have received an Officer's Certificate of the Company, dated the Replacement Closing Date, stating that (A) the matters set forth in subparagraph (1) above are confirmed, (B) no Event of Default will result from the Company acquiring its interest in the Replacement Aircraft and (C) each of the conditions specified in this paragraph (c) with respect to such Replacement Airframe, and any comparable provisions of any lease permitted hereby to which such Airframe is subject, have been satisfied;

(7) the Collateral Agent shall, at the expense of the Company, have received (A) an opinion addressed to the Collateral Agent, reasonably satisfactory in form and substance to the Collateral Agent, from Cadwalader, Wickersham & Taft or other counsel selected by the Company and reasonably satisfactory to the Collateral Agent to the effect that (i) the Replacement Airframe and Replacement Engines, if any, has or have been made subject to the Lien of this Mortgage and (ii) all required action has been taken in order to maintain, and such action shall maintain, the effectiveness and priority of the interests in the Collateral which the Mortgage purports to create and (B) an opinion of qualified FAA counsel or, if applicable, qualified local counsel in the jurisdiction where the Aircraft to be replaced is registered, in either case addressed to the Collateral Agent and in form and substance satisfactory to the Collateral Agent, respecting the due recordation of the Mortgage Supplement as a first priority Lien respecting such Replacement Aircraft, the registration of the ownership thereof and freedom from Liens of record (other than Permitted Liens); and

(8) the Company shall have delivered to the Collateral Agent (A) a copy of the original bill of sale respecting such Replacement Airframe and Replacement Engines, if any, and (B) appropriate instruments assigning to the Collateral Agent the benefits, if any, of all manufacturer's and vendor's warranties generally available and permitted to be assigned by the Company with respect to such Replacement Airframe and/or Replacement Engine.

(d) *Non-Insurance Payments Received on Account of an Event of Loss.*

As between the Collateral Agent and the Company, any payments on account of an Event of Loss (other than insurance proceeds or other payments the application of which is provided for in

Section 3.6 hereof, or elsewhere in this Mortgage, as the case may be, or payments in respect of damage to the business or property, of the Company) with respect to any Airframe, Engine or Part received at any time by the Collateral Agent or by the Company from any governmental authority or other Person will be applied as follows:

(i) if such payments are received with respect to an Event of Loss as to any Aircraft, and the relevant Airframe or the relevant Airframe and Engines or engines installed thereon are being replaced by the Company pursuant to Section 3.5(a) hereof, such payments shall be paid over to, or retained by, the Collateral Agent as security and upon completion of such replacement (or upon the closing therefor) and compliance with the provisions of Sections 3.5(a) and (c) with respect to the Event of Loss for which such payments are made, paid over to or retained by the Company;

(ii) if such payments are received with respect to an Event of Loss to an Engine or Part (not involving an Event of Loss as to an Airframe) that has been or is being replaced by the Company pursuant to Section 3.4(e) hereof, such payments shall be paid over to, or retained by, the Company; and

(iii) if such payments are received with respect to an Event of Loss as to an Aircraft, if the relevant Airframe or the relevant Airframe and Engines or engines installed thereon has not or have not been and will not be replaced as contemplated by Section 3.5(a) hereof, such payments shall be applied to the prepayment required pursuant to Section 3.2(b) of the Credit Agreement and the payment of any other Obligations then due and payable and thereafter, the balance, if any, of such payment shall be promptly paid over to, or retained by, the Company.

(e) *Requisition of Use.*

In the event of a requisition for use by any government, so long as it does not constitute an Event of Loss, of any Airframe and the Engines or engines installed on such Airframe so long as any Airframe or Engine is subject to the Lien of this Mortgage, the Company shall promptly notify the Collateral Agent of such requisition and all of the Company's obligations under this Mortgage shall continue to the same extent as if such requisition had not occurred. So long as no Event of Default shall have occurred and be continuing, any payments received by the Collateral Agent or the Company from such government with respect to such requisition of use shall be paid over to, or retained by, the Company. In the event of an Event of Loss of an Engine resulting from the requisition for use by a government of such Engine (but not an Airframe), the Company will replace such Engine hereunder by complying with the terms of Section 3.4(e) hereof and any payments received by the Collateral Agent or the Company from such government with respect to such requisition shall be paid over to, or retained by, the Company.

(f) *Application of Payments During Existence of Event of Default.*

Any amount referred to in this Section 3.5 which is payable to the Company (or any Lessee) shall not be paid to or retained by the Company (or such Lessee), if at the time of such payment or retention an Event of Default shall have occurred and be continuing, but shall be held by or paid over to the Collateral Agent as security for the Obligations and, if the aggregate unpaid principal amounts of the Loans shall be declared to be due and payable pursuant to the Credit Agreement, applied against the Obligations as and when due. Upon the earlier of (a) such time as there shall not be continuing any such Event of Default or (b) the termination of this Mortgage in accordance with Section 7.12, such amount, and any interest realized thereon pursuant to Section 6.1 hereof, shall be paid over to the Company (or such Lessee) to the extent not previously applied in accordance with the preceding sentence.

SECTION 3.6. *Insurance.*

(a) *Public Liability and Property Damage Insurance.*

(I) Except as provided in clause (II) of this Section 3.6(a), the Company will carry or cause to be carried at its or any Lessee's expense (i) aircraft public liability (including, without limitation, passenger legal liability) (and including aircraft war risk and hijacking insurance, if and to the extent the same is maintained by the Company (or any Lessee) with respect to other aircraft owned or leased, and operated by the Company (or such Lessee) on the same routes) insurance and property damage insurance (exclusive of manufacturer's product liability insurance) with respect to each of the Aircraft, in an amount not less than the greater of (x) with respect to each Aircraft of any type, the amount of public liability and property damage insurance from time to time applicable to aircraft owned or operated by the Company of the same type and (y) the amount of public liability and property damage maintained by the Company for such Aircraft on the Effective Date and (ii) cargo liability insurance, in the case of both clause (i) and clause (ii), (A) with respect to Aircraft of any type, of the type and covering the same risks as from time to time applicable to aircraft operated by the Company of the same type as the Aircraft and (B) which is maintained in effect with insurers of recognized responsibility. Any policies of insurance carried in accordance with this paragraph (a) and any policies taken out in substitution or replacement for any of such policies (A) shall be amended to name the Secured Creditors (but without imposing on any such party liability to pay the premiums for such insurance) (and, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) as additional insureds as their interest may appear, (B) shall provide that in respect of the interest of the Secured Creditors (and, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) in such policies the insurance shall not be invalidated by any action or inaction of the Company (or, if any Lease is then in effect, any Lessee) or any other Person and shall insure the Secured Creditors (and, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company (or, if any Lease is then in effect, any Lessee), (C) may provide for self-insurance to the extent permitted by Section 3.6(d) and (D) shall provide that if the insurers cancel such insurance for any reason whatever or if any material change is made in such insurance which adversely affects the interest of the Secured Creditors (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease), or such insurance shall lapse for non-payment of premium, such cancellation, lapse or change shall not be effective as to the Secured Creditors (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) for thirty (30) days (seven (7) days in the case of war risk and allied perils coverage) after issuance to the Collateral Agent of written notice by such insurers of such cancellation, lapse or change; *provided, however*, that if any notice period specified

above is not reasonably obtainable, such policies shall provide for as long a period of prior notice as shall then be reasonably obtainable. Each liability policy (1) shall be primary without right of contribution from any other insurance which is carried by the Secured Creditors (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease), (2) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured, and (3) shall waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of the Secured Creditors (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) to the extent of any moneys due to the Secured Creditors (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease).

(II) During any period that an Aircraft is on the ground and not in operation, the Company may, in relation to such Aircraft, carry or cause to be carried, in lieu of the insurance required by clause (I) above, insurance otherwise conforming with the provisions of said clause (I) except that (A) the amounts of coverage shall not be required to exceed the amounts of public liability and property damage insurance from time to time applicable to aircraft owned or operated by the Company of the

same type as such Aircraft and which are on the ground and not in operation; and (B) the scope of the risks covered and the type of insurance shall be the same as from time to time shall be applicable to aircraft owned or operated by the Company of the same type which are on the ground and not in operation.

(b) *Insurance Against Loss or Damage to the Aircraft.*

(I) Except as provided in clause (II) of this Section 3.6(b), the Company shall maintain or cause to be maintained in effect, at its or any Lessee's expense, with insurers of recognized responsibility, all-risk ground and flight aircraft hull insurance covering the Aircraft and all-risk ground and flight coverage of Engines and Parts while temporarily removed from the Aircraft and not replaced by similar components (including, without limitation, war risk and governmental confiscation and expropriation (other than by the government of registry of the relevant Aircraft) and hijacking insurance, if and to the extent the same is maintained by the Company (or, if a Lease is then in effect, any Lessee) with respect to other of the same type aircraft owned or operated by the Company (or such Lessee) on the same routes, except that the Company (or such Lessee) shall maintain war risk and governmental confiscation and expropriation (other than by the government of registry of the relevant Aircraft) and hijacking insurance if the Aircraft are operated on routes where the custom is for major international air carriers flying comparable routes to carry such insurance) which is of the type as from time to time applicable to aircraft owned or operated by the Company of the same type as the Aircraft; *provided* that such insurance shall at all times while the Aircraft are subject to this Mortgage be for an amount (subject to self-insurance to the extent permitted by Section 3.6(d)) not less than the amount of insurance of the same type maintained by the Company on the Effective Date with respect to the Aircraft. Any policies carried in accordance with this paragraph (b) covering the Aircraft and any policies taken out in substitution or replacement for any such policies (i) shall be amended to name the Collateral Agent as a loss payee, as its interest may appear (but without imposing on any such party liability to pay premiums with respect to such insurance), (ii) may provide for self-insurance to the extent permitted in Section 3.6(d), (iii) shall provide that (A) in the event of a loss involving proceeds in excess of an amount equal to 13.5% of the Appraised Value of the Aircraft subject to such event of loss, the proceeds in respect of such loss up to an amount equal to the amount of the reduction in the Total Revolving Commitments as required by Section 7.5(a)(iii) of the Credit Agreement with respect to such loss (the "*Balance Due*"), shall be payable to the Collateral Agent (except in the case of a loss with respect to an Engine installed on an airframe other than an Airframe, in which case the Company (or any Lessee) shall arrange for any payment of insurance proceeds in respect of such loss to be held for the account of the Collateral Agent whether such payment is made to the Company (or any Lessee) or any third party), it being understood and agreed that in the case of any payment to the Collateral Agent otherwise than in respect of an Event of Loss, the Collateral Agent shall, upon receipt of evidence satisfactory to it that the damage giving rise to such payment shall have been repaired or that such payment shall then be required to pay for repairs then being made, pay the amount of such payment to the Company or its order, and (B) the entire amount of any loss involving total proceeds equal to the amount set forth in clause (A) above or less or the amount of any proceeds of any loss in excess of the Balance Due shall be paid to the Company or its order unless an Event of Default shall have occurred and be continuing and the insurers shall have been notified thereof by the Collateral Agent, (iv) shall provide that if the insurers cancel such insurance for any reason whatever, or such insurance lapses for non-payment of premium or if any material change is made in the insurance which adversely affects the interest of the Collateral Agent, such cancellation,

lapse or change shall not be effective as to the Collateral Agent (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) for thirty (30) days (seven (7) days in case of hull war risk and allied perils coverage) after issuance to the Collateral Agent (or, if any Lease is in effect, the Company in its capacity as lessor under the Lease) of written notice by such insurers of such cancellation, lapse or change; *provided, however*, that if any notice period specified above is not generally obtainable, such policies shall provide for as long a period of prior notice as shall then be generally obtainable, (v) shall

provide that in respect of the interest of the Collateral Agent (and, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) in such policies the insurance shall not be invalidated by any action or inaction of the Company (or, if a Lease is then in effect, any Lessee) or any other Person and shall insure the Collateral Agent (and, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease) regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company (or, if a Lease is then in effect, any Lessee), (vi) shall be primary without any right of contribution from any other insurance which is carried by the Secured Creditors (or, if any Lease shall be in effect, the Company in its capacity as lessor under the Lease), (vii) shall waive any right of subrogation of the insurers against the Secured Creditors (and if any Lease shall be in effect, the Company in its capacity as lessor under the Lease), and (viii) shall waive any right of the insurers to set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of the Secured Creditors or the Company (or any Lessee) to the extent of any moneys due to the Collateral Agent. In the case of a loss with respect to an engine (other than an Engine) installed on an Airframe, the Collateral Agent shall hold any payment to it of any insurance proceeds in respect of such loss for the account of the Company or any other third party that is entitled to receive such proceeds.

As between the Collateral Agent and the Company, it is agreed that all insurance payments received as the result of the occurrence of an Event of Loss will be applied as follows:

(w) if such payment is received as the result of an Event of Loss with respect to an Airframe (the Airframe and any Engines installed thereon) that has been or is being replaced by the Company as contemplated by Section 3.5(a) hereof, such payments shall be paid over to, or retained by, the Collateral Agent and upon completion of such replacement be paid over to the Company;

(x) if such payments are received with respect to an Airframe (or the Airframe and the Engines installed thereon) that has not been or is not being replaced by the Company as contemplated by Section 3.5(a) hereof, so much of such payments remaining, after reimbursement of the Collateral Agent for reasonable costs and expenses, as shall not exceed the Balance Due shall be applied in reduction of the Company's obligation to pay the Balance Due in accordance with Section 3.2(a) of the Credit Agreement, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such Balance Due, and the balance, if any, of such payments remaining thereafter will be paid over to, or retained by, the Company (or if directed by the Company, any Lessee); and

(y) if such payments are received with respect to an Engine under the circumstances contemplated by Section 3.4(e) hereof, so much of such payments remaining, after reimbursement of the Collateral Agent for reasonable costs and expenses, shall be paid over to, or retained by, the Company (or if directed by the Company, any Lessee); *provided* that the Company shall have fully performed or, concurrently therewith, will fully perform, the terms of Section 3.4(e) hereof with respect to the Event of Loss for which such payments are made.

As between the Collateral Agent and the Company, the insurance payments for any property damage or loss to any Airframe or Engine not constituting an Event of Loss with respect thereto will be applied in payment for repairs or for replacement property in accordance with the terms of Sections 3.2(c) and 3.4 hereof, if not already paid for by the Company (or any Lessee), and any balance (or if already paid for by the Company (or any Lessee), all such insurance proceeds) remaining after compliance with such Sections with respect to such loss shall be paid to the Company (or any Lessee if directed by the Company).

(II) During any period that an Aircraft is on the ground and not in operation, the Company may, in relation to such Aircraft, carry or cause to be carried, in lieu of the insurance required by clause (b)(I) above, insurance otherwise conforming with the provisions of said clause (b)(I) except that

the scope of the risks and the type of insurance shall be the same as from time to time applicable to aircraft owned by the Company of the same type similarly on the ground and not in operation; *provided* that the Company shall maintain insurance against risk of loss or damage to such Aircraft in an amount at least equal to the amount of insurance of such type maintained by the Company on the Effective Date with respect to such Aircraft during such period that such Aircraft is on the ground and not in operation.

(c) *Reports, etc.*

The Company will furnish, or cause to be furnished, to the Collateral Agent, on or before the Effective Date and on or before July 1, in each year thereafter commencing July 1, 2002 a report, signed by Aon Risk Services, Inc. of Minnesota, Marsh & McLennan, Incorporated or any other independent firm of insurance brokers reasonably acceptable to the Collateral Agent (the "*Insurance Brokers*"), describing in reasonable detail the insurance and reinsurance then carried and maintained with respect to the Aircraft and stating the opinion of such firm that the insurance then carried and maintained with respect to the Aircraft complies with the terms hereof; *provided however*, that all information contained in the foregoing report shall not be made available by the Secured Creditors to anyone except (A) to permitted transferees of the interest of the Secured Creditors who agree to hold such information confidential, (B) to the Secured Creditors' counsels or independent public accountants or independent insurance advisors who agree to hold such information confidential or (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation. The Company will cause such Insurance Brokers to agree to advise the Collateral Agent in writing of any default in the payment of any premium and of any other act or omission on the part of the Company of which it has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. To the extent such agreement is reasonably obtainable, the Company will also cause such Insurance Brokers to agree to advise the Collateral Agent in writing at least thirty (30) days (seven (7) days in the case of war risk and allied perils coverage) prior to the expiration or termination date of any insurance carried and maintained on the Aircraft pursuant to this Section 3.6. In addition, the Company will also cause such Insurance Brokers to deliver to the Collateral Agent, on or, prior to the date of expiration of any insurance policy referenced in a previously delivered certificate of insurance, a new certificate of insurance, substantially in the same form as delivered by the Company to the Collateral Agent on the Effective Date. In the event that the Company or any Lessee shall fail to maintain or cause to be maintained insurance as herein provided, the Collateral Agent may at its sole option provide such insurance and, in such event, the Company shall, upon demand, reimburse the Collateral Agent for the cost thereof to the Collateral Agent, without waiver of any other rights the Collateral Agent may have.

(d) *Self-Insurance.*

The Company may self-insure by way of deductible, premium adjustment or franchise provisions or otherwise (including, with respect to insurance maintained pursuant to Section 3.6(b), insuring for maximum amounts which are less than the amounts required by such Section) in the insurance covering the risks required to be insured against pursuant to this Section 3.6 under a program applicable to all the aircraft in the Company's fleet, but in no case shall the aggregate amount of self-insurance in regard to Section 3.6(a) and Section 3.6(b) exceed during any policy year, with respect to all of the aircraft in the Company's fleet (including, without limitation, the Aircraft), the lesser of (a) 50% of the largest replacement value of any single aircraft in the Company's fleet or (b) 1¹/₂% of the average aggregate insurable value (during the preceding policy year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance. In addition, the Company (and any Lessee) may self-insure to the extent of any applicable mandatory minimum per aircraft (or, if applicable, per annum or other period) hull or liability insurance deductible imposed by the aircraft hull or liability insurers.

(e) *Additional Insurance by the Collateral Agent and the Company.*

The Company (and any Lessee) may at its own expense carry insurance with respect to its interest in the Aircraft in amounts in excess of that required to be maintained by this Section 3.6, so long as such excess insurance is not in conflict with the insurance otherwise required hereunder.

(f) *Indemnification by Government in Lieu of Insurance.*

Notwithstanding any provisions of this Section 3.6 requiring insurance, the Collateral Agent agrees to accept, in lieu of insurance against any risk with respect to an Aircraft, indemnification from, or insurance provided by, the United States Government or any agency or instrumentality thereof or, upon the written consent of the Collateral Agent, other government of registry of such Aircraft or any agency or instrumentality thereof, against such risk in an amount which, when added to the amount of insurance against such risk maintained by the Company (or any Lessee) with respect to the Aircraft (including permitted self-insurance) shall be at least equal to the amount of insurance against such risk otherwise required by this Section 3.6.

(g) *Application of Payments During Existence of an Event of Default.*

Any amount referred to in paragraph (b) of this Section 3.6 which is payable to or retainable by the Company (or any Lessee) shall not be paid to or retained by the Company (or any Lessee) if at the time of such payment or retention an Event of Default shall have occurred and be continuing, but shall be held by or paid over to the Collateral Agent as security for the Obligations and, if the aggregate unpaid principal amount of the Notes shall be declared to be due and payable pursuant to the Credit Agreement, applied against the Obligations as and when due. Upon the earlier of (a) such time as there shall not be continuing any such Event of Default or (b) the termination of this Mortgage in accordance with Section 7.12, such amount, and any interest realized thereon pursuant to Section 6.1 hereof, shall be paid to the Company (or such Lessee) to the extent not previously applied in accordance with the preceding sentence.

SECTION 3.7. *Filings.*

The Company will take, or cause to be taken, at the Company's cost and expense, such action with respect to the recording, filing, re-recording and re-filing of this Mortgage in the office of the Federal Aviation Administration, pursuant to the Federal Aviation Act, and in such other places as may be required under any applicable law or regulation, each Mortgage Supplement and any financing statements or other instruments as are necessary, or reasonably requested by the Collateral Agent and appropriate, to maintain, so long as this Mortgage is in effect, the perfection and preservation of any Lien created by this Mortgage, or will furnish to the Collateral Agent timely notice of the necessity of such action, together with such instruments, in execution form, and such other information as may be required to enable the Collateral Agent to take such action.

ARTICLE 4

REMEDIES OF THE COLLATERAL AGENT UPON AN EVENT OF DEFAULT

SECTION 4.1. *Event of Default.*

It shall be an Event of Default hereunder if under the Credit Agreement an "Event of Default" (as such term is defined in the Credit Agreement) shall occur; *provided* that if the Company shall have undertaken to cure any failure which arises under Section 3.2(c) hereof, or under the first sentence of Section 3.2(b) hereof as it relates to maintenance, service, repair or overhaul or under Section 3.4(a), (b), (c) or (d) hereof and, notwithstanding the diligence of the Company in attempting to cure such failure, such failure is not cured within 30 days but is curable with future due diligence, there shall exist no Event of Default so long as the Company is proceeding with due diligence to cure such failure and

such failure is remedied not later than one hundred eighty (180) days after receipt by the Company of notice from the Collateral Agent of such failure; and *provided further* that any failure of the Company to perform or observe any covenant, condition, agreement or any error in a representation or warranty shall not constitute an Event of Default if such failure or error is caused solely by reason of an event that constitutes an Event of Loss so long as the Company is continuing to comply with all of the terms of Section 3.5 hereof.

SECTION 4.2. *Remedies with Respect to Collateral.*

(a) *Remedies Available.*

Upon (i) the occurrence and continuance of any Event of Default, the Collateral Agent (in accordance with the provisions of Article 5 hereof) may, and upon the written instructions of the Required Lenders, the Collateral Agent shall, do one or more of the following; *provided, however,* that during any period that an Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 3.2(a) hereof and in possession of the United States government or an agency or instrumentality of the United States, the Collateral Agent shall not, on account of any Event of Default, be entitled to exercise any of the remedies specified in the following clauses (A), (B) and (C) in relation to such Aircraft in such manner as to limit the Company's control under this Mortgage of the relevant Airframe, or any Engines installed thereon, unless at least sixty (60) days' (or such lesser period as may then be applicable under the Air Mobility Command program of the United States Air Force) written notice of default hereunder shall have been given by the Collateral Agent by registered or certified mail to the Company (and any Lessee) with a copy addressed to the Contracting Office Representative for the Air Mobility Command of the United States Air Force under any contract with the Company (or any Lessee) relating to such Aircraft:

(A) cause the Company, upon the written demand of the Collateral Agent, at the Company's expense, to deliver promptly, and the Company shall deliver promptly, all or such part of the Airframes, the Engines or other Collateral as the Collateral Agent may so demand to the Collateral Agent or its order, or the Collateral Agent, at its option, may enter upon the premises where all or any part of the Airframes, the Engines or other Collateral are located and take immediate possession (to the exclusion of the Company and all Persons claiming under or through the Company) of and remove the same by summary proceedings or otherwise together with any engine which is not an Engine but which is installed on an Airframe, subject to all of the rights of the owner, lessor, lien or secured party of such engine; *provided* that an Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by the Company, may at the option of the Collateral Agent, be exchanged with the Company for an Engine in accordance with the provisions of Section 3.4(e) hereof;

(B) sell all or any part of the Airframes, Engines or other Collateral at public or private sale, whether or not the Collateral Agent shall at the time have possession thereof, as the Collateral Agent may determine, or lease or otherwise dispose of all or any part of the Airframes, the Engines or other Collateral as the Collateral Agent, in its sole discretion, may determine, all free and clear of any rights or claims of whatsoever kind of the Company; *provided, however,* that the Company shall be entitled at any time prior to any such disposition to redeem the Collateral by paying in full all of the Obligations; or

(C) exercise any or all of the rights and powers and pursue any and all remedies of a secured party under the Uniform Commercial Code of the State of New York.

Upon every taking of possession of Collateral under this Section 4.2, the Collateral Agent may, from time to time, at the expense of the Collateral Agent, make all such expenditures for maintenance,

insurance, repairs, replacements, alterations, additions and improvements to and of the Collateral, as it may deem proper. In each such case, the Collateral Agent shall have the right to maintain, store, lease, control or manage the Collateral and to exercise all rights and powers of the Company relating to the Collateral in connection therewith, as the Collateral Agent shall deem best, including the right to enter into any and all such agreements with respect to the maintenance, insurance, storage, leasing, control, management or disposition of the Collateral or any part thereof as the Collateral Agent may determine; and the Collateral Agent shall be entitled to collect and receive directly all tolls, rents, revenues, issues, income, products and profits of the Collateral and every part thereof, without prejudice, however, to the right of the

Collateral Agent under any provision of this Mortgage to collect and receive all cash held by, or required to be deposited with, the Collateral Agent hereunder. Such tolls, rents, revenues, issues, income, products and profits shall be applied to pay the expenses of storage, leasing, control, management or disposition of the Collateral, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Collateral Agent may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Collateral or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Company), and all other payments which the Collateral Agent may be required or authorized to make under any provision of this Mortgage, as well as just and reasonable compensation for the services of the Collateral Agent, and of all Persons properly engaged and employed by the Collateral Agent.

In addition, the Company shall be liable for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Collateral Agent's remedies with respect thereto, including all costs and expenses incurred in connection with the retaking or return of any Airframe or Engines in accordance with the terms hereof or under the Uniform Commercial Code of the State of New York, which amounts shall, until paid, be secured by the Lien of this Mortgage.

If an Event of Default shall have occurred and the Loans shall have been accelerated, at the request of the Collateral Agent the Company shall promptly execute and deliver to the Collateral Agent such instruments of title and other documents as the Collateral Agent may deem necessary or advisable to enable the Collateral Agent or an agent or representative designated by the Collateral Agent, at such time or times and place or places as the Collateral Agent may specify, to obtain possession of all or any part of the Collateral to which the Collateral Agent shall at the time be entitled hereunder. If the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Collateral Agent, the Collateral Agent may obtain a judgment conferring on the Collateral Agent the right to immediate possession and requiring the Company to execute and deliver such instruments and documents to the Collateral Agent, to the entry of which judgment the Company hereby specifically consents to the fullest extent it may lawfully do so.

Nothing in the foregoing shall affect the right of each Secured Creditor to receive all payments of principal of, and interest on, the Obligations held by such Secured Creditor and all other amounts owing to such Secured Creditor as and when the same may be due.

(b) *Notice of Sale.*

The Collateral Agent shall give the Company at least fifteen (15) days' prior written notice of the date fixed for any public sale of any Airframe or Engine or the date on or after which any private sale will be held, which notice the Company hereby agrees is reasonable notice, and any such public sale shall be conducted in general so as to afford the Company (and any Lessee) a reasonable opportunity to bid.

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(c) *Receiver.*

If any Event of Default shall occur and be continuing, to the extent permitted by law, the Collateral Agent shall be entitled, as a matter of right as against the Company, without notice or demand and without regard to the adequacy of the security for the Obligations or the solvency of the Company, upon the commencement of judicial proceedings by it to enforce any right under this Mortgage, to the appointment of a receiver of the Collateral and of the tolls, rents, revenues, issues, income, products and profits thereof.

(d) *Concerning Sales.*

At any sale under this Article, any Secured Creditor may bid for and purchase the property offered for sale, may make payment on account thereof as herein provided, and, upon compliance with the terms of sale, may hold, retain and dispose of such property without further accountability therefor. Any purchaser shall be entitled, for the purpose of making payment for the property purchased, to deliver any of the Notes or other Obligations in lieu of cash in the amount which shall be payable thereon as principal or interest. Said Notes and other Obligations, in case the amount so payable to the holders thereof shall be less than the amounts due thereon, shall be returned to the holders thereof after being stamped or endorsed to show partial payment.

SECTION 4.3. *Waiver of Appraisalment, etc., Laws.*

To the full extent that it may lawfully so agree, the Company agrees that it will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisalment, valuation, stay, extension, or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Mortgage or the absolute sale of the Collateral, or any part thereof, or the possession thereof by any purchaser at any sale under this Article; but the Company, for itself and all who may claim under it, so far as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws. The Company, for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the property in the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclosure this Mortgage may order the sale of the Collateral as an entirety.

SECTION 4.4. *Application of Proceeds.*

(a) All moneys collected by the Collateral Agent upon any sale or other disposition of the Collateral shall be applied as follows:

(i) first, to the payment of all Obligations owing the Collateral Agent of the type provided in clauses (ii) and (iii) of the definition of Obligations;

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), an amount equal to the outstanding Obligations shall be paid to the Secured Creditors, with each Secured Creditor receiving an amount equal to its outstanding Obligations or, if the proceeds are insufficient to pay in full all such Obligations, its Pro Rata Share of the amount remaining to be distributed;

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii) and following the termination of this Mortgage pursuant to Section 7.12 hereof, to the Company or as required by applicable law.

(b) For purposes of this Mortgage "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Secured Creditor's Obligations and the denominator of which is the then outstanding amount of all Obligations.

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(c) If any payment to any Secured Creditor of its Pro Rata Share of any distribution would result in overpayment to such Secured Creditor, such excess amount shall instead be distributed in respect of the unpaid Obligations of the other Secured Creditors, with each Secured Creditor whose Obligations have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Obligations of such Secured Creditor and the denominator of which is the unpaid Obligations of all Secured Creditors entitled to such distribution.

(d) It is understood that the Company shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the sums referred to in clauses (i) and (ii) of Section 4.4(a).

SECTION 4.5. *Remedies Cumulative.*

Each and every right, power and remedy hereby specifically given to the Collateral Agent or otherwise in this Mortgage shall be cumulative and shall be in addition to every other right, power and remedy specifically given under this Mortgage or the other Loan Documents or now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. No notice to or demand on the Company in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the

Collateral Agent to any other or further action in any circumstances. In the event that the Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Collateral Agent may recover reasonable expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

SECTION 4.6. *Discontinuance of Proceedings.*

In case the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Mortgage by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the Company, the Collateral Agent and each holder of any of the Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Mortgage, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted (but otherwise without prejudice).

ARTICLE 5

INDEMNITY

SECTION 5.1. *Indemnity.*

(a) The Company agrees to indemnify, reimburse and hold the Collateral Agent, each Secured Creditor and their successors, permitted assigns, employees, agents and servants (hereinafter in this Section 5.1 referred to as "*Indemnitees*") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all reasonable costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section 5.1 the foregoing are collectively called "*expenses*") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this

Mortgage, any other Loan Document or any other document executed in connection herewith or therewith or in any other way connected with the administration of the transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or property damage); *provided* that no Indemnitee shall be indemnified pursuant to this Section 5.1(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnitee. The Company agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, suit or judgment, the Company shall assume full responsibility for the defense thereof. Indemnitees agree to use their best efforts to promptly notify the Company of any such assertion of which such Indemnitees have knowledge.

(b) Without limiting the application of Section 5.1(a), the Company agrees to pay, or reimburse the Collateral Agent for any and all reasonable fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other reasonable fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Collateral Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) Without limiting the application of Section 5.1(a) or (b), the Company agrees to pay, indemnify and hold the Indemnitees harmless from and against any loss, costs, damages and expenses which the Indemnitees may suffer, expend or incur in consequence of or growing out

of any misrepresentation by the Company in this Mortgage, or any other Loan Document or in any writing contemplated by or made or delivered pursuant to or in connection with this Mortgage, or any other Loan Document.

(d) If and to the extent that the obligations of the Company under this Section 5.1 are unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

SECTION 5.2. *Indemnity Obligations Secured by Collateral; Survival.*

Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations secured by the Collateral until the Termination Date. The indemnity obligations of the Company contained in this Section 5 shall continue in full force and effect notwithstanding that the Loans, the Reimbursement Obligations and the other Obligations under the Loan Documents shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding.

ARTICLE 6

INVESTMENT OF SECURITY FUNDS

SECTION 6.1. *Investment of Security Funds.*

Any monies paid to or retained by the Collateral Agent which are required to be paid to the Company or applied for the benefit of the Company (including, without limitation, amounts payable to

the Company under Sections 3.5(d), 3.5(f), 3.6(b) and 3.6(g) hereof), but which the Collateral Agent is entitled to hold under the terms hereof pending the occurrence of some event or the performance of some act (including, without limitation, the remedying of an Event of Default), shall, until paid to the Company or applied as provided herein, be invested by the Collateral Agent at the written authorization and direction of the Company from time to time at the sole expense and risk of the Company in Permitted Investments. After the occurrence and during the continuance of an Event of Default, Permitted Investments will be selected by the Collateral Agent at its discretion. At the time of such payment or application, there shall be remitted to the Company any gain (including interest received) realized as the result of any such investment (net of any fees, commissions, other expenses or losses, if any, incurred in connection with such investment) unless an Event of Default shall have occurred and be continuing. The Collateral Agent shall not be liable for any loss relating to a Permitted Investment made pursuant to this Article 6. The Company will promptly pay to the Collateral Agent, on demand, the amount of any loss (net of any gains, including interest received) realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment).

ARTICLE 7

MISCELLANEOUS

SECTION 7.1. *No Legal Title to Collateral.*

No Secured Creditor shall have legal title to any part of the Collateral. No transfer, by operation of law or otherwise, of any right, title and interest of a Secured Creditor in and to the Collateral or this Mortgage shall operate to terminate this Mortgage or entitle any successor or transferee of such Secured Creditor to an accounting or to the transfer to it of legal title to any part of the Collateral.

SECTION 7.2. *Sale of the Aircraft by Collateral Agent Is Binding.*

Any sale or other conveyance of the Aircraft, the Airframe, any Engine or any interest therein by the Collateral Agent made pursuant to the terms of this Mortgage shall bind the Secured Creditors and the Company, and shall be effective to transfer or convey all right, title and

interest of the Collateral Agent, the Company, and the Secured Creditors in and to the Aircraft, the Airframe, any Engine or any interest therein. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such sale or conveyance or as to the application of any sale or other proceeds with respect thereto by the Collateral Agent;

SECTION 7.3. *Benefit of Mortgage.*

Nothing in this Mortgage, whether express or implied, shall be construed to give to any Person other than the Company, the Collateral Agent, and the Secured Creditors any legal or equitable right, remedy or claim under or in respect of this Mortgage.

SECTION 7.4. *Notices.*

Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be in writing (including telegraphic, telex, facsimile transmission or cable communication) and shall be delivered, mailed, telegraphed, telexed, facsimile transmitted or cabled, addressed:

(a) if to the Company, at its office at:

2700 Lone Oak Parkway
Eagan, MN 55121
Telecopy: (612) 726-0665
Attention: Senior Vice President–Finance and Treasurer

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(b) if to the Collateral Agent:

One Chase Manhattan Plaza
Loan and Agency Services Group
8th Floor
New York, New York 10081
Telecopy (212) 552-5650
Attention: Jesus Sang

with a copy to:

Matthew Massie
Aerospace Group
270 Park Avenue
38th Floor
New York, New York 10017
Telecopy (212) 270-5100

(c) if to any Secured Creditor, either (x) to the Administrative Agent, at the address of the Administrative Agent specified in the Credit Agreement or (y) at such address as such Secured Creditor shall have specified in the Credit Agreement;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder. All such notices and communications shall, when mailed, telegraphed, telexed, facsimile transmitted or cabled or sent by overnight courier, be effective on the third Business Day following deposit in the U.S. mails, certified, return receipt requested, when delivered to the telegraph company, cable company or on the day following delivery to an overnight courier, as the case may be, or when sent by telex or facsimile device, except that notices and communications to the Collateral Agent shall not be effective until received by the Collateral Agent.

SECTION 7.5. *Waiver; Amendment.*

None of the terms and conditions of this Mortgage may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Company and the Collateral Agent (with the consent of the Required Lenders or, to the extent required by Section 11.1 of the Credit Agreement, all of the Lenders).

SECTION 7.6. *Obligations Absolute.*

The obligations of the Company hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Company, except to the extent that the enforceability thereof may be limited by any such event; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Mortgage or any other Loan Document, except as specifically set forth in a waiver granted pursuant to Section 7.5; or (c) any amendment to or modification of any Loan Document or any security for any of the Obligations; whether or not the Company shall have notice or knowledge of any of the foregoing, except as specifically set forth in an amendment or modification executed pursuant to Section 7.5.

SECTION 7.7. *Successors and Assigns.*

This Mortgage shall be binding upon each Assignor and its successors and assigns and shall inure to the benefit of the Collateral Agent and each Secured Creditor and their respective successors and assigns; *provided*, that the Company may not transfer or assign any or all of its rights or obligations hereunder without the prior written consent of the Collateral Agent. All agreements, statements, representations and warranties made by the Company herein or in any certificate or other instrument

delivered by the Company or on its behalf under this Mortgage shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Mortgage and the other Loan Documents regardless of any investigation made by the Secured Creditors or on their behalf

SECTION 7.8. *Headings Descriptive.*

The headings of the several sections of this Mortgage are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Mortgage.

SECTION 7.9. *Severability.*

Any provision of this Mortgage which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 7.10. *Governing Law.*

THIS MORTGAGE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES THAT WOULD DICTATE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

SECTION 7.11. *Company's Duties.*

It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Company shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Mortgage, nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or with respect to any Collateral.

SECTION 7.12. *Termination; Release.*

(a) After the Termination Date, this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 5.1 hereof shall survive such termination) and the Collateral Agent, at the request and expense of the Company, will promptly execute and deliver to the Company a proper instrument or instruments acknowledging the satisfaction and termination of this Mortgage, and will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of its Collateral as may be in the possession of the Collateral Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Mortgage. As used in this Mortgage, "Termination Date" shall mean the date upon which the Loans, the Reimbursement Obligations and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit are outstanding.

(b) In the event that any part of the Collateral is sold in connection with a sale permitted by the Credit Agreement or is otherwise released at the direction of the Required Lenders (or all the Lenders if required by Section 11.1 of the Credit Agreement) and the proceeds of such sale or sales or from such release are applied in accordance with the terms of the Credit Agreement, such Collateral will be sold free and clear of the Liens created by this Mortgage and the Collateral Agent, at the request and expense of the Company, will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of the Collateral of the Company as is then being (or has

been) so sold or released and as may be in the possession of the Collateral Agent and has not theretofore been released pursuant to this Mortgage.

(c) At any time that the Company desires that Collateral be released as provided in the foregoing Section 7.12(a) or (b), it shall deliver to the Collateral Agent a certificate signed by its chief financial officer or another authorized senior officer stating that the release of the respective Collateral is permitted pursuant to Section 7.12(a) or (b). If requested by the Collateral Agent (although the Collateral Agent shall have no obligation to make any such request), the Company shall furnish appropriate legal opinions (from counsel, which may be in-house counsel, acceptable to the Collateral Agent) to the effect set forth in the immediately preceding sentence. The Collateral Agent shall have no liability whatsoever to any Secured Creditor as the result of any release of Collateral by it as permitted by this Section 7.

SECTION 7.13. *Counterparts.*

This Mortgage may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Company and the Collateral Agent.

SECTION 7.14. *The Collateral Agent.*

The Collateral Agent will hold in accordance with this Mortgage all items of the Collateral at any time received under this Mortgage. It is expressly understood and agreed by the parties hereto and each Secured Creditor, by accepting the benefits of this Mortgage, acknowledges and agrees that the obligations of the Collateral Agent as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Mortgage, are only those expressly set forth in this Mortgage. The Collateral Agent shall act hereunder on the terms and conditions set forth in Section 10 of the Credit Agreement.

SECTION 7.15. *Limited Obligations.*

It is the desire and intent of the Company, the Collateral Agent and the Secured Creditors that this Mortgage shall be enforced against the Company to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If and to the extent that the obligations of the Company under this Mortgage shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers, which laws would determine the solvency of the Company by reference to the full amount of the Obligations at the time of the execution and delivery of this Mortgage), then the amount of the Obligations of the Company shall be deemed to be reduced and the Company shall pay the maximum amount of the Obligations which would be permissible under the applicable law.

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IN WITNESS WHEREOF, the parties hereto have caused this Mortgage to be duly executed by their respective officers, as the case may be, there unto duly authorized, as of the day and year first above written.

NORTHWEST AIRLINES, INC.

By: /s/ Daniel B. Matthews
Name: Daniel B. Matthews
Title: Senior Vice President & Treasurer

THE CHASE MANHATTAN BANK, as Collateral Agent

By: /s/ Matthew H. Massie
Name: Mathew H. Massie
Title: Managing Director

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Appendix A

DEFINITIONS RELATING TO THE AIRCRAFT MORTGAGE AND SECURITY AGREEMENT

Unless otherwise defined herein, terms used in the Mortgage shall have the meaning provided thereto in the "Credit Agreement" as defined herein. The definitions stated herein shall apply equally to both the singular and plural forms of the terms defined.

"*Additional Parts*" has the meaning given such term in Section 3.4(d) of the Mortgage.

"*Administrative Agent*" has the meaning given to such term in the Credit Agreement.

"*Aircraft*" means each of the Airframes (or any airframes which are part of any Replacement Aircraft substituted therefor pursuant to Section 3.4 or 3.5 of the Mortgage) together with the Engines (if any) installed thereon (or any Replacement Engines substituted for said Engines pursuant to Section 3.4 of the Mortgage), whether or not any of such initial or substitute Engines may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft.

"*Airframes*" means each of the airframes described in Section 2.1(a) of the Mortgage, and any airframes which are part of any Replacement Aircraft that may from time to time be substituted pursuant to Section 3.4 or 3.5 of the Mortgage, together with any and all Parts (other than Engines or engines) so long as the same shall be incorporated or installed therein or attached thereto.

"Balance Due" has the meaning given such term in Section 3.6(b) of the Mortgage.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, and any successor provisions thereof

"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, United States Code, for aircraft capable of carrying ten or more individuals or 6,000 pounds or more of cargo.

"Citizen of the United States" has the meaning specified in Section 40102(a)(15) of Title 49 of the United States Code.

"Civil Reserve Air Fleet Program" means the Civil Reserve Air Fleet Program, currently administered by the United States Air Force Military Command pursuant to Executive Order No. 11490, as amended, or any substantially similar program.

"Collateral" has the meaning given to such term in Section 2.1 of the Mortgage.

"Collateral Agent" has the meaning specified in the preamble to the Mortgage.

"Company" has the meaning specified in the preamble to the Mortgage.

"Contract Rights" mean all of the Company's right, title and interest in and to any purchase agreement, modification agreement and buyer-furnished equipment agreement, as and to the extent that the same relates to any Aircraft and the operation thereof, including, without limitation, (a) all claims for damages in respect of any Aircraft arising as a result of any default by the manufacturer or the seller under any purchase agreement, modification agreement and buyer-furnished equipment agreement, in respect of such Aircraft, including, without limitation, all warranty, service life policy, aircraft performance guarantee and indemnity provisions in such agreements in respect of any Aircraft and all claims thereunder and (b) any and all rights of the Company to compel performance of the terms of any purchase agreement, modification agreement and buyer-furnished equipment agreement, in respect of any Aircraft.

"Credit Agreement" shall mean the Credit and Guarantee Agreement, dated as of October 24, 2000, among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., Northwest Airlines, Inc., the lenders and agents from time to time party thereto and The Chase

Manhattan Bank, as administrative agent, as amended, modified and/or supplemented from time to time.

"Default" means an event which, with the giving of notice, lapse of time or both would become an Event of Default.

"Dollars" and "\$" mean the lawful currency of the United States of America.

"Effective Date" means October 23, 2001.

"Engines" means each of the engines described in Section 2.1(a) of the Mortgage whether or not from time to time installed on any Airframe or on any other aircraft, and any Replacement Engine that may from time to time be substituted, pursuant to Section 3.4 of the Mortgage, for such Engine; together in each case with any and all Parts incorporated or installed in or attached thereto.

"Event of Default" has the meaning given such term in Section 4.1 of the Mortgage.

"Event of Loss" with respect to the Aircraft, the Airframes, or the Engines means any of the following events with respect to such property:

- (i) the loss of such property or the use thereof due to the destruction of or damage to such property which renders repair uneconomic or which renders such property permanently unfit for normal use by the Company for any reason whatsoever;

(i) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss, or a constructive or compromised total loss;

(ii) the theft or disappearance of such property, or the confiscation, condemnation, or seizure of, or requisition of title to, or use of, such property by any governmental or purported governmental authority (other than a requisition for use by the United States government or any other government of registry of an Aircraft, or any agency or instrumentality of any thereof) which in the case of any event referred to in this clause (iii) (other than a requisition of title) shall have resulted in the loss of possession of such property by the Company for a period in excess of 180 consecutive days or, in the case of a requisition of title, the requisition of title shall not have been reversed within 90 days from the date of such requisition of title;

(iii) as a result of any law, rule, regulation, order or other action by the Federal Aviation Administration or other governmental body of the government of registry of an Aircraft having jurisdiction, the use of such property in the normal course of the business of air transportation shall have been prohibited for a period of 180 consecutive days; and

(iv) any divestiture of title to an Engine treated as an Event of Loss pursuant to Section 3.2(a) of the Mortgage.

An Event of Loss with respect to an Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the relevant Airframe.

"*Federal Aviation Act*" means that portion of the United States Code comprising those provisions formerly referred to as the Federal Aviation Act of 1958, as amended, or any subsequent legislation that amends, supplements or supersedes such provisions.

"*Federal Aviation Administration*" and "FAA" mean the United States Federal Aviation Administration, and any agency or instrumentality of the United States government succeeding to its functions.

"*Foreign Air Carrier*" means any air carrier which is not a U.S. Air Carrier and which performs maintenance, preventative maintenance and inspections for an Aircraft, an Airframe, the Parts and/or the related Engines or engines to standards which are approved by, or which are substantially

equivalent to those required by, the Federal Aviation Administration, the Civil Aviation Authority of the United Kingdom, the Direction Generale de l'Aviation Civile of the French Republic, the Luftfahrt Bundesamt of the Federal Republic of Germany, the Rijfluchtvaartdienst of the Kingdom of the Netherlands, the Ministry of Transportation of Japan or the Federal Ministry of Transport of Canada (or any agency or instrumentality of the applicable government succeeding to the jurisdiction of the foregoing entities).

"*Guarantor*" or "*Guarantors*" has the meaning provided in the Credit Agreement.

"*Indemnitees*" has the meaning given by such term in Section 5.1 of the Mortgage.

"*Lease*" means any lease permitted by the terms of Section 3.2(a)(x) of the Mortgage.

"*Lessee*" means any lessee permitted by the terms of Section 3.2(a)(x) of the Mortgage.

"*Lien*" shall mean any mortgage, pledge, hypothecation, assignment, security deposit arrangement, encumbrance, lien (statutory or other) or other security agreement or lien of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any capital lease having substantially the same economic effect as any of the foregoing).

"*Mortgage*" means the Aircraft Mortgage and Security Agreement covering the Collateral, dated as of October 23, 2001, between the Company and the Collateral Agent, as the same may be amended, modified or supplemented from time to time.

"*Mortgage Supplement*" means any Mortgage and Security Agreement Supplement substantially in the form of *Exhibit A* to the Mortgage, and any other supplement to the Mortgage, from time to time executed and delivered.

"*Obligations*" means the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Company to any Agent or Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which arise under, out of, or in connection with, the Credit Agreement, any other Loan Document, the Letters of Credit or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to any Agent or Lender that are required to be paid by the Company pursuant hereto) or otherwise; (ii) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral and (iii) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs.

"*Obsolete Parts*" has the meaning given such term in Section 3.4(d) of the Mortgage.

"*Officer's Certificate*" means, as to any Person, a certificate signed by the Chairman, the Vice Chairman, the President, any Executive Vice President, any Director, any Senior Vice President, any Vice President, any Assistant Vice President, the Treasurer or any Assistant Treasurer, the Secretary, or any Assistant Secretary of such Person.

"*Parts*" means any and all appliances, parts, instruments, appurtenances, accessories, furnishings, seats, buyer furnished equipment, and other equipment of whatever nature (other than (a) complete

Engines or engines, (b) items leased by the Company from a third party and (c) cargo containers) which may from time to time be incorporated or installed in or attached to any Airframe or any Engine.

"*Permitted Investments*" means (i) direct obligations of the United States of America and agencies guaranteed by the United States government having a final maturity of 90 days or less from date of purchase thereof, (ii) certificates of deposit issued by, bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings as of its last report of condition of at least \$500,000,000 and having a rating of Aa or better by Moody's Investors Service, Inc. ("Moody's") or AA or better by Standard & Poor's Ratings Services ("S&P") and having a final maturity of 90 days or less from date of purchase thereof, and (iii) commercial paper of any holding company of a bank, trust company or national banking association described in (ii) and commercial paper of any corporation or finance company incorporated or doing business under the laws of the United States of America or any state thereof having a rating assigned to such commercial paper of A1 by S&P or P1 by Moody's and having a final maturity of 90 days or less from the date of purchase thereof, provided that the aggregate amount at any one time so invested in certificates of deposit issued by any one bank shall not be in excess of 5% of such bank's capital and surplus.

"*Permitted Lessee*" means any air carrier domiciled in a country listed in Schedule III to the Mortgage.

"*Person*" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Replacement Aircraft" means any Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" means an aircraft (except Engines or engines from time to time installed thereon), which shall have been made subject to the Lien of the Mortgage pursuant to Section 3.4 or 3.5 thereof.

"Replacement Closing Date" has the meaning given such term in Section 3.5(c) of the Mortgage.

"Replacement Engine" means an aircraft engine suitable for installation and use on the relevant Airframe and which has a value, utility and remaining useful life (except for maintenance cycle condition) at least equal to the Engine which it is replacing, assuming such Engine was of the value, utility and remaining useful life (except for maintenance cycle condition) required by the terms of the Mortgage, and which shall have been made subject to the Lien of the Mortgage pursuant to Section 3.4 or 3.5 of the Mortgage.

"Secured Creditors" has the meaning given such term in the preamble to the Mortgage.

"Termination Date" has the meaning given to such term in Section 7.12 of the Mortgage.

"UCC" or "Uniform Commercial Code" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"U.S. Air Carrier" means any Certificated Air Carrier as to which there is in force an air carrier operating certificate issued pursuant to Part 121 of the regulations under the Federal Aviation Act, or which may operate as an air carrier by certification or otherwise under any successor or substitute provisions therefor or in the absence thereof

"Wet Lease" means any arrangement whereby the Company (or any Lessee) agrees to furnish any Airframe and the Engines or engines installed thereon to a third party pursuant to which such Airframe and Engines or engines (i) shall be operated solely by regular employees of the Company (or any Lessee) possessing all current certificates and licenses that would be required under the Federal

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Aviation Act or, if the Aircraft is not registered in the United States, all certificates and licenses required by the laws of the jurisdiction of registry, for the performance by such employees of similar functions within the United States of America or such other jurisdiction of registry (it is understood that cabin attendants need not be regular employees of the Company (or any Lessee) and (ii) shall be maintained by the Company (or any Lessee) in accordance with its normal maintenance practices.

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EXHIBIT A

**FORM OF AIRCRAFT MORTGAGE AND SECURITY
AGREEMENT SUPPLEMENT NO.**

Aircraft Mortgage and Security Agreement Supplement No. dated (*"Mortgage Supplement"*) of NORTHWEST AIRLINES, INC. (the *"Company"*).

WITNESSETH:

WHEREAS, the Aircraft and Security Mortgage Agreement, dated as of October 23, 2001, (the *"Mortgage"*), between the Company and The Chase Manhattan Bank, as Collateral Agent (the *"Collateral Agent"*), provides for the execution and delivery of supplements thereto

substantially in the form hereof which shall particularly describe the Aircraft (such term and other defined terms in the Mortgage being used herein with the same meanings), and shall specifically grant a security interest in the Aircraft to the Collateral Agent; and

WHEREAS, the Company has, as provided in the Mortgage, heretofore executed and delivered to the Collateral Agent Mortgage Supplement(s) for the purpose of specifically subjecting to the Lien of the Mortgage certain airframes and/or engines therein described, which Mortgage Supplement(s) is/are dated and has/have been duly recorded with the FAA as set forth below, to wit:

<u>Date</u>	<u>Recordation Date</u>	<u>FAA Document Number</u>
-------------	-------------------------	----------------------------

NOW, THEREFORE, in order to secure the prompt payment of the Obligations, subject to the terms and conditions of the Mortgage, and in consideration of the premises and of the covenants contained in the Mortgage, and of other good and valuable consideration given to the Company at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Company has mortgaged, assigned, pledged, hypothecated and granted, and does hereby mortgage, assign, pledge, hypothecate and grant, a continuing security interest in, and mortgage lien on, the property comprising all its right, title and interest in and to the Airframes and Engines described in Annex A attached hereto, whether or not such Engines shall be installed in or attached to the Airframes or any other aircraft, to the Collateral Agent, its successors and assigns, for the benefit and security of the Secured Creditors;

To have and to hold all and singular the aforesaid property unto the Collateral Agent, its successors and assigns, for the benefit and security of the Secured Creditors and for the uses and purposes and subject to the terms and provisions set forth in the Mortgage.

This Mortgage Supplement shall be construed as supplemental to the Mortgage and shall form a part thereof, and the Mortgage is hereby incorporated by reference herein and is hereby ratified, approved and confirmed and terms not otherwise defined herein shall have the meaning provided in the Mortgage.

THIS MORTGAGE SUPPLEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES THAT WOULD, DICTATE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

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IN WITNESS WHEREOF, the Company has caused this Supplement No. to be duly executed by one of its duly authorized officers, as of the day and year first above written.

NORTHWEST AIRLINES, INC.

By: _____
Title:

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**Annex A
to Mortgage Supplement No.**

DESCRIPTION OF AIRFRAME AND ENGINES
AIRFRAME

Schedule I
to MORTGAGE

SCHEDULE OF AIRFRAMES AS PART OF THE COLLATERAL

Manufacturer	Model	Registration No.	Manufacturer's Serial No.
McDonnell Douglas	DC-9-31	N8929E	45866
McDonnell Douglas	DC-9-31	N8928E	45865
McDonnell Douglas	DC-9-15	N9348	45787
McDonnell Douglas	DC-9-14	N948L	47049
McDonnell Douglas	DC-9-14	N930RC	45729
McDonnell Douglas	DC-9-14	N8908E	45749
McDonnell Douglas	DC-9-14	N8909E	45770
McDonnell Douglas	DC-9-14	N8911E	45825
McDonnell Douglas	DC-9-14	N8912E	45829
McDonnell Douglas	DC-9-41	N750NW	47114
McDonnell Douglas	DC-9-41	N751NW	47115
McDonnell Douglas	DC-9-41	N752NW	47116
McDonnell Douglas	DC-9-41	N753NW	47117
McDonnell Douglas	DC-9-41	N754NW	47178
McDonnell Douglas	DC-9-41	N755NW	47179
McDonnell Douglas	DC-9-41	N756NW	47180
McDonnell Douglas	DC-9-41	N758NW	47286
McDonnell Douglas	DC-9-41	N759NW	47287
McDonnell Douglas	DC-9-41	N760NW	47288
McDonnell Douglas	DC-9-41	N762NW	47395
McDonnell Douglas	DC-9-41	N763NW	47396
McDonnell Douglas	DC-9-51	N760NC	47708
McDonnell Douglas	DC-9-51	N761NC	47709
McDonnell Douglas	DC-9-51	N762NC	47710
McDonnell Douglas	DC-9-51	N763NC	47716
McDonnell Douglas	DC-9-51	N764NC	47717
McDonnell Douglas	DC-9-51	N765NC	47718
McDonnell Douglas	DC-9-51	N766NC	47739
McDonnell Douglas	DC-9-51	N767NC	47724
McDonnell Douglas	DC-9-51	N768NC	47729
McDonnell Douglas	DC-9-51	N775NC	47785
McDonnell Douglas	DC-9-51	N776NC	47786
McDonnell Douglas	DC-9-51	N777NC	47787
McDonnell Douglas	DC-9-51	N787NC	48149
McDonnell Douglas	DC-9-51	N600TR	47783
Boeing	727-251	N201US	22154
Boeing	727-251	N202US	22155
Boeing	727-251	N203US	22543
Boeing	727-251	N204US	22544

Boeing	727-251	N275US	21154
Boeing	727-251	N284US	21323
Boeing	727-251	N285US	21324
Boeing	727-251	N286US	21325
Boeing	727-251	N287US	21375
Boeing	727-251	N288US	21376
Boeing	727-251	N289US	21377
Boeing	727-251	N290US	21378
Boeing	727-251	N291US	21379
Boeing	727-251	N295US	21506
Boeing	727-251	N296US	21788
Boeing	727-251	N297US	21789
Boeing	727-251	N298US	22152
Boeing	727-251	N299US	22153
Boeing	727-2S7	N716RC	22021
Boeing	727-2S7	N718RC	22344
Boeing	727-2S7	N719RC	22490
Boeing	727-2S7	N720RC	22491
Boeing	727-2S7	N721RC	22492
Boeing	727-2M7	N722RW	21201
Boeing	727-2M7	N728RW	21741
Boeing	727-2M7	N729RW	21742

SCHEDULE OF ENGINES AS PART OF THE COLLATERAL

Manufacturer	Model	Manufacturer's Serial No.	Manufacturer	Model	Manufacturer's Serial No.
Pratt & Whitney	JT8D-7B(H)	653816	Pratt & Whitney	JT8D-7B(H)	655396
Pratt & Whitney	JT8D-7B(H)	655450	Pratt & Whitney	JT8D-7B(H)	655397
Pratt & Whitney	JT8D-7B	653510	Pratt & Whitney	JT8D-7B	653679
Pratt & Whitney	JT8D-7B	655129	Pratt & Whitney	JT8D-7B	654107
Pratt & Whitney	JT8D-7B	655302	Pratt & Whitney	JT8D-7B	649539
Pratt & Whitney	JT8D-7B	653658	Pratt & Whitney	JT8D-7B	653642
Pratt & Whitney	JT8D-7B(H)	649121	Pratt & Whitney	JT8D-7B(H)	657535
Pratt & Whitney	JT8D-7B	657626	Pratt & Whitney	JT8D-7B	648879
Pratt & Whitney	JT8D-7B	649545	Pratt & Whitney	JT8D-7B	649472
Pratt & Whitney	JT8D-11	666740	Pratt & Whitney	JT8D-11	676171
Pratt & Whitney	JT8D-11(H)	666744	Pratt & Whitney	JT8D-11(H)	676154
Pratt & Whitney	JT8D-11	666657	Pratt & Whitney	JT8D-11	676250
Pratt & Whitney	JT8D-11	666670	Pratt & Whitney	JT8D-11	666694
Pratt & Whitney	JT8D-11	676185	Pratt & Whitney	JT8D-11	676179
Pratt & Whitney	JT8D-11	676192	Pratt & Whitney	JT8D-11	676199
Pratt & Whitney	JT8D-11(H)	676228	Pratt & Whitney	JT8D-11(H)	676170
Pratt & Whitney	JT8D-11	676224	Pratt & Whitney	JT8D-11	676209
Pratt & Whitney	JT8D-11	676231	Pratt & Whitney	JT8D-11	676239
Pratt & Whitney	JT8D-11	676245	Pratt & Whitney	JT8D-11	676244
Pratt & Whitney	JT8D-11	676256	Pratt & Whitney	JT8D-11	676258
Pratt & Whitney	JT8D-11(H)	676230	Pratt & Whitney	JT8D-11(H)	676246
Pratt & Whitney	JT8D-17	688206	Pratt & Whitney	JT8D-17	688211
Pratt & Whitney	JT8D-17	688231	Pratt & Whitney	JT8D-17	688212

Pratt & Whitney	JT8D-17	688232	Pratt & Whitney	JT8D-17	688249
Pratt & Whitney	JT8D-17	688295	Pratt & Whitney	JT8D-17	688294
Pratt & Whitney	JT8D-17	688299	Pratt & Whitney	JT8D-17	688716
Pratt & Whitney	JT8D-17	688764	Pratt & Whitney	JT8D-17	688760
Pratt & Whitney	JT8D-17	688767	Pratt & Whitney	JT8D-17	688772
Pratt & Whitney	JT8D-17	688776	Pratt & Whitney	JT8D-17	688773
Pratt & Whitney	JT8D-17	688777	Pratt & Whitney	JT8D-17	688784
Pratt & Whitney	JT8D-17	688792	Pratt & Whitney	JT8D-17	688785
Pratt & Whitney	JT8D-17	688793	Pratt & Whitney	JT8D-17	688796
Pratt & Whitney	JT8D-17	688827	Pratt & Whitney	JT8D-17	688816
Pratt & Whitney	JT8D-17	688828	Pratt & Whitney	JT8D-17	688830
Pratt & Whitney	JT8D-17	688832	Pratt & Whitney	JT8D-17	688831
Pratt & Whitney	JT8D-7B(H)	649094	Pratt & Whitney	JT8D-7B(H)	657672
Pratt & Whitney	JT8D-7B(H)	654825			
Pratt & Whitney	JT8D-15	649511			
Pratt & Whitney	JT8D-15	648910	Pratt & Whitney	JT8D-15	700413
Pratt & Whitney	JT8D-15	653605	Pratt & Whitney	JT8D-15	653863
Pratt & Whitney	JT8D-15	700419	Pratt & Whitney	JT8D-15	654302
Pratt & Whitney	JT8D-15	654024	Pratt & Whitney	JT8D-15	700421
Pratt & Whitney	JT8D-15	654676	Pratt & Whitney	JT8D-15	654702
Pratt & Whitney	JT8D-15	700519	Pratt & Whitney	JT8D-15	655124
Pratt & Whitney	JT8D-15	654918	Pratt & Whitney	JT8D-15	700796
Pratt & Whitney	JT8D-15	656885	Pratt & Whitney	JT8D-15	656928
Pratt & Whitney	JT8D-15	655874	Pratt & Whitney	JT8D-15	656984
Pratt & Whitney	JT8D-15	656971	Pratt & Whitney	JT8D-15	657142
Pratt & Whitney	JT8D-15	657054	Pratt & Whitney	JT8D-15	657077
Pratt & Whitney	JT8D-15	695254	Pratt & Whitney	JT8D-15	657151
Pratt & Whitney	JT8D-15	657143	Pratt & Whitney	JT8D-15	656110
Pratt & Whitney	JT8D-15	657207	Pratt & Whitney	JT8D-15	657278
Pratt & Whitney	JT8D-15	657072	Pratt & Whitney	JT8D-15	657428
Pratt & Whitney	JT8D-15	657301	Pratt & Whitney	JT8D-15	657283
Pratt & Whitney	JT8D-15	657510	Pratt & Whitney	JT8D-15	657513
Pratt & Whitney	JT8D-15	667143	Pratt & Whitney	JT8D-15	657545
Pratt & Whitney	JT8D-15	657531	Pratt & Whitney	JT8D-15	695245
Pratt & Whitney	JT8D-15	657695	Pratt & Whitney	JT8D-15	665600
Pratt & Whitney	JT8D-15	695251	Pratt & Whitney	JT8D-15	695204
Pratt & Whitney	JT8D-15	674407	Pratt & Whitney	JT8D-15	695252
Pratt & Whitney	JT8D-15	695303	Pratt & Whitney	JT8D-15	696466
Pratt & Whitney	JT8D-15	695258	Pratt & Whitney	JT8D-15	696495
Pratt & Whitney	JT8D-15	696475	Pratt & Whitney	JT8D-15	695289
Pratt & Whitney	JT8D-17	655285	Pratt & Whitney	JT8D-17	688207
Pratt & Whitney	JT8D-17	688833	Pratt & Whitney	JT8D-17	688230
Pratt & Whitney	JT8D-17	688216	Pratt & Whitney	JT8D-17	688846
Pratt & Whitney	JT8D-17	688251	Pratt & Whitney	JT8D-17	688298
Pratt & Whitney	JT8D-17	695275	Pratt & Whitney	JT8D-17	688761
Pratt & Whitney	JT8D-17	688719	Pratt & Whitney	JT8D-17	696530
Pratt & Whitney	JT8D-17	696773	Pratt & Whitney	JT8D-17	707902
Pratt & Whitney	JT8D-17	696664			
Pratt & Whitney	JT8D-17R	689862	Pratt & Whitney	JT8D-17R	689858
Pratt & Whitney	JT8D-17R	689871	Pratt & Whitney	JT8D-17R	689864
Pratt & Whitney	JT8D-17R	689866	Pratt & Whitney	JT8D-17R	689872

SCHEDULE OF COUNTRIES FOR PERMITTED LESSEES

Argentina
Australia
Austria
Bahamas
Belgium
Brazil
Canada
Chile
Denmark
Egypt
Finland
France
Germany
Greece
Hungary
Iceland
India
Indonesia
Ireland
Italy
Japan
Luxembourg
Malaysia
Mexico
Malta
Morocco
Netherlands
New Zealand
Norway
Paraguay
People's Republic of China
Philippines
Portugal
Republic of China i(Taiwan)
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland

Thailand
Tobago
Trinidad
United Kingdom
Venezuela

CONFORMED COPY

ROUTE SECURITY AGREEMENT

between
NORTHWEST AIRLINES, INC.
and
THE CHASE MANHATTAN BANK,
as Collateral Agent

Dated as of October 23, 2001

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Schedule I–Pledged Routes

ROUTE SECURITY AGREEMENT

ROUTE SECURITY AGREEMENT, dated as of October 23, 2001 (as amended, modified or supplemented from time to time, the "Agreement"), between NORTHWEST AIRLINES, INC., a Minnesota corporation (the "Pledgor") and THE CHASE MANHATTAN BANK,

as Collateral Agent (the "*Collateral Agent*"), for the benefit of the Lenders and the Agents under, and any other lender from time to time party to, the Credit Agreement herein referred to (such Lenders, Agents and the other lenders, if any, are hereinafter called the "*Secured Creditors*"). Except as otherwise defined herein, terms used herein and defined in the Credit Agreement shall be used herein as therein defined.

WITNESSETH:

WHEREAS, subject to and upon the terms and conditions set forth in the Credit Agreement, the Lenders have agreed to make available the Loans to the Pledgor provided for therein;

WHEREAS, the Pledgor has requested certain amendments to the terms and conditions set forth in the Credit Agreement;

WHEREAS, it is a condition precedent to the above-described amendments that the Pledgor shall have executed and delivered to the Collateral Agent this Agreement; and

WHEREAS, the Pledgor desires to execute this Agreement to satisfy the condition described in the preceding paragraph;

NOW, THEREFORE, in consideration of the benefits accruing to the Pledgor, the receipt and sufficiency of which are hereby acknowledged, the Pledgor hereby makes the following representations and warranties to the Collateral Agent and hereby covenants and agrees with the Collateral Agent as follows:

Section 1. *Pledge.*

The Pledgor hereby pledges to the Collateral Agent and grants to the Collateral Agent for the benefit of the Secured Creditors a security interest in all of the following (the "*Collateral*"), to secure all of the Obligations:

- (i) all of the right, title and interest of the Pledgor in, to and under each and every Pledged Route, and all non-United States "slots" and take off and landing rights related thereto, now existing or hereafter arising from time to time; and
- (ii) all Proceeds of any and all of the foregoing.

Section 2. *Obligations.*

This Agreement secures, and the Collateral is collateral security for, the Obligations.

Section 3. *No Release.*

Nothing set forth in this Agreement shall relieve the Pledgor from the performance of any term, covenant, condition or agreement on the Pledgor's part to be performed or observed under or in respect of any of the Collateral or from any liability to any Person under or in respect of any of the Collateral or impose any obligation on the Collateral Agent or any Secured Party to perform or observe any such term, covenant, condition or agreement on the Pledgor's part to be so performed or observed or impose any liability on the Collateral Agent or any Secured Creditor for any act or omission on the part of the Pledgor relating thereto or for any breach of any representation or warranty on the part of the Pledgor contained in this Agreement, or in respect of the Collateral or made in connection herewith or therewith. This Section shall survive the termination of this Agreement and the discharge of the Pledgor's other obligations hereunder and under the Loan Documents.

Section 4. *Representations, Warranties and Covenants.* The Pledgor represents, warrants and covenants as follows:

- (i) All filings, registrations and recordings necessary or reasonably requested by the Collateral Agent to create, preserve, protect and perfect the security interests granted by the Pledgor to the Collateral Agent hereby in respect of the Collateral have been accomplished by the Pledgor. The security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to this instrument in and to the Collateral constitute and hereafter will constitute a perfected security interest therein superior and prior to the rights of all other Persons therein and subject to no other Liens, except for Permitted Liens and subject to the Federal Aviation Act and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code or other relevant law as enacted in any relevant jurisdiction to perfected security interests.
- (ii) The Pledgor is, and as to Collateral acquired by it from time to time after the date hereof the Pledgor will be, the owner of all Collateral free from any Lien except for the Lien and security interest created by this Agreement, Permitted Liens and subject to the Federal Aviation Act. The Pledgor will, at or before the time it subjects any property to the Lien of this Agreement, cause evidence of its title to be duly recorded, filed or filed for recording, to the extent permitted or required under any applicable law, by the Pledgor as owner. Pledgor shall defend the Collateral against any and all claims and demands of all Persons at any time claiming any interest therein adverse to the Collateral Agent or any Secured Creditor.
- (iii) There is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) on the date hereof, covering or purporting to cover any interest of any kind in the Collateral, and so long as the Credit Agreement has not been terminated or any of the Obligations remain, the Pledgor shall not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction), or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by the Pledgor and except as may be otherwise permitted by the Credit Agreement.
- (iv) The chief executive offices of the Pledgor as of the date of this Agreement are located at 2700 Lone Oak Parkway, Eagan, MN 55121. The Pledgor shall not, until it shall have given to the Collateral Agent not less than 45 days' prior written notice of its intention to do so, (i) move its chief executive office from the location referred to in the previous sentence or (ii) change its name, identity or corporate or other organizational structure (including jurisdiction of incorporation) to such an extent that any financing statement filed by the Collateral Agent in connection with this Agreement would become misleading; and the Pledgor shall, in each case, provide such other information in connection therewith as the Collateral Agent may reasonably request and shall have taken all action reasonably satisfactory to the Collateral Agent to maintain the perfection and priority of the security interest of the Collateral Agent on behalf of the Secured Creditors in the Collateral intended to be granted hereby.
- (v) Set forth on Schedule I is a true, correct and complete list of the Pledged Routes, including a copy of each certificate or order issued by the DOT and the applicable Foreign Aviation Authority representing such Pledged Routes. The Pledgor represents and warrants that it holds the requisite authority to operate over each of the Pledged Routes pursuant to the Federal Aviation Act and all rules and regulations promulgated thereunder, subject only to the regulations of the DOT, the FAA and the applicable Foreign Aviation Authority, and that it has, at all times after obtaining each such Pledged Route, complied in all material respects with all of the terms, conditions and limitations of each such certificate or order issued by

the DOT and the applicable Foreign Aviation Authority and with all applicable provisions of the Federal Aviation Act and applicable rules and regulations promulgated thereunder and that there exists no material violation of such terms, conditions or limitations that gives the FAA, DOT or the applicable Foreign Aviation Authority the right to terminate, cancel, withdraw or modify the rights of the Pledgor in any such Pledged Routes.

- (vi) The Pledgor is a Citizen of the United States and a Certified Air Carrier. All material licenses, permits, authorizations, certificates of compliance, certificates of public convenience and necessity and other certificates (including, without limitation, air carrier operating certificates and operations specifications issued by the FAA pursuant to 14 C. F. R. Part 121) which are required by the DOT or the FAA and which are adequate for the conduct of the business of the Pledgor are in force and duly issued to the Pledgor. There are no license fees owed on the Pledgor's DOT or FAA licenses, certificates or authorizations. The Pledgor is in compliance with all material requirements of the certificates and authorizations issued to it by the DOT or the FAA.
- (vii) The Pledgor has full corporate power and authority and legal right to pledge all of the Collateral pursuant to this Agreement.
- (viii) No consent of any other party (including, without limitation, stockholders or creditors of the Pledgor), and no consent, authorization, approval, or other action by, and (except in connection with the perfection of the Lien created hereby) no notice to or filing with, any Governmental Authority or other Person is required either (x) for the pledge by the Pledgor of the Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement or (y) for the exercise by the Collateral Agent of the rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement; *provided, however*, that the transfer of Pledged Routes is subject to the consent of the DOT and may be subject to the consent of the applicable Foreign Aviation Authority as set forth in Section 10B below.
- (ix) All information set forth herein relating to the Collateral is accurate in all material respects as of the date hereof.
- (x) This Agreement is made with full recourse to the Pledgor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of the Pledgor contained herein, in the other Loan Documents, and otherwise in writing in connection herewith or therewith.

Section 5. *Supplements, Further Assurances.* The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be required or that the Collateral Agent reasonably deems necessary, in order to perfect, preserve and protect any security interest granted or purported to be granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

Section 6. *Provisions Concerning Pledged Collateral.*

- (i) *Maintenance.* Except as otherwise provided in this Section 6(i), Pledgor will do or cause to be done all things necessary to preserve and keep in full force and effect its material rights in and to use its Pledged Routes. Without in any way limiting the foregoing, the Pledgor shall promptly take all such steps as may be necessary to obtain renewal of each such Pledged Route authority from the DOT and the applicable Foreign Aviation Authority, within a commercially reasonable time prior to the expiration of such authority, and shall take all such other steps as may be necessary to maintain, renew and obtain any and all takeoff and landing rights and schedules (collectively "*Slots*") as are necessary to the continued and future

operation of the Pledgor over the Pledged Routes, which are now allocated or as may hereafter be allocated by the governmental agency or authority charged with such allocation at each airport which serves as a point of origin or destination for each Pledged Route. The Pledgor shall further take all actions necessary or, in the reasonable judgment of Collateral Agent, advisable in order to maintain the Pledgor's material rights in and the Pledgor's right to use the Pledged Routes. Nothing in this provision shall be interpreted to prevent the Pledgor from modifying or discontinuing service on any of the Pledged Routes due to a determination made by the Pledgor that it is commercially reasonable not to maintain

or otherwise perform such service on any of the Pledged Routes as specified above; *provided, however*, the Pledgor shall give the Collateral Agent thirty days' prior notice of any discontinuation or material modification of service on any Pledged Routes.

- (ii) *Financing Statements.* The Pledgor shall sign and deliver to the Collateral Agent such financing and continuation statements, in form and substance acceptable to the Collateral Agent, as may from time to time be required or necessary to grant, continue and maintain a valid, enforceable, first priority security interest in the Collateral as provided herein, and the other rights, as against third parties, provided hereby, all in accordance with the Uniform Commercial Code as enacted in any and all relevant jurisdictions or any other relevant law. The Pledgor shall pay any applicable filing fees and other expenses related to the filing of such financing and continuation statements. The Pledgor authorizes the Collateral Agent to file any such financing or continuation statements without the signature of the Pledgor where permitted by law.
- (iii) *Compliance with Laws and Regulations.* The Pledgor shall promptly comply in all material respects with all laws, ordinances, orders, rules, regulations, and requirements of all Federal, state, municipal or other governmental or quasi-governmental authorities or bodies including, without limitation, Foreign Aviation Authorities, then having jurisdiction over the Collateral (or any part thereof) and/or the use thereof by the Pledgor, of every nature and kind (the "*Requirements*") including any of the same which relate to or require changes or requirements incident to or as the result of any use thereof or otherwise, and the Pledgor shall so comply, whether or not such Requirements shall now exist or shall hereafter be enacted or promulgated and whether or not the same may be said to be within the present contemplation of the parties hereto. Notwithstanding the foregoing, if the Pledgor contests a Requirement, it shall not be obligated to comply with such Requirement to the extent such non-compliance or deferral is consistent with law and does not have a materially adverse effect on the Collateral or the security interest therein.
- (iv) *Notice of Laws.* The Pledgor agrees to give the Collateral Agent notice of any violations of any Requirement enacted, passed, promulgated, made, issued or adopted by any of the governmental departments or agencies or authorities hereinbefore mentioned affecting the Collateral or the Pledgor's use thereof, a copy of which is served upon or received by the Pledgor, or otherwise brought to the attention of the Pledgor, by mailing within thirty (30) business days after such service, receipt, or after the same otherwise comes to the attention of the Pledgor, a copy of each and every one thereof to the Collateral Agent. At the same time, the Pledgor will inform the Collateral Agent as to the work or steps which the Pledgor proposes to do or take in order to correct the violation. Notwithstanding the foregoing, however, if such work or step would require any alterations which would, in the Collateral Agent's reasonable opinion, reduce the value of the Collateral or change the general character or use of the Collateral, the Pledgor may, with the consent of the Collateral Agent, defer compliance therewith, as long as such deferral is consistent with applicable law in order that the Pledgor may, with the consent of the Collateral Agent, at the Pledgor's expense, contest or seek modification of or other relief with respect to such Requirements, but

nothing herein shall relieve the Pledgor of the duty and obligation, at the Pledgor's expense, to comply with such Requirements, or such Requirements as modified, whenever the Collateral Agent shall so direct.

Section 7. *Collateral Agent Appointed Attorney-in-Fact.* The Pledgor hereby appoints the Collateral Agent the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Collateral Agent's discretion to take any action and to execute any instrument which the Collateral Agent may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, which appointment as attorney-in-fact is coupled with an interest.

Section 8. *Collateral Agent May Perform.* If the Pledgor fails to perform any agreement contained herein after receipt of a written request to do so from the Collateral Agent, the Collateral Agent may itself perform, or cause performance of, such agreement, and the

reasonable expenses of the Collateral Agent, including, without limitation, the fees and expenses of its counsel, incurred in connection therewith, shall be payable by the Pledgor and shall be considered Obligations.

Section 9. *The Collateral Agent.* It is expressly understood and agreed by the parties hereto and each Secured Creditor, by accepting the benefits of this Agreement, acknowledges and agrees that the obligations of the Collateral Agent as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement. The Collateral Agent shall act hereunder on the terms and conditions set forth in Section 10 of the Credit Agreement.

Section 10. *Events of Default, Remedies.*

A. *Events of Default.* It shall be an Event of Default hereunder if under the Credit Agreement an "Event of Default" (as such term is defined in such Agreement) shall occur.

B. *Remedies; Obtaining the Collateral Upon Event of Default.* If any Event of Default shall have occurred and be continuing, then and in every such case, the Collateral Agent (acting at the direction and with the consent of the Required Lenders) may, at any time or from time to time during such Event of Default:

- (i) Declare the entire right, title and interest of the Pledgor in and to each Pledged Route vested, subject to the requirements imposed by the Federal Aviation Act and the DOT, in which event such rights, title and interest shall immediately vest in the Collateral Agent, in which case the Pledgor agrees to execute and deliver such deeds of conveyance, assignments and other documents or instruments (including any notices or applications to the DOT, FAA, applicable Foreign Aviation Authorities or any other governmental or regulatory authority having jurisdiction over any such Pledged Route or the use thereof) as shall be requested by the Collateral Agent in order to effectuate the transfer of such Pledged Routes, together with copies of the certificates or orders issued by the DOT and the Foreign Aviation Authorities representing same and any other rights of the Pledgor with respect thereto, to any designee or designees selected by the Collateral Agent and approved by the DOT, it being understood that, as of the date hereof, the DOT may approve transfers only to duly certificated U.S. citizen "air carriers"; it being further understood that the Pledgor's obligation to deliver such Collateral and such documents and instruments with respect thereto is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to a decree requiring specific performance by the Pledgor of said obligations; and
- (ii) Sell or otherwise liquidate, or direct the Pledgor to sell or otherwise liquidate, any or all of the Collateral or any part thereof, subject to the requirements imposed by the Federal

Aviation Act and the DOT and take possession of the proceeds of any such sale or liquidation.

C. *Remedies; Disposition of the Collateral.* (i) The Collateral Agent may from time to time exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, and to the extent not in violation of applicable law, including the Federal Aviation Act, and subject to the approval of the DOT or its successor or nominee, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in all relevant jurisdictions at the time of an Event of Default, and the Collateral Agent may also in its sole discretion, without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Collateral Agent may deem commercially reasonable. To the extent not inconsistent with the Federal Aviation Act and the DOT requirements, the Collateral Agent or any other Secured Creditor may be the purchasers of any or all of the Collateral at any such sale and shall be entitled,

for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at such sale, to use and apply any of the Obligations owed to such Person as a credit on account of the purchase price of any Collateral payable by such Person at such sale. Each purchaser at any such sale shall acquire the property sold absolutely free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor hereby waives, to the full extent permitted by law, any claims against the Collateral Agent arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale.

- (ii) Except as otherwise provided herein, the Pledgor hereby waives, to the fullest extent permitted by applicable law, notice or judicial hearing in connection with the Collateral Agent's taking possession or the Collateral Agent's disposition of any of the Collateral, including, without limitation, any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which the Pledgor would otherwise have under law, and the Pledgor hereby further waives to the fullest extent permitted by applicable law: (a) all damages occasioned by such taking of possession; (b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and (c) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law. Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Pledgor therein and thereto, and shall be a perpetual bar both at law and in equity against the Pledgor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Pledgor.

Section 11. *Application of Proceeds.* (a) Any cash held by the Collateral Agent as Collateral and all cash proceeds received by the Collateral Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral pursuant to the exercise by the Collateral Agent of its remedies as a secured creditor as provided in Section 10 of this Agreement shall be applied from time to time by the Collateral Agent:

- (i) first, to the payment of all Obligations owing the Collateral Agent of the type provided in clauses (ii) and (iii) of the definition of Obligations;
- (ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), an amount equal to the outstanding Obligations shall be paid to the Secured Creditors, with each Secured Creditor receiving an amount equal to its outstanding Obligations or, if the proceeds are insufficient to pay in full all such Obligations, its Pro Rata Share (as defined below) of the amount remaining to be distributed; and
- (iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii) and following the termination of this Agreement pursuant to Section 15 hereof, to the Pledgor or as required by applicable law.

(b) For purposes of this Agreement "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Secured Creditor's Obligations and the denominator of which is the then outstanding amount of all Obligations.

(c) If any payment to any Secured Creditor of its Pro Rata Share of any distribution would result in overpayment to such Secured Creditor, such excess amount shall instead be distributed in respect of the unpaid Obligations of the other Secured Creditors, with each Secured Creditor whose Obligations have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Obligations of such Secured Creditor and the denominator of which is the unpaid Obligations of all Secured Creditors entitled to such distribution.

(d) It is understood that the Pledgor shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the sums referred to in clauses (i) and (ii) of Section 11(a).

Section 12. *No Waiver; Discontinuance of Proceeding.* (a) Each and every right, power and remedy hereby specifically given to the Collateral Agent or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy specifically given under this Agreement or the other Loan Documents now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any default or Event of Default or an acquiescence therein. No notice to or demand on the Pledgor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand. In the event that the Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Collateral Agent may recover reasonable expenses, including attorneys' fees, and the amounts thereof shall be included in such judgment.

(b) In the event the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the Pledgor, the Collateral Agent and each holder of any of the Obligations shall to the extent permitted by applicable law be restored to their respective former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Collateral Agent and the Secured Parties shall continue as if no such proceeding had been instituted.

Section 13. *Indemnification.* (a) The Pledgor agrees to indemnify, reimburse and hold the Collateral Agent, each Secured Creditor and their respective successors, permitted assigns, employees, agents and servants (hereinafter in this Section 13 referred to individually as "Indemnitee," and collectively as "Indemnitees") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all reasonable costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section 13 the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Agreement, any other Loan Document or any other document executed in connection herewith or therewith or in any other way connected with the administration of the transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any way relating to or arising out of the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or property damage); provided that no Indemnitee shall be indemnified pursuant to this Section 13(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnitee. The Pledgor agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, suit or judgment, the Pledgor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to use its best efforts to promptly notify the Pledgor of any such assertion of which such Indemnitee has knowledge.

(b) Without limiting the application of Section 13(a), the Pledgor agrees to pay, or reimburse the Collateral Agent for, any and all reasonable fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other reasonable fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Collateral Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) If and to the extent that the obligations of the Pledgor under this Section 13 are unenforceable for any reason, the Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

(d) Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of the Pledgor contained in this Section 13 shall continue in full force and effect notwithstanding the payment of all of the Loans issued under the Credit Agreement and the payment of all other Obligations thereunder and notwithstanding the discharge thereof.

Section 14. *Amendments, etc.* This Agreement may not be amended, modified or waived except with the written consent of the Pledgor and the Collateral Agent (with the consent of the Required Lenders or, to the extent required by Section 11.1 of the Credit Agreement, all of the Lenders). Any amendment, modification or supplement of or to any provision of this Agreement, any termination or waiver of any provision of this Agreement and any consent to any departure by the Pledgor from the terms of any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which made or given. No notice to or demand upon the Pledgor in any instance hereunder shall entitle the Pledgor to any other or further notice or demand in similar or other circumstances.

Section 15. *Termination; Release.* (a) After the Termination Date, this Agreement shall terminate (provided that all indemnities set forth herein shall survive) and the Collateral Agent, at the request and expense of the Pledgor, will promptly execute and deliver to the Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to the Pledgor (without recourse and without any representation or warranty) such of its Collateral as may be in the possession of the Collateral Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement. As used in this Agreement, "Termination Date" shall mean the date upon which the Loans, the Reimbursement Obligations and the other Obligations under the Loan Documents shall have been indefeasibly paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding.

(b) In the event that any part of the Collateral is sold in connection with a sale permitted by the Credit Agreement or this Agreement or is otherwise released at the direction of the Required Lenders (or all the Lenders if required by Section 11.1 of the Credit Agreement) and the proceeds of such sale or sales or from such release are applied in accordance with the terms of the Credit Agreement, such Collateral will be sold free and clear of the Liens created by this Agreement and the Collateral Agent, at the request and expense of the Pledgor, will duly assign, transfer and deliver to the Pledgor (without recourse and without any representation or warranty) such of the Collateral of the Pledgor as is then being (or has been) so sold or released and as may be in the possession of the Collateral Agent and has not theretofore been released pursuant to this Agreement.

(c) At any time that the Pledgor desires that Collateral be released as provided in the foregoing Section 15(a) or (b), it shall deliver to the Collateral Agent a certificate signed by its chief financial officer or another authorized senior officer stating that the release of the respective Collateral is permitted pursuant to Section 15(a) or (b). If requested by the Collateral Agent (although the Collateral Agent shall have no obligation to make any such request), the Pledgor shall furnish appropriate legal opinions (from counsel, which may be in-house counsel, acceptable to the Collateral Agent) to the effect set forth in the immediately preceding

sentence. The Collateral Agent shall have no liability whatsoever to any Secured Creditor as the result of any release of Collateral by it as permitted by this Section 15.

Section 16. *Definitions.* The following terms shall have the following meanings. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"*Agreement*" has the meaning provided in the preamble hereto.

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

"*Citizen of the United States*" shall have the meaning provided in Section 40102(a)(15) of Title 49 of the United States Code.

"*Collateral*" has the meaning provided in Section 1 hereof.

"*Credit Agreement*" shall mean the Credit and Guarantee Agreement, dated as of October 24, 2000, among Northwest Airlines Corporation, Northwest Airlines Holdings Corporation, NWA Inc., the Pledgor, the lenders and agents from time to time party thereto and The Chase Manhattan Bank, as administrative agent, as amended, modified and/or supplemented from time to time.

"*DOT*" shall mean the United States Department of Transportation.

"*Event of Default*" has the meaning provided in Section 10.A hereof.

"*FAA*" means the United States Federal Aviation Administration and any agency or instrumentality of the United States government succeeding to its functions.

"*Federal Aviation Act*" shall mean the Federal Aviation Act of 1958, as amended and recodified in Title 49, United States Code, or any similar legislation of the United States to supersede, amend or supplement such Act and the rules and regulations promulgated thereunder.

"*Foreign Aviation Authority*" shall mean the foreign governmental agency which exercises jurisdiction over the issuance or authorization of the foreign terminus of each of the Pledged Routes.

"*Governmental Authority*" shall mean any federal, state, local or other governmental or administrative (including self-regulatory) body, instrumentality, department or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body located in the United States.

"*Indemnitee*" shall have the meaning provided in Section 13 hereof.

"*Obligations*" means the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Pledgor, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Pledgor to any Agent or Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which arise under, out of, or in connection with, the Credit Agreement, any other Loan Document, the Letters of Credit or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to any Agent or Lender that are required to be paid by the Pledgor pursuant hereto) or otherwise; (ii) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral and (iii) in the event

of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs..

"*Pledged Routes*" shall mean the route authorities identified as such on Schedule I.

"*Pledgor*" has the meaning provided in the preamble hereto.

"*Proceeds*" shall have the meaning assigned that term under the Uniform Commercial Code as in effect in any relevant jurisdiction or under other relevant law and, in any event, shall include, but not be limited to, any and all (i) proceeds of any insurance, indemnity, warranty or guarantee payable to the Collateral Agent or to the Pledgor or any Affiliate of the Pledgor from time to time with respect to any of the Collateral, (ii) payments (in any form whatsoever), made or due and payable to the Pledgor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of Governmental Authority), (iii) instruments representing obligations to pay amounts in respect of the

Collateral, (iv) products of the Collateral and (v) other amounts from time to time paid or payable under or in connection with any of the Collateral.

"*Pro Rata Share*" has the meaning provided in Section 11(b) hereof.

"*Requirements*" has the meaning provided in Section 6(iii) hereof.

"*Secured Creditors*" has the meaning provided in the preamble hereto.

"*Slots*" has the meaning provided in Section 6(i) hereof.

"*Termination Date*" has the meaning provided in Section 15 hereof.

"*Uniform Commercial Code*" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

Section 17. *Notices.* Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be in writing (including telegraphic, telex, facsimile transmission or cable communication) and shall be delivered, mailed, telegraphed, telexed, facsimile transmitted or cabled, addressed:

(a) if to the Pledgor, at its address set forth opposite its signature below; and

(b) if to the Collateral Agent, to its office at:

One Chase Manhattan Plaza
Loan and Agency Services Group
8th Floor
New York, New York 10081
Telecopy: (212) 552-5650
Attention: Jesus Sang

with a copy to:

Matthew Massie
Aerospace Group
270 Park Avenue
38th Floor
New York, New York 10017
Telecopy (212) 270-5100

(c) if to any Lender, either (x) to the Administrative Agent, at the address of the Administrative Agent specified in the Credit Agreement or (y) at such address as such Lender shall have specified in the Credit Agreement;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder. All such notices and communications shall, when mailed, telegraphed, telexed, facsimile transmitted or cabled or sent by overnight courier, be effective on the third Business Day following deposit in the U.S. mails, certified, return receipt requested, when delivered to the telegraph company, cable company or on the day following delivery to an overnight courier, as the case may be, or sent by telex or facsimile device, except that notices and communications to the Collateral Agent shall not be effective until received by the Collateral Agent.

Section 18. *Continuing Security Interest; Transfer of Notes.* This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full in cash of all Obligations, (ii) be binding upon the Pledgor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and each other Secured Creditor and each of their respective successors,

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transferees and assigns; no other persons (including, without limitation, any other creditor of the Pledgor) shall have any interest herein or any right or benefit with respect hereto. Without limiting the generality of the foregoing clause (iii) and subject to the provisions of the Credit Agreement, any Secured Creditor may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Secured Creditor herein or otherwise, subject, however, to the provisions of the Credit Agreement.

Section 19. *Governing Law.* **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.**

Section 20. *Consent to Jurisdiction and Service of Process.* All judicial proceedings brought against the Pledgor with respect to this Agreement may be brought in any state or federal court of competent jurisdiction in the State of New York and by execution and delivery of this Agreement, the Pledgor accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. The Pledgor designates and appoints CT Corporation System, 1633 Broadway, New York, New York 10019 and such other Persons as may hereafter be selected by the Pledgor irrevocably agreeing in writing to so serve, as its agent to receive on its behalf service of all process in any such proceedings in any such court, such service being hereby acknowledged by the Pledgor to be effective and binding service in every respect. A copy of any such process so served shall be mailed by registered mail to the Pledgor at the address set forth on the signature page of this Agreement, except that unless otherwise provided by applicable law, any failure to mail such copy shall not affect the validity of service of process. If any agent appointed by the Pledgor refuses to accept service, the Pledgor hereby agrees that service upon it by mail shall constitute sufficient notice. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the Collateral Agent to bring proceedings against the Pledgor in the courts of any other jurisdiction.

Section 21. *Security Interest Absolute.* The obligations of the Pledgor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Pledgor, except to the extent that the enforceability thereof may be limited by any such event; (b) any exercise or non-exercise, or

any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any other Loan Document, except as specifically set forth in a waiver granted pursuant to Section 14; (c) any amendment to or modification of any Loan Document or any security for any of the Obligations, whether or not the Pledgor shall have notice or knowledge of any of the foregoing, except as specifically set forth in an amendment or modification executed pursuant to Section 14; (d) any lack of validity or enforceability of the Credit Agreement or any other agreement or instrument relating thereto; or (e) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Pledgor.

Section 22. *Severability of Provisions.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 23. *Headings.* Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

Section 24. *Execution in Counterparts.* This Agreement may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an

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original, and all of which counterparts, taken together, shall constitute one and the same Agreement. A set of the counterparts executed by all the parties hereto shall be lodged with the Pledgor and the Collateral Agent.

Section 25. *Successors and Assigns.* This Agreement shall be binding upon the Pledgor and its successors and assigns and shall inure to the benefit of the Collateral Agent and each Secured Creditor and their respective successors and assigns; *provided* that the Pledgor may not transfer or assign any or all of its rights or obligations hereunder without the prior written consent of the Collateral Agent. All agreements, statements, representations and warranties made by the Pledgor herein or in any certificate or other instrument delivered by the Pledgor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Loan Documents regardless of any investigation made by the Secured Creditors or on their behalf.

Section 26. *The Pledgor's Duties.* It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Pledgor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of the Pledgor under or with respect to any Collateral.

Section 27. *Limited Obligations.* It is the desire and intent of the Pledgor, the Collateral Agent and the Secured Creditors that this Agreement shall be enforced against the Pledgor to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If and to the extent that the obligations of the Pledgor under this Agreement shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers, which laws would determine the solvency of the Pledgor by reference to the full amount of the Obligations at the time of the execution and delivery of this Agreement), then the amount of the Obligations of the Pledgor shall be deemed to be reduced and the Pledgor shall pay the maximum amount of the Obligations which would be permissible under the applicable law.

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IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

NORTHWEST AIRLINES, INC.

/s/ DANIEL B. MATTHEWS

By: Name: Daniel B. Matthews
Title: Senior Vice President & Treasurer

Notice Address:

Northwest Airlines, Inc.
2700 Lone Oak Parkway
Eagan, Minnesota 55121

Attention: General Counsel

THE CHASE MANHATTAN BANK,
as Collateral Agent

/s/ MATTHEW H. MASSIE

By: Name: Matthew H. Massie
Title: Senior Vice President & Treasurer Title:
Managing Director

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SCHEDULE I

Schedule of Pledged Routes

<u>Route to be Pledged</u>	<u>Certificate or Exemption Authority</u>	<u>Route Number of Certificate Containing Authority</u>	<u>Issued by DOT/CAB Order</u>	<u>Current Expiration Date</u>
U.S.–Japan and beyond with open intermediates	Certificate	Route 129	Order 98-6-22	6/19/2003
U.S.–China (any U.S. gateways to named points in China, via Japan)	Certificate	Route 378	Order 99-2-8	2/11/2004
*Pursuant to NOAT dated 6/30/99 (expiring 6/30/01), Routes 129 and 378 have been integrated.				
Detroit-Beijing added as Segment 2			Order 96-10-44	12/5/2001
U.S.–China 9 weekly roundtrip frequencies	Frequency Allocation		Order 97-1-13	Renewed indefinitely by Notice of Action Taken ("NOAT") 11/13/98
U.S.–China 6 weekly roundtrip frequencies (4	Frequency Allocation		Order 99-8-9	None

effective 8/9/99; 2 effective
4/1/00)

U.S.–Thailand 4 weekly roundtrip all-cargo frequencies	Frequency Allocation	NOAT 9/4/98 Docket OST-97-2755	9/4/00 (subject to automatic renewal)
U.S.–Philippines 14 weekly roundtrip combination frequencies	Frequency Allocation	NOAT 9/21/98 Docket OST-96-1615	9/21/00 (subject to automatic renewal)
U.S.–Philippines 3 weekly roundtrip all-cargo frequencies	Frequency Allocation	NOAT 9/21/98 Docket OST-98-4267	9/21/00 (subject to automatic renewal)
U.S.–Philippines 3 weekly roundtrip combination frequencies	Frequency Allocation	NOAT 9/30/99 Docket OST-98-4557	9/30/00 (subject to automatic renewal)
U.S.–Philippines 1 weekly roundtrip combination frequency	Frequency Allocation	NOAT 9/30/99 Docket OST-99-6228	9/30/00 (subject to automatic renewal)
U.S.–Philippines 3 weekly roundtrip combination frequencies	Frequency Allocation	NOAT 9/9/00 Docket OST-2000-7892	9/30/00 (subject to automatic renewal)

U.S.–Hong Kong Gateway	Designation	Order 97-7-25	None
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All airport slots necessary to operate service on the foregoing routes in essentially the same manner which applies to the Borrower's operation as of the closing date.

QuickLinks

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MANAGEMENT COMPENSATION AGREEMENT

between

NORTHWEST AIRLINES, INC.

and

RICHARD H. ANDERSON

dated as of

June 28, 2001

MANAGEMENT COMPENSATION AGREEMENT

MANAGEMENT COMPENSATION AGREEMENT made as of the 28th day of June, 2001 between Northwest Airlines, Inc., a Delaware corporation (the "*Company*") and Richard H. Anderson (the "*Executive*").

PREAMBLE

The Company and Executive previously entered into a Management Compensation Agreement dated as of September 1, 1996 (the "*Prior Agreement*"). As of the date hereof, the Company and Executive have agreed to replace the Prior Agreement with this Agreement, which shall supersede the Prior Agreement in all respects.

1. *Terms of Employment.*

1.1 *Employment.* The Company agrees to continue to employ Executive, and Executive agrees to continue to serve the Company, on the terms and conditions set forth herein.

1.2 *Position and Duties.* Executive shall continue to have his title, powers and duties as on the Effective Date and shall have such other powers and duties as may from time to time be prescribed by the Board, *provided* that such powers and duties are consistent with or represent a promotion from Executive's duties as of the Effective Date, unless otherwise consented to in writing by Executive, provided, however, that as long as Executive retains a substantial portion of his then current oversight responsibility, the Board shall be permitted to transfer a portion of Executive's oversight responsibility without the consent of Executive. Executive shall devote substantially all his working time and efforts to the business and affairs of the Company and its subsidiaries.

2. *Compensation.*

2.1 *Base Salary.* Executive's Base Salary shall be his annual base salary in effect on the Effective Date, as increased thereafter by the Company. Executive's Base Salary shall be payable in accordance with the Company's normal payroll policies.

2.2 *Bonus.* Executive shall be entitled to participate in the Company's Key Employee Cash Incentive Bonus Program, and any successor annual bonus plan, the terms and conditions of which shall be established by the Board from time to time; *provided*

that any successor plan shall be no less favorable to the Executive than the Company's Key Employee Cash Incentive Program in effect on the Effective Date; and *provided* further that Executive's target bonus under such plan shall be no less than 100% of Executive's Base Salary.

2.3 *Expenses.* During the term of Executive's employment hereunder, Executive shall be entitled to receive prompt reimbursements for all reasonable expenses incurred in performing services hereunder, *provided* that Executive properly accounts therefor in accordance with written Company policy.

2.4 *Compensation and Benefit Programs of the Company.* Executive shall continue while employed hereunder to participate in the Company's employee compensation and benefit programs (or any successor programs) at levels in effect on the Effective Date; *provided, however*, that Executive shall not participate in any severance pay plan maintained by the Company except to the extent necessary to receive any severance or bonus payments specifically provided for hereunder.

2.5 *Medical Benefits.* While employed hereunder, Executive shall be reimbursed by the Company for all out of pocket medical expenses incurred by him and not otherwise paid or provided for under any medical plan maintained for the benefit of Executive.

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2.6 *SERP.* Executive shall be a participant in the Company's Supplemental Executive Retirement Program (the "*SERP*"), a copy of which is attached hereto, and shall be entitled to receive the benefits provided for therein.

(a) In addition to benefits provided to Executive under the SERP, Executive is hereby granted one (1) additional year of Benefit Service for each actual year of employment completed commencing on and after April 1, 2001, not to exceed five (5) additional years of Benefit Service.

(b) A pre-retirement death benefit shall be payable in the event of Executive's death while employed hereunder, to the individual who was Executive's spouse on the date of death. Such benefit shall be in an amount equal to 50% of the Executive's Base Salary at the time of his death and such amount shall be payable annually for a maximum of ten (10) years or, if earlier, until the Executive would have attained age 65.

3. *Other Benefits.*

3.1 *Airline Pass.* This hereby confirms that Executive has, and shall be entitled to, a lifetime F-1 airline pass for the personal use of such Executive and his spouse and children so long as spouses and children of employees generally are eligible for nonrevenue travel pursuant to the Company's pass policies (hereinafter, "*Eligible Individuals*"). Such airline pass (the "*Airline Pass*") entitles Executive and Eligible Individuals to travel on regularly scheduled Northwest domestic and international flights with boarding priority of F-1 or the equivalent thereof and on terms and conditions no less favorable than those applicable to Executive on the date hereof.

3.2 *Other Medical Benefits.* Executive and his spouse and covered dependents (only as long as they shall remain dependents) shall be entitled to medical and dental coverage at the levels presently provided to Executive under the Company's medical plans without cost to Executive for the life of Executive and his spouse; *provided, however*, if and for so long as Executive is employed by another employer, medical coverage hereunder will become secondary to any coverage provided by the new employer.

4. *Termination of Employment.*

4.1 *Upon Death.* Executive's employment hereunder shall terminate upon his death.

4.2 *By the Company.* The Company may terminate Executive's employment hereunder at any time with or without Cause.

4.3 *By the Executive.* Executive may terminate his employment hereunder at any time for any reason.

4.4 *Notice of Termination, Payments.* Any termination of Executive's employment hereunder (other than by death) shall be communicated by thirty (30) days' advance written Notice of Termination by the terminating party to the other party to this Agreement; *provided* that no advance Notice of Termination of Executive for Cause by the Company is required. Unless otherwise provided in Section 5, any amounts owed by the Company to Executive pursuant to Section 5 shall be paid on the Date of Termination.

5. *Payments in the Event of Termination of Employment.*

5.1 *Payments in the Event of Termination by the Company for Cause or Voluntary Termination by Executive.* Except as provided in Section 5.3, if Executive's employment hereunder is terminated by the Company for Cause or by Executive other than for Good Reason, the Company shall pay Executive (a) his accrued and unpaid Base Salary through the Date of Termination and (b) any payments or other rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of (i) any retirement, pension or other employee benefit or compensation

plan maintained by the Company at the time or times provided therein or (ii) Sections 2.6 and 3 hereof.

5.2 *Payments in the Event of Any Other Termination of Employment.* Except as provided in Section 5.3, if Executive's employment hereunder is terminated by the Company other than for Cause, as a result of death or Disability or by Executive for Good Reason:

(a) The Company shall pay Executive (i) his accrued and unpaid Base Salary through the Date of Termination, (ii) any bonus under the Key Employee Cash Incentive Bonus Program, or any successor annual bonus plan, (the "*Incentive Bonus*") for any calendar year ended before the Date of Termination, (iii) a pro rata share (based on days employed during the applicable year) of the Incentive Bonus Executive would otherwise have received with respect to the year in which the Date of Termination occurs, payable at the time the Incentive Bonus would otherwise be payable to Executive; *provided, however*, that 100% of the Incentive Bonus shall be determined solely with reference to the financial performance of the Company for the year (based on the goals previously established with respect thereto) (rather than a portion of the Incentive Bonus determined on the basis of individual performance); *provided, further*, in the event that Company's performance exceeds 100% of the financial performance target for the year, that portion of the Incentive Bonus that would have, but for this Section 5.2(a), related to the achievement of the individual performance target shall be 100% and (iv) any payments or other rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of (x) any retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein or (y) Sections 2.6 and 3 hereof.

(b) In addition to the compensation and benefits described in Section 5.2(a):

- (i) The Company shall pay Executive, as soon as practicable (but in no event later than ten (10) days) following Executive's termination of employment, a lump sum amount equal to three (3) times the sum of (i) Executive's Base Salary and (ii) the target Incentive Bonus for Executive with respect to the year in which the Date of Termination occurs (or if no target has been set for that year, the target Incentive Bonus for the immediately preceding year); *provided* that in no event shall the target Incentive Bonus be less than 100% of Base Salary.
- (ii) In addition to all other benefits provided to Executive under the SERP, Executive shall be entitled to the grant of a number of additional years of Benefit Service under the SERP equal to the excess, if any, of (i) five over (ii) the

number of additional years of Benefit Service Executive is entitled to receive pursuant to Section 2.6(a) of this Agreement.

- (iii) With regard to group life insurance and group disability insurance, until the earlier of the third anniversary of Executive's Date of Termination or the date Executive is employed by a new employer, Executive, his dependents, beneficiaries and estate shall be entitled to all benefits under such group life insurance and group disability insurance as if Executive were still employed by the Company hereunder during such period. If any such benefits cannot be provided to Executive for any reason, the Company shall pay to Executive, or pay Executive the cost of obtaining, such benefits.
- (iv) The Company shall reimburse Executive for all relocation expenses associated with the relocation of Executive and his family more than fifty (50) miles from Executive's primary residence on the Date of Termination that occurs within 36 months of the Date of Termination consistent with the Company's senior executive relocation policies.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5.2 by seeking other employment or otherwise, and no such payment shall be offset or reduced as a result of Executive obtaining new employment.

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(d) Notwithstanding anything else to the contrary in this Agreement, the Company's obligation to make the payments provided for in Sections 5.2(a)(iii) and 5.2(b)(i), (ii) and (iii) is expressly conditioned upon the execution and delivery of a release in the form attached hereto as Appendix A.

5.3 *Payments for Certain Terminations of Employment After a Change in Control.* If Executive elects to terminate his employment for any reason during the six month period commencing on the first anniversary of the Change in Control, Executive shall receive all of the payments, and shall be accorded all of the rights, set forth in Section 5.2 as soon as practicable (but in no event later than ten (10) days following such termination of employment. All other terminations of Executive's employment shall be governed by Sections 4 and 5 of this Agreement irrespective of a Change of Control.

5.4 *Gross-up Payment.*

(a) *Excise Tax.*

- (i) If any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable pursuant to this Agreement or otherwise (a "*Payment*")) is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties thereon (together, the "*Excise Tax*") then Executive shall be entitled to an additional payment (a "*Gross-Up Payment*") in an amount such that, after payment by Executive of all taxes including, without limitation, any income taxes (together with any interest or penalties thereon, the "*Additional Income Tax*") or any Excise Tax, imposed upon the Gross-Up Payment Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.
- (ii) Subject to Section 5.4(a)(iii), all determinations required to be made under this Section 5.4, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the firm of independent public accountants selected by the Company to audit its financial statements (the "*Accounting Firm*") which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days after the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up

Payment, as determined pursuant to this Section 5.4, shall be paid to Executive within five (5) business days after the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that additional Gross-Up Payments should have been made by the Company (an "*Underpayment*"). If the Company exhausts its remedies pursuant to Section 5.4(a)(iii) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

- (iii) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notice shall be given as soon as practicable but no later than ten (10) business days after Executive knows of such Claim and shall apprise the Company of the nature and date of requested payment of such claim. Executive shall not pay such claim before the earlier of (x) the date thirty (30) days after Executive's notice to the Company or (y) the date on which payment of taxes with respect to such claim is due. If

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the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(A) give the Company any reasonably requested information relating to such claim;

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(C) cooperate with the Company in good faith in order to effectively contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim; *provided, however*, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold such Executive harmless, on an after-tax basis, for any Excise Tax or additional Income Tax imposed as a result of such representation and payment of costs and expenses. Without limiting this Section 5.4(iii), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may (1) pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and (2) either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided, however*, that if the Company directs such Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or Income Tax imposed with respect to such advance; and further provided that any extension of the statute of limitations for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest any other issue raised by the Internal Revenue Service or any other taxing authority.

- (iv) If, after the receipt by Executive of any amount advanced by the Company pursuant to Section 5.4(a)(iii), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's

complying with the requirements of Section 5.4(a)(iii)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 5.4(a)(iii), a determination is made that such Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid.

(b) *Income Tax.* The Company shall provide Executive with a gross-up payment for any personal income tax liability arising from (i) the Airline Pass (and travel thereon) described in Section 3.1 or (ii) reimbursed relocation expenses pursuant to Section 5.2(b)(iv) (the "Relocation Expenses"), such that after the payment of all income tax liability associated with the Airline Pass and travel or the Relocation Expenses (including any income taxes on the gross-up payment)

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Executive retains an amount of the gross-up payment equal to the personal tax liability arising from Airline Pass and travel or the Relocation Expenses, respectively.

6. *Confidentiality; Non-Compete.*

While employed by the Company and thereafter, Executive shall not disclose any confidential information either directly or indirectly, to anyone (other than the Company, its employees and advisors), or use such information for his own account, or for the account of any other person or entity, without the prior written consent of the company or except as required by law. This confidentiality covenant has no temporal or geographical restriction. Upon termination of this Agreement, Executive shall promptly supply to the Company all property and any other tangible product or document which has been produced by, received by or otherwise submitted to Executive during or prior to his term of employment, and shall not retain any copies thereof.

Executive acknowledges that his services are of special, unique and extraordinary value to the Company. Accordingly, in the event Executive resigns without Good Reason or is terminated for Cause during the term hereof, Executive shall not at any time prior to the first anniversary of the Date of Termination become an employee, consultant, officer, partner or director of any air carrier which competes with the Company (or any of its affiliates) or have any significant interest (*i.e.*, 10% or more of the voting stock) in any such air carrier.

Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. Executive further agrees that the provisions of the covenant not to compete are reasonable. Should a court determine, however, that any provision of the covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable. The provisions of this Section 6 shall survive any termination of this Agreement and Executive's term of employment. The existence of any claim or cause of action or otherwise, shall not constitute a defense to the enforcement of the covenants and agreements of this Section 6.

7. *Successors and Assigns.*

(a) This Agreement shall bind any successor to the Company or to Significant Assets, whether by purchase, merger, consolidation or otherwise, in the same manner and to the same extent that the Company would be obligated under this Agreement if no such succession had taken place. Notwithstanding that a successor to Significant Assets becomes bound to this Agreement, the Company shall continue to be liable for the obligations hereunder as a guarantor. In any agreement providing for succession to Significant Assets, the Company shall cause each and every successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Agreement.

(b) In the event that another air carrier directly or indirectly acquires Significant Assets, the Company shall cause such airline to provide Executive and Eligible Individuals with pass privileges equivalent to those provided under the Airline Pass described in Section 3.1.

(c) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributes, devises and legatees.

8. *Term.*

The term of this Agreement shall commence on the Effective Date and end upon the Executive's termination of employment. The rights and obligations of the Company and Executive shall survive the termination of this Agreement to the fullest extent necessary to give effect to the terms hereof.

9. *Notices.*

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered to and mailed by United States mail, addressed:

(a) if to Executive, Richard H. Anderson, 9522 Olympia Drive, Eden Prairie, Minnesota 55347, and

(b) if to the Company, c/o Northwest Airlines, Inc., 5101 Northwest Drive, St. Paul, Minnesota 55111-3034, Attention: General Counsel, or to such other address as may have been furnished in writing.

10. *Counsel Fees and Indemnification.*

(a) The Company shall pay, or promptly reimburse on an as-incurred basis to Executive, the reasonable fees and expenses of Executive's legal counsel for its services rendered in connection with Executive's enforcement of this Agreement; *provided, however,* that if Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that Executive instituted the proceeding in bad faith, Executive shall pay all costs and expenses, including attorney's fees, of Executive and the Company.

(b) The Company shall indemnify and hold Executive harmless, to the maximum extent permitted by law, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees incurred by Executive, in connection with any action or proceeding (or any appeal from any action or proceeding) with respect to the Company or activities engaged in by Executive in the course of employment with the Company in which Executive is made, or is threatened to be made, a party or a witness.

11. *Withholding.*

All payments required to be made by the Company hereunder shall be subject to the withholding of such amounts as are required to be withheld pursuant to any applicable law or regulation.

12. *Certain Defined Terms.*

As used herein, the following terms have the following meanings:

"*Agreement*" shall mean this Management Compensation Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Base Salary" shall mean the annual salary of the Executive in effect from time to time under Section 2.1.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean with respect to termination of Executive's employment hereunder (i) an act or acts of personal dishonesty by Executive intended to result in substantial personal enrichment of Executive at the expense of the Company, (ii) an act or acts of personal dishonesty by Executive intended to cause substantial injury to the Company, (iii) material breach (other than as a result of a Disability) by Executive of Executive's obligations under this Agreement which action was (a) undertaken without a reasonable belief that the action was in the best interest of the Company and (b) not remedied within a reasonable period of time after receipt of written notice from the Company specifying the alleged breach, or (iv) the conviction of Executive of a felony.

"Change in Control" means any one of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "*Exchange Act*") (a "*Person*") of beneficial ownership (within the mean of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of either (i) the then outstanding shares of Common Stock of Parent (the "*Outstanding Parent Common Stock*") or (ii) the combined voting power of the then outstanding voting securities of Parent entitled to vote generally in the election of directors (the "*Outstanding Parent Voting Securities*"); *provided, however*, this subsection (a) shall not apply to the Investor Stockholders party to the Second Amended and Restated Stockholders' Agreement dated as of December 23, 1993; or

(b) Individuals who, as of June 1, 1994, constitute the Board of Directors of Parent (the "*Incumbent Board*") cease for any reason to constitute at least a majority of such Board; *provided, however*, that any individual becoming a director subsequent to June 1, 1994, whose election, or nomination for election by Parent's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of Parent; or

(c) Consummation of a reorganization, merger or consolidation (a "*Business Combination*"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of commons tock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Parent through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Parent Stock and Outstanding Parent Voting Securities, as the case may be and (ii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such board, providing for such Business Combination; or

(d) Consummation of (i) a complete liquidation or dissolution of Parent or (ii) the sale or other disposition of all or substantially all of the assets of Parent, other than to a corporation with respect to which following such sale or other disposition, (X) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such sale or

other disposition of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be and (Y) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or other action of such Board, providing for such sale or other disposition of assets of Parent or were elected, appointed or nominated by the Incumbent Board.

"*Common Stock*" shall mean all issued and outstanding common stock, of all classes, of the Parent, including any outstanding securities convertible into such common stock.

"*Date of Termination*" shall mean, with respect to Executive, the date of termination of Executive's employment hereunder after the notice period provided by Section 4.4.

"*Disability*" shall mean Executive's physical and mental condition which prevents continued performance of his duties hereunder, if Executive establishes by medical evidence that such condition will be permanent and continuous during the remainder of Executive's life or is likely to be of at least three (3) years duration.

"*Effective Date*" shall mean June 28, 2001.

"*F-1*" shall mean confirmed, positive space seating in first class or business class if first class is not offered, with the highest boarding priority including (i) ahead of the categories specified below category "F-1" on Exhibit A attached hereto and (ii) within category "F-1," based on seniority with the Company.

"*Good Reason*" shall mean with respect to an Executive, any one or more of the following:

(a) a material reduction in Executive's compensation or other benefits;

(b) any change in Executive's title or any material change in Executive's job responsibilities; provided that, with respect to a change in Executive's job responsibilities, as long as Executive retains a substantial portion of his then current oversight responsibility, a transfer of a portion of such oversight responsibility shall not in and of itself constitute a material change in Executive's job responsibilities.

(c) without Executive's prior consent, the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area;

(d) a failure by the Company to comply with any provision of this Agreement which has not been cured within ten (10) days after the Company knows or has notice of such noncompliance.

In order for Executive's termination of his employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

"*Notice of Termination*" shall mean a notice specifying the Date of Termination, which notice shall (i) indicate the specific termination provision (if any) in this Agreement applicable to the termination, and (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

"*Parent*" shall mean Northwest Airline Corporation.

"*Person*" shall mean an individual, a corporation, a company, a voluntary association, a partnership, a trust, an unincorporated organization or a government or any agency, instrumentally or political subdivision thereof.

"Significant Assets" shall mean (i) all of substantially all of the assets and/or business or outstanding voting securities of the Company (ii) all or substantially all of Northwest's routes between the United States and Japan.

"Subsidiary" of a Person shall mean any corporation, partnership (limited or general), trust or other entity of which a majority of the stock (or equivalent ownership or controlling interest) having voting power to elect a majority of the board of directors (if a corporation) or to select a majority of the board of directors (if a corporation) or to select a trustee or equivalent controlling interest, shall at

the time such reference becomes operative, be directly or indirectly owned or controlled by such Person or one or more of the other subsidiaries of such Person or any combination thereof.

13. *Miscellaneous.*

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board. There shall be no right of set-off or counterclaim, in respect of any claim, debt or obligation, against any payments to Executive, his dependents, beneficiaries or estate provided for in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota, without regard to principles of conflicts of laws.

14. *Validity.*

The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

15. *Disputes; Remedies.*

If either the Company, on the one hand, or Executive, on the other hand, breaches or threatens to commit a breach of the terms and conditions hereof, the party shall have the following rights and remedies:

(a) Specific performance (*i.e.*, the right and remedy to have the terms and conditions hereof specifically enforced by any court of competent jurisdiction), it being agreed that any breach or threatened breach of the terms and conditions hereof would cause irreparable injury and that money damages may not provide an adequate remedy; and

(b) Damages (*i.e.*, the right to receive from any violator of the terms and conditions hereof, any and all damages, costs and expenses incurred by the injured party as a result of the breach of the terms and conditions hereof).

16. *Parent Undertaking.*

Northwest Airlines Corporation, as parent corporation to the Company, hereby agrees to cause the Company to perform all of its obligations hereunder and Executive shall be deemed to have entered into this Agreement in reliance upon the undertaking set forth herein.

NORTHWEST AIRLINES, INC.

By: /s/ GARY L. WILSON

NORTHWEST AIRLINES, CORPORATION

By: /s/ GARY L. WILSON

/s/ RICHARD H. ANDERSON

Richard H. Anderson

QuickLinks

[Exhibit 10.17](#)

[MANAGEMENT COMPENSATION AGREEMENT between NORTHWEST AIRLINES, INC. and RICHARD H. ANDERSON dated as of June 28, 2001](#)

MANAGEMENT COMPENSATION AGREEMENT

between

NORTHWEST AIRLINES, INC.

and

DOUGLAS M. STEENLAND

dated as of

June 28, 2001

MANAGEMENT COMPENSATION AGREEMENT

MANAGEMENT COMPENSATION AGREEMENT made as of the 28th day of June, 2001 between Northwest Airlines, Inc., a Delaware corporation (the "*Company*") and Douglas M. Steenland (the "*Executive*").

PREAMBLE

The Company and Executive previously entered into a Management Compensation Agreement dated as of September 1, 1996 (the "*Prior Agreement*"). As of the date hereof, the Company and Executive have agreed to replace the Prior Agreement with this Agreement, which shall supersede the Prior Agreement in all respects.

1. *Terms of Employment.*

1.1 *Employment.* The Company agrees to continue to employ Executive, and Executive agrees to continue to serve the Company, on the terms and conditions set forth herein.

1.2 *Position and Duties.* Executive shall continue to have his title, powers and duties as on the Effective Date and shall have such other powers and duties as may from time to time be prescribed by the Board, *provided* that such powers and duties are consistent with or represent a promotion from Executive's duties as of the Effective Date, unless otherwise consented to in writing by Executive, *provided*, however, that as long as Executive retains a substantial portion of his then current oversight responsibility, the Board shall be permitted to transfer a portion of Executive's oversight responsibility without the consent of Executive. Executive shall devote substantially all his working time and efforts to the business and affairs of the Company and its subsidiaries.

2. *Compensation.*

2.1 *Base Salary.* Executive's Base Salary shall be his annual base salary in effect on the Effective Date, as increased thereafter by the Company. Executive's Base Salary shall be payable in accordance with the Company's normal payroll policies.

2.2 *Bonus.* Executive shall be entitled to participate in the Company's Key Employee Cash Incentive Bonus Program, and any successor annual bonus plan, the terms and conditions of which shall be established by the Board from time to time; *provided* that any

successor plan shall be no less favorable to the Executive than the Company's Key Employee Cash Incentive Program in effect on the Effective Date; and *provided* further that Executive's target bonus under such plan shall be no less than 80% of Executive's Base Salary.

2.3 *Expenses.* During the term of Executive's employment hereunder, Executive shall be entitled to receive prompt reimbursements for all reasonable expenses incurred in performing services hereunder, *provided* that Executive properly accounts therefor in accordance with written Company policy.

2.4 *Compensation and Benefit Programs of the Company.* Executive shall continue while employed hereunder to participate in the Company's employee compensation and benefit programs (or any successor programs) at levels in effect on the Effective Date; *provided, however,* that Executive shall not participate in any severance pay plan maintained by the Company except to the extent necessary to receive any severance or bonus payments specifically provided for hereunder.

2.5 *Medical Benefits.* While employed hereunder, Executive shall be reimbursed by the Company for all out of pocket medical expenses incurred by him and not otherwise paid or provided for under any medical plan maintained for the benefit of Executive.

2.6 *SERP.* Executive shall be a participant in the Company's Supplemental Executive Retirement Program (the "*SERP*"), a copy of which is attached hereto, and shall be entitled to receive the benefits provided for therein.

(a) In addition to benefits provided to Executive under the SERP, Executive is hereby granted one (1) additional year of Benefit Service for each actual year of employment completed commencing on and after April 1, 2001, not to exceed five (5) additional years of Benefit Service.

(b) A pre-retirement death benefit shall be payable in the event of Executive's death while employed hereunder, to the individual who was Executive's spouse on the date of death. Such benefit shall be in an amount equal to 50% of the Executive's Base Salary at the time of his death and such amount shall be payable annually for a maximum of ten (10) years or, if earlier, until the Executive would have attained age 65.

3. *Other Benefits.*

3.1 *Airline Pass.* This hereby confirms that Executive has, and shall be entitled to, a lifetime F-1 airline pass for the personal use of such Executive and his spouse and children so long as spouses and children of employees generally are eligible for nonrevenue travel pursuant to the Company's pass policies (hereinafter, "*Eligible Individuals*"). Such airline pass (the "*Airline Pass*") entitles Executive and Eligible Individuals to travel on regularly scheduled Northwest domestic and international flights with boarding priority of F-1 or the equivalent thereof and on terms and conditions no less favorable than those applicable to Executive on the date hereof.

3.2 *Other Medical Benefits.* Executive and his spouse and covered dependents (only as long as they shall remain dependents) shall be entitled to medical and dental coverage at the levels presently provided to Executive under the Company's medical plans without cost to Executive for the life of Executive and his spouse; *provided, however,* if and for so long as Executive is employed by another employer, medical coverage hereunder will become secondary to any coverage provided by the new employer.

4. *Termination of Employment.*

4.1 *Upon Death.* Executive's employment hereunder shall terminate upon his death.

4.2 *By the Company.* The Company may terminate Executive's employment hereunder at any time with or without Cause.

4.3 *By the Executive.* Executive may terminate his employment hereunder at any time for any reason.

4.4 *Notice of Termination, Payments.* Any termination of Executive's employment hereunder (other than by death) shall be communicated by thirty (30) days' advance written Notice of Termination by the terminating party to the other party to this Agreement; *provided* that no advance Notice of Termination of Executive for Cause by the Company is required. Unless otherwise provided in Section 5, any amounts owed by the Company to Executive pursuant to Section 5 shall be paid on the Date of Termination.

5. *Payments in the Event of Termination of Employment.*

5.1 *Payments in the Event of Termination by the Company for Cause or Voluntary Termination by Executive.* Except as provided in Section 5.3, if Executive's employment hereunder is terminated by the Company for Cause or by Executive other than for Good Reason, the Company shall pay Executive (a) his accrued and unpaid Base Salary through the Date of Termination and (b) any payments or other rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of (i) any retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein or (ii) Sections 2.6 and 3 hereof.

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5.2 *Payments in the Event of Any Other Termination of Employment.* Except as provided in Section 5.3, if Executive's employment hereunder is terminated by the Company other than for Cause, as a result of death or Disability or by Executive for Good Reason:

(a) The Company shall pay Executive (i) his accrued and unpaid Base Salary through the Date of Termination, (ii) any bonus under the Key Employee Cash Incentive Bonus Program, or any successor annual bonus plan, (the "*Incentive Bonus*") for any calendar year ended before the Date of Termination, (iii) a pro rata share (based on days employed during the applicable year) of the Incentive Bonus Executive would otherwise have received with respect to the year in which the Date of Termination occurs, payable at the time the Incentive Bonus would otherwise be payable to Executive; *provided, however*, that 100% of the Incentive Bonus shall be determined solely with reference to the financial performance of the Company for the year (based on the goals previously established with respect thereto) (rather than a portion of the Incentive Bonus determined on the basis of individual performance); *provided, further*, in the event that Company's performance exceeds 100% of the financial performance target for the year, that portion of the Incentive Bonus that would have, but for this Section 5.2(a), related to the achievement of the individual performance target shall be 100% and (iv) any payments or other rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of (x) any retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein or (y) Sections 2.6 and 3 hereof.

(b) In addition to the compensation and benefits described in Section 5.2(a):

(i) The Company shall pay Executive, as soon as practicable (but in no event later than ten (10) days) following Executive's termination of employment, a lump sum amount equal to three (3) times the sum of (i) Executive's Base Salary and (ii) the target Incentive Bonus for Executive with respect to the year in which the Date of Termination occurs (or if no target has been set for that year, the target Incentive Bonus for the immediately preceding year); *provided* that in no event shall the target Incentive Bonus be less than 80% of Base Salary.

(ii) In addition to all other benefits provided to Executive under the SERP, Executive shall be entitled to the grant of a number of additional years of Benefit Service under the SERP equal to the excess, if any, of (i) five over (ii) the number of additional years of Benefit Service Executive is entitled to receive pursuant to Section 2.6(a) of this Agreement.

(iii) With regard to group life insurance and group disability insurance, until the earlier of the third anniversary of Executive's Date of Termination or the date Executive is employed by a new employer, Executive, his dependents, beneficiaries and estate shall be entitled to all benefits under such group life insurance and group disability insurance as if Executive were still employed by the Company hereunder during such period. If any such benefits cannot be provided to Executive for any reason, the Company shall pay to Executive, or pay Executive the cost of obtaining, such benefits.

(iv) The Company shall reimburse Executive for all relocation expenses associated with the relocation of Executive and his family more than fifty (50) miles from Executive's primary residence on the Date of Termination that occurs within 36 months of the Date of Termination consistent with the Company's senior executive relocation policies.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5.2 by seeking other employment or otherwise, and no such payment shall be offset or reduced as a result of Executive obtaining new employment.

(d) Notwithstanding anything else to the contrary in this Agreement, the Company's obligation to make the payments provided for in Sections 5.2(a)(iii) and 5.2(b)(i), (ii) and (iii) is

expressly conditioned upon the execution and delivery of a release in the form attached hereto as Appendix A.

5.3 *Payments for Certain Terminations of Employment After a Change in Control.* If Executive elects to terminate his employment for any reason during the six month period commencing on the first anniversary of the Change in Control, Executive shall receive all of the payments, and shall be accorded all of the rights, set forth in Section 5.2 as soon as practicable (but in no event later than ten (10) days following such termination of employment. All other terminations of Executive's employment shall be governed by Sections 4 and 5 of this Agreement irrespective of a Change of Control.

5.4 *Gross-up Payment.*

(a) *Excise Tax.*

(i) If any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable pursuant to this Agreement or otherwise (a "Payment")) is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties thereon (together, the "Excise Tax") then Executive shall be entitled to an additional payment (a "Gross-Up Payment") in an amount such that, after payment by Executive of all taxes including, without limitation, any income taxes (together with any interest or penalties thereon, the "Additional Income Tax") or any Excise Tax, imposed upon the Gross-Up Payment Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to Section 5.4(a)(iii), all determinations required to be made under this Section 5.4, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the firm of independent public accountants selected by the Company to audit its financial statements (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days after the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5.4, shall be paid to Executive within five (5) business days after the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that additional Gross-Up Payments should have been made by the Company (an "Underpayment"). If the Company exhausts its remedies pursuant to Section 5.4(a)(iii) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(iii) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notice shall be given as soon as practicable but no later than ten (10) business days after Executive knows of such Claim and shall apprise the Company of the nature and date of requested payment of such claim. Executive shall not pay such claim before the earlier of (x) the date thirty

(30) days after Executive's notice to the Company or (y) the date on which payment of taxes with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(A) give the Company any reasonably requested information relating to such claim;

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(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(C) cooperate with the Company in good faith in order to effectively contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim; *provided, however*, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold such Executive harmless, on an after-tax basis, for any Excise Tax or additional Income Tax imposed as a result of such representation and payment of costs and expenses. Without limiting this Section 5.4(iii), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may (1) pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and (2) either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided, however*, that if the Company directs such Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or Income Tax imposed with respect to such advance; and further provided that any extension of the statute of limitations for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest any other issue raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by Executive of any amount advanced by the Company pursuant to Section 5.4(a)(iii), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 5.4(a)(iii)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 5.4(a)(iii), a determination is made that such Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid.

(b) *Income Tax.* The Company shall provide Executive with a gross-up payment for any personal income tax liability arising from (i) the Airline Pass (and travel thereon) described in Section 3.1 or (ii) reimbursed relocation expenses pursuant to Section 5.2(b)(iv) (the "Relocation Expenses"), such that after the payment of all income tax liability associated with the Airline Pass and travel or the Relocation Expenses (including any income taxes on the gross-up payment) Executive retains an amount of the gross-up payment equal to the personal tax liability arising from Airline Pass and travel or the Relocation Expenses, respectively.

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6. *Confidentiality; Non-Compete.*

While employed by the Company and thereafter, Executive shall not disclose any confidential information either directly or indirectly, to anyone (other than the Company, its employees and advisors), or use such information for his own account, or for the account of any other person or entity, without the prior written consent of the company or except as required by law. This confidentiality covenant has no temporal or geographical restriction. Upon termination of this Agreement, Executive shall promptly supply to the Company all property and any other tangible product or document which has been produced by, received by or otherwise submitted to Executive during or prior to his term of employment, and shall not retain any copies thereof.

Executive acknowledges that his services are of special, unique and extraordinary value to the Company. Accordingly, in the event Executive resigns without Good Reason or is terminated for Cause during the term hereof, Executive shall not at any time prior to the first anniversary of the Date of Termination become an employee, consultant, officer, partner or director of any air carrier which competes with the Company (or any of its affiliates) or have any significant interest (*i.e.*, 10% or more of the voting stock) in any such air carrier.

Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. Executive further agrees that the provisions of the covenant not to compete are reasonable. Should a court determine, however, that any provision of the covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable. The provisions of this Section 6 shall survive any termination of this Agreement and Executive's term of employment. The existence of any claim or cause of action or otherwise, shall not constitute a defense to the enforcement of the covenants and agreements of this Section 6.

7. *Successors and Assigns.*

(a) This Agreement shall bind any successor to the Company or to Significant Assets, whether by purchase, merger, consolidation or otherwise, in the same manner and to the same extent that the Company would be obligated under this Agreement if no such succession had taken place. Notwithstanding that a successor to Significant Assets becomes bound to this Agreement, the Company shall continue to be liable for the obligations hereunder as a guarantor. In any agreement providing for succession to Significant Assets, the Company shall cause each and every successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Agreement.

(b) In the event that another air carrier directly or indirectly acquires Significant Assets, the Company shall cause such airline to provide Executive and Eligible Individuals with pass privileges equivalent to those provided under the Airline Pass described in Section 3.1.

(c) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. *Term.*

The term of this Agreement shall commence on the Effective Date and end upon the Executive's termination of employment. The rights and obligations of the Company and Executive shall survive the termination of this Agreement to the fullest extent necessary to give effect to the terms hereof.

9. *Notices.*

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered to and mailed by United States mail, addressed:

(a) if to Executive, Douglas M. Steenland, 4528 Fremont Avenue South, Minneapolis, Minnesota 55409, and

(b) if to the Company, c/o Northwest Airlines, Inc., 5101 Northwest Drive, St. Paul, Minnesota 55111-3034, Attention: General Counsel, or to such other address as may have been furnished in writing.

10. Counsel Fees and Indemnification.

(a) The Company shall pay, or promptly reimburse on an as-incurred basis to Executive, the reasonable fees and expenses of Executive's legal counsel for its services rendered in connection with Executive's enforcement of this Agreement; *provided, however,* that if Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that Executive instituted the proceeding in bad faith, Executive shall pay all costs and expenses, including attorney's fees, of Executive and the Company.

(b) The Company shall indemnify and hold Executive harmless, to the maximum extent permitted by law, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees incurred by Executive, in connection with any action or proceeding (or any appeal from any action or proceeding) with respect to the Company or activities engaged in by Executive in the course of employment with the Company in which Executive is made, or is threatened to be made, a party or a witness.

11. Withholding.

All payments required to be made by the Company hereunder shall be subject to the withholding of such amounts as are required to be withheld pursuant to any applicable law or regulation.

12. Certain Defined Terms.

As used herein, the following terms have the following meanings:

"*Agreement*" shall mean this Management Compensation Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"*Base Salary*" shall mean the annual salary of the Executive in effect from time to time under Section 2.1.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean with respect to termination of Executive's employment hereunder (i) an act or acts of personal dishonesty by Executive intended to result in substantial personal enrichment of Executive at the expense of the Company, (ii) an act or acts of personal dishonesty by Executive intended to cause substantial injury to the Company, (iii) material breach (other than as a result of a Disability) by Executive of Executive's obligations under this Agreement which action was (a) undertaken without a reasonable belief that the action was in the best interest of the Company and (b) not remedied within a reasonable period of time after receipt of written notice from the Company specifying the alleged breach, or (iv) the conviction of Executive of a felony.

"*Change in Control*" means any one of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "*Exchange Act*") (a "*Person*") of beneficial ownership (within the mean of Rule 13d-3 promulgated under the Exchange Act) of

25% or more of either (i) the then outstanding shares of Common Stock of Parent (the "*Outstanding Parent Common Stock*") or (ii) the combined voting power of the then outstanding voting securities of Parent entitled to vote generally in the election of directors (the "*Outstanding Parent Voting Securities*"); *provided, however*, this subsection (a) shall not apply to the Investor Stockholders party to the Second Amended and Restated Stockholders' Agreement dated as of December 23, 1993; or

(b) Individuals who, as of June 1, 1994, constitute the Board of Directors of Parent (the "*Incumbent Board*") cease for any reason to constitute at least a majority of such Board; *provided, however*, that any individual becoming a director subsequent to June 1, 1994, whose election, or nomination for election by Parent's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of Parent; or

(c) Consummation of a reorganization, merger or consolidation (a "*Business Combination*"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Parent through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Parent Stock and Outstanding Parent Voting Securities, as the case may be and (ii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such board, providing for such Business Combination; or

(d) Consummation of (i) a complete liquidation or dissolution of Parent or (ii) the sale or other disposition of all or substantially all of the assets of Parent, other than to a corporation with respect to which following such sale or other disposition, (X) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such sale or other disposition of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be and (Y) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or other action of such Board, providing for such sale or other disposition of assets of Parent or were elected, appointed or nominated by the Incumbent Board.

"*Common Stock*" shall mean all issued and outstanding common stock, of all classes, of the Parent, including any outstanding securities convertible into such common stock.

"*Date of Termination*" shall mean, with respect to Executive, the date of termination of Executive's employment hereunder after the notice period provided by Section 4.4.

"*Disability*" shall mean Executive's physical and mental condition which prevents continued performance of his duties hereunder, if Executive establishes by medical evidence that such condition will be permanent and continuous during the remainder of Executive's life or is likely to be of at least three (3) years duration.

"*Effective Date*" shall mean June 28, 2001.

"F-1" shall mean confirmed, positive space seating in first class or business class if first class is not offered, with the highest boarding priority including (i) ahead of the categories specified below category "F-1" on Exhibit A attached hereto and (ii) within category "F-1," based on seniority with the Company.

"Good Reason" shall mean with respect to an Executive, any one or more of the following:

(a) a material reduction in Executive's compensation or other benefits;

(b) any change in Executive's title or any material change in Executive's job responsibilities; provided that, with respect to a change in Executive's job responsibilities, as long as Executive retains a substantial portion of his then current oversight responsibility, a transfer of a portion of such oversight responsibility shall not in and of itself constitute a material change in Executive's job responsibilities.

(c) without Executive's prior consent, the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area;

(d) a failure by the Company to comply with any provision of this Agreement which has not been cured within ten (10) days after the Company knows or has notice of such noncompliance.

In order for Executive's termination of his employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

"Notice of Termination" shall mean a notice specifying the Date of Termination, which notice shall (i) indicate the specific termination provision (if any) in this Agreement applicable to the termination, and (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

"Parent" shall mean Northwest Airline Corporation.

"Person" shall mean an individual, a corporation, a company, a voluntary association, a partnership, a trust, an unincorporated organization or a government or any agency, instrumentally or political subdivision thereof.

"Significant Assets" shall mean (i) all of substantially all of the assets and/or business or outstanding voting securities of the Company (ii) all or substantially all of Northwest's routes between the United States and Japan.

"Subsidiary" of a Person shall mean any corporation, partnership (limited or general), trust or other entity of which a majority of the stock (or equivalent ownership or controlling interest) having voting power to elect a majority of the board of directors (if a corporation) or to select a majority of the board of directors (if a corporation) or to select a trustee or equivalent controlling interest, shall at the time such reference becomes operative, be directly or indirectly owned or controlled by such Person or one or more of the other subsidiaries of such Person or any combination thereof.

13. *Miscellaneous.*

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board. There shall be no right of set-off or counterclaim, in respect of any claim, debt or obligation, against any payments to Executive, his dependents, beneficiaries or estate provided for in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota, without regard to principles of conflicts of laws.

[Northwest Airlines Letterhead]

October 23, 2001

Mr. Mickey P. Foret
7001 Valley View Road
Edina, MN 55439

Dear Mickey:

This letter sets forth the terms and conditions of your continued employment with Northwest Airlines, Inc. (the "Company"). Those terms and conditions are as follows:

1. *Position and Duties.* You currently hold the position of Executive Vice President & Chief Financial Officer of Northwest Airlines, Inc. (the "Company") and Chairman and Chief Executive Officer–NWA Cargo, Inc. You shall continue to have the powers and duties as you do today and such other powers and duties as may from time to time be prescribed by the Board of Directors of the Company. You shall devote substantially all of your working time and efforts to the business and affairs of the Company and its affiliates. Your employment at the Company shall be subject to the rules, code of conduct and regulations of the Company as in effect from time to time, which shall not conflict with the terms of this Agreement.

2. *Compensation.* Your base salary on the date of this letter shall continue in effect, subject to any future increases granted by the Company. You shall be entitled to participate in the Company's Key Employee Annual Cash Incentive Program (the "KEACIP") or any successor cash incentive plan on the same terms as other executives at your same level which shall be established by the Board from time to time in its sole discretion.

3. *Medical and Dental Benefits.* While employed by the Company and thereafter during your lifetime, you and your spouse shall be eligible to participate in the Company's medical and dental plans under the same terms and conditions as applicable to you today; provided, however, that if in the future you are employed by another employer, such coverage shall become secondary to any coverage provided by such employer for the period in which you are entitled to such coverage. In addition, while employed by the Company hereunder, you shall be reimbursed by the Company for all reasonable out of pocket medical and dental expenses incurred by you and your spouse and not otherwise paid or provided for under any medical plan maintained for your benefit.

4. *Executive Life Insurance.* You are currently participating in the Company's Executive Life Insurance Plan, under which the Company has purchased for you a \$1 million executive life insurance policy. The policy is structured so that premium payments will be made by the Company in annual installments of twenty percent (20%) each over a 5 year vesting period commencing on your start date of May 11, 1998 and for so long as you are an employee of the Company. Once all scheduled premium payments have been made, you shall be fully vested in this benefit. You are the owner of the policy and are entitled to the cash surrender value of the policy at any point in time. You may not, however, during your employment with the Company, withdraw the cash value from the policy before all scheduled premiums have been paid without the Company's consent, and, if your employment with the Company is terminated before all scheduled premium payments have been made, the Company will not be obligated to pay any additional premiums the policy may require.

5. *SERP.* Based on your service with the Company and pursuant to your prior agreements with the Company, as of April 1, 2001 you have accrued a total of 18.5 years of service credit for purposes of determining your total retirement benefit under the final average pay formula contained in the Northwest Airlines, Inc. Retirement Plan for Management Employees (as amended from time to time in accordance with its terms, the "Retirement Plan"), the Northwest Airlines, Inc. Officers Excess Benefit Plan (as amended from time to time in accordance

with its terms, the "Excess Plan"), and the Northwest Airlines, Inc. Supplemental Executive Retirement Program (as amended from time to time

in accordance with its terms, the "SERP"). This 18.5 years of service credit includes all ten (10) years of additional service credit provided under the provisions of the SERP that you would have accrued through May 11, 2003 as a participant in the SERP. Pursuant to Section 4.3 of the SERP, in addition to the benefits you have previously accrued, the Company agrees to supplement your retirement benefits by granting you two (2) additional years of service credit for each full year of employment with the Company during the four (4) year period commencing on April 1, 2001 (but only for so long as you remain an employee of the Company), up to a total of eight (8) years of additional service credits. If you continue to be employed by the Company on April 1, 2005, you therefore will have accrued a total of twelve (12) years of service credit under the Retirement Plan, the Excess Plan and the SERP for such four (4) year period. Any supplemental retirement benefits provided to you pursuant to this paragraph 5 shall be subject to the provisions of the SERP. This will confirm that, in connection with the implementation of the proposed amendments to the Retirement Plan and the Excess Plan (the "Retirement Plan Amendments"), you will be entitled to receive upon termination of employment with the Company to be paid on the last day of employment with the Company the greater of your vested pension benefit calculated under the existing final average earnings formula set forth in the Retirement Plan and the Excess Plan and any cash balance program implemented by the Company pursuant to such proposed amendments. The SERP will be amended with the attached amendment.

6. *Pass Privileges.* You are entitled to receive a lifetime airline pass for the personal use by you and your spouse. Such airline pass shall entitle you and your spouse to travel on regularly scheduled domestic and international flights of the Company, with boarding priority of F1 (positive space First Class) in accordance with the Company's pass policies in effect on the date of this Agreement. The Company will be responsible for any personal income tax liability arising from such pass travel.

7. *Outstanding Stock Awards; Deferred Stock Grant.*

(a) You were previously granted pursuant to the Company's 1994 Stock Incentive Plan the non-qualified stock options to purchase shares of common stock, par value \$.01 per share of the Company (the "Common Stock"), described on Attachment A hereto, each of which are governed by the terms of the Non-Qualified Stock Option Agreement between you and the Company pertaining to such stock option award. In addition, you were previously granted (i) a Deferred Stock Award for 50,000 shares of Common Stock pursuant to the Company's 1999 Stock Incentive Plan and that certain Deferred Stock Award Agreement dated as of July 11, 2000 between you and the Company (the "Deferred Stock Award Agreement"); and (ii) a Phantom Stock Unit Award for 66,000 units pursuant to the Company's 1994 Stock Incentive Plan and that certain Phantom Stock Unit Award Agreement dated as of July 11, 2000 between you and the Company (the "Phantom Stock Award Agreement"). Under the terms of the Deferred Stock Award Agreement, in the event that, prior to April 28, 2004 (the vesting date), your employment with the Company is terminated (other than in connection with a change in control of the Company) by the Company other than for cause or by you for good reason, you will become vested in a pro rata portion of the deferred stock award, pursuant to the provisions of such Agreement. Under the terms of the Phantom Stock Award Agreement, in the event that, during any performance period applicable to the phantom stock unit award, your employment with the Company is terminated (other than in connection with a change in control of the Company) by the Company other than for cause, as a result of your death or disability, or by you for good reason, and if the performance standards are determined to have been met or exceeded for such performance period, you will become vested in a pro rata portion of the number of units that would otherwise vest in accordance with the provisions of such Agreement. The parties acknowledge and agree that nothing contained in the preceding two sentences is intended to change, modify or amend in any way any of the terms and provisions of the Deferred Stock Award Agreement or the Phantom Stock Award Agreement referenced above.

(b) The Compensation Committee of the Company's Board of Directors has approved the grant to you of an additional deferred stock award (the "Deferred Stock Award") for 50,000 shares of Common Stock of the Company pursuant to the Company's 1999 Stock Incentive Plan. The Deferred Stock will vest on September 1, 2003 if you remain employed by the Company on that date. In the event your employment with the Company is terminated by the Company without Cause (as defined in

paragraph 8(b) below) or by you for Good Reason (as defined in paragraph 8(b) below) prior to September 1, 2003, you shall become vested in a pro rata portion of the award based on the number of days elapsed during the vesting period through the date of termination. The Deferred Stock Award shall be governed by a Deferred Stock Award Agreement which will be provided to you by the Company's Secretary.

8. *Severance Benefits.*

(a) The Company acknowledges that it previously agreed to provide you with certain severance benefits in the event your employment with the Company is terminated under certain circumstances. The Company agrees that if your employment is terminated by the Company, as a result of your death, or if you elect to terminate your employment for any reason, the Company shall pay you a lump sum amount equal to \$2,160,000. You shall not be required to mitigate the amount of such severance payment by seeking other employment or otherwise, and no such payment shall be offset or reduced as a result of your obtaining new employment. Any payments provided to you under this paragraph 8 will be subject to all applicable federal, state and local taxes. Any termination of your employment shall be communicated by 30 days advance written notice of termination by the terminating party to the other party. The lump sum payment described above shall be paid by the Company on or before the effective date of your termination if your employment is terminated by the Company or if you elect to terminate your employment and within ten (10) business days if your employment is terminated as a result of your death.

(b) For purposes of this letter, the following terms shall be defined as follows:

(i) "*Cause*" shall mean with respect to termination of your employment hereunder (A) an act or acts of personal dishonesty by you intended to result in substantial personal enrichment of you at the expense of the Company, (B) an act or acts of personal dishonesty by you intended to cause substantial injury to the Company or an affiliate of the Company, (C) material breach (other than as a result of an injury or illness) by you of your obligations under this letter which action was (1) undertaken without a reasonable belief that the action was in the best interests of the Company or an affiliate of the Company and (2) not remedied within a reasonable period of time after receipt of written notice from the Company specifying the alleged breach, or (D) the conviction of you of a felony.

(ii) "*Good Reason*" shall mean, with respect to you, any one or more of the following:

(A) a material reduction in your compensation or other benefits;

(B) any material change in your job responsibilities, including no longer reporting to the Chief Executive Officer; provided that, so long as you retain a substantial part of your then current oversight responsibility, a transfer of a portion of your oversight responsibility shall not in and of itself constitute a material change in your job responsibilities;

(C) the relocation of the Company's or your principal executive office to a location outside the Minneapolis-St. Paul Metropolitan Area; and

(D) a failure by the Company to comply with any material provision of this Agreement which has not been cured within ten (10) days after the Company knows or has notice of such noncompliance.

In order for a Termination of Employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

9. *Non-Compete.* In consideration of the benefits provided you under this letter, you hereby acknowledge that your services are of special, unique and extraordinary value to the Company. Accordingly, in the event you resign without Good Reason or are terminated for Cause during the term hereof, you shall not at any time prior to the first anniversary of the date your employment is

terminated become an employee, consultant, officer, partner or director of any airline of which at least fifty percent (50%) of its revenues were derived from activities related to the transportation of cargo or have any significant interest (i.e., 10% or more of the voting stock) in any such

entity. You agree that any breach of the terms of this covenant not to compete would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. You further agree that the provisions of the covenant not to compete are reasonable. Should a court determine, however, that any provision of the covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable. The provisions of this covenant not to compete shall survive any termination of this letter and your term of employment. The existence of any claim or cause of action or otherwise (other than those which arise out of or are based upon a breach of the terms of this letter) shall not constitute a defense to the enforcement of this covenant not to compete.

10. *Indemnification.* The Company agrees to indemnify you in accordance with Attachment B hereto.

11. *Miscellaneous.* All agreements between you and the Company are set forth in this letter agreement and this letter agreement supersedes all prior understandings, whether oral or written. No provision of this letter agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and an authorized officer of the Company. The paragraph headings herein do not add to or delete from the subject matter of this letter agreement. The validity, interpretation, construction and performance of this letter agreement shall be governed by the laws of the State of Minnesota, without regard to principles of conflicts of laws. The invalidity or unenforceability of any provision or provisions of this letter agreement shall not affect the validity or enforceability of any other provision of this letter agreement which shall remain in full force and effect.

12. *Arbitration.* Any and all claims or disputes relating to this Agreement and its enforcement, including, but not limited to, severance pay, insurance, pass privileges and the issue of arbitrability are subject to mandatory binding arbitration between you and the Company, except only that the Company may seek judicial enforcement in connection with any breach or threatened breach of the covenant not to compete contained in this Agreement. Arbitration shall be conducted in Minnesota in accordance with the Rules of the American Arbitration Association and shall be final and binding on both parties. In any action or proceeding brought by either you or the Company against the other relating to this Agreement, the prevailing party shall be entitled to recover from the losing party its actual and reasonable attorneys' fees, which shall not exceed the amount of fees incurred by the losing party for its/his own attorneys. The expenses of the neutral arbitrator and any court reporter shall be borne by the Company.

To indicate your understanding and acceptance of the terms and conditions of this letter, please sign where indicated below.

Sincerely yours,

/s/ Richard H. Anderson
Richard H. Anderson
Executive Vice President & Chief Operating Officer

ACCEPTED AND AGREED:

/s/ Mickey P. Foret
Mickey P. Foret

Address:
7001 Valley View Road
Edina, MN 55439

Date: October 23, 2001

[Exhibit 10.19](#)

MANAGEMENT COMPENSATION AGREEMENT

between

NORTHWEST AIRLINES, INC.

and

J.TIMOTHY GRIFFIN

dated as of

January 14, 2002

MANAGEMENT COMPENSATION AGREEMENT

MANAGEMENT COMPENSATION AGREEMENT made as of the 14th day of January, 2002 between Northwest Airlines, Inc., a Minnesota corporation (the "*Company*") and J. Timothy Griffin (the "*Executive*").

PREAMBLE

The Company and Executive hereby desire to enter into a Management Compensation Agreement dated as of January 14, 2002.

1. Terms of Employment.

1.1 *Employment.* The Company agrees to continue to employ Executive, and Executive agrees to continue to serve the Company, on the terms and conditions set forth herein.

1.2 *Position and Duties.* During the term of Executive's employment hereunder, Executive shall continue to have his title, powers and duties as on the Effective Date or such other powers and duties as may from time to time be prescribed by the Company, *provided* that such powers and duties are consistent with or represent a promotion from Executive's powers and duties as of the Effective Date, unless otherwise consented to in writing by Executive; *provided, however*, that as long as Executive retains a substantial portion of his then current oversight responsibility, the Company shall be permitted to transfer a portion of Executive's oversight responsibility without the consent of Executive. Executive shall devote substantially all his working time and effort to the business and affairs of the Company and its affiliates.

2. Compensation.

2.1 *Base Salary.* Executive's Base Salary shall be his base salary in effect on the Effective Date, as increased thereafter by the Company. Executive's Base Salary in effect from time to time may only be reduced in connection with a base wage reduction for salaried employees of the Company, by an amount not to exceed 20% of Base Salary in effect on the date of such wage reduction. For purposes of calculating any other payments or benefits hereunder (except as specified in Section 2.4) any reductions in Base Salary shall be disregarded. Executive's Base Salary shall be payable in accordance with the Company's payroll policies.

2.2 *Bonus.* Executive shall be entitled to participate in the Company's Key Employee Annual Cash Incentive Plan (the "KEACIP") or any successor annual bonus plan, the terms and conditions of which shall be established by the Board from time to time.

2.3 *Expenses.* During the term of Executive's employment hereunder, Executive shall be entitled to receive prompt reimbursements for all reasonable expenses incurred in performing services hereunder, *provided* that Executive properly accounts therefor in accordance with Company policy.

2.4 *Compensation and Benefit Programs of the Company.* Except as set forth below, Executive shall continue while employed hereunder to participate in the Company's employee compensation and benefit programs (or any successor programs) at levels in effect on the Effective Date. Exceptions to the preceding sentence are:

(a) Amounts payable to Executive under the Company's benefit programs may be reduced to reflect a benefit reduction for salaried employees of the Company, in the same manner that salaried employees are generally affected by such reduction.

(b) Executive shall not participate in any severance pay plan or annual bonus plan maintained by the Company except to the extent necessary to receive any severance or bonus payments specifically provided for hereunder.

3. *Other Benefits.*

3.1 *Airline Pass.* Executive shall be entitled to receive upon termination of employment lifetime airline pass privileges for the personal use of Executive and his or her spouse or registered domestic

partner and dependent children so long as spouses, registered domestic partners and dependent children of employees generally are eligible for nonrevenue travel pursuant to the Company's pass policies (hereinafter, "Eligible Individuals"). Such airline pass privileges (the "Airline Pass") shall entitle Executive and Eligible Individuals to travel on regularly scheduled Northwest domestic and international flights, subject to all charges and fees then applicable to active management employees of the Company and their dependents and pursuant to the Company's pass policies in effect from time to time, with boarding priority of F-1 or the equivalent thereof for ten (10) years from and after the date such pass is issued and 1-R or the equivalent thereof after such ten year period. Executive shall be responsible for any personal income tax liability arising from such pass travel. Notwithstanding the foregoing, all benefits under this Section 3 shall immediately and permanently cease in the event Executive violates the Company's pass policies in connection with such travel and/or in the event that Executive is or becomes, at any time thereafter, an employee of any of the top five airlines in the United States (other than the Company) ranked by revenue passenger miles.

3.2 *Medical and Dental Benefits.* While employed by the Company and thereafter during the Executive's lifetime, Executive and his eligible dependents shall be entitled to participate in the Company's medical and dental plans generally applicable to all management employees of the Company under the same terms and conditions as shall apply to such management employees; provided, however, that if in the future Executive becomes employed by another employer, such coverage shall become secondary to any coverage provided by such employer for the period in which Executive is entitled to such coverage. In addition, while employed by the Company hereunder, Executive shall be reimbursed by the Company for all reasonable out of pocket medical and dental expenses incurred by Executive and his eligible dependents and not otherwise paid or provided for under any medical plan maintained for Executive's benefit.

4. *Termination of Employment.*

4.1 *Upon Death.* Executive's employment hereunder shall terminate upon his death.

4.2 *By the Company.* The Company may terminate Executive's employment hereunder at any time with or without Cause.

4.3 *By the Executive.* Executive may terminate his employment hereunder at any time for any reason.

4.4 *Notice of Termination, Payments.* Any termination of Executive's employment hereunder (other than by death) shall be communicated by thirty (30) days' advance written Notice of Termination by the terminating party to the other party to this Agreement; *provided* that no advance Notice of Termination of Executive for Cause by the Company is required.

5. *Payments in the Event of Termination of Employment.*

5.1 *Payments in the Event of Termination by the Company for Cause or Voluntary Termination by Executive.* If Executive's employment hereunder is terminated by the Company for Cause, as a result of death or Disability or by Executive other than for Good Reason, the Company shall pay Executive (a) his accrued and unpaid Base Salary through the Date of Termination and (b) any vested or accrued and unpaid payments, rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of any written retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein.

5.2 *Payments in the Event of Any Other Termination of Employment.* If Executive's employment hereunder is terminated by the Company other than for Cause, or by Executive for Good Reason:

(a) The Company shall pay Executive (i) his accrued and unpaid Base Salary through the Date of Termination, (ii) any bonus under the Key Employee Cash Incentive Bonus Program, or any successor annual bonus plan, (the "*Incentive Bonus*") for any calendar year ended before the

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Date of Termination, (iii) a pro rata share (based on days employed during the applicable year) of the Incentive Bonus Executive would otherwise have received with respect to the year in which the Date of Termination occurs, payable at the time the Incentive Bonus would otherwise be payable to Executive; *provided, however*, that 100% of the Incentive Bonus shall be determined solely with reference to the financial performance of the Company for the year (based on the goals previously established with respect thereto) (rather than a portion of the Incentive Bonus determined on the basis of individual performance); *provided, further*, in the event that Company's performance exceeds 100% of the financial performance target for the year, that portion of the Incentive Bonus that would have, but for this Section 5.2(a), related to the achievement of the individual performance target shall be 100% and (iv) any vested or accrued and unpaid payments, rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of any written retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein.

(b) In addition to the compensation and benefits described in Section 5.2(a):

(i) The Company shall pay Executive, no later than thirty (30) days following Executive's termination of employment, a lump sum amount equal to two (2) times the sum of (i) Executive's annual Base Salary and (ii) the target Incentive Bonus for Executive with respect to the year in which the Date of Termination occurs (or if no target has been set for that year, the target Incentive Bonus for the immediately preceding year).

(ii) Until the earlier of the fourth anniversary of Executive's Date of Termination or the date Executive is employed by a new employer, Executive, his dependents, beneficiaries and estate shall be entitled to all benefits under the Company's group life insurance as if Executive were still employed by the Company hereunder during such period.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5.2 by seeking other employment or otherwise, and no such payment shall be offset or reduced as a result of Executive obtaining new employment.

(d) Notwithstanding anything else to the contrary in this Agreement, the Company's obligation regarding the payments and other benefits provided for in Sections 5.2(a)(iii) and 5.2(b)(i) and (ii) is expressly conditioned upon the execution, delivery and non-revocation of a general release in the form attached hereto as Attachment A.

5.3 *Board/Committee Resignation.* Executive's termination of employment for any reason, shall constitute, as of the date of such termination and to the extent applicable, a resignation as an officer of the Company and a resignation from the Board (and any committees thereof) and the Board of Directors (and any committees thereof) of any of the Company's affiliates and from the board of directors or similar governing body of any corporation, limited liability company or other entity in which the Company or any affiliate holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's or such affiliate's designee or other representative.

6. *Confidentiality; Non-Compete; Non-Solicitation; Nondisparagement.*

While employed by the Company and thereafter, Executive shall not disclose any Confidential Information either directly or indirectly, to anyone (other than appropriate Company employees and advisors), or use such information for his own account, or for the account of any other person or entity, without the prior written consent of the Company or except as required by law. This confidentiality covenant has no temporal or geographical restriction. For purposes of this Agreement, "Confidential Information" shall mean all non-public information respecting the Company's business, including, but not limited to, its services, pricing, scheduling, products, research and development, processes, customer lists, marketing plans and strategies, financing plans and the terms and provisions of this Agreement, but excluding information that is, or becomes, available to the public (unless such

availability occurs through an unauthorized act on the part of the Executive). Upon termination of this Agreement, Executive shall promptly supply to the Company all property and any other tangible product or document that has been produced by, received by or otherwise submitted to Executive during or prior to his term of employment, and shall not retain any copies thereof.

Executive acknowledges that his services are of special, unique and extraordinary value to the Company. Accordingly, Executive shall not at any time prior to the first anniversary of the Date of Termination (i) become an employee, consultant, officer, partner or director of any air carrier which competes with the Company (or any of its affiliates) or (ii) whether on Executive's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates.

While employed by the Company and thereafter, Executive agrees not to make any untruthful or disparaging statements, written or oral, about the Company, its affiliates, their predecessors or successors or any of their past and present officers, directors, stockholders, partners, members, agents and employees or the Company's business practices, operations or personnel policies and practices to any of the Company's customers, clients, competitors, suppliers, investors, directors, consultants, employees, former employees, or the press or other media in any country.

Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. Executive further agrees that the provisions of the covenant not to compete are reasonable. Should a court determine, however, that any provision of the covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable. The provisions of this Section 6 shall survive any termination of this Agreement and Executive's term of employment. The existence of any claim or cause of action or otherwise, shall not constitute a defense to the enforcement of the covenants and agreements of this Section 6.

7. *Successors and Assigns.*

(a) This Agreement shall bind any successor to the Company, whether by purchase, merger, consolidation or otherwise, in the same manner and to the same extent that the Company would be obligated under this Agreement if no such succession had taken place.

(b) This Agreement shall not be assignable by Executive. This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. *Term.*

The term of this Agreement shall commence on the Effective Date and end upon the Executive's termination of employment. The rights and obligations of the Company and Executive shall survive the termination of this Agreement to the fullest extent necessary to give effect to the terms hereof.

9. *Notices.*

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered to and mailed by United States mail, addressed:

(a) if to Executive, to the address set forth on the signature page hereto, and

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(b) if to the Company, c/o Northwest Airlines, Inc., 2700 Lone Oak Parkway, Eagan, Minnesota 55121, Attention: General Counsel,

or, in each case, to such other address as may have been furnished in writing.

10. *Withholding.*

All payments required to be made by the Company hereunder shall be subject to the withholding and/or deduction of such amounts as are required to be withheld or deducted pursuant to any applicable law or regulation. The Company shall have the right and is hereby authorized to withhold or deduct from any compensation or other amount owing to Executive, applicable withholding taxes and deductions and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes or deductions.

11. *Certain Defined Terms.*

As used herein, the following terms have the following meanings:

"*Agreement*" shall mean this Management Compensation Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance herewith.

"*Base Salary*" shall mean the salary of the Executive in effect from time to time under Section 2.1.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean with respect to termination by the Company of Executive's employment hereunder (i) an act or acts of dishonesty by Executive resulting in, or intended to result in, directly or indirectly, any personal enrichment of Executive, (ii) an act or acts of dishonesty by Executive intended to cause substantial injury to the Company, (iii) material breach (other than as a result of a Disability) by Executive of Executive's obligations under this Agreement which action was (a) undertaken without a reasonable belief that the action was in the best interests of the Company and (b) not remedied within a reasonable period of time after receipt of written notice from the Company specifying the alleged breach, (iv) Executive's conviction of, or plea of nolo contendere to, a crime constituting (a) a felony under the laws of any country, the United States or any state thereof or (b) a misdemeanor involving moral turpitude or (v) a material breach of (a) the Company's Code of Business Conduct or (b) the provisions of this Agreement.

"Date of Termination" shall mean, with respect to Executive, the date of termination of Executive's employment hereunder after the notice period provided by Section 4.4.

"Disability" shall mean Executive's physical or mental condition which prevents continued performance of his duties hereunder, if Executive establishes by medical evidence that such condition will be permanent and continuous during the remainder of Executive's life or is likely to be of at least three (3) years duration.

"Effective Date" shall mean January 14, 2002.

"Good Reason" shall mean with respect to an Executive, any one or more of the following:

- (a) a material reduction in Executive's Base Salary or level of target bonus under the KEACIP or any successor bonus plan (except as permitted hereunder);
- (b) except as otherwise provided in Section 1.2, any substantial and sustained diminution in Executive's authority or responsibilities hereunder;
- (c) the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area;
- (d) a failure by the Company to comply with any provision of this Agreement;

provided, however, that the foregoing events shall constitute Good Reason only if the Company fails to cure such event within thirty (30) days after receipt from Executive of written notice of the event which constitutes Good Reason; *provided, further*, that "Good Reason" shall cease to exist for an event on the 60th day following the later of its occurrence or Executive's knowledge thereof, unless Executive has given the Company written notice thereof prior to such date.

In order for Executive's termination of his employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

"Notice of Termination" shall mean a notice specifying the Date of Termination.

12. *Executive Representation.*

Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

13. *Amendment.*

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and an authorized officer of the Company.

14. *Governing Law.*

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota, without regard to principles of conflicts of laws.

15. *Validity.*

The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

16. *Arbitration.*

Except as otherwise provided in Section 17 of this Agreement, all disputes and controversies arising from or in conjunction with Executive's employment with, or any termination from, the Company and all disputes and controversies arising under or in connection with this Agreement (except claims for vested benefits brought under ERISA) shall be settled by mandatory arbitration conducted before one arbitrator having knowledge of employment law in accordance with the rules for expedited resolution of employment disputes of the American Arbitration Association then in effect. The arbitration shall be held in the Minneapolis/St. Paul metropolitan area at a location selected by the Company. The determination of the arbitrator shall be made within thirty (30) days following the close of the hearing on any dispute or controversy and shall be final and binding on the parties. The parties hereby waive their right to a trial of any and all claims arising out of this Agreement or breach of this Agreement. All costs and expenses incurred in connection with any arbitration including, without limitation, arbitrator and attorney's fees, shall be paid by the nonprevailing party in the arbitration unless the arbitrator determines that such expenses must be otherwise allocated under applicable law to maintain the validity of this Section 16.

17. *Specific Performance.*

Notwithstanding Section 16 of this Agreement, if Executive breaches or threatens to commit a breach of Section 6 of this Agreement, the Company shall have the right to specific performance (i.e.,

the right and remedy to have the terms and conditions of Section 6 specifically enforced by any court of competent jurisdiction), it being agreed that any breach or threatened breach of Section 6 would cause irreparable injury and that money damages may not provide an adequate remedy.

18. *Cooperation.*

Executive shall provide his reasonable cooperation in connection with any investigation, action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment hereunder. This provision shall survive any termination of this Agreement.

19. *Compensation Limitation.*

Notwithstanding the foregoing, Executive and the Company agree that (i) to the extent permitted by the Air Transportation Safety and System Stabilization Act (the "Act") any payments or benefits payable to Executive under this Agreement (including, without limitation, payments under Sections 2 and 5 hereof) or pursuant to any other compensation or benefit plan of the Company or other arrangement between the Company and Executive that do not comply with the Act shall be deferred until such payments or benefits may be paid under the Act, and (ii) to the extent the Act does not permit the deferral of any such payments or benefits, the maximum compensation and/or severance Executive may receive from the Company under this Agreement or any other compensation or benefit plan of the Company or other arrangement between the Company and Executive will not exceed the amount allowed under the Act.

20. *Entire Agreement.*

This Agreement, together with the Release, any award agreement between the Company and Executive entered into pursuant to the Company's stock incentive plans, the Company's employee benefit plans in which Executive will continue to participate as provided in this Agreement, and any written arrangements in respect of travel on other airlines, contain the entire understanding between the Company and

Executive with respect to Executive's employment with the Company and supersedes in all respects any prior or other agreement or understanding between the Company or any affiliate of the Company and Executive with respect to Executive's employment.

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IN WITNESS WHEREOF, the Company and Executive have executed this Agreement as of the day and year first above written.

NORTHWEST AIRLINES, INC.

/s/ Richard H. Anderson

By: Richard H. Anderson
Chief Executive Officer

EXECUTIVE:

/s/ J. Timothy Griffin

J. Timothy Griffin
Executive Vice President–Marketing and Distribution

Executive's Address:

18060 Shavers Lane
Woodland, MN 55391

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Attachment A

GENERAL RELEASE

WHEREAS, (the "Executive") has been employed by Northwest Airlines, Inc. ("Northwest"); and

WHEREAS, Executive's employment with Northwest has terminated; and

WHEREAS, Executive and Northwest have reached a full and final compromise and settlement of all matters, disputes, causes of action, claims, contentions and differences between them and Northwest's divisions, merged entities and affiliates, subsidiaries, parents, branches, predecessors, successors, assigns, officers, directors, trustees, employees, agents, stockholders, administrators, representatives, attorneys, insurers or fiduciaries, past, present or future (the "Released Parties"), including but not limited to any and all claims arising from or derivative of Executive's employment with Northwest and his termination from employment with Northwest;

WHEREAS, in return for Northwest performing its obligations as provided for herein and as set forth in the Management Compensation Agreement dated as of , 2001, by and between Northwest and Executive (the "Agreement"), Executive will execute and comply fully with the terms of this General Release (the "Release");

WHEREAS, Executive (i) understands that in executing the Release he is, inter alia, giving up rights and claims under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. Section 621 *et seq.* ("ADEA"), and (ii) has been given a period of not less than twenty-one (21) days within which to consider this Release;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, Executive and Northwest agree and covenant as follows:

1. By entering into this Release, the Released Parties do not admit, and each specifically denies any liability, wrongdoing or violation of any law, statute, regulations, agreement or policy.

2. Executive's employment with Northwest shall be terminated effective _____, _____.

3. In consideration of the obligations of Executive as set forth in this Release and the Agreement, and in full settlement and final satisfaction of any and all claims, contractual or otherwise, which Executive had, has or may have against Northwest and/or the Released Parties with respect to his employment, termination from employment with Northwest, or otherwise arising on or prior to the date of execution of this Release, Northwest shall pay to Executive the payments and benefits to which Executive is entitled under the Agreement. This Release shall not pertain to any claim alleging that Northwest has failed to comply with any obligations created by this Release or that Northwest has failed to pay to Executive the payments and benefits to which Executive is entitled under the Agreement upon termination of Executive's employment.

4. (a) Executive, for and in consideration of the payments as set forth in the Agreement and for other good and valuable consideration, hereby releases and forever discharges and covenants not to sue, and by this Release does release and forever discharge, the Released Parties of and from all debts, obligations, promises, covenants, collective bargaining obligations, agreements, contracts, endorsements, bonds, controversies, suits or causes of actions known or unknown, suspected or unsuspected, of every kind and nature whatsoever, which may heretofore have existed or which may now exist, including but not limited to those arising under the ADEA, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000e, *et seq.*, Executive Order 11246, 30 Fed. Reg. 12319; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Section 1001, *et seq.*, the Americans With Disabilities Act, as amended, 42 U.S.C. Section 12101, *et seq.*, the Federal Equal Pay Act, 29 U.S.C. Section 2061, *et seq.*, the Reconstruction Era Civil Rights Act, as amended, 42 U.S.C. Section 1981,

et seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701, *et seq.*, the Family and Medical Leave Act of 1993, 29 U.S.C. Section 2601, *et seq.*, the Minnesota Human Rights Act, Minn. Stat. Section 363.01, *et seq.*, and any all state or local constitutions and/or laws regarding employment discrimination and/or federal, state or local constitutions and/or laws of any type or description regarding employment as well as any claim for breach of contract, wrongful discharge, breach of any express or implied promise, misrepresentation, fraud, whistleblowing, retaliation, violation of public policy, infliction of emotional distress, defamation, promissory estoppel, invasion of privacy or any other theory or claim, whether legal or equitable, including but not limited to any claims arising from or derivative of Executive's employment with Northwest and Executive's termination of employment with Northwest or otherwise. Executive acknowledges that he has not been discriminated against on the basis of age, sex, disability, race, ethnicity, religion or any other protected class status.

(b) Without in any way limiting the foregoing, this Release shall not affect any present or future indemnification obligations that Northwest and the Released Parties may have to Executive pursuant to any charter, by-law, agreement or policy of insurance.

(c) This Release shall not affect Executive's rights under one or more Non-Qualified Stock Option Agreements, Deferred Stock Award Agreement or Phantom Stock Unit Award Agreement between Northwest and the Executive governing the terms of any stock option grant or other stock award outstanding on the date hereof, which rights shall continue to be governed by the terms of the agreement applicable to such stock option or other stock award.

5. Executive covenants and agrees not to sue nor authorize any other party, either governmental or otherwise, to file any grievances, arbitration or commence any other proceeding, administrative or judicial, against the Released Parties in any court of law or equity, or before any administrative agency, with respect to any matter relating to this Agreement or to matters occurring during Executive's employment with Northwest.

6. The Released Parties and Executive understand and agree that the terms of this Release and the Agreement are confidential.

7. Executive agrees not to make any untruthful or disparaging statements, written or oral, about Northwest, the Released Parties or Northwest's personnel policies and practices to any of Northwest's customers, competitors, suppliers, employees, former employees, or the press or other media. Except as herein contemplated, Executive also agrees that he will not voluntarily participate in any proceeding of any kind brought against the Released Parties relating to this Agreement or to matters occurring during Executive's employment with Northwest.

8. (a) The parties agree that this Release should be construed in accordance with the laws of the State of Minnesota, exclusive of Minnesota choice of law provisions.

(b) The parties agree that any and all further legal proceedings between Executive and the Released Parties, whether arising under statute, constitutions, contract, common law or otherwise, including the issue of arbitrability, will be submitted for resolution exclusively pursuant to the arbitration provision contained in the Agreement. The parties hereby waive their right to a trial of any and all claims arising out of this Release or breach of this Release.

(c) Should any provision of this Release be found to be in violation of any law, or ineffective or barred for any reason whatsoever, the remainder of this Release shall be in full force and effect to the maximum extent permitted by law.

9. Northwest and Executive agree to execute such other documents to take such other actions as may be reasonably necessary to further the purposes of this Release.

10. (a) Executive acknowledges and agrees that, in deciding to execute this Release, he has had the opportunity to consult with legal, financial and other personal advisors of his own choosing as he

deems appropriate, in assessing whether to execute this Release. Executive represents and acknowledges that no representations, statement, promise, inducement, threat or suggestion has been made by Northwest or the Released Parties to influence him to sign this Release except such statements as are expressly set forth herein. Executive agrees that he has been given a minimum of twenty-one (21) days within which to consider the terms and effects of this Release insofar as it relates to settlement and release of potential claims under the ADEA, and to consult with, and to ask any questions that he may have of anyone, including legal counsel and other personal advisors of his own choosing, and that he has executed this Release voluntarily and with full understanding of its terms and effects.

(b) Executive has the right to rescind this Release as far as it extends to potential claims under Minn. Stat. Ch. 363 (prohibiting discrimination in employment) by written notice to the Company within 15 calendars days following the execution of this Release. Executive also has the right to revoke this Release as far as it extends to potential claims under the Age Discrimination in Employment Act, 29 U.S.C. Section 621 *et seq.*, by informing the Company of his intent to revoke this Release within seven calendar days following the execution of this Release. To be effective, notice, rescission or revocation must be in writing and must be delivered either by hand or by mail to Douglas M. Steenland, Executive Vice President & Chief Corporate Officer of Northwest Airlines, Inc., Department A1180, 5101 Northwest Drive, St. Paul, Minnesota, 55111-3034, within the specified period. If a notice of rescission or revocation is delivered by mail, it must be: (i) postmarked within the 15 or 7 day period, respectively, (ii) properly addressed to Mr. Steenland as set forth above, and (iii) sent by certified mail return receipt requested. This Release shall not become effective or enforceable until the 15 or 7 day periods described above have expired. No payments shall be due, owing or paid by Northwest unless and until this Release becomes effective.

This Release may not be changed or modified, except by a written instrument signed by Executive and Northwest.

NORTHWEST AIRLINES, INC.

EXECUTIVE:

By: _____
Name: _____

Name: _____

Title: _____

Address: _____

Date: _____

Date: _____

QuickLinks

[EXHIBIT 10.20](#)

[MANAGEMENT COMPENSATION AGREEMENT between NORTHWEST AIRLINES, INC. and J.TIMOTHY GRIFFIN dated as of January 14, 2002](#)

MANAGEMENT COMPENSATION AGREEMENT

between

NORTHWEST AIRLINES, INC.

and

PHILIP C. HAAN

dated as of

January 14, 2002

Execution Copy

MANAGEMENT COMPENSATION AGREEMENT

MANAGEMENT COMPENSATION AGREEMENT made as of the 14th day of January, 2002 between Northwest Airlines, Inc., a Minnesota corporation (the "*Company*") and Philip C. Haan (the "*Executive*").

PREAMBLE

The Company and Executive hereby desire to enter into a Management Compensation Agreement dated as of January 14, 2002.

1. *Terms of Employment.*

1.1 *Employment.* The Company agrees to continue to employ Executive, and Executive agrees to continue to serve the Company, on the terms and conditions set forth herein.

1.2 *Position and Duties.* During the term of Executive's employment hereunder, Executive shall continue to have his title, powers and duties as on the Effective Date or such other powers and duties as may from time to time be prescribed by the Company, provided that such powers and duties are consistent with or represent a promotion from Executive's powers and duties as of the Effective Date, unless otherwise consented to in writing by Executive; *provided, however*, that as long as Executive retains a substantial portion of his then current oversight responsibility, the Company shall be permitted to transfer a portion of Executive's oversight responsibility without the consent of Executive. Executive shall devote substantially all his working time and effort to the business and affairs of the Company and its affiliates.

2. *Compensation.*

2.1 *Base Salary.* Executive's Base Salary shall be his base salary in effect on the Effective Date, as increased thereafter by the Company. Executive's Base Salary in effect from time to time may only be reduced in connection with a base wage reduction for salaried employees of the Company, by an amount not to exceed 20% of Base Salary in effect on the date of such wage reduction. For purposes of

calculating any other payments or benefits hereunder (except as specified in Section 2.4) any reductions in Base Salary shall be disregarded. Executive's Base Salary shall be payable in accordance with the Company's payroll policies.

2.2 *Bonus.* Executive shall be entitled to participate in the Company's Key Employee Annual Cash Incentive Plan (the "KEACIP") or any successor annual bonus plan, the terms and conditions of which shall be established by the Board from time to time.

2.3 *Expenses.* During the term of Executive's employment hereunder, Executive shall be entitled to receive prompt reimbursements for all reasonable expenses incurred in performing services hereunder, *provided* that Executive properly accounts therefor in accordance with Company policy.

2.4 *Compensation and Benefit Programs of the Company.* Except as set forth below, Executive shall continue while employed hereunder to participate in the Company's employee compensation and benefit programs (or any successor programs) at levels in effect on the Effective Date. Exceptions to the preceding sentence are:

(a) Amounts payable to Executive under the Company's benefit programs may be reduced to reflect a benefit reduction for salaried employees of the Company, in the same manner that salaried employees are generally affected by such reduction.

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(b) Executive shall not participate in any severance pay plan or annual bonus plan maintained by the Company except to the extent necessary to receive any severance or bonus payments specifically provided for hereunder.

3. *Other Benefits.*

3.1 *Airline Pass.* Executive shall be entitled to receive upon termination of employment lifetime airline pass privileges for the personal use of Executive and his or her spouse or registered domestic partner and dependent children so long as spouses, registered domestic partners and dependent children of employees generally are eligible for nonrevenue travel pursuant to the Company's pass policies (hereinafter, "Eligible Individuals"). Such airline pass privileges (the "Airline Pass") shall entitle Executive and Eligible Individuals to travel on regularly scheduled Northwest domestic and international flights, subject to all charges and fees then applicable to active management employees of the Company and their dependents and pursuant to the Company's pass policies in effect from time to time, with boarding priority of F-1 or the equivalent thereof for ten (10) years from and after the date such pass is issued and 1-R or the equivalent thereof after such ten year period. Executive shall be responsible for any personal income tax liability arising from such pass travel. Notwithstanding the foregoing, all benefits under this Section 3 shall immediately and permanently cease in the event Executive violates the Company's pass policies in connection with such travel and/or in the event that Executive is or becomes, at any time thereafter, an employee of any of the top five airlines in the United States (other than the Company) ranked by revenue passenger miles.

3.2 *Medical and Dental Benefits.* While employed by the Company and thereafter during the Executive's lifetime, Executive and his eligible dependents shall be entitled to participate in the Company's medical and dental plans generally applicable to all management employees of the Company under the same terms and conditions as shall apply to such management employees; provided, however, that if in the future Executive becomes employed by another employer, such coverage shall become secondary to any coverage provided by such employer for the period in which Executive is entitled to such coverage. In addition, while employed by the Company hereunder, Executive shall be reimbursed by the Company for all reasonable out of pocket medical and dental expenses incurred by Executive and his eligible dependents and not otherwise paid or provided for under any medical plan maintained for Executive's benefit.

4. *Termination of Employment.*

4.1 *Upon Death.* Executive's employment hereunder shall terminate upon his death.

4.2 *By the Company.* The Company may terminate Executive's employment hereunder at any time with or without Cause.

4.3 *By the Executive.* Executive may terminate his employment hereunder at any time for any reason.

4.4 *Notice of Termination, Payments.* Any termination of Executive's employment hereunder (other than by death) shall be communicated by thirty (30) days' advance written Notice of Termination by the terminating party to the other party to this Agreement; *provided* that no advance Notice of Termination of Executive for Cause by the Company is required.

5. *Payments in the Event of Termination of Employment.*

5.1 *Payments in the Event of Termination by the Company for Cause or Voluntary Termination by Executive.* If Executive's employment hereunder is terminated by the Company for Cause, as a result of death or Disability or by Executive other than for Good Reason, the Company shall pay Executive (a) his accrued and unpaid Base Salary through the Date of Termination and (b) any vested or accrued and unpaid payments, rights or benefits Executive may be otherwise entitled to receive pursuant to the

terms of any written retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein.

5.2 *Payments in the Event of Any Other Termination of Employment.* If Executive's employment hereunder is terminated by the Company other than for Cause, or by Executive for Good Reason:

(a) The Company shall pay Executive (i) his accrued and unpaid Base Salary through the Date of Termination, (ii) any bonus under the Key Employee Cash Incentive Bonus Program, or any successor annual bonus plan, (the "*Incentive Bonus*") for any calendar year ended before the Date of Termination, (iii) a pro rata share (based on days employed during the applicable year) of the Incentive Bonus Executive would otherwise have received with respect to the year in which the Date of Termination occurs, payable at the time the Incentive Bonus would otherwise be payable to Executive; *provided, however*, that 100% of the Incentive Bonus shall be determined solely with reference to the financial performance of the Company for the year (based on the goals previously established with respect thereto) (rather than a portion of the Incentive Bonus determined on the basis of individual performance); *provided, further*, in the event that Company's performance exceeds 100% of the financial performance target for the year, that portion of the Incentive Bonus that would have, but for this Section 5.2(a), related to the achievement of the individual performance target shall be 100% and (iv) any vested or accrued and unpaid payments, rights or benefits Executive may be otherwise entitled to receive pursuant to the terms of any written retirement, pension or other employee benefit or compensation plan maintained by the Company at the time or times provided therein.

(b) In addition to the compensation and benefits described in Section 5.2(a):

(i) The Company shall pay Executive, no later than thirty (30) days following Executive's termination of employment, a lump sum amount equal to two (2) times the sum of (i) Executive's annual Base Salary and (ii) the target Incentive Bonus for Executive with respect to the year in which the Date of Termination occurs (or if no target has been set for that year, the target Incentive Bonus for the immediately preceding year).

(ii) Until the earlier of the fourth anniversary of Executive's Date of Termination or the date Executive is employed by a new employer, Executive, his dependents, beneficiaries and estate shall be entitled to all benefits under the Company's group life insurance as if Executive were still employed by the Company hereunder during such period.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5.2 by seeking other employment or otherwise, and no such payment shall be offset or reduced as a result of Executive obtaining new employment.

(d) Notwithstanding anything else to the contrary in this Agreement, the Company's obligation regarding the payments and other benefits provided for in Sections 5.2(a)(iii) and 5.2(b)(i) and (ii) is expressly conditioned upon the execution, delivery and non-revocation of a general release in the form attached hereto as Attachment A.

5.3 *Board/Committee Resignation.* Executive's termination of employment for any reason, shall constitute, as of the date of such termination and to the extent applicable, a resignation as an officer of the Company and a resignation from the Board (and any committees thereof) and the Board of Directors (and any committees thereof) of any of the Company's affiliates and from the board of directors or similar governing body of any corporation, limited liability company or other entity in which the Company or any affiliate holds an equity interest and with respect to which board or similar governing body Executive serves as the Company's or such affiliate's designee or other representative.

6. *Confidentiality; Non-Compete; Non-Solicitation; Nondisparagement.*

While employed by the Company and thereafter, Executive shall not disclose any Confidential Information either directly or indirectly, to anyone (other than appropriate Company employees and advisors), or use such information for his own account, or for the account of any other person or entity, without the prior written consent of the Company or except as required by law. This confidentiality covenant has no temporal or geographical restriction. For purposes of this Agreement, "Confidential Information" shall mean all non-public information respecting the Company's business, including, but not limited to, its services, pricing, scheduling, products, research and development, processes, customer lists, marketing plans and strategies, financing plans and the terms and provisions of this Agreement, but excluding information that is, or becomes, available to the public (unless such availability occurs through an unauthorized act on the part of the Executive). Upon termination of this Agreement, Executive shall promptly supply to the Company all property and any other tangible product or document that has been produced by, received by or otherwise submitted to Executive during or prior to his term of employment, and shall not retain any copies thereof.

Executive acknowledges that his services are of special, unique and extraordinary value to the Company. Accordingly, Executive shall not at any time prior to the first anniversary of the Date of Termination (i) become an employee, consultant, officer, partner or director of any air carrier which competes with the Company (or any of its affiliates) or (ii) whether on Executive's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates.

While employed by the Company and thereafter, Executive agrees not to make any untruthful or disparaging statements, written or oral, about the Company, its affiliates, their predecessors or successors or any of their past and present officers, directors, stockholders, partners, members, agents and employees or the Company's business practices, operations or personnel policies and practices to any of the Company's customers, clients, competitors, suppliers, investors, directors, consultants, employees, former employees, or the press or other media in any country.

Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage for which there would be no adequate remedy at law, and that, in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach or threatened breach, without having to prove damages, in addition to any other remedies to which the Company may be entitled at law or in equity. Executive further agrees that the provisions of the covenant not to compete are reasonable. Should a court determine, however, that any provision of the covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable. The provisions of this Section 6 shall survive any termination of this Agreement and Executive's term of employment. The existence of any claim or cause of action or otherwise, shall not constitute a defense to the enforcement of the covenants and agreements of this Section 6.

7. *Successors and Assigns.*

(a) This Agreement shall bind any successor to the Company, whether by purchase, merger, consolidation or otherwise, in the same manner and to the same extent that the Company would be obligated under this Agreement if no such succession had taken place.

(b) This Agreement shall not be assignable by Executive. This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributes, devises and legatees.

8. *Term.*

The term of this Agreement shall commence on the Effective Date and end upon the Executive's termination of employment. The rights and obligations of the Company and Executive shall survive the termination of this Agreement to the fullest extent necessary to give effect to the terms hereof.

9. *Notices.*

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered to and mailed by United States mail, addressed:

(a) if to Executive, to the address set forth on the signature page hereto, and

(b) if to the Company, c/o Northwest Airlines, Inc., 2700 Lone Oak Parkway, Eagan, Minnesota 55121, Attention: General Counsel,

or, in each case, to such other address as may have been furnished in writing.

10. *Withholding.*

All payments required to be made by the Company hereunder shall be subject to the withholding and/or deduction of such amounts as are required to be withheld or deducted pursuant to any applicable law or regulation. The Company shall have the right and is hereby authorized to withhold or deduct from any compensation or other amount owing to Executive, applicable withholding taxes and deductions and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes or deductions.

11. *Certain Defined Terms.*

As used herein, the following terms have the following meanings:

"*Agreement*" shall mean this Management Compensation Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance herewith.

"*Base Salary*" shall mean the salary of the Executive in effect from time to time under Section 2.1.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean with respect to termination by the Company of Executive's employment hereunder (i) an act or acts of dishonesty by Executive resulting in, or intended to result in, directly or indirectly, any personal enrichment of Executive, (ii) an act or acts of dishonesty by Executive intended to cause substantial injury to the Company, (iii) material breach (other than as a result of a Disability) by Executive of Executive's obligations under this Agreement which action was (a) undertaken without a reasonable belief that the action was in the best interests of the Company and (b) not remedied within a reasonable period of time after receipt of written notice from the Company specifying the alleged breach, (iv) Executive's conviction of, or plea of nolo contendere to, a crime constituting (a) a felony under the laws of any country, the United States or any state thereof or (b) a misdemeanor involving moral turpitude or (v) a material breach of (a) the Company's Code of Business Conduct or (b) the provisions of this Agreement.

"Date of Termination" shall mean, with respect to Executive, the date of termination of Executive's employment hereunder after the notice period provided by Section 4.4.

"Disability" shall mean Executive's physical or mental condition which prevents continued performance of his duties hereunder, if Executive establishes by medical evidence that such condition will be permanent and continuous during the remainder of Executive's life or is likely to be of at least three (3) years duration.

"Effective Date" shall mean January 14, 2002.

"Good Reason" shall mean with respect to an Executive, any one or more of the following:

- (a) a material reduction in Executive's Base Salary or level of target bonus under the KEACIP or any successor bonus plan (except as permitted hereunder);
- (b) except as otherwise provided in Section 1.2, any substantial and sustained diminution in Executive's authority or responsibilities hereunder;
- (c) the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area;
- (d) a failure by the Company to comply with any provision of this Agreement;

provided, however, that the foregoing events shall constitute Good Reason only if the Company fails to cure such event within thirty (30) days after receipt from Executive of written notice of the event which constitutes Good Reason; *provided, further*, that "Good Reason" shall cease to exist for an event on the 60th day following the later of its occurrence or Executive's knowledge thereof, unless Executive has given the Company written notice thereof prior to such date.

In order for Executive's termination of his employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

"Notice of Termination" shall mean a notice specifying the Date of Termination.

12. *Executive Representation.*

Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

13. *Amendment.*

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and an authorized officer of the Company.

14. *Governing Law.*

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota, without regard to principles of conflicts of laws.

15. *Validity.*

The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

16. *Arbitration.*

Except as otherwise provided in Section 17 of this Agreement, all disputes and controversies arising from or in conjunction with Executive's employment with, or any termination from, the Company and all disputes and controversies arising under or in connection with this Agreement (except claims for vested benefits brought under ERISA) shall be settled by mandatory arbitration conducted before one arbitrator having knowledge of employment law in accordance with the rules for expedited resolution of employment disputes of the American Arbitration Association then in effect. The arbitration shall be held in the Minneapolis/St. Paul metropolitan area at a location selected by the

Company. The determination of the arbitrator shall be made within thirty (30) days following the close of the hearing on any dispute or controversy and shall be final and binding on the parties. The parties hereby waive their right to a trial of any and all claims arising out of this Agreement or breach of this Agreement. All costs and expenses incurred in connection with any arbitration including, without limitation, arbitrator and attorney's fees, shall be paid by the nonprevailing party in the arbitration unless the arbitrator determines that such expenses must be otherwise allocated under applicable law to maintain the validity of this Section 16.

17. *Specific Performance.*

Notwithstanding Section 16 of this Agreement, if Executive breaches or threatens to commit a breach of Section 6 of this Agreement, the Company shall have the right to specific performance (i.e., the right and remedy to have the terms and conditions of Section 6 specifically enforced by any court of competent jurisdiction), it being agreed that any breach or threatened breach of Section 6 would cause irreparable injury and that money damages may not provide an adequate remedy.

18. *Cooperation.*

Executive shall provide his reasonable cooperation in connection with any investigation, action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment hereunder. This provision shall survive any termination of this Agreement.

19. *Compensation Limitation.*

Notwithstanding the foregoing, Executive and the Company agree that (i) to the extent permitted by the Air Transportation Safety and System Stabilization Act (the "Act") any payments or benefits payable to Executive under this Agreement (including, without limitation, payments under Sections 2 and 5 hereof) or pursuant to any other compensation or benefit plan of the Company or other arrangement between the Company and Executive that do not comply with the Act shall be deferred until such payments or benefits may be paid under the Act, and (ii) to the extent the Act does not permit the deferral of any such payments or benefits, the maximum compensation and/or severance Executive may receive from the Company under this Agreement or any other compensation or benefit plan of the Company or other arrangement between the Company and Executive will not exceed the amount allowed under the Act.

20. *Entire Agreement.*

This Agreement, together with the Release, any award agreement between the Company and Executive entered into pursuant to the Company's stock incentive plans, the Company's employee benefit plans in which Executive will continue to participate as provided in this Agreement, and any written arrangements in respect of travel on other airlines, contain the entire understanding between the Company and

Executive with respect to Executive's employment with the Company and supersedes in all respects any prior or other agreement or understanding between the Company or any affiliate of the Company and Executive with respect to Executive's employment.

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IN WITNESS WHEREOF, the Company and Executive have executed this Agreement as of the day and year first above written.

NORTHWEST AIRLINES, INC.

/s/ Richard H. Anderson
By: Richard H. Anderson
Chief Executive Officer

EXECUTIVE:

/s/ Philip C. Haan
Philip C. Haan
Executive Vice President–International, Sales
and Information Services

Executive's Address:
1517 Summit Oaks Court
Burnsville, MN 55337

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Attachment A

GENERAL RELEASE

WHEREAS, (the "Executive") has been employed by Northwest Airlines, Inc. ("Northwest"); and

WHEREAS, Executive's employment with Northwest has terminated; and

WHEREAS, Executive and Northwest have reached a full and final compromise and settlement of all matters, disputes, causes of action, claims, contentions and differences between them and Northwest's divisions, merged entities and affiliates, subsidiaries, parents, branches, predecessors, successors, assigns, officers, directors, trustees, employees, agents, stockholders, administrators, representatives, attorneys, insurers or fiduciaries, past, present or future (the "Released Parties"), including but not limited to any and all claims arising from or derivative of Executive's employment with Northwest and his termination from employment with Northwest;

WHEREAS, in return for Northwest performing its obligations as provided for herein and as set forth in the Management Compensation Agreement dated as of , 2001, by and between Northwest and Executive (the "Agreement"), Executive will execute and comply fully with the terms of this General Release (the "Release");

WHEREAS, Executive (i) understands that in executing the Release he is, *inter alia*, giving up rights and claims under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. Section 621 *et seq.* ("ADEA"), and (ii) has been given a period of not less than twenty-one (21) days within which to consider this Release;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, Executive and Northwest agree and covenant as follows:

1. By entering into this Release, the Released Parties do not admit, and each specifically denies any liability, wrongdoing or violation of any law, statute, regulations, agreement or policy.

2. Executive's employment with Northwest shall be terminated effective

3. In consideration of the obligations of Executive as set forth in this Release and the Agreement, and in full settlement and final satisfaction of any and all claims, contractual or otherwise, which Executive had, has or may have against Northwest and/or the Released Parties with respect to his employment, termination from employment with Northwest, or otherwise arising on or prior to the date of execution of this Release, Northwest shall pay to Executive the payments and benefits to which Executive is entitled under the Agreement. This Release shall not pertain to any claim alleging that Northwest has failed to comply with any obligations created by this Release or that Northwest has failed to pay to Executive the payments and benefits to which Executive is entitled under the Agreement upon termination of Executive's employment.

4. (a) Executive, for and in consideration of the payments as set forth in the Agreement and for other good and valuable consideration, hereby releases and forever discharges and covenants not to sue, and by this Release does release and forever discharge, the Released Parties of and from all debts, obligations, promises, covenants, collective bargaining obligations, agreements, contracts, endorsements, bonds, controversies, suits or causes of actions known or unknown, suspected or unsuspected, of every kind and nature whatsoever, which may heretofore have existed or which may now exist, including but not limited to those arising under the ADEA, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000e, *et seq.*, Executive Order 11246, 30 Fed. Reg. 12319; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Section 1001, *et seq.*, the Americans With Disabilities Act, as amended, 42 U.S.C. Section 12101, *et seq.*, the Federal Equal Pay Act, 29 U.S.C. Section 2061, *et seq.*, the Reconstruction Era Civil Rights Act, as amended, 42 U.S.C. Section 1981, *et*

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seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701, *et seq.*, the Family and Medical Leave Act of 1993, 29 U.S.C. Section 2601, *et seq.*, the Minnesota Human Rights Act, Minn. Stat. Section 363.01, *et seq.*, and any all state or local constitutions and/or laws regarding employment discrimination and/or federal, state or local constitutions and/or laws of any type or description regarding employment as well as any claim for breach of contract, wrongful discharge, breach of any express or implied promise, misrepresentation, fraud, whistleblowing, retaliation, violation of public policy, infliction of emotional distress, defamation, promissory estoppel, invasion of privacy or any other theory or claim, whether legal or equitable, including but not limited to any claims arising from or derivative of Executive's employment with Northwest and Executive's termination of employment with Northwest or otherwise. Executive acknowledges that he has not been discriminated against on the basis of age, sex, disability, race, ethnicity, religion or any other protected class status.

(b) Without in any way limiting the foregoing, this Release shall not affect any present or future indemnification obligations that Northwest and the Released Parties may have to Executive pursuant to any charter, by-law, agreement or policy of insurance.

(c) This Release shall not affect Executive's rights under one or more Non-Qualified Stock Option Agreements, Deferred Stock Award Agreement or Phantom Stock Unit Award Agreement between Northwest and the Executive governing the terms of any stock option grant or other stock award outstanding on the date hereof, which rights shall continue to be governed by the terms of the agreement applicable to such stock option or other stock award.

5. Executive covenants and agrees not to sue nor authorize any other party, either governmental or otherwise, to file any grievances, arbitration or commence any other proceeding, administrative or judicial, against the Released Parties in any court of law or equity, or before any administrative agency, with respect to any matter relating to this Agreement or to matters occurring during Executive's employment with Northwest.

6. The Released Parties and Executive understand and agree that the terms of this Release and the Agreement are confidential.

7. Executive agrees not to make any untruthful or disparaging statements, written or oral, about Northwest, the Released Parties or Northwest's personnel policies and practices to any of Northwest's customers, competitors, suppliers, employees, former employees, or the press or other media. Except as herein contemplated, Executive also agrees that he will not voluntarily participate in any proceeding of any kind brought against the Released Parties relating to this Agreement or to matters occurring during Executive's employment with Northwest.

8. (a) The parties agree that this Release should be construed in accordance with the laws of the State of Minnesota, exclusive of Minnesota choice of law provisions.

(b) The parties agree that any and all further legal proceedings between Executive and the Released Parties, whether arising under statute, constitutions, contract, common law or otherwise, including the issue of arbitrability, will be submitted for resolution exclusively pursuant to the arbitration provision contained in the Agreement. The parties hereby waive their right to a trial of any and all claims arising out of this Release or breach of this Release.

(c) Should any provision of this Release be found to be in violation of any law, or ineffective or barred for any reason whatsoever, the remainder of this Release shall be in full force and effect to the maximum extent permitted by law.

9. Northwest and Executive agree to execute such other documents to take such other actions as may be reasonably necessary to further the purposes of this Release.

10. (a) Executive acknowledges and agrees that, in deciding to execute this Release, he has had the opportunity to consult with legal, financial and other personal advisors of his own choosing as he

deems appropriate, in assessing whether to execute this Release. Executive represents and acknowledges that no representations, statement, promise, inducement, threat or suggestion has been made by Northwest or the Released Parties to influence him to sign this Release except such statements as are expressly set forth herein. Executive agrees that he has been given a minimum of twenty-one (21) days within which to consider the terms and effects of this Release insofar as it relates to settlement and release of potential claims under the ADEA, and to consult with, and to ask any questions that he may have of anyone, including legal counsel and other personal advisors of his own choosing, and that he has executed this Release voluntarily and with full understanding of its terms and effects.

(b) Executive has the right to rescind this Release as far as it extends to potential claims under Minn. Stat. Ch. 363 (prohibiting discrimination in employment) by written notice to the Company within 15 calendars days following the execution of this Release. Executive also has the right to revoke this Release as far as it extends to potential claims under the Age Discrimination in Employment Act, 29 U.S.C. Section 621 *et seq.*, by informing the Company of his intent to revoke this Release within seven calendar days following the execution of this Release. To be effective, notice, rescission or revocation must be in writing and must be delivered either by hand or by mail to Douglas M. Steenland, Executive Vice President & Chief Corporate Officer of Northwest Airlines, Inc., Department A1180, 5101 Northwest Drive, St. Paul, Minnesota, 55111-3034, within the specified period. If a notice of rescission or revocation is delivered by mail, it must be: (i) postmarked within the 15 or 7 day period, respectively, (ii) properly addressed to Mr. Steenland as set forth above, and (iii) sent by certified mail return receipt requested. This Release shall not become effective or enforceable until the 15 or 7 day periods described above have expired. No payments shall be due, owing or paid by Northwest unless and until this Release becomes effective.

This Release may not be changed or modified, except by a written instrument signed by Executive and Northwest.

NORTHWEST AIRLINES, INC.

EXECUTIVE:

By: _____

Name: _____
Title: _____

Name: _____
Address: _____

Date: _____

Date: _____

QuickLinks

[Exhibit 10.21](#)

[MANAGEMENT COMPENSATION AGREEMENT between NORTHWEST AIRLINES, INC. and PHILIP C. HAAN dated as of January 14, 2002](#)

**NORTHWEST AIRLINES
EXCESS PENSION PLAN FOR SALARIED EMPLOYEES
(2001 Restatement)**

**NORTHWEST AIRLINES
EXCESS PENSION PLAN FOR SALARIED EMPLOYEES
(2001 Restatement)**

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**NORTHWEST AIRLINES
EXCESS PENSION PLAN FOR SALARIED EMPLOYEES
(2001 Restatement)**

SECTION 1

INTRODUCTION

1.1 **Amendment and Restatement.** On July 3, 1985 but effective as of January 1, 1985, Northwest Airlines, Inc., a Minnesota corporation, (hereinafter the "Principal Sponsor") heretofore established the "Northwest Airlines, Inc. Excess Benefit Plan" and reserved to itself the right to amend that Plan from time to time. Effective as of January 1, 1989, the Principal Sponsor amended and restated that earlier document by the adoption of the "Northwest Airlines, Inc. Officers Excess Benefit Plan" and effective as of January 1, 1994, the Principal Sponsor again amended and restated that document by the adoption of the "Northwest Airlines Excess Pension Plan for Salaried Employees (1994 Restatement)." By adoption of this amended and restated document entitled "Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement)," the Principal Sponsor hereby amends and restates the Excess Plan in its entirety as applied to all persons who are Participants as of January 1, 2001 (without regard to whether they are then actively employed on that date) and all persons who become Participants after that date.

1.2 **Unfunded Obligation.** The obligation of the Principal Sponsor to make payments under this Excess Plan constitutes only the unsecured (but legally enforceable) promise of the Principal Sponsor to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of the Principal Sponsor. If a fund is established by the Principal Sponsor in connection with this Excess Plan, the property therein shall remain the sole and exclusive property of the Principal Sponsor. The Principal Sponsor will pay the cost of this Excess Plan out of its general assets.

SECTION 2

PLAN NAME

This employee pension benefit plan shall be referred to as the "Northwest Airlines Excess Pension Plan for Salaried Employees" (the "Excess Plan"). This document, as distinguished from the plan maintained pursuant to this document, shall be referred to as the "Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement)."

SECTION 3

PARTICIPANTS

3.1 **Scope.** Unless the context clearly requires otherwise, the provisions of this amended and restated document shall not affect the entitlement to or amount of benefit payable to or with respect to any Participant, employee or other individual who shall have retired or terminated employment from the Principal Sponsor prior to January 1, 2001, unless that Participant returns to active Recognized Employment after January 1, 2001.

3.2 **General Participation Rule.** The individuals eligible to participate in and receive benefits under this Excess Plan are those employees of Principal Sponsor and other affiliated companies who are, on or after January 1, 1985, participants in the Qualified Pension Plan and who are, at some time on or after January 1, 1985, actively employed by the Principal Sponsor or such other affiliated companies. Any employee who has become a Participant in the Excess Plan shall continue as a Participant until all benefits which are due under this Excess Plan have been received without regard to whether he or she continues as a participant in the Qualified Pension Plan or an active employee. Notwithstanding anything apparently to the contrary contained in this Excess Plan, the Excess Plan shall be construed and administered to prevent the duplication of benefits provided under this Excess

Plan and any other qualified or nonqualified plan maintained in whole or in part by the Principal Sponsor.

3.3 **Overriding Exclusion.** Notwithstanding anything apparently to the contrary in this Excess Plan or in any written communication, summary, resolution or document or oral communication, no individual shall be a Participant in this Excess Plan, develop benefits under this Excess Plan or be entitled to receive benefits under this Excess Plan (either for himself or his or her survivors) unless such individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA). If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or

indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Excess Plan at any time. If any person not so defined has been erroneously treated as a Participant in this Excess Plan, upon discovery of such error such person's erroneous participation shall immediately terminate *ab initio* and upon demand such person shall be obligated to reimburse the Principal Sponsor for all amounts erroneously paid to him or her.

SECTION 4

BENEFITS PAYABLE

4.1 Benefit for Participants.

4.1.1 Entitlement and Amount. Upon the Termination of Employment of a Participant who has any Vested and nonforfeitable entitlement to an Accrued Benefit under the Qualified Pension Plan, this Excess Plan shall pay to a Participant the excess, if any, of the greater of the amount determined pursuant to (a) or (b) below subject to the special rules in (c) below. Participants who were not employed in Recognized Employment prior to January 1, 2001 do not have any benefit under the Excess Plan FAE formula calculation in (a) below and, therefore, shall have their benefits calculated exclusively pursuant to (b) below. Participants who were not employed in Recognized Employment after December 31, 2000 do not have any benefit under the Excess Plan cash balance formula calculation in (b) below and, therefore, shall have their benefits calculated exclusively pursuant to (a) below.

(a) Excess Plan FAE Formula Calculation.

(1) **As If FAE Benefit.** Compute the benefit, if any, that would have been payable to the Participant as the FAE Formula Benefit specified in the Qualified Pension Plan (e.g., Single Life Benefit commencing at Normal Retirement Date) if the following special rules had been applied:

(i) Disregard the benefit limitations under section 415 of the Code, and

(ii) Disregard the compensation limitation of section 401(a)(17) of the Code, and

(iii) Include in Earnings and Final Average Earnings amounts not otherwise included because they were deferred at the election of the Participant under a nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer, and

(iv) Recognize as Benefit Service or Vesting Service or both periods that are required to be recognized for purposes of this Excess Plan pursuant to a separate written agreement between the Principal Sponsor and the Participant (excluding, however, any Benefit Service awarded under the terms of the Northwest Airlines, Inc. Supplemental Executive Retirement Plan or any ancillary agreement issued solely in connection with the SERP), and

(v) Include in Earnings and in Final Average Earnings amounts that

(b) Excess Plan CB Formula Calculation.

(1) **As If CB Benefit.** Compute the Cash Balance Account, if any, that would have been accumulated for the Participant under the Qualified Pension Plan if the following special rules had been applied:

(i) Disregard the benefit limitations under section 415 of the Code, and

(ii) Disregard the compensation limitation of section 401(a)(17) of the Code, and

(iii) Include in Earnings and Final Average Earnings amounts not otherwise included because they were deferred at the election of the Participant under a nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer, and

(iv) Recognize, for the purpose of determining the Participant's applicable pay credit percentage, initial account balance and bonus factor in connection with the CB Formula Benefit, Benefit Service or Vesting Service or both that are required to be recognized for such purposes under this Excess Plan pursuant to a separate written agreement between the Principal Sponsor and the Participant (excluding, however, any Benefit Service awarded under the terms of the Northwest Airlines Supplemental Executive Retirement Plan or any ancillary agreement issued solely in connection with the SERP), and

are required to be included for purposes of this Excess Plan pursuant to a separate written agreement between the Principal Sponsor and the Participant (excluding, however, any Earnings or Final Average Earnings awarded under the terms of the Northwest Airlines, Inc. Supplemental Executive Retirement Plan or any ancillary agreement issued solely in connection with that SERP).

(v) Include in Earnings and in Final Average Earnings amounts that are required to be included for purposes of this Excess Plan pursuant to a separate written agreement between the Principal Sponsor and the Participant (excluding, however, any Earnings and Final Average Earnings awarded under the terms of the Northwest Airlines, Inc. Supplemental Executive Retirement Plan or any ancillary agreement issued solely in connection with that SERP).

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(2) **Present Value of As If FAE Benefit.** Convert the benefit determined in (1) above to a single lump sum by applying the rules of the Qualified Pension Plan for converting a FAE Formula Benefit to a single lump sum. This single lump sum shall be reduced as provided below.

(3) **FAE Formula Benefit Offset.** Compute the single lump sum present value of the amounts actually payable to the Participant from the Qualified Pension Plan under the rules of the Qualified Pension Plan for converting a FAE Formula Benefit into a single lump sum.

(4) **CB Formula Benefit Offset.** Determine the total of the Participant's Cash Balance Accounts in the Qualified Pension Plan.

(5) **Subtraction.** Subtract the greater of the amount determined in (3) or (4) above from the amount determined in (2) above and the resulting amount shall be the benefit payable to the Participant under this Excess Plan (unless the amount determined in Section 4.1.1(b)(5) is greater).

(2) **Account Value of As If CB Benefit.** The amount determined in (1) above shall be reduced as provided below.

(3) **FAE Formula Benefit Offset.** Compute the single lump sum present value of the amounts actually payable to the Participant from the Qualified Pension Plan under the rules of the Qualified Pension Plan for converting a FAE Formula Benefit into a single lump sum.

(4) **CB Formula Benefit Offset.** Determine the total of the Participant's Cash Balance Accounts in the Qualified Pension Plan.

(5) **Subtraction.** Subtract the greater of the amount determined in (3) or (4) above from the amount determined in (2) above and the resulting amount shall be the benefit payable to the Participant under this Excess Plan (unless the amount determined in Section 4.1.1(a)(5) is greater).

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(c) **Transitional Rules.** With regard to a Participant who was a Participant before January 1, 2001, the year 2000 bonus (paid in 2001) under the Key Employee Cash Incentive Program was taken into account in determining the initial account balance under the CB Formula. Pay credits will not be granted with regard to year 2000 bonus (paid in 2001) under the Key Employee Cash Incentive Program.

(d) **Special Agreement.** Notwithstanding the general requirement that a Participant who has a Vested and nonforfeitable entitlement to an Accrued Benefit under the Qualified Pension Plan as condition of receiving any benefit under this Excess Plan, the Principal Sponsor may by written agreement with the Participant waive or modify that requirement.

4.1.2. **Form of Payment.** This benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid, as soon as administratively feasible after Termination of Employment, to the Participant in a single lump sum payment.

4.2 **Benefit for Excess Plan Beneficiaries.**

4.2.1 **Entitlement and Amount.** Upon the death of a Participant prior to the time the Participant's benefit has been paid to the Participant, the benefit shall be payable to the Excess Plan beneficiary.

4.2.2. **Form of Payment.** This benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid, as soon as administratively feasible after the Participant's death, to the Excess Plan beneficiary in a single lump sum payment.

SECTION 5

FUNDING

5.1. **Hedging Investments.** If the Principal Sponsor elects to finance all or a portion of its costs in connection with this Excess Plan through the purchase of life insurance or other investments, the Participant agrees, as a condition of participation in this Excess Plan, to cooperate with the Principal Sponsor in the purchase of such investment to any extent reasonably required by the Principal Sponsor and relinquishes any claim he or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then notwithstanding any other provision of this Excess Plan (including, without limiting the generality of the foregoing, Section 4) the Principal Sponsor shall immediately and irrevocably terminate and forfeit the Participant's entitlement to benefits under the Excess Plan.

5.2. **Corporate Obligation.** Neither the Principal Sponsor's officers nor any member of its Board of Directors in any way secures or guarantees the payment of any benefit or amount which may become due and payable hereunder to or with respect to any Participant. Each Participant and other person entitled at any time to payments hereunder shall look solely to the assets of the Principal Sponsor for such payments as an unsecured, general creditor. After benefits shall have been paid to or with respect to a Participant and such payment purports to cover in full the benefit hereunder, such former Participant or other person or persons, as the case may be, shall have no further right or interest in the other assets of the Principal Sponsor in connection with this Excess Plan. Neither the Principal Sponsor nor any of its officers nor any member of its Boards of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Excess Plan by reason of the insolvency of the Principal Sponsor.

SECTION 6

GENERAL MATTERS

6.1. **Amendments and Termination.** The Principal Sponsor may unilaterally amend this Excess Plan prospectively, retroactively or both, at any time and for any reason deemed sufficient by it without notice to any person affected by this Excess Plan and may likewise terminate or curtail the benefits of this Excess Plan both with regard to persons expecting to receive benefits in the future and persons already receiving benefits at the time of such action. No modification of the terms of this Excess Plan shall be effective unless it is in writing and signed on behalf of the Principal Sponsor by a person authorized to execute such writing. No oral representation concerning the interpretation or effect of this Excess Plan shall be effective to amend the Excess Plan.

6.2. **ERISA Administrator.** The Principal Sponsor shall be the plan administrator of this Excess Plan.

6.3. **Service of Process.** In the absence of any designation to the contrary by the Principal Sponsor, the Secretary of the Principal Sponsor is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

6.4. **Limited Benefits.** This Excess Plan shall not provide any benefits determined with respect to any defined contribution plan.

6.5. **Spendthrift Provision.** No Participant, surviving spouse, joint or contingent annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this Excess Plan before its actual payment to such person. The Principal Sponsor shall not recognize any such effort to convey any interest under this Excess Plan. No benefit payable under this Excess Plan shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

6.6. **Certifications.** Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this Excess Plan may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

6.7. **Errors in Computations.** The Principal Sponsor shall not be liable or responsible for any error in the computation of any benefit payable to or with respect to any Participant resulting from any misstatement of fact made by the Participant or by or on behalf of any survivor to whom such benefit shall be payable, directly or indirectly, to the Principal Sponsor, and used by the Principal Sponsor in determining the benefit. The Principal Sponsor shall not be obligated or required to increase the benefit payable to or with respect to such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the benefit of any Participant which is overstated by reason of any such misstatement or any other reason shall be reduced to the amount appropriate in view of the truth (and to recover any prior overpayment).

6.8. **Administrative Determinations.** The Principal Sponsor shall make such determinations as may be required from time to time in the administration of the Excess Plan. The Principal Sponsor shall have the sole discretion, authority and responsibility to interpret and construe the Excess Plan and to determine all factual and legal questions under the Excess Plan, including but not limited to the entitlement of employees, Participants, Beneficiaries and Alternate Payees to benefits and the amounts of their benefits. The Principal Sponsor have discretionary authority to grant or deny benefits under this Excess Plan. Benefits under this Excess Plan will be paid only if the Principal Sponsor decides in its discretion that the applicant is entitled to them. Each interested party may act and rely upon all

information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

6.9. **Rules and Regulations.** Any rule not in conflict or at variance with the provisions hereof may be adopted by the Principal Sponsor.

6.10. **Payments to Minors and Incompetent Persons.** If any person entitled to receive any payment under this Plan is incompetent, a minor or under any other legal disability that prevents payment to that person, payment shall be made if the Principal Sponsor has been advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such incompetent or disabled person (excluding an attorney in fact acting under power of attorney); or
- (b) to a person or institution entrusted with the care or maintenance of such incompetent or disabled person, provided such person or institution has satisfied the Principal Sponsor that the payment will be used for the best interest and assist in the care of such incompetent or disabled person, and provided further, that no prior claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such incompetent or disabled person (excluding an attorney in fact acting under power of attorney).

Any payment made in accordance with this Section shall constitute a complete discharge of any liability or obligation of the Principal Sponsor, the Trustee, all fiduciaries, this Plan and the fund to make such payment.

SECTION 7

DESIGNATION OF BENEFICIARIES

7.1. **Right To Designate.** Each Participant may designate, upon forms to be furnished by and filed with the Principal Sponsor, one or more primary Excess Plan beneficiaries or alternative Excess Plan beneficiaries to receive all or a specified part of the Participant's benefit in the event of the Participant's death. The Participant may change or revoke any such designation from time to time without notice to or consent from any Excess Plan beneficiary or spouse. No such designation, change or revocation shall be effective unless executed by the Participant and received by the Principal Sponsor in its retirement administration department prior to the Participant's death. The Principal Sponsor may establish rules for the use of electronic signatures in executing Excess Plan beneficiary designations. Until such rules are established, electronic signatures shall not be effective. Notwithstanding the following, if a Participant shall have affirmatively designated a beneficiary under the Qualified Pension Plan but shall never have designated any beneficiary under this Excess Plan, then the designation filed under the Qualified Pension Plan shall be deemed to also be a designation under this Excess Plan. The designation of a Beneficiary under the Excess Plan shall never be effective to designate a Qualified Pension Plan beneficiary.

7.2. **Failure of Designation.** If a Participant:

- (a) fails to designate a Excess Plan beneficiary,
- (b) designates a Excess Plan beneficiary and thereafter such designation is revoked without another Excess Plan beneficiary being named, or
- (c) designates one or more Excess Plan beneficiaries and all such Excess Plan beneficiaries so designated fail to survive the Participant,

such Participant's benefit, or the part thereof as to which such Participant's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Excess Plan

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beneficiaries with a member surviving the Participant and (except in the case of the Participant's surviving issue) in equal shares if there is more than one member in such class surviving the Participant:

- Participant's surviving spouse
- Participant's surviving issue per stirpes and not per capita
- Participant's surviving parents
- Participant's surviving brothers and sisters
- Representative of Participant's estate.

7.3. **Disclaimers by Excess Plan Beneficiaries.** A Excess Plan beneficiary entitled to a distribution of all or a portion of a deceased Participant's benefit may disclaim his or her interest therein subject to the following requirements. To be eligible to disclaim, a Excess Plan beneficiary must be a natural person, must not have received a distribution of all or any portion of a benefit at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed personally by the Excess Plan beneficiary before a notary public. The Principal Sponsor may establish rules for the use of electronic signatures and acknowledgements. Until such rules are established, electronic signatures and acknowledgements shall not be effective. A disclaimer shall state that the Excess Plan beneficiary's entire interest in the undistributed benefit is disclaimed (partial disclaimers not being permitted under this Plan). To be effective, an original executed copy of the disclaimer must be executed and actually delivered to the Principal Sponsor after the date of the Participant's death but not later than nine (9) months after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to the Principal Sponsor. A disclaimer shall be considered to be delivered

to the Principal Sponsor only when actually received by the Principal Sponsor. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Excess Plan beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A disclaimer by a Excess Plan beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 6.5. No other form of attempted disclaimer shall be recognized by the Principal Sponsor.

7.4. Definitions. When used herein and, unless the Participant has otherwise specified in the Participant's Excess Plan beneficiary designation, when used in a Excess Plan beneficiary designation:

- (a) "issue" means all persons who are lineal descendants of the person whose issue are referred to, subject to the following: (i) a legally adopted child and the adopted child's lineal descendants always shall be lineal descendants of each adoptive parent (and of each adoptive parent's lineal ancestors); (ii) a legally adopted child and the adopted child's lineal descendants never shall be lineal descendants of any former parent whose parental rights were terminated by the adoption (or of that former parent's lineal ancestors); except that if, after a child's parent has died, the child is legally adopted by a stepparent who is the spouse of the child's surviving parent, the child and the child's lineal descendants shall remain lineal descendants of the deceased parent (and the deceased parent's lineal ancestors); and (iii) if the person (or a lineal descendant of the person) whose issue are referred to is the parent of a child (or is treated as such under applicable law) but never received the child into that parent's home and never openly held out the child as that parent's child (unless doing so was precluded solely by death), then neither the child nor the child's lineal descendants shall be issue of the person.
- (b) "child" means an issue of the first generation;
- (c) "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and

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- (d) "survive" and "surviving" mean living after the death of the Participant.

7.5. Special Rules. Unless the Participant has otherwise specified in the Participant's Excess Plan beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Excess Plan beneficiary was living at the time of the death of the Participant, it shall be deemed that the Excess Plan beneficiary was not living at the time of the death of the Participant.
- (b) The automatic Excess Plan beneficiaries specified in Section 6.9.3 and the Excess Plan beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a Excess Plan beneficiary survives the Participant but dies before the receipt of all payments due such Excess Plan beneficiary hereunder, such remaining payments shall be payable to the representative of such Excess Plan beneficiary's estate.
- (c) If the Participant designates as a Excess Plan beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a Excess Plan beneficiary on a form executed by the Participant and received by the Principal Sponsor after the date of the legal termination of the marriage between the Participant and such former spouse,

and during the Participant's lifetime.)

- (d) Any designation of a nonspouse Excess Plan beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.
- (e) Any designation of a Excess Plan beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.
- (f) A Excess Plan beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported Excess Plan beneficiary designation.

SECTION 8

CLAIMS PROCEDURE

8.1. **Original Claim.** Any person may file with the Principal Sponsor a written claim for benefits under the Excess Plan. An application for benefits under Section 4 shall be processed as a claim for the purposes of this Section 8. Within ninety (90) days after the filing of such a claim, the Principal Sponsor shall notify the claimant in writing whether his or her claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Principal Sponsor shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Excess Plan on which the denial is based;

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- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
 - (d) an explanation of the claims review procedure set forth in this section.

8.2. **Claims Review Procedure.** Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the Principal Sponsor a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Principal Sponsor shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

8.3 General Rules.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Principal Sponsor may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Principal Sponsor upon request.
- (b) All decision on claims and on requests for a review of denied claims shall be made by the Principal Sponsor.
- (c) The Principal Sponsor may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) Claimants may be represented by a lawyer or other representative (at their own expense), but the Principal Sponsor reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to receive copies of notices sent to the claimant.
- (e) The decision of the Principal Sponsor on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.
- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this Excess Plan and all other pertinent documents in the possession of the Principal Sponsor.
- (g) The Principal Sponsor may permanently or temporarily delegate all or a portion of its authority and responsibility under this Section 8 to a committee or individual.

8.4. **Limitations Periods.** No claim shall be considered under the claim and review procedure unless it is filed with the Principal Sponsor within two (2) years after the claimant knew (or reasonably should have known) of the principal facts upon which the claim is based. Every untimely claim shall be denied by the Principal Sponsor without regard to the merits of the claim. No legal action (whether arising under section 502 or section 510 of ERISA or under any other statute or non-statutory law) may be brought by any claimant on any matter pertaining to this Plan unless the legal action is commenced in the proper forum before:

- (a) three (3) years after the claimant knew (or reasonably should have known) of the principal facts on which the claim is based, or if earlier
- (b) one hundred eighty (180) days after the claimant has exhausted the claim and review procedure.

Knowledge of all facts that a Participant knew (or reasonably should have known) shall be imputed to every claimant who claims to derive an entitlement by reference to the Participant for the purpose of applying the previously specified periods.

8.5. **Exhaustion of Administrative Remedies.** The exhaustion of the claim and review procedure is mandatory for resolving every claim for benefits arising under this Plan. As to such claims:

- (a) no claimant shall be permitted to commence any legal action relating to any such claim (whether arising under section 502 or section 510 of ERISA or under any other statute or non-statutory law) unless a timely claim has been filed under the claim and review procedure and the claim and review procedure has been exhausted; and
- (b) in any such legal action all explicit and all implicit determinations by the Principal Sponsor (including, but not limited to, determinations as to whether the claim was timely filed) shall be afforded complete deference unless the claimant establishes by a clear preponderance of the evidence that the Principal Sponsor's determination was both arbitrary and capricious.

SECTION 9

CONSTRUCTION

9.1. **Defined Terms.** Words and phrases used in this Excess Plan with initial capital letters, which are defined in the Qualified Pension Plan documents and which are not separately defined in this Excess Plan shall have the same meaning ascribed to them in the Qualified Pension Plan documents unless in the context in which they are used it would be clearly inappropriate to do so.

9.2. **ERISA Status.** This Excess Plan is adopted with the understanding that it is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in section 201(2), section 301(3) and section 401(a)(1) of ERISA. Each provision shall be interpreted and administered accordingly.

9.3. **IRC Status.** This Excess Plan is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) *et. seq.* of the Code shall not apply to this Excess Plan. The rules of section 3121(v) and section 3306(r)(2) of the Code shall apply to this Excess Plan.

9.4. **Effect on Other Plans.** This Excess Plan shall not alter, enlarge or diminish any person's employment rights or obligations or rights or obligations under the Qualified Pension Plan or any other plan. It is specifically contemplated that the Qualified Pension Plan will, from time to time, be amended and possibly terminated. All such amendments and termination shall be given effect under this Excess Plan (it being expressly intended that this Excess Plan shall not lock in the benefit structures of the Qualified Pension Plan as they exist at the adoption of this Excess Plan or upon the commencement of participation or commencement of benefits by any Participant).

9.5. **Disqualification.** Notwithstanding any other provision of this Excess Plan or any election or designation made under the Excess Plan, any individual who feloniously and intentionally kills a Participant shall be deemed for all purposes of this Excess Plan and all elections and designations made under this Excess Plan to have died before such Participant. A final judgment of conviction of felonious and intentional killing is conclusive for this purpose. In the absence of a conviction of felonious and intentional killing, the Principal Sponsor shall determine whether the killing was felonious and intentional for this purpose.

9.6. **Rules of Document Construction.** Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to the entire Excess Plan and not to any particular paragraph or Section of this Excess Plan unless the context clearly indicates to the contrary. The titles

given to the various Sections of this Excess Plan are inserted for convenience of reference only and are not part of this Excess Plan, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof.

9.7. **References to Laws.** Any reference in this Excess Plan to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation.

9.8. **Effect on Employment.** Neither the terms of this Excess Plan nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. The Principal Sponsor shall not be obliged to continue the Excess Plan. The terms of this Excess Plan shall not give any employee the right to be retained in the employment of the Principal Sponsor.

9.9. **Choice of Law.** This instrument has been executed and delivered in the State of Minnesota and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the State of Minnesota.

October 25, 2001

NORTHWEST AIRLINES, INC.

By _____

Its: Chief Executive Officer

QuickLinks

[Exhibit 10.23](#)

[NORTHWEST AIRLINES EXCESS PENSION PLAN FOR SALARIED EMPLOYEES \(2001 Restatement\)](#)

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**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

Preamble

1.1. **Amendment and Restatement.** Northwest Airlines, Inc., a Minnesota corporation, (hereinafter the "Principal Sponsor") heretofore established the "Northwest Airlines, Inc. Supplemental Executive Retirement Plan" (the "SERP") and reserved to itself the right to amend that Plan from time to time. By adoption of this amended and restated document entitled "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)," the Principal Sponsor hereby amends and restates the SERP in its entirety as applied to all persons who are Participants as of January 1, 2001 (without regard to whether they are then actively employed on that date) and all persons who become Participants after that date.

1.2. **Unfunded Obligation.** The obligation of the Principal Sponsor to make payments under this SERP constitutes only the unsecured (but legally enforceable) promise of the Principal Sponsor to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of the Principal Sponsor. If a fund is established by the Principal Sponsor in connection with this SERP, the property therein shall remain the sole and exclusive property of the Principal Sponsor. The Principal Sponsor will pay the cost of this SERP out of its general assets.

1.3. **Scope.** This SERP document consists of a Preamble and two distinct and mutually exclusive Parts applicable to mutually exclusive groups of Participants as follows.

1.3.1. **Part A.** Part A of the SERP document contains all the provisions and rules applicable to the following Participants:

- (a) Each Participant with an effective date for the commencement of SERP participation that is prior to January 1, 2001, who did not continue in active employment with Northwest Airlines, Inc. on or after January 1, 2001, and
- (b) Each Participant with an effective date for the commencement of SERP participation that is prior to January 1, 2001, who did continue in active employment with Northwest Airlines, Inc. on or after January 1, 2001, but who did not affirmatively agree in an Ancillary Agreement signed after January 1, 2001 by the Participant and by the Principal Sponsor to become covered under Part B.

No portion of Part A of the SERP document is applicable to any Participant to whom Part B is applicable.

1.3.2. **Part B.** Part B of the SERP document contains all the provisions and rules applicable to the following Participants.

- (a) Each Participant with an effective date for the commencement of SERP participation that is prior to January 1, 2001, who did continue in active employment with Northwest Airlines, Inc. on or after January 1, 2001, and who did affirmatively agree in an

Ancillary Agreement signed after January 1, 2001 by the Participant and by the Principal Sponsor to become covered under Part B, and

- (a) Each Participant with an effective date for the commencement of SERP participation that is on or after January 1, 2001.

No portion of Part B of the SERP document is applicable to any Participant to whom Part A is applicable.

IN WITNESS WHEREOF, Northwest Airlines, Inc. has caused this amended and restated document to be adopted effective as of January 1, 2001.

October 25, 2001

NORTHWEST AIRLINES, INC.

By _____

Its: Chief Executive Officer

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**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

Part A

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

Part A

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**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

Part A

**SECTION 1
INTRODUCTION**

1.1. **Plan Established.** Effective as of January 1, 1995, NORTHWEST AIRLINES, INC., a Minnesota corporation, (the "Principal Sponsor") establishes this employee benefit plan for the purpose of providing additional retirement to certain eligible employees in addition to the "final average earnings formula" benefits provided under the tax-qualified defined benefit pension plan known as the "Northwest Airlines Pension Plan for Salaried Employees" (the "Pension Plan") and the nonqualified defined benefit pension plan known as the "Northwest Airlines Pension Excess Plan for Salaried Employees" (the "Excess Plan").

1.2. **Scope of Part A.** This Part A of the SERP document (together with the Preamble to the SERP document) contains all the provisions and rules applicable to the following Participants:

- (a) Each Participant with an effective date for the commencement of SERP participation that is prior to January 1, 2001, who did not continue in active employment with Northwest Airlines, Inc. on or after January 1, 2001, and
- (b) Each Participant with an effective date for the commencement of SERP participation that is prior to January 1, 2001, who did continue in active employment with Northwest Airlines, Inc. on or after January 1, 2001, but who did not affirmatively agree in an Ancillary Agreement signed after January 1, 2001 by the Participant and by the Principal Sponsor to become covered under Part B.

No portion of this Part A of the SERP document is applicable to any Participant to whom Part B is applicable.

1.3. **Unfunded Obligation.** The obligation of the Principal Sponsor to make payments under this SERP constitutes only the unsecured (but legally enforceable) promise of the Principal Sponsor to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of the Principal Sponsor. If a fund is established by the Principal Sponsor in connection with this SERP, the property therein shall remain the sole and exclusive property of the Principal Sponsor. The Principal Sponsor will pay the cost of this SERP out of its general assets.

SECTION 2

PLAN NAME

This employee benefit plan shall be referred to as the "Northwest Airlines Supplemental Executive Retirement Plan" (the "SERP") and this portion of the SERP shall be referred to as Part A. This document, as distinguished from the plan maintained pursuant to this document, shall be referred to as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (the "SERP document") and this portion of the 2001 Restatement shall be referred to as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)–Part A" ("Part A of the SERP document").

SECTION 3

PARTICIPANTS

3.1. **Participants.** The Participants in the SERP shall be those individuals who have been expressly designated as Participants by the Principal Sponsor in writing. The effective date for the commencement of SERP participation for each such individual shall be the date specified in such writing.

3.2. **Continuation of Status.** Any individual who has become a Participant in the SERP shall continue as a Participant until all benefits which are due under this SERP have been received without regard to whether he or she continues as an officer or a participant in the Pension Plan or an active employee.

SECTION 4

BENEFITS PAYABLE

4.1. Benefit for Participants.

4.1.1. **Entitlement and Amount.** Upon the retirement or other termination of employment of a Participant who has any vested and nonforfeitable entitlement to an Accrued Benefit under the Pension Plan, this SERP shall pay to a Participant the excess, if any, of:

- (a) the amount that would have been payable to the Participant under the Pension Plan if such benefit had been determined:
 - (i) without regard to the benefit limitations under section 415 of the Code, and
 - (ii) without regard to the compensation limitation of section 401(a)(17) of the Code, and
 - (iii) assuming that the Participant's actual Benefit Service was increased by two (2) additional deemed years of Benefit Service for each actual year of employment completed by the Participant on or after the Participant's effective date for the commencement of SERP participation (not to exceed ten additional deemed years over and above the actual Benefit Service), and
 - (iv) computing the Participant's Earnings and Final Average Earnings on the basis of thirty-six (36) months rather than sixty (60) months and without regard to whether those thirty-six (36) months are consecutive, and
 - (v) by including in Earnings and in Final Average Earnings amounts not otherwise included because they were deferred at the election of the Participant under a nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer; minus
- (b) the amount actually paid from the Pension Plan and the Excess Plan.

The definitions of Earnings and Final Average Earnings are, except as specifically provided herein, contained in the Pension Plan. For this purpose and for similar purposes in Section 4.2, notwithstanding anything to the contrary in the definition of Earnings and Final Average Earnings in the Pension Plan: (a) bonuses paid pursuant to the Principal Sponsor's annual bonus program shall be spread evenly over the months in the calendar year in which such bonuses were earned, (b) other bonuses (such as "sign on bonuses") shall be spread evenly over the twelve (12) months in the calendar year in which such bonuses are paid, (c) income attributable in any manner to stock options is not included in Earnings either when paid or received, (d) severance payments, however denominated, are not included in Earnings, and (e) any gross up payments shall be excluded from Earnings if they relate to items that are themselves excluded from Earnings (such as relocation payments).

4.1.2. **Form of Payment.** Except as may otherwise be specifically provided in this SERP, this benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid to the Participant in the same manner, at the same time, for the same duration and in the same form as if such benefit had been paid directly from the Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the Pension Plan shall, to the extent practicable, be given effect under this SERP so that the Participant will receive from a combination of the Pension Plan, the Excess Plan and this SERP the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) which would have been received under the Pension Plan if the Excess Plan and SERP benefit had been payable from the Pension Plan. Notwithstanding the foregoing, the benefit payable from this SERP shall not commence until:

- (a) at or after the Participant attains age sixty (60) years, or
- (b) at or after the Participant attains age fifty-five (55) years, but only if the retirement or other termination of employment was:
 - (i) by action of the Principal Sponsor other than for Cause (as defined in Section 9), or
 - (ii) for Good Reason (as defined in Section 9), or
 - (iii) at the request of or with the prior consent of the Principal Sponsor.

Notwithstanding the provisions of the Pension Plan and the Excess Plan regarding the reduction of benefits for early commencement, if the first payment of the benefit payable under this SERP precedes the last day of the month following the month in which the Participant would attain age sixty-five (65) years, the amount otherwise payable under this SERP shall be reduced five-twelfths of one percent (5/12%) for each full month by which such first payment precedes the last day of the calendar month following the month in which the Participant would attain age sixty-five (65) years. (Payments made under the Pension Plan and the Excess Plan shall be reduced for early commencement in accordance with the rules in the Pension Plan and the Excess Plan.)

4.2. **Benefit for Beneficiaries.**

4.2.1. **Entitlement and Amount.** Upon the death of a Participant, this SERP shall pay to the surviving spouse or other joint or contingent annuitant or beneficiary of a Participant the excess, if any, of:

- (a) the amount which would have been payable to such person under the Pension Plan if such benefit had been determined:

- (i) without regard to the benefit limitations under section 415 of the Code, and
- (ii) without regard to the compensation limitation of section 401(a)(17) of the Code, and
- (iii) assuming that the Participant's actual Benefit Service was increased by two (2) additional deemed years of Benefit Service for each actual year of employment completed by the Participant on or after the Participant's effective date for the commencement of SERP participation (not to exceed ten additional deemed years over and above the actual Benefit Service), and
- (iv) computing the Participant's Earnings and Final Average Earnings on the basis of thirty-six (36) months rather than sixty (60) months and without regard to whether those thirty-six (36) months are consecutive, and
- (v) by including in Earnings and in Final Average Earnings amounts not otherwise included because they were deferred at the election of the Participant under a

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nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer; minus

- (b) the amount actually paid from the Pension Plan and the Excess Plan.

4.2.2. **Form of Payment.** This benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid to such person in the same manner, at the same time, for the same duration and in the same form as if such benefit had been paid directly from the Pension Plan. All elections and optional forms of settlement in effect and all other rules governing the payment of benefits under the Pension Plan shall, to the extent practicable, be given effect under this SERP so that such person will receive from a combination of the Pension Plan, the Excess Plan and this SERP the same benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) which would have been received under the Pension Plan if the Excess Plan and SERP benefit had been paid from the Pension Plan. To the extent relevant to the determination of the amount of benefit payable to a surviving spouse or other joint or contingent annuitant under this SERP, early commencement reduction factors consistent with those applicable to payments to a Participant under Section 4.1 shall also be applied to the benefit payable to any survivor under this Section 4.2.

4.3. **Ancillary Agreements.** A Participant and the Principal Sponsor may, from time to time, enter into other written agreements which vary the entitlement to, computation of and form of benefits under this SERP including, but not limited to, agreements requiring that this SERP recognize additional periods of Benefit Service or Vesting Service or both and that this SERP recognize additional Earnings and Final Average Earnings. With respect to any such Participant, such written agreement shall be given effect under this SERP as if fully set forth herein.

SECTION 5

FUNDING

5.1. **Hedging Investments.** If the Principal Sponsor elects to finance all or a portion of its costs in connection with this SERP through the purchase of life insurance or other investments, the Participant agrees, as a condition of participation in this SERP, to cooperate with the Principal Sponsor in the purchase of such investment to any extent reasonably required by the Principal Sponsor and relinquishes any claim he

or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then notwithstanding any other provision of this SERP (including, without limiting the generality of the foregoing, Section 4) the Principal Sponsor shall immediately and irrevocably terminate and forfeit the Participant's entitlement to benefits under the SERP.

5.2. **Corporate Obligation.** Neither the Principal Sponsor's officers nor any member of its Board of Directors in any way secures or guarantees the payment of any benefit or amount which may become due and payable hereunder to or with respect to any Participant. Each Participant and other person entitled at any time to payments hereunder shall look solely to the assets of the Principal Sponsor for such payments as an unsecured, general creditor. After benefits shall have been paid to or with respect to a Participant and such payment purports to cover in full the benefit hereunder, such former Participant or other person or persons, as the case may be, shall have no further right or interest in the other assets of the Principal Sponsor in connection with this SERP. Neither the Principal Sponsor nor any of its officers nor any member of its Boards of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the SERP by reason of the insolvency of the Principal Sponsor.

SECTION 6

GENERAL MATTERS

6.1. **Amendments.** This SERP may be amended by action of the Principal Sponsor without the consent of any Participant in whole or in part, from time to time and at any time; **provided, however**, that no amendment of this SERP shall be effective as to a Participant to the extent the amendment would have the effect of diminishing the benefits payable to or with respect to the Participant under this SERP or the procedural rights of the Participant under this SERP unless the Participant has consented to such amendment in writing.

6.2. **ERISA Administrator.** The Principal Sponsor shall be the plan administrator of this SERP.

6.3. **Service of Process.** In the absence of any designation to the contrary by the Principal Sponsor, the Secretary of the Principal Sponsor is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

6.4. **Limited Benefits.** This SERP shall not provide any benefits determined with respect to any defined contribution plan.

6.5. **Spendthrift Provision.** No Participant, surviving spouse, joint or contingent annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this SERP before its actual payment to such person. The Principal Sponsor shall not recognize any such effort to convey any interest under this SERP. No benefit payable under this SERP shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

6.6. **Certifications.** Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this SERP may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

6.7. **Errors in Computations.** The Principal Sponsor shall not be liable or responsible for any error in the computation of any benefit payable to or with respect to any Participant resulting from any misstatement of fact made by the Participant or by or on behalf of any survivor to whom such benefit shall be payable, directly or indirectly, to the Principal Sponsor, and used by the Principal Sponsor in determining the benefit. The Principal Sponsor shall not be obligated or required to increase the benefit payable to or with respect to such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the benefit of any Participant which is overstated by reason of any such misstatement or any other reason shall be reduced to the amount appropriate in view of the truth (and to recover any prior overpayment).

SECTION 7

FORFEITURE OF BENEFITS

All benefits under this SERP, shall be permanently forfeited if the Participant becomes at any time an employee of any of the top five (5) passenger airlines in the United States (other than the Principal Sponsor) as ranked by revenue passenger miles. In no event shall this Section serve as a basis for requiring a Participant to repay any benefits previously paid to a Participant prior to commencement of such employment.

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SECTION 8

CLAIMS PROCEDURE

8.1. **Initiating Benefits.** At the earliest time that a Participant may be entitled to receive benefits under this SERP, the Principal Sponsor shall notify the Participant of that entitlement and of the procedures for requesting the payment of benefits hereunder. Without regard to whether such notification is given by the Principal Sponsor, a Participant may request the payment of benefits under this SERP. The Principal Sponsor shall, upon receipt of such request expeditiously process the payment of benefits hereunder.

8.2. **Original Claim.** Any person may file with the Principal Sponsor a written claim for benefits under the SERP. Within thirty (30) days after the filing of such a claim, the Principal Sponsor shall notify the claimant in writing whether his or her claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than sixty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Principal Sponsor shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this SERP on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

8.3. **Claims Review Procedure.** Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the Principal Sponsor a written request for a review and may, in conjunction therewith, submit written issues and comments. Within thirty (30) days after the filing of such a request for review, the Principal Sponsor shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than sixty days from the date the request for review was filed) to reach a decision on the request for review.

8.4. **General Rules.**

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Principal Sponsor may require that any claim for benefits and any request for a review of a

denied claim be filed on forms to be furnished by the Principal Sponsor upon request.

- (b) All decisions on claims and on requests for a review of denied claims shall be made by the Principal Sponsor.
- (c) The Principal Sponsor may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) Claimants may be represented by a lawyer or other representative (at their own expense). A claimant's representative shall be entitled to receive copies of notices sent to the claimant.
- (e) The decision of the Principal Sponsor on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.

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- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this SERP and all other pertinent documents in the possession of the Principal Sponsor.
 - (g) The Principal Sponsor may permanently or temporarily delegate all or a portion of its authority and responsibility under this Section 8 to a committee or individual.
 - (h) The procedures and remedies herein are not exclusive. A Participant shall not be required to exhaust these administrative remedies. If there is litigation regarding the benefits payable to or with respect to a Participant, determinations by the Principal Sponsor shall not be afforded any deference and the matter shall be heard *de novo*.

SECTION 9

CONSTRUCTION

9.1. **Defined Terms.** Words and phrases used in this SERP document with initial capital letters, which are defined in the Pension Plan documents and which are not separately defined in this SERP document shall have the same meaning ascribed to them in the Pension Plan documents unless in the context in which they are used it would be clearly inappropriate to do so. For the purposes of this SERP, the terms "Change in Control," "Cause" and "Good Reason" shall have the meanings specified in the Appendix A to this SERP.

9.2. **ERISA Status.** This SERP is adopted with the understanding that it is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in section 201(2), section 301(3) and section 401(a)(1) of ERISA. Each provision shall be interpreted and administered accordingly.

9.3. **IRC Status.** This SERP is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) *et. seq.* of the Code shall not apply to this SERP. The rules of section 3121(v) and section 3306(r)(2) of the Code shall apply to this SERP.

9.4. **Effect on Other Plans.** This SERP shall not alter, enlarge or diminish any person's employment rights or obligations or rights or obligations under the Pension Plan, the Excess Plan or any other plan. It is specifically contemplated that the Pension Plan and Excess Plan

could, from time to time, be amended and possibly terminated. This SERP shall not preclude any such amendments or terminations. Although the Principal Sponsor is generally free to amend and terminate the Pension Plan and the Excess Plan, no amendment or termination of the Pension Plan or the Excess Plan shall be effective as to a Participant to the extent the amendment or termination would have the effect of diminishing the benefits payable to or with respect to the Participant (or the procedural rights of the Participant) under this SERP unless the Participant has affirmatively agreed in writing to such amendment or termination.

9.5. **Disqualification.** Notwithstanding any other provision of this SERP document or any election or designation made under the SERP, any individual who feloniously and intentionally kills a Participant shall be deemed for all purposes of this SERP and all elections and designations made under this SERP to have died before such Participant. A final judgment of conviction of felonious and intentional killing is conclusive for this purpose. In the absence of a conviction of felonious and intentional killing, the Principal Sponsor shall determine whether the killing was felonious and intentional for this purpose.

9.6. **Rules of Document Construction.** Whenever appropriate, words used in this SERP document in the singular may be read in the plural, or words used in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or

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other similar compounds of the word "here" shall mean and refer to the entire SERP document and not to any particular paragraph or Section of this SERP document unless the context clearly indicates to the contrary. The titles given to the various Sections of this SERP document are inserted for convenience of reference only and are not part of this SERP, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Notwithstanding any thing apparently to the contrary contained in this SERP document, the SERP document shall be construed and administered to prevent the duplication of benefits provided under this SERP and any other qualified or nonqualified plan maintained in whole or in part by the Principal Sponsor.

9.7. **References to Laws.** Any reference in this SERP document to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation.

9.8. **Effect on Employment.** Neither the terms of this SERP document nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. The terms of this SERP document shall not give any employee the right to be retained in the employment of any Employer.

9.9. **Choice of Law.** This SERP document has been executed and delivered in the State of Minnesota and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the State of Minnesota.

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APPENDIX A

DEFINITIONS

When used in the SERP with initial capital letters, the following terms shall have the following meanings.

"Cause" shall mean with respect to termination of Participant's employment hereunder

- (a) an act or acts of personal dishonesty by Participant intended to result in substantial personal enrichment of Participant at the expense of the Principal Sponsor,

- (b) an act or acts of personal dishonesty by Participant intended to cause substantial injury to the Principal Sponsor,
- (c) material breach (other than as a result of a Disability) by Participant of Participant's obligations under written agreement between the Principal Sponsor and the Participant which action was
 - (i) undertaken without a reasonable belief that the action was in the best interest of the Principal Sponsor, and
 - (ii) not remedied within a reasonable period of time after receipt of written notice from the Principal Sponsor specifying the alleged breach, or
- (d) the conviction of Participant of a felony.

"Change in Control" means any one of the following:

- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) or the Securities Exchange Act of 1934 (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (i) the then outstanding shares of Common Stock of Northwest Airlines Corporation (the "Outstanding Parent Common Stock") or (ii) the combined voting power of the then outstanding voting securities of Northwest Airlines Corporation entitled to vote generally in the election of directors (the "Outstanding Parent Voting Securities"); or
- (b) Individuals who, as of June 1, 1994, constitute the Board of Directors of Northwest Airlines Corporation (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual becoming a director subsequent to June 1, 1994, whose election or nomination for election by Northwest Airlines Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors or Northwest Airlines Corporation; or
- (c) Approval by the shareholders of Northwest Airlines Corporation of a reorganization, merger or consolidation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such Business Combination beneficially own, directly, or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such

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Business Combination (including, without limitation, a corporation which as a result of such transaction owns Northwest Airlines Corporation through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Parent Stock and Outstanding Parent Voting Securities, as the case may be and (ii) at least a majority of the members of the board of directors of the corporation

resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such Board, providing for such Business Combination; or

- (d) Approval by the shareholders of Northwest Airlines Corporation of (i) a complete liquidation or dissolution of Northwest Airlines Corporation or (ii) the sale or other disposition of all or substantially all of the assets of Northwest Airlines Corporation, other than to a corporation with respect to which following such sale or other disposition, (X) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such sale or other disposition in substantially the same proportions as their ownership immediately prior to such sale or other disposition of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be and (Y) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or other action of such Board, providing for such sale or other disposition of assets of Northwest Airlines Corporation or were elected, appointed or nominated by the Incumbent Board.

"**Good Reason**" shall mean with respect to an Participant, any one or more of the following:

- (a) a material reduction in Participant's compensation or other benefits (except as permitted hereunder);
- (b) any material change in Participant's job responsibilities; provided that, so long as Participant retains a substantial part of his then current oversight responsibility, a transfer of a portion of such oversight responsibility of Participant shall not in and of itself constitute a material change in Participant's job responsibilities;
- (c) the relocation of the Principal Sponsor's principal Participant offices to a location outside the Minneapolis-St. Paul Metropolitan Area;
- (d) a failure by the Principal Sponsor to comply with any material provision of a written agreement between the Principal Sponsor and the Participant which has not been cured within ten (10) days after the Principal Sponsor knows or has notice of such noncompliance.

In order for an Participant's termination of his employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

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**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)
Part B**

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

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NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)
Part B

SECTION 1

INTRODUCTION

1.1. **Plan Established.** Effective as of January 1, 1995, NORTHWEST AIRLINES, INC., a Minnesota corporation, (the "Principal Sponsor") establishes this employee benefit plan for the purpose of providing additional retirement to certain eligible employees in addition to the "final average earnings formula" or "cash balance formula" benefits provided under the tax-qualified defined benefit pension plan known as the "Northwest Airlines Pension Plan for Salaried Employees" (the "Pension Plan") and the nonqualified defined benefit pension plan known as the "Northwest Airlines Pension Excess Plan for Salaried Employees" (the "Excess Plan").

1.2. **Scope of Part B.** This Part B of the SERP document (together with the Preamble to the SERP document) contains all the provisions and rules applicable to the following Participants:

- (a) Each Participant with an effective date for the commencement of SERP participation that is prior to January 1, 2001, who did continue in active employment with Northwest Airlines, Inc. on or after January 1, 2001, and who did affirmatively agree in an Ancillary Agreement signed after January 1, 2001 by the Participant and by the Principal Sponsor to become covered under Part B, and
- (b) Each Participant with an effective date for the commencement of SERP participation that is on or after January 1, 2001.

No portion of this Part B of the SERP document is applicable to any Participant to whom Part A is applicable.

1.3. **Unfunded Obligation.** The obligation of the Principal Sponsor to make payments under this SERP constitutes only the unsecured (but legally enforceable) promise of the Principal Sponsor to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of the Principal Sponsor. If a fund is established by the Principal Sponsor in connection with this SERP, the property therein shall remain the sole and exclusive property of the Principal Sponsor. The Principal Sponsor will pay the cost of this SERP out of its general assets.

SECTION 2

PLAN NAME

This employee benefit plan shall be referred to as the "Northwest Airlines Supplemental Executive Retirement Plan" (the "SERP") and this portion of the SERP shall be referred to as Part B. This document, as distinguished from the plan maintained pursuant to this document, shall be referred to as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (the "SERP document") and this portion of the 2001 Restatement shall be referred to as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)-Part B" ("Part B of the SERP document").

SECTION 3

PARTICIPANTS

3.1. **Participants.** The Participants in the SERP shall be those individuals who have been expressly designated as Participants by the Principal Sponsor in writing by the Chief Executive Officer of the Principal Sponsor. The effective date for the commencement of SERP participation for each

such individual shall be the date specified in such writing. If the designation is of the Chief Executive Officer, it shall be signed after January 1, 2001 by the Participant and by the Principal Sponsor by the Chairperson of the Compensation Committee of the Board of Directors or by the Chairperson of the Board of Directors.

3.2. **Continuation of Status.** Any individual who has become a Participant in the SERP shall continue as a Participant until all benefits which are due under this SERP have been received without regard to whether he or she continues as an officer or a participant in the Pension Plan or an active employee.

SECTION 4

BENEFITS PAYABLE

4.1. **Benefit for Participants.**

4.1.1. **Entitlement and Amount.** Upon the Termination of Employment of a Participant who has any Vested and nonforfeitable entitlement to an Accrued Benefit under the Pension Plan, this SERP shall pay to a Participant the excess, if any, of the greater of the amount determined pursuant to (a) or (b) below subject to the special rules in (c) below. Participants who were not employed prior to January 1, 2001 do not have any benefit under the SERP FAE formula calculation in (a) below and, therefore, shall have their benefits calculated exclusively pursuant to (b) below.

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(a) **SERP FAE Formula Calculation.**

(b) **SERP CB Formula Calculation.**

(1) **As If FAE Benefit.** Compute the benefit, if any, that would have

(1) **As If CB Benefit.** Compute the Cash Balance Account, if any,

been payable to the Participant as the Final Average Earnings Annuity ("FAE Formula Benefit") specified in the Pension Plan (i.e., Single Life Benefit commencing after Normal Retirement Date) if the following special rules had been applied:

(i) Disregard the benefit limitations under section 415 of the Code, and

(ii) Disregard the compensation limitation of section 401(a)(17) of the Code, and

(iii) Assume that the Participant's actual Benefit Service was increased by such amount or amounts of deemed years of Benefit Service, if any, as may be provided in the Participant's Ancillary Agreement pursuant to Section 4.3, and

(iv) Compute the Participant's Earnings and Final Average Earnings on the basis of thirty-six (36) months rather than sixty (60) months and without regard to whether those thirty-six (36) months are consecutive, and

(v) Include in Earnings and Final Average Earnings amounts not otherwise included because they were deferred at the election of the Participant under a nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer; and

(vi) Spread bonuses other than bonuses paid under the Key Employee Annual Cash Incentive Program (e.g., "sign on bonuses" and "project bonuses") evenly over the twelve (12) months in the calendar year in which such bonuses are paid when determining Earnings and Final Average Earnings.

that would have been accumulated for the Participant under the Pension Plan if the following special rules had been applied:

(i) Disregard the benefit limitations under section 415 of the Code, and

(ii) Disregard the compensation limitation of section 401(a)(17) of the Code, and

(iii) Give effect to the agreements, if any, in the Participant's Ancillary Agreement pursuant to Section 4.3 insofar as they pertain to the determination of the Participant's initial account balance, bonus factor, applicable pay credit percentage and pay credits, and

(iv) Include in Earnings amounts not otherwise included because they were deferred at the election of the Participant under a nonqualified deferred compensation plan at the time or times when they would have been included but for such election to defer.

(2) Present Value of As If FAE Benefit. Convert the benefit determined in (1) above to a single lump sum by applying the rules of the Pension Plan for converting a FAE Formula Benefit to a single lump sum except that as to the portion of the benefit determined in (1) above that is not provided under the Pension Plan and the Excess Plan the early commencement reduction factor shall be five percent (5%) per year ($\frac{5}{12}$ % per month) to age fifty-five (55) years and the Pension Plan's early commencement factors at earlier ages. This single lump sum shall be reduced as provided below.

(3) FAE Formula Benefit Offset. Compute the single lump sum present value of the amounts actually payable to the Participant from the Pension Plan and from the Excess Plan under the rules of the

(2) Account Value of As If CB Benefit. The amount determined in (1) above shall be reduced as provided below.

(3) FAE Formula Benefit Offset. Compute the single lump sum present value of the amounts actually payable to the Participant from the Pension Plan and from the Excess Plan under the rules of

Pension Plan for converting a FAE Formula Benefit into a single lump sum.

(4) **CB Formula Benefit Offset.** Determine the total of the Participant's Cash Balance Accounts in the Pension Plan and the Excess Plan.

(5) **Subtraction.** Subtract the greater of the amount determined in (3) or (4) above from the amount determined in (2) above and the resulting amount shall be the benefit payable to the Participant under this SERP (unless the amount determined in Section 4.1.1(b)(5) is greater).

(c) **Transitional Rules.** With regard to a Participant who was a Participant before January 1, 2001, the year 2000 bonus (paid in 2001) under the Key Employee Cash Incentive Program was taken into account in determining the initial account balance under the CB Formula. Pay credits will not be granted with regard to year 2000 bonus (paid in 2001) under the Key Employee Cash Incentive Program. Pre-2001 deemed service granted under the SERP or under any Ancillary Agreement pursuant to Section 4.3 was taken into account in determining the initial account balance.

4.1.2. **Form of Payment.** This benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid, as soon as administratively feasible (but not more than one hundred fifty days) after Termination of Employment, to the Participant in a single lump sum payment.

4.2. **Benefit for SERP Beneficiaries.**

4.2.1. **Entitlement and Amount.** Upon the death of a Participant prior to the time the Participant's benefit has been paid to the Participant, the benefit shall be payable to the SERP beneficiary.

4.2.2. **Form of Payment.** This benefit (minus the withholding, payroll and other taxes which must be deducted therefrom) shall be paid, as soon as administratively feasible after the Participant's death, to the SERP beneficiary in a single lump sum payment.

4.3. **Ancillary Agreements.** A Participant and the Chief Executive Officer of the Principal Sponsor shall enter into a written Ancillary Agreement which shall evidence the Participant's entitlement to benefits under the SERP and may specify additional terms and conditions upon which the Participant's benefits shall be determined. With respect to any such Participant, the provisions of such written Ancillary Agreement shall be given effect under this SERP as if fully set forth herein. If the written Ancillary Agreement is with the Chief Executive Officer, it shall be signed on behalf of the Principal Sponsor by the Chairperson of the Compensation Committee of the Board of Directors or by the Chairperson of the Board of Directors.

SECTION 5

FUNDING

5.1. **Hedging Investments.** If the Principal Sponsor elects to finance all or a portion of its costs in connection with this SERP through the purchase of life insurance or other investments, the Participant agrees, as a condition of participation in this SERP, to cooperate with the Principal Sponsor in the purchase of such investment to any extent reasonably required by the Principal Sponsor and relinquishes any claim he or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then notwithstanding any other provision of this SERP (including, without limiting

the generality of the foregoing, Section 4) the Principal Sponsor shall immediately and irrevocably terminate and forfeit the Participant's entitlement to benefits under the SERP.

5.2. **Corporate Obligation.** Neither the Principal Sponsor's officers nor any member of its Board of Directors in any way secures or guarantees the payment of any benefit or amount which may become due and payable hereunder to or with respect to any Participant. Each Participant and other person entitled at any time to payments hereunder shall look solely to the assets of the Principal Sponsor for such payments as an unsecured, general creditor. After benefits shall have been paid to or with respect to a Participant and such payment purports to cover in full the benefit hereunder, such former Participant or other person or persons, as the case may be, shall have no further right or interest in the other assets of the Principal Sponsor in connection with this SERP. Neither the Principal Sponsor nor any of its officers nor any member of its Boards of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the SERP by reason of the insolvency of the Principal Sponsor.

SECTION 6

GENERAL MATTERS

6.1. **Amendments.** This SERP may be amended by action of the Principal Sponsor without the consent of any Participant in whole or in part, from time to time and at any time; **provided, however**, that no amendment of this SERP shall be effective as to a Participant to the extent the amendment would have the effect of diminishing the benefits payable to or with respect to the Participant under this SERP or the procedural rights of the Participant under this SERP unless the Participant has consented to such amendment in writing.

6.2. **ERISA Administrator.** The Principal Sponsor shall be the plan administrator of this SERP.

6.3. **Service of Process.** In the absence of any designation to the contrary by the Principal Sponsor, the Secretary of the Principal Sponsor is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

6.4. **Limited Benefits.** This SERP shall not provide any benefits determined with respect to any defined contribution plan.

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6.5. **Spendthrift Provision.** No Participant, surviving spouse, joint or contingent annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this SERP before its actual payment to such person. The Principal Sponsor shall not recognize any such effort to convey any interest under this SERP. No benefit payable under this SERP shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

6.6. **Certifications.** Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this SERP may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

6.7. **Errors in Computations.** The Principal Sponsor shall not be liable or responsible for any error in the computation of any benefit payable to or with respect to any Participant resulting from any misstatement of fact made by the Participant or by or on behalf of any survivor to whom such benefit shall be payable, directly or indirectly, to the Principal Sponsor, and used by the Principal Sponsor in determining the benefit. The Principal Sponsor shall not be obligated or required to increase the benefit payable to or with respect to such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the benefit of any Participant which is overstated by reason of any such misstatement or any other reason shall be reduced to the amount appropriate in view of the truth (and to recover any prior overpayment).

SECTION 7

DESIGNATION OF BENEFICIARIES

7.1. **Right To Designate.** Each Participant may designate, upon forms to be furnished by and filed with the Principal Sponsor, one or more primary SERP beneficiaries or alternative SERP beneficiaries to receive all or a specified part of the Participant's benefit in the event of the Participant's death. The Participant may change or revoke any such designation from time to time without notice to or consent from any SERP beneficiary or spouse. No such designation, change or revocation shall be effective unless executed by the Participant and received by the Principal Sponsor in its retirement administration department prior to the Participant's death. The Principal Sponsor may establish rules for the use of electronic signatures in executing SERP beneficiary designations. Until such rules are established, electronic signatures shall not be effective. The designation of a Beneficiary under the Pension Plan shall not be effective to designate a SERP beneficiary (and vice versa).

7.2. **Failure of Designation.** If a Participant:

- (a) fails to designate a SERP beneficiary,
- (b) designates a SERP beneficiary and thereafter such designation is revoked without another SERP beneficiary being named, or
- (c) designates one or more SERP beneficiaries and all such SERP beneficiaries so designated fail to survive the Participant,

such Participant's benefit, or the part thereof as to which such Participant's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic SERP beneficiaries with a member surviving the Participant and (except in the case of the Participant's surviving issue) in equal shares if there is more than one member in such class surviving the Participant:

Participant's surviving spouse
Participant's surviving issue per stirpes and not per capita
Participant's surviving parents

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Participant's surviving brothers and sisters
Representative of Participant's estate.

7.3. **Disclaimers by SERP Beneficiaries.** A SERP beneficiary entitled to a distribution of all or a portion of a deceased Participant's benefit may disclaim his or her interest therein subject to the following requirements. To be eligible to disclaim, a SERP beneficiary must be a natural person, must not have received a distribution of all or any portion of a benefit at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed personally by the SERP beneficiary before a notary public. The Principal Sponsor may establish rules for the use of electronic signatures and acknowledgements. Until such rules are established, electronic signatures and acknowledgements shall not be effective. A disclaimer shall state that the SERP beneficiary's entire interest in the undistributed benefit is disclaimed (partial disclaimers not being permitted under this Plan). To be effective, an original executed copy of the disclaimer must be executed and actually delivered to the Principal Sponsor after the date of the Participant's death but not later than nine (9) months after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to the Principal Sponsor. A disclaimer shall be considered to be delivered to the Principal Sponsor only when actually received by the Principal Sponsor. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the SERP beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A disclaimer by a SERP beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 6.5. No other form of attempted disclaimer shall be recognized by the Principal Sponsor.

7.4. **Definitions.** When used herein and, unless the Participant has otherwise specified in the Participant's SERP beneficiary designation, when used in a SERP beneficiary designation:

- (a) "issue" means all persons who are lineal descendants of the person whose issue are referred to, subject to the following: (i) a legally adopted child and the adopted child's lineal descendants always shall be lineal descendants of each adoptive parent (and of each adoptive parent's lineal ancestors); (ii) a legally adopted child and the adopted child's lineal descendants never shall be lineal descendants of any former parent whose parental rights were terminated by the adoption (or of that former parent's lineal ancestors); except that if, after a child's parent has died, the child is legally adopted by a stepparent who is the spouse of the child's surviving parent, the child and the child's lineal descendants shall remain lineal descendants of the deceased parent (and the deceased parent's lineal ancestors); and (iii) if the person (or a lineal descendant of the person) whose issue are referred to is the parent of a child (or is treated as such under applicable law) but never received the child into that parent's home and never openly held out the child as that parent's child (unless doing so was precluded solely by death), then neither the child nor the child's lineal descendants shall be issue of the person.
- (b) "child" means an issue of the first generation;
- (c) "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and
- (d) "survive" and "surviving" mean living after the death of the Participant.

7.5. **Special Rules.** Unless the Participant has otherwise specified in the Participant's SERP beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a SERP beneficiary was living at the time of the death of the Participant, it shall be deemed that the SERP beneficiary was not living at the time of the death of the Participant.
- (b) The automatic SERP beneficiaries specified in Section 6.9.3 and the SERP beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a SERP beneficiary survives the Participant but dies before the receipt of all payments due such SERP beneficiary hereunder, such remaining payments shall be payable to the representative of such SERP beneficiary's estate.
- (c) If the Participant designates as a SERP beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a SERP beneficiary on a form executed by the Participant and received by the Principal Sponsor after the date of the legal termination of the marriage between the Participant and such former spouse, and during the Participant's lifetime.)

- (d) Any designation of a nonspouse SERP beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.
- (e) Any designation of a SERP beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.
- (f) A SERP beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported SERP beneficiary designation.

SECTION 8

CLAIMS PROCEDURE

8.1. **Initiating Benefits.** The Principal Sponsor, upon learning of the Termination of Employment or death of a Participant shall on its own initiative commence the procedures to make distribution. If two or more persons are claiming the same benefit, the Principal Sponsor may withhold payment until the identity of the person entitled to the payment is established. The Principal Sponsor may require of the Participant or SERP beneficiary information that it reasonably determines is required for it to perform its obligations hereunder. At the earliest time that a Participant may be entitled to receive benefits under this SERP, the Principal Sponsor shall notify the Participant of that entitlement and of the procedures for paying benefits hereunder. Without regard to the foregoing, a Participant may request payment of benefits under this SERP. The Principal Sponsor shall, upon receipt of such request expeditiously process the payment of benefits hereunder.

8.2. **Original Claim.** Any person may file with the Principal Sponsor a written claim for benefits under the SERP. Within thirty (30) days after the filing of such a claim, the Principal Sponsor shall notify the claimant in writing whether his or her claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than sixty days from the date the claim was filed) to reach a

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decision on the claim. If the claim is denied in whole or in part, the Principal Sponsor shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this SERP on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

8.3. **Claims Review Procedure.** Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the Principal Sponsor a written request for a review and may, in conjunction therewith, submit written issues

and comments. Within thirty (30) days after the filing of such a request for review, the Principal Sponsor shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than sixty days from the date the request for review was filed) to reach a decision on the request for review.

8.4. General Rules.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Principal Sponsor may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Principal Sponsor upon request.
- (b) All decisions on claims and on requests for a review of denied claims shall be made by the Principal Sponsor.
- (c) The Principal Sponsor may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) Claimants may be represented by a lawyer or other representative (at their own expense). A claimant's representative shall be entitled to receive copies of notices sent to the claimant.
- (e) The decision of the Principal Sponsor on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.
- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this SERP and all other pertinent documents in the possession of the Principal Sponsor.
- (g) The Principal Sponsor may permanently or temporarily delegate all or a portion of its authority and responsibility under this Section 8 to a committee or individual.
- (h) The procedures and remedies herein are not exclusive. However, a claimant shall be required to exhaust these administrative remedies before commencing litigation to recover benefits. If there is litigation regarding the benefits payable to or with respect to a Participant, determinations by the Principal Sponsor shall not be afforded any deference and the matter shall be heard *de novo*.

SECTION 9

CONSTRUCTION

9.1. **Defined Terms.** Words and phrases used in this SERP document with initial capital letters, which are defined in the Pension Plan documents and which are not separately defined in this SERP document shall have the same meaning ascribed to them in the Pension Plan documents unless in the context in which they are used it would be clearly inappropriate to do so.

9.2. **ERISA Status.** This SERP is adopted with the understanding that it is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in section 201(2), section 301(3) and section 401(a)(1) of ERISA. Each provision shall be interpreted and administered accordingly.

9.3. **IRC Status.** This SERP is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) *et. seq.* of the Code shall not apply to this SERP. The rules of section 3121(v) and section 3306(r)(2) of the Code shall apply to this SERP.

9.4. **Effect on Other Plans.** This SERP shall not alter, enlarge or diminish any person's employment rights or obligations or rights or obligations under the Pension Plan, the Excess Plan or any other plan. It is specifically contemplated that the Pension Plan and Excess Plan could, from time to time, be amended and possibly terminated. This SERP shall not preclude any such amendments or terminations. Although the Principal Sponsor is generally free to amend and terminate the Pension Plan and the Excess Plan, no amendment or termination of the Pension Plan or the Excess Plan shall be effective as to a Participant to the extent the amendment or termination would have the effect of diminishing the benefits payable to or with respect to the Participant under this SERP unless the Participant has affirmatively agreed in writing to such amendment or termination.

9.5. **Disqualification.** Notwithstanding any other provision of this SERP document or any election or designation made under the SERP, any individual who feloniously and intentionally kills a Participant shall be deemed for all purposes of this SERP and all elections and designations made under this SERP to have died before such Participant. A final judgment of conviction of felonious and intentional killing is conclusive for this purpose. In the absence of a conviction of felonious and intentional killing, the Principal Sponsor shall determine whether the killing was felonious and intentional for this purpose.

9.6. **Rules of Document Construction.** Whenever appropriate, words used in the SERP document in the singular may be read in the plural, or words used in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to the entire SERP and not to any particular paragraph or Section of this SERP document unless the context clearly indicates to the contrary. The titles given to the various Sections of this SERP document are inserted for convenience of reference only and are not part of this SERP document, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Notwithstanding any thing apparently to the contrary contained in this SERP document, the SERP document shall be construed and administered to prevent the duplication of benefits provided under this SERP and any other qualified or nonqualified plan maintained in whole or in part by the Principal Sponsor.

9.7. **References to Laws.** Any reference in this SERP document to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation.

9.8. **Effect on Employment.** Neither the terms of this SERP document nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. The terms

of this SERP document shall not give any employee the right to be retained in the employment of any Employer.

9.9. **Choice of Law.** This SERP document has been executed and delivered in the State of Minnesota and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the State of Minnesota.

**Ancillary Agreement
under**

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

THIS AGREEMENT, Made and entered into by and between Northwest Airlines, Inc., a Minnesota corporation, (the "Employer") and Richard H. Anderson (the "Participant").

WHEREAS, Employer has established a nonqualified plan of deferred compensation for the benefit of a group of management employees currently set forth in a document entitled "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (hereinafter the "2001 SERP Restatement"); and

WHEREAS, The Plan maintained pursuant to the 2001 SERP Restatement (sometimes referred to as the "SERP") contemplates that certain terms and provisions may be varied pursuant to a separate written agreement by and between Employer and Participant known as an "Ancillary Agreement"; and

WHEREAS, The Employer and the Participant agree that upon executing this Ancillary Agreement, Participant's SERP benefit will be computed under and governed solely by Part B of the 2001 SERP Restatement and not Part A of the 2001 SERP Restatement.

NOW THEREFORE, IT IS HEREBY AGREED, By and between Employer and Participant as follows:

- 1) **DATE OF PARTICIPATION.** Participant's effective date for the commencement of SERP participation is March 24, 1994.
- 2) **PRIOR SERP AGREEMENT.** Under a prior Ancillary Agreement, Participant's actual Benefit Service was increased by two additional deemed years of Benefit Service for each actual year of employment completed by Participant after March 23, 1994, (not to exceed ten years) as follows:

With Respect To The Participant's Employment During The Following Periods:	Additional Deemed Benefit Service Already Earned
March 24, 1994 to March 23, 1995	2
March 24, 1995 to March 23, 1996	2
March 24, 1996 to March 23, 1997	2
March 24, 1997 to March 23, 1998	2
March 24, 1998 to March 23, 1999	2
Total Already Earned	10

- 3) **NEW SERP AGREEMENT.** Pursuant to Section 2.6 of the Management Compensation Agreement dated as of June 28, 2001 between the Employer and the Participant (the "Compensation Agreement") in addition to the deemed Benefit Service awarded under paragraph 2 above, Participant's actual Benefit Service shall be increased by one additional deemed year of Benefit

Service for each actual year of employment completed by the Participant after April 1, 2001, (not to exceed five additional deemed years of Benefit Service) as follows:

With Respect To The Participant's Employment During The Following Periods:	Additional Deemed Benefit Service Which May Be Earned
April 1, 2001 to March 31, 2002	1
April 1, 2002 to March 31, 2003	1
April 1, 2003 to March 31, 2004	1
April 1, 2004 to March 31, 2005	1
April 1, 2005 to March 31, 2006	1

Pursuant to Section 5.2(b)(ii) of the Compensation Agreement, in the event the Participant's employment is terminated by the Employer other than for Cause (as defined in the Compensation Agreement), as a result of death or Disability (as defined in the Compensation Agreement), or by the Participant for Good Reason (as defined in the Compensation Agreement), Participant's actual Benefit Service as of the effective date of such termination of employment shall be increased in an amount equal to the excess, if any, of (i) five over (ii) the number of additional years of Benefit Service that the Participant has accrued as of such termination date pursuant to this paragraph 3.

- 4) **SPECIAL ARRANGEMENTS.** For the purpose of computing Participant's benefits under Part B of the 2001 SERP, the following special rules shall apply.
- a) **FAE Formula.** For the purposes of computing Participant's Final Average Earnings Annuity pursuant to Section 4.1.1(a)(1)(iii) of the 2001 SERP Restatement, Participant's actual Benefit Service shall be increased by the deemed years of Benefit Service earned under paragraphs 2 and 3 above.
 - b) **CB Initial Account.** Participant's initial account balance for purposes of Section 4.1.1(b)(1)(iii) of Part B of the 2001 SERP has been computed on a basis consistent with the Pension Plan formula for computing initial account balances and, where appropriate, takes into account all years of Participant's deemed service attributable to periods before January 1, 2001.
 - c) **CB Increased Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement the Participant shall receive (during the period from April 1, 2001 through March 31, 2006) two times the pay credit that the Participant would otherwise be entitled to receive (i.e., the "actual" plus one "deemed"). Therefore, the Participant's applicable pay credit percentage during the following periods shall be as follows:

With respect to Participant's Earnings attributable to the following periods:	Participant's applicable pay credit percentage shall be:
April 1, 2001 to March 31, 2002	24%
April 1, 2002 to September 30, 2002	24%
October 1, 2002 to March 31, 2003	30%
April 1, 2003 to March 31, 2004	30%
April 1, 2004 to March 31, 2005	30%
April 1, 2005 to February 28, 2006	30%
March 1, 2006 to March 31, 2006	36%

- d) **CB Generally Applicable Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement during the period from January 1, 2001 through March 31, 2001 and periods subsequent to March 31, 2006, Participant's applicable pay credit percentage shall be

determined under the generally applicable rules of the Pension Plan; provided, however, that in applying those rules, Participant's actual Benefit Service shall be increased by all additional earned deemed years of Benefit Service.

- 5) **CONSENT TO AMENDMENT.** Pursuant to the provisions of Section 6.1 of the "Northwest Airlines, Inc. Supplemental Executive Retirement Plan (1995 Statement)," Participant consents to the amendments of that document that are embodied in the restatement of that document previously adopted by Northwest Airlines, Inc. known as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 SERP Restatement)." Participant acknowledges prior receipt of a copy of that document. Participant acknowledges that the benefits payable to or with respect to Participant under the SERP shall be governed exclusively by Part B of the 2001 SERP Restatement.
- 6) **INTEGRATION.** This agreement is intended to be and is an Ancillary Agreement as that term is used in the SERP. Insofar as this Ancillary Agreement relates to Participant's entitlement under the SERP, this Ancillary Agreement represents the entire agreement of Participant and Employer and supercedes all prior agreements and understandings, written or otherwise. In no event shall this Ancillary Agreement and any other agreement be construed or interpreted to provide duplicate benefits.

IN WITNESS WHEREOF, Employer and Participant have executed this Ancillary Agreement as of October 25, 2001.

NORTHWEST AIRLINES, INC.

PARTICIPANT

Gary L. Wilson
Chairman of the Board

Richard H. Anderson

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**Ancillary Agreement
under**

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

THIS AGREEMENT, Made and entered into by and between Northwest Airlines, Inc., a Minnesota corporation, (the "Employer") and Douglas M. Steenland (the "Participant").

WHEREAS, Employer has established a nonqualified plan of deferred compensation for the benefit of a group of management employees currently set forth in a document entitled "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (hereinafter the "2001 SERP Restatement"); and

WHEREAS, The Plan maintained pursuant to the 2001 SERP Restatement (sometimes referred to as the "SERP") contemplates that certain terms and provisions may be varied pursuant to a separate written agreement by and between Employer and Participant known as an "Ancillary Agreement"; and

WHEREAS, The Employer and the Participant agree that upon executing this Ancillary Agreement, Participant's SERP benefit will be computed under and governed solely by Part B of the 2001 SERP Restatement and not Part A of the 2001 SERP Restatement.

NOW THEREFORE, IT IS HEREBY AGREED, By and between Employer and Participant as follows:

- 7) **DATE OF PARTICIPATION.** Participant's effective date for the commencement of SERP participation is March 24, 1994.

- 8) **PRIOR SERP AGREEMENT.** Under a prior Ancillary Agreement, Participant's actual Benefit Service was increased by two additional deemed years of Benefit Service for each actual year of employment completed by Participant after March 23, 1994, (not to exceed ten years) as follows:

With Respect To The Participant's Employment During The Following Periods:	Additional Deemed Benefit Service Already Earned
March 24, 1994 to March 23, 1995	2
March 24, 1995 to March 23, 1996	2
March 24, 1996 to March 23, 1997	2
March 24, 1997 to March 23, 1998	2
March 24, 1998 to March 23, 1999	2
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Total Already Earned	10

- 9) **NEW SERP AGREEMENT.** Pursuant to Section 2.6 of the Management Compensation Agreement dated as of June 28, 2001 between the Employer and the Participant (the "Compensation Agreement") in addition to the deemed Benefit Service awarded under paragraph 2 above, Participant's actual Benefit Service shall be increased by one additional deemed year of Benefit Service for each actual year of employment completed by the Participant after April 1, 2001, (not to exceed five additional deemed years of Benefit Service) as follows:

With Respect To The Participant's Employment During The Following Periods:	Additional Deemed Benefit Service Which May Be Earned
April 1, 2001 to March 31, 2002	1
April 1, 2002 to March 31, 2003	1
April 1, 2003 to March 31, 2004	1
April 1, 2004 to March 31, 2005	1
April 1, 2005 to March 31, 2006	1
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Pursuant to Section 5.2(b)(ii) of the Compensation Agreement, in the event the Participant's employment is terminated by the Employer other than for Cause (as defined in the Compensation Agreement), as a result of death or Disability (as defined in the Compensation Agreement), or by the Participant for Good Reason (as defined in the Compensation Agreement), Participant's actual Benefit Service as of the effective date of such termination of employment shall be increased in an amount equal to the excess, if any, of (i) five over (ii) the number of additional years of Benefit Service that the Participant has accrued as of such termination date pursuant to this paragraph 3.

- 10) **SPECIAL ARRANGEMENTS.** For the purpose of computing Participant's benefits under Part B of the 2001 SERP, the following special rules shall apply.
- a) **FAE Formula.** For the purposes of computing Participant's Final Average Earnings Annuity pursuant to Section 4.1.1(a)(1)(iii) of the 2001 SERP Restatement, Participant's actual Benefit Service shall be increased by the deemed years of Benefit Service earned under paragraphs 2 and 3 above.
- b) **CB Initial Account.** Participant's initial account balance for purposes of Section 4.1.1(b)(1)(iii) of Part B of the 2001 SERP has been computed on a basis consistent with the Pension Plan formula for computing initial account balances and, where appropriate, takes into account all years of Participant's deemed service attributable to periods before January 1, 2001.

- c) **CB Increased Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement the Participant shall receive (during the period from April 1, 2001 through March 31, 2006) two times the pay credit that the Participant would otherwise be entitled to receive (i.e., the "actual" plus one "deemed"). Therefore, the Participant's applicable pay credit percentage during the following periods shall be as follows:

With respect to Participant's Earnings attributable to the following periods:	Participant's applicable pay credit percentage shall be:
April 1, 2001 to August 31, 2001	24%
September 1, 2001 to March 31, 2002	30%
April 1, 2002 to March 31, 2003	30%
April 1, 2003 to March 31, 2004	30%
April 1, 2004 to February 28, 2005	30%
March 1, 2005 to March 31, 2005	36%
April 1, 2005 to March 31, 2006	36%

- d) **CB Generally Applicable Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement during the period from January 1, 2001 through March 31, 2001 and periods subsequent to March 31, 2006, Participant's applicable pay credit percentage shall be determined under the generally applicable rules of the Pension Plan; provided, however, that in applying those rules, Participant's actual Benefit Service shall be increased by all additional earned deemed years of Benefit Service.

- 11) **CONSENT TO AMENDMENT.** Pursuant to the provisions of Section 6.1 of the "Northwest Airlines, Inc. Supplemental Executive Retirement Plan (1995 Statement)," Participant consents to the amendments of that document that are embodied in the restatement of that document previously adopted by Northwest Airlines, Inc. known as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 SERP Restatement)." Participant acknowledges prior receipt of a copy of that document. Participant acknowledges that the benefits payable to or with respect to

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Participant under the SERP shall be governed exclusively by Part B of the 2001 SERP Restatement.

- 12) **INTEGRATION.** This agreement is intended to be and is an Ancillary Agreement as that term is used in the SERP. Insofar as this Ancillary Agreement relates to Participant's entitlement under the SERP, this Ancillary Agreement represents the entire agreement of Participant and Employer and supercedes all prior agreements and understandings, written or otherwise. In no event shall this Ancillary Agreement and any other agreement be construed or interpreted to provide duplicate benefits.

IN WITNESS WHEREOF, Employer and Participant have executed this Ancillary Agreement as of October 25, 2001.

NORTHWEST AIRLINES, INC.

PARTICIPANT

Richard H. Anderson
Chief Executive Officer

Douglas M. Steenland

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**Ancillary Agreement
under**

**NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

THIS AGREEMENT, Made and entered into by and between Northwest Airlines, Inc., a Minnesota corporation, (the "Employer") and Mickey P. Foret (the "Participant").

WHEREAS, Employer has established a nonqualified plan of deferred compensation for the benefit of a group of management employees currently set forth in a document entitled "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (hereinafter the "2001 SERP Restatement"); and

WHEREAS, The Plan maintained pursuant to the 2001 SERP Restatement (sometimes referred to as the "SERP") contemplates that certain terms and provisions may be varied pursuant to a separate written agreement by and between Employer and Participant known as an "Ancillary Agreement"; and

WHEREAS, The Employer and the Participant agree that upon executing this Ancillary Agreement, Participant's SERP benefit will be computed under and governed solely by Part B of the 2001 SERP Restatement and not Part A of the 2001 SERP Restatement.

NOW THEREFORE, IT IS HEREBY AGREED, By and between Employer and Participant as follows:

- 13) DATE OF PARTICIPATION.** Participant's effective date for the commencement of SERP participation is May 11, 1998.
- 14) PRIOR SERP AGREEMENT.** Employer and Participant agree that as of April 1, 2001, Participant has 18¹/₂ years of Benefit Service consisting of 6¹/₂ years of Benefit Service under the Qualified and Excess Pension Plans and 12 years of deemed Benefit Service under the SERP. Employer and Participant further agree that on April 30, 2001, Employer will credit to Participant's SERP cash balance account an amount equal to \$454,500.00.
- 15) NEW SERP AGREEMENT.** Pursuant to Section 5 of the Letter Agreement dated as of October 23, 2002 between the Employer and the Participant (the "Letter Agreement") in addition to the deemed Benefit Service awarded under paragraph 2 above, Participant's actual Benefit Service shall be increased by two additional deemed years of Benefit Service for each actual year of employment completed by the Participant commencing on April 1, 2001, (not to exceed eight additional deemed years of Benefit Service) as follows:

With Respect To The Participant's Employment During The Following Periods:	Additional Deemed Benefit Service Which May Be Earned
April 1, 2001 to March 31, 2002	2
April 1, 2002 to March 31, 2003	2
April 1, 2003 to March 31, 2004	2
April 1, 2004 to March 31, 2005	2

- 16) SPECIAL ARRANGEMENTS.** For the purpose of computing Participant's benefits under Part B of the 2001 SERP, the following special rules shall apply.
- a) FAE Formula.** For the purposes of computing Participant's Final Average Earnings Annuity pursuant to Section 4.1.1(a)(1)(iii) of the 2001 SERP Restatement, Participant's actual Benefit Service shall be increased by the deemed years of Benefit Service earned under paragraphs 2 and 3 above.

- b) **CB Initial Account.** Participant's initial account balance for purposes of Section 4.1.1(b)(1)(iii) of Part B of the 2001 SERP has been computed on a basis consistent with the Pension Plan formula for computing initial account balances and, where appropriate, takes into account all years of Participant's deemed service attributable to periods before January 1, 2001.
- c) **CB Increased Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement the Participant shall receive (during the period from April 1, 2001 through March 31, 2005) three times the pay credit that the Participant would otherwise be entitled to receive (i.e., the "actual" plus two "deemed"). Therefore, the Participant's applicable pay credit percentage during the following periods shall be as follows:

With respect to Participant's Earnings attributable to the following periods:	Participant's applicable pay credit percentage shall be:
April 1, 2001 to March 31, 2002	45%
April 1, 2002 to February 28, 2003	45%
March 1, 2003 to March 31, 2003	54%
April 1, 2003 to March 31, 2004	54%
April 1, 2004 to March 31, 2005	54%

- d) **CB Generally Applicable Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement during periods subsequent to March 31, 2005, Participant's applicable pay credit percentage shall be determined under the generally applicable rules of the Pension Plan; provided, however, that in applying those rules, Participant's actual Benefit Service shall be increased by all additional earned deemed years of Benefit Service.

- 17) **CONSENT TO AMENDMENT.** Pursuant to the provisions of Section 6.1 of the "Northwest Airlines, Inc. Supplemental Executive Retirement Plan (1995 Statement)," Participant consents to the amendments of that document that are embodied in the restatement of that document previously adopted by Northwest Airlines, Inc. known as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 SERP Restatement)." Participant acknowledges prior receipt of a copy of that document. Participant acknowledges that the benefits payable to or with respect to Participant under the SERP shall be governed exclusively by Part B of the 2001 SERP Restatement.
- 18) **INTEGRATION.** This agreement is intended to be and is an Ancillary Agreement as that term is used in the SERP. Insofar as this Ancillary Agreement relates to Participant's entitlement under the SERP, this Ancillary Agreement represents the entire agreement of Participant and Employer and supercedes all prior agreements and understandings, written or otherwise. In no event shall this Ancillary Agreement and any other agreement be construed or interpreted to provide duplicate benefits.

IN WITNESS WHEREOF, Employer and Participant have executed this Ancillary Agreement as of October 25, 2001.

NORTHWEST AIRLINES, INC.

PARTICIPANT

Richard H. Anderson,
Chief Executive Officer

Mickey P. Foret

Ancillary Agreement
under
NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)

THIS AGREEMENT, Made and entered into by and between Northwest Airlines, Inc., a Minnesota corporation, (the "Employer") and J. Timothy Griffin (the "Participant").

WHEREAS, Employer has established a nonqualified plan of deferred compensation for the benefit of a select group of management or highly compensated employees currently set forth in a document entitled "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (hereinafter the "2001 SERP Restatement"); and

WHEREAS, The Plan maintained pursuant to the 2001 SERP Restatement (sometimes referred to as the "SERP") contemplates that certain terms and provisions may be varied pursuant to a separate written agreement by and between Employer and Participant known as an "Ancillary Agreement"; and

WHEREAS, The Employer and the Participant agree that upon executing this Ancillary Agreement, Participant's SERP benefit will be computed under and governed solely by Part B of the 2001 SERP Restatement and not Part A of the 2001 SERP Restatement.

NOW THEREFORE, IT IS HEREBY AGREED, By and between Employer and Participant as follows:

- 19) DATE OF PARTICIPATION.** Participant's effective date for the commencement of SERP participation is June 1, 2001.
- 20) SPECIAL ARRANGEMENTS.** For the purpose of computing Participant's benefits under the SERP, the following special rules shall apply.
- a) FAE Formula.** For the purposes of computing Participant's Final Average Earnings Annuity pursuant to Section 4.1.1(a)(1)(iii) of the 2001 SERP Restatement, Participant's actual Benefit Service shall be increased annually by two (2) additional deemed years of Benefit Service for each actual year of employment completed by the Participant after the Participant's effective date for the commencement of SERP participation (not to exceed ten additional deemed years over and above the actual Benefit Service).
- b) CB Increased Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement the Participant shall receive (during the period from June 1, 2001 through May 31, 2006) three times the pay credit that the Participant would otherwise be entitled to receive (i.e., the "actual" plus two "deemed"). Therefore, the Participant's applicable pay credit percentage during the following periods shall be as follows:

With respect to Participant's Earnings attributable to the following periods:	Participant's applicable pay credit percentage shall be:
June 1, 2001 to April 30, 2002	30%
May 1, 2002 to May 31, 2002	36%
June 1, 2002 to May 31, 2003	36%
June 1, 2003 to May 31, 2004	36%
June 1, 2004 to May 31, 2005	45%
June 1, 2005 to May 31, 2006	45%

- c) **CB Generally Applicable Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP

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Restatement during periods subsequent to May 31, 2006, Participant's applicable pay credit percentage shall be determined under the generally applicable rules of the Pension Plan; provided, however, that in applying those rules, Participant's actual Benefit Service shall be increased by all additional deemed years of Benefit Service.

- 21) **CONSENT TO AMENDMENT.** Pursuant to the provisions of Section 6.1 of the "Northwest Airlines, Inc. Supplemental Executive Retirement Plan (1995 Statement)," Participant consents to the amendments of that document that are embodied in the restatement of that document previously adopted by Northwest Airlines, Inc. known as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 SERP Restatement)." Participant acknowledges prior receipt of a copy of that document. Participant acknowledges that the benefits payable to or with respect to Participant under the SERP shall be governed exclusively by Part B of the 2001 SERP Restatement.
- 22) **INTEGRATION.** This agreement is intended to be and is an Ancillary Agreement as that term is used in the SERP. Insofar as this Ancillary Agreement relates to Participant's entitlement under the SERP, this Ancillary Agreement represents the entire agreement of Participant and Employer and supercedes all prior agreements and understandings, written or otherwise. In no event shall this Ancillary Agreement and any other agreement be construed or interpreted to provide duplicate benefits.

IN WITNESS WHEREOF, Employer and Participant have executed this Ancillary Agreement as of October 25, 2001.

NORTHWEST AIRLINES, INC.

PARTICIPANT

Richard H. Anderson,
Chief Executive Officer

J. Timothy Griffin

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**Ancillary Agreement
under
NORTHWEST AIRLINES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(2001 Restatement)**

THIS AGREEMENT, Made and entered into by and between Northwest Airlines, Inc., a Minnesota corporation, (the "Employer") and Philip C. Haan (the "Participant").

WHEREAS, Employer has established a nonqualified plan of deferred compensation for the benefit of a select group of management or highly compensated employees currently set forth in a document entitled "Northwest Airlines Supplemental Executive Retirement Plan (2001 Restatement)" (hereinafter the "2001 SERP Restatement"); and

WHEREAS, The Plan maintained pursuant to the 2001 SERP Restatement (sometimes referred to as the "SERP") contemplates that certain terms and provisions may be varied pursuant to a separate written agreement by and between Employer and Participant known as an "Ancillary Agreement"; and

WHEREAS, The Employer and the Participant agree that upon executing this Ancillary Agreement, Participant's SERP benefit will be computed under and governed solely by Part B of the 2001 SERP Restatement and not Part A of the 2001 SERP Restatement.

NOW THEREFORE, IT IS HEREBY AGREED, By and between Employer and Participant as follows:

- 23) **DATE OF PARTICIPATION.** Participant's effective date for the commencement of SERP participation is June 1, 2001.
- 24) **SPECIAL ARRANGEMENTS.** For the purpose of computing Participant's benefits under the SERP, the following special rules shall apply.
- a) **FAE Formula.** For the purposes of computing Participant's Final Average Earnings Annuity pursuant to Section 4.1.1(a)(1)(iii) of the 2001 SERP Restatement, Participant's actual Benefit Service shall be increased annually by two (2) additional deemed years of Benefit Service for each actual year of employment completed by the Participant after the Participant's effective date for the commencement of SERP participation (not to exceed ten additional deemed years over and above the actual Benefit Service).
- b) **CB Increased Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement the Participant shall receive (during the period from June 1, 2001 through May 31, 2006) three times the pay credit that the Participant would otherwise be entitled to receive (i.e., the "actual" plus two "deemed"). Therefore, the Participant's applicable pay credit percentage during the following periods shall be as follows:

With respect to Participant's Earnings attributable to the following periods:	Participant's applicable pay credit percentage shall be:
June 1, 2001 to May 31, 2002	30%
June 1, 2002 to October 31, 2002	30%
November 1, 2002 to May 31, 2003	36%
June 1, 2003 to May 31, 2004	36%
June 1, 2004 to April 30, 2005	36%
May 1, 2005 to May 31, 2005	45%
June 1, 2005 to May 31, 2006	45%

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- c) **CB Generally Applicable Pay Credit Percentage.** For the purpose of determining Participant's applicable pay credit percentage pursuant to Section 4.1.1(b)(1)(iii) of the 2001 SERP Restatement during periods subsequent to May 31, 2006, Participant's applicable pay credit percentage shall be determined under the generally applicable rules of the Pension Plan; provided, however, that in applying those rules, Participant's actual Benefit Service shall be increased by all additional deemed years of Benefit Service.
- 25) **CONSENT TO AMENDMENT.** Pursuant to the provisions of Section 6.1 of the "Northwest Airlines, Inc. Supplemental Executive Retirement Plan (1995 Statement)," Participant consents to the amendments of that document that are embodied in the restatement of that document previously adopted by Northwest Airlines, Inc. known as the "Northwest Airlines Supplemental Executive Retirement Plan (2001 SERP Restatement)." Participant acknowledges prior receipt of a copy of that document. Participant acknowledges that the benefits payable to or with respect to Participant under the SERP shall be governed exclusively by Part B of the 2001 SERP Restatement.

26) **INTEGRATION.** This agreement is intended to be and is an Ancillary Agreement as that term is used in the SERP. Insofar as this Ancillary Agreement relates to Participant's entitlement under the SERP, this Ancillary Agreement represents the entire agreement of Participant and Employer and supercedes all prior agreements and understandings, written or otherwise. In no event shall this Ancillary Agreement and any other agreement be construed or interpreted to provide duplicate benefits.

IN WITNESS WHEREOF, Employer and Participant have executed this Ancillary Agreement as of October 25, 2001.

NORTHWEST AIRLINES, INC.

PARTICIPANT

Richard H. Anderson,
Chief Executive Officer

Philip C. Haan

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QuickLinks

[Exhibit 10.24](#)

[NORTHWEST AIRLINES SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN \(2001 Restatement\)](#)

**AMENDED AND RESTATED
NORTHWEST AIRLINES CORPORATION
1999 STOCK INCENTIVE PLAN**

(As Amended Through December 7, 2001)

Section 1. Purpose.

The purpose of the Northwest Airlines Corporation 1999 Stock Incentive Plan (the "Plan") is to promote the interests of the Company and its stockholders by assisting the Company and its Affiliates in attracting and retaining employees, to offer such employees incentives to put forth maximum efforts for the success of the Company and its Affiliates and to further align employees' interests with those of the Company's stockholders.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company, and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, or Other Stock-Based Award granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

(d) "Cause" shall mean with respect to the termination of a Participant's employment with the Company or any Affiliate (i) an act or acts of personal dishonesty by the Participant intended to result in substantial personal enrichment of the Participant at the expense of the Company or an Affiliate; (ii) an act or acts of personal dishonesty by the Participant intended to cause substantial injury to the Company or an Affiliate; (iii) material breach (other than as a result of a Disability) by the Participant of the Participant's obligations under the terms and conditions of the Participant's employment, which action was (A) undertaken without a reasonable belief that the action was in the best interest of the Company or an Affiliate and (B) not remedied within a reasonable period of time after receipt of written notice from the Company or an Affiliate specifying the alleged breach, or (iv) the conviction of the Participant of a felony.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(f) "Committee" shall mean a committee of the Company designated by the Board of Directors of the Company to administer the Plan, which shall consist of members appointed from time to time by the Board of Directors.

(g) "Company" shall mean NORTHWEST AIRLINES CORPORATION, a Delaware corporation, and any successor corporation.

(h) "Disability" shall mean the Participant's physical or mental condition which prevents continued performance of his or her duties and for which the Participant establishes by medical evidence that

such condition will be permanent and continuous during the remainder of the Participant's life or is likely to be of at least three (3) years' duration.

(i) "Eligible Person" shall mean any employee, consultant or independent contractor providing services to the Company or any Affiliate who the Committee determines to be an Eligible Person.

(j) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. Notwithstanding the foregoing, unless otherwise determined by the Committee, the Fair Market Value of shares on a given date for purposes of the Plan shall be the average of the opening and closing sale prices of the shares as reported on the NASDAQ National Market System on such date or, if such System is not open for trading on such date, on the day closest to such date when such System is open for trading.

(k) "Option" shall mean an option granted under Section 6(a) of the Plan that shall not be an incentive stock option within the meaning of Section 422 of the Code or any successor provision.

(l) "Other Stock-Based Award" shall mean any right granted under Section 6(e) of the Plan.

(m) "Participant" shall mean an Eligible Person designated to be granted an Award under the Plan.

(n) "Performance Award" shall mean any right granted under Section 6(d) of the Plan.

(o) "Person" shall mean any individual, corporation, partnership, association or trust.

(p) "Plan" shall mean this 1999 Stock Incentive Plan, as amended from time to time.

(q) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan.

(r) "Restricted Stock Unit" shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(s) "Retirement" shall mean separation from service with the Company or an Affiliate pursuant to a pension plan maintained by the Company or such Affiliate.

(t) "Shares" shall mean shares of Common Stock, \$0.01 par value, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

(u) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

Section 3. Administration.

(a) *Power and Authority of the Committee.* The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to:

(i) designate Participants;

(ii) determine the type or types of Awards to be granted to each Participant under the Plan;

(iii) determine the number of shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each Award;

(iv) determine the terms and conditions of any Award or Award Agreement;

(v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of Options or the lapse of restrictions relating to Restricted Stock, Restricted Stock Units or other Awards;

(vi) determine whether, to what extent and under what circumstances Awards may be exercised in cash, shares, other securities, other Awards or other property, or canceled, forfeited or suspended;

(vii) determine whether, to what extent and under what circumstances cash, shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee;

(viii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan;

(ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

(x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award and any employee of the Company or any Affiliate.

(b) *Delegation.* Except to the extent prohibited by applicable law, the Committee may allocate all or any portion of its powers and duties under the Plan to any one or more of its members and may delegate its powers and duties under the Plan to any person or persons selected by it, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion. Any such allocation or delegation may be revoked by the Committee at any time.

(c) *Power and Authority of the Board of Directors.* Notwithstanding anything to the contrary contained herein, the Board of Directors may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan.

Section 4. Shares Available for Awards.

(a) *Shares Available under the Plan.* Subject to adjustment as provided in Section 4(c), the aggregate number of shares that may be issued under all Awards under the Plan shall be 9,000,000, subject to the following:

(i) If any shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any shares, then the number of shares counted against the aggregate number of shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan.

(ii) If the exercise price of any Option granted under the Plan is satisfied by tendering shares to the Company, only the number of shares issued net of the shares tendered shall be deemed issued under the Plan.

(iii) Shares delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the aggregate number of shares available under the Plan to the extent that such

settlement, assumption or substitution is a result of the Company or an Affiliate acquiring another entity (or an interest in another entity).

Shares to be issued under the Plan shall be shares reacquired and held in the treasury of the Company.

(b) *Accounting for Awards.* For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase shares, the number of shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of shares available for granting Awards under the Plan.

(c) *Adjustments.* In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other securities of the Company, issuance of warrants or other rights to purchase shares or other securities of the Company or other similar corporate transaction or event affects the shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of shares (or other securities or other property) subject to outstanding Awards and (iii) the purchase or exercise price with respect to any Award; provided, however, that the number of shares covered by any Award or to which such Award relates shall always be a whole number.

Section 5. Eligibility.

Any Eligible Person shall be eligible to be designated a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant.

Section 6. Awards.

(a) *Options.* The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

- (i) *Exercise Price.* The purchase price per Share purchasable under an Option shall be the price specified by the Committee.
- (ii) *Option Term.* The term of each Option shall be fixed by the Committee.

(iii) *Period of Exercise; Termination of Employment.* The Committee shall determine the time or times at which an Option may be exercised in whole or in part and shall provide for exercisability of Options in the event of death, disability, retirement or other termination of employment of the Participant. Unless otherwise provided in any applicable Award Agreement or otherwise determined by the Committee, the following provisions shall apply with respect to the exercisability of Options previously granted to a Participant under the Plan in the event the Participant's employment with the Company or any Affiliate is terminated:

(A) *Retirement.* If a Participant's employment with the Company or any Affiliate is terminated by reason of the Participant's Retirement, then any portion of any Option previously granted to the Participant that was exercisable as of the date of such Retirement

and not previously exercised may be exercised by the Participant at any time within one (1) year after the date of such Retirement; provided, however, that if the Participant dies or becomes Disabled within one (1) year after such Retirement, then any portion of the Option that was exercisable as of the date of the Participant's Retirement and not previously exercised shall not terminate pursuant to this Section 6(a)(iii) and may be exercised during the remainder of the term of the Option by the Participant or by the estate of the Participant or a person who shall have acquired the right to exercise the Option by bequest or inheritance. Any portion of any such Option that was not exercisable as of the date of such Retirement shall be canceled immediately upon such Retirement.

(B) *Death or Disability.* If a Participant's employment with the Company or any Affiliate is terminated by reason of the Participant's death or Disability, then any portion of any Option previously granted to the Participant that was exercisable as of the date of such death or Disability and not previously exercised shall not terminate and may be exercised during the remainder of the term of the Option by the Participant or by the estate of the Participant or a person who shall have acquired the right to exercise the Option by bequest or inheritance. Any portion of any such Option that was not exercisable as of the date of such death or Disability shall be canceled immediately upon such death or Disability.

(C) *Termination of Employment for Cause.* If a Participant's employment with the Company or any Affiliate shall terminate for Cause, any Option previously granted to the Participant, to the extent not previously exercised, shall be canceled immediately upon such termination of employment.

(D) *Termination of Employment Other Than for Cause, Death, Disability or Retirement.* If a Participant's employment with the Company or any Affiliate shall be terminated otherwise than by reason of Cause, death, Disability or Retirement, any portion of any Option previously granted to the Participant that was exercisable as of the date of such termination of employment and not previously exercised may be exercised by the Participant at any time within ninety (90) days after the date of such termination of employment. Any portion of any such Option that was not exercisable as of the date of such termination of employment shall be canceled immediately upon such termination of employment.

(iv) *Manner of Exercise.* All Options granted under the Plan shall be exercised by delivery of written notice of exercise to the Secretary of the Company and payment of the exercise price for the shares being purchased pursuant to the Option. Except as otherwise determined by the Committee, the exercise price for the shares purchased pursuant to an Option may be paid:

(A) in United States dollars in cash or by check, bank draft or money order payable to the order of the Company;

(B) through the delivery of shares with an aggregate Fair Market Value on the exercise date equal to the exercise price;

(C) by delivery of irrevocable instructions to a financial institution to sell the shares acquired upon exercise of the Option or a sufficient portion thereof and remit promptly to the Company the portion of the sale or loan proceeds sufficient to pay the exercise price;

(D) by the withholding of shares otherwise to be delivered upon exercise of the Option with a Fair Market Value equal to the exercise price; or

(E) by any combination of the above methods of payment or by such other means and in such other forms (including, without limitation, promissory notes, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) as the Committee shall determine.

(b) *Stock Appreciation Rights*. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine, at any time during a specified period before or after the date of exercise) over (ii) the grant price of the Stock Appreciation Right as specified by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) *Restricted Stock and Restricted Stock Units*. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) *Restrictions*. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate.

(ii) *Stock Certificates*. Any Restricted Stock granted under the Plan shall be evidenced by issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock. In the case of Restricted Stock Units, no shares shall be issued at the time such Awards are granted.

(iii) *Forfeiture; Delivery of Shares*. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all shares of Restricted Stock and all Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to shares of Restricted Stock or Restricted Stock Units. Any Share representing Restricted Stock that is no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive shares, such shares shall be issued and delivered to the holders of the Restricted Stock Units.

(d) *Performance Awards*. The Committee is hereby authorized to grant Performance Awards to Participants subject to the terms of the Plan and any applicable Award Agreement. A Performance Award granted under the Plan (i) may be denominated or payable in cash, shares (including, without limitation, Restricted Stock), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Award Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee.

(e) *Other Stock-Based Awards*. The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or

otherwise based on or related to, shares (including, without limitation, securities convertible into shares), as are deemed by the Committee to be consistent with the purpose of the Plan; provided, however, that such grants must comply with applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares or other securities

delivered pursuant to a purchase right granted under this Section 6(e) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including without limitation, cash, shares, promissory notes, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such shares or other securities as of the date such purchase right is granted.

(f) *General.*

(i) *No Cash Consideration for Awards.* Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) *Awards May Be Granted Separately or Together.* Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate other than the Plan. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) *Forms of Payment under Awards.* Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, shares, promissory notes, other securities, other Awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments.

(iv) *Limits on Transfer of Awards.* Unless otherwise determined by the Committee:

(A) no Award and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant;

(B) each Award or right under any Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative; and

(C) no Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee.

(vi) *Restrictions; Securities Exchange Listing.* All certificates for shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such

stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any shares or other securities covered by an Award unless and until such shares or other securities have been admitted for trading on such securities exchange.

Section 7. *Amendment and Termination; Adjustments.*

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) *Amendments to the Plan.* The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan.

(b) *Amendments to Awards.* The Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. The Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, without the consent of the Participant or holder or beneficiary thereof, except as otherwise herein provided.

(c) *Correction of Defects, Omissions and Inconsistencies.* The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

Section 8. *Change of Control.*

(a) Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, upon the occurrence of a Change of Control (as defined below) (i) all outstanding Options and Stock Appreciation Rights granted pursuant to the Plan, to the extent not theretofore exercised or canceled, shall become exercisable in full for the remainder of the applicable term of such Award; and (ii) all restrictions applicable to all outstanding Awards granted pursuant to the Plan, other than Stock Options and Stock Appreciation Rights, shall be deemed to have been satisfied and such Awards shall immediately vest in full.

(b) For purposes of the Plan, the term "Change of Control" shall mean any one of the following:

(i) Individuals who, as of June 1, 2000, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; *provided, however,* that any individual becoming a director subsequent to the date hereof, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as defined below) other than the Board of Directors of the Company; or

(ii) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of Common Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (the "Outstanding Common Stock") and the

combined voting power of the then outstanding voting securities of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) entitled to vote generally in the election of directors (the "Outstanding Voting Securities") immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, and (B) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such Board providing for such Business Combination; or

(iii) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

As used in this subsection (b), the term "Person" shall mean any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended.

Section 9. *Income Tax Withholding.*

In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all or a portion of the federal and state taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes or (ii) delivering to the Company shares other than shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

Section 10. *General Provisions.*

(a) *No Rights to Awards.* No Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) *Award Agreements.* No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company.

(c) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

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(d) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(e) *Governing Law.* The validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award, shall be determined in accordance with the laws of the State of Minnesota.

(f) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(g) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(h) *No Fractional Shares*. No fractional shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) *Headings*. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 11. *Effective Date of the Plan.*

The Plan shall be effective as of January 28, 1999.

Section 12. *Term of the Plan.*

Unless the Plan shall have been discontinued or terminated as provided in Section 7(a), the Plan shall be unlimited in duration and shall remain in effect as long as any Awards granted pursuant to the Plan remain outstanding.

Adopted: 1/28/99

QuickLinks

[Exhibit 10.26](#)

Name of Optionee:

**NORTHWEST AIRLINES CORPORATION
2001 STOCK INCENTIVE PLAN**

Non-Qualified Stock Option Agreement

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (the "Agreement") dated as of _____, 20__ is entered into between NORTHWEST AIRLINES CORPORATION, a Delaware corporation (the "Company"), and _____, an employee of the Company or a Subsidiary (as defined herein) of the Company (the "Optionee"), pursuant to and subject to the terms and conditions of the Northwest Airlines Corporation 2001 Stock Incentive Plan (as amended, the "Plan"). The purpose of this Agreement is to evidence the terms and conditions of one or more non-qualified stock options granted to the Optionee under the Plan.

Accordingly, for good and valuable consideration, the parties agree as follows:

ARTICLE 1. DEFINITIONS

All capitalized terms used in this Agreement and the Schedule shall have the meaning given them in the Plan or as set forth below, unless the context indicates otherwise.

1.1 "*Cause*" shall mean with respect to the termination of the Optionee's employment with the Company or a Subsidiary of the Company: (i) an act or acts of personal dishonesty by the Optionee intended to result in substantial personal enrichment of the Optionee at the expense of the Company or a Subsidiary, (ii) an act or acts of personal dishonesty by the Optionee intended to cause substantial injury to the Company or a Subsidiary, (iii) material breach (other than as a result of a Disability) by the Optionee of the Optionee's obligations under the terms and conditions of the Optionee's employment, which action was (A) undertaken without a reasonable belief that the action was in the best interests of the Company or a Subsidiary and (B) not remedied within a reasonable period of time after receipt of written notice from the Company or a Subsidiary specifying the alleged breach, or (iv) the conviction of the Optionee of a felony.

1.2 "*Change in Control*" shall mean one or more of the following:

(a) (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) (a "Person"), other than one or more Permitted Holders or their Related Parties or any group comprised exclusively of Permitted Holders or their Related Parties, of beneficial ownership (within the meaning of Rule 13d-3 and 13d-5 promulgated under the Exchange Act, except that such person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) of 20% or more (or, if such Person is an Institutional Investor (as such term is defined in the Rights Agreement dated as of November 20, 1998 between Northwest Airlines Corporation and Norwest Bank Minnesota, N.A.), 25% or more), of either (A) the then outstanding shares of Common Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (the "Outstanding Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) entitled to vote generally in the election of directors (the "Outstanding Voting Securities"), and (ii) the Permitted Holders or their Related Parties collectively "beneficially own" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) a lesser percentage of that which is described in each of clause (A) and

(B) above and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company or such successor;

(b) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; *provided, however*, that any individual becoming a director subsequent to the date hereof, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of the Company; or

(c) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, and (ii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of such Board providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

1.3 "*Committee*" shall mean the Compensation Committee of the Company's Board of Directors or any other committee of the Board performing similar functions as appointed from time to time by the Board to administer the Plan or any subcommittee thereof constituted so as to contain at least two "Outside Directors" as that term is defined under Section 162(m) of the Code.

1.4 "*Common Stock*" shall mean the common stock, par value \$.01 per share, of the Company or such other securities or property as may become subject to an Option granted hereunder as a result of an adjustment made pursuant to Section 2.2 hereof.

1.5 "*Disability*" shall mean the Optionee's physical or mental condition which prevents continued performance of his or her duties and for which the Optionee establishes by medical evidence that such condition will be permanent and continuous during the remainder of the Optionee's life or is likely to be of at least three (3) years' duration.

1.6 "*Expiration Date*" shall mean, with respect to each Option granted hereunder, the date on which the Option shall expire pursuant to Section 2.4 hereof, unless terminated earlier pursuant to Section 3.2 hereof.

1.7 "*Fair Market Value*" shall mean, with respect to a share of Common Stock, the average of the opening and closing sale prices of shares of Common Stock as reported on the NASDAQ National Market System as of a specified date or, if such System is not open for trading on such date, on the day closest to such date when such System is open for trading.

1.8 "*Good Reason*" shall mean any one or more of the following:

(a) a material reduction in the Optionee's compensation or other benefits;

(b) any material change in the Optionee's job responsibilities; provided that, so long as the Optionee retains a substantial part of his then current oversight responsibility, a transfer of a portion of such oversight responsibility of the Optionee shall not in and of itself constitute a material change in the Optionee's job responsibilities; and

(c) the relocation of the Company's principal executive offices to a location outside the Minneapolis-St. Paul Metropolitan Area.

In order for a Termination of Employment to be considered for Good Reason, such termination must occur within one (1) year after the event giving rise to such Good Reason. The Optionee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

1.9 "*Grant Date*" shall mean, with respect to each Option granted hereunder, the date on which the Option is granted by the Company to the Optionee pursuant to the provisions of the Plan, as specified on the applicable Schedule.

1.10 "*Option*" shall mean one or more non-qualified stock options granted by the Company to the Optionee pursuant to the provisions of the Plan on the terms set forth in the Plan, this Agreement and the applicable Schedule pertaining to such option.

1.11 "*Option Term*" shall mean, with respect to each Option granted hereunder, the term of the Option set forth in Section 2.4 of this Agreement.

1.12 "*Permitted Holders*" means each of Alfred A. Checchi, Gary L. Wilson, Frederic V. Malek or Richard C. Blum and Richard C. Blum & Associates–NWA Partners, L.P., and also includes the Company and any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company.

1.13 "*Purchase Price*" shall mean the price set forth in Section 2.3 of this Agreement.

1.14 "*Related Parties*" with respect to any Permitted Holders means (i) any spouse or immediate family member of such Permitted Holder, any trust created primarily for the benefit of any such individual or such individual's estate, executor, administrator, committee or other personal representatives or beneficiaries; or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a majority controlling interest of which consist of one or more of such Permitted Holders and/or such other Person referred to in the immediately preceding clause (i).

1.15 "*Retirement*" shall mean separation from service with the Company or a Subsidiary pursuant to a pension or retirement plan maintained by the Company or such Subsidiary.

1.16 "*Schedule*" shall mean a Stock Option Agreement Schedule in the form attached to this Agreement, which shall contain the terms of one or more Options granted to the Optionee from time to time pursuant to the Plan.

1.17 "*Secretary*" shall mean the Secretary of the Company.

1.18 "*Subsidiary*" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company, and (ii) any entity in which the Company has a significant interest, in each case as determined by the Committee.

1.19 "*Termination of Employment*" shall mean the time when the employee-employer relationship between the Optionee and the Company or any Subsidiary ceases for any reason whatsoever. The Optionee's employment shall not be deemed to have been terminated because of absence from active employment on account of temporary illness or during authorized vacation or during temporary leaves of absence from active employment granted by the Company and its Subsidiaries.

ARTICLE 2. THE OPTION(S)

2.1 *Number of Shares.* Pursuant to the terms and provisions of the Plan, this Agreement and the applicable Schedule, the Optionee is granted one or more Options to purchase all or any portion of the number of shares of Common Stock set forth on the applicable Schedule.

2.2 *Adjustments in Shares.* In the event of any merger, reorganization, consolidation, sale of all or substantially all of the assets of the Company, recapitalization, stock dividend, stock split, reverse stock split or other change in corporate structure affecting the Common Stock, and provided in the case of any of the foregoing transactions no Change in Control has occurred or will occur in connection therewith, such substitution or adjustment shall be made in the number and type of shares (or other securities or other property) subject to the Option, to the extent not theretofore exercised, and/or the Purchase Price of such shares, in each case as may be determined to be appropriate by the Committee in its sole discretion, provided that the number of shares subject to the Option shall always be a whole number.

2.3 *Purchase Price.* The Purchase Price of the shares of Common Stock subject to an Option granted hereunder shall be the price set forth on the applicable Schedule without commission or other charge.

2.4 *Option Term.* The term of each Option granted hereunder shall be for a period of ten (10) years from the Grant Date, subject to earlier termination as provided in Section 3.2 hereof.

ARTICLE 3. EXERCISABILITY; TERMINATION

3.1 *Exercisability.* Subject to the provisions of Sections 3.2 and 3.3 hereof, each Option granted hereunder, to the extent not theretofore exercised, may be exercised at any time or from time to time as to any portion or all of the shares subject to such Option in accordance with the vesting schedule set forth on the applicable Schedule.

3.2 Termination.

3.2.1 *Retirement.* If a Termination of Employment shall occur by reason of the Optionee's Retirement, any portion of any Option granted hereunder that was exercisable as of the date of such Retirement and not theretofore exercised, may be exercised by the Optionee at any time within one (1) year after the date of such Retirement; *provided, however,* that if the Optionee dies or becomes Disabled within one (1) year after such Retirement, then any portion of any such Option that was exercisable as of the date of the Optionee's Retirement and not theretofore exercised shall not terminate pursuant to this Section 3.2 and may be exercised during the remainder of the term of the Option by the Optionee or by the estate of the Optionee or a person who shall have acquired the right to exercise such Option by bequest or inheritance. Any portion of an Option granted hereunder that was not exercisable as of the date of such Retirement shall be canceled immediately upon such Retirement.

3.2.2 *Death or Disability.* If a Termination of Employment shall occur by reason of the Optionee's death or Disability, then any portion of any Option granted hereunder that was exercisable as of the date of such death or Disability and not theretofore exercised shall not terminate and may be exercised during the remainder of the term of such Option by the Optionee or by the estate of the Optionee or a person who shall have acquired the right to exercise such Option by bequest or inheritance. Any portion of an Option granted hereunder that was not exercisable as of the date of such death or Disability shall be canceled immediately upon such death or Disability.

3.2.3 *Termination of Employment for Cause.* If the Optionee's employment shall terminate for Cause, any Option granted hereunder, to the extent not theretofore exercised, shall be canceled immediately upon such Termination of Employment.

3.2.4 *Termination of Employment Other Than for Cause, Death, Disability or Retirement.* If the employment of the Optionee shall be terminated otherwise than by reason of Cause, death,

Disability or Retirement, any portion of any Option granted hereunder that was exercisable as of the date of such Termination of Employment and not theretofore exercised may be exercised by the Optionee at any time within one (1) year after the date of such Termination of Employment. Any portion of any such Option that was not exercisable as of the date of such Termination of Employment shall be canceled immediately upon such Termination of Employment.

3.3 *Change in Control*. Notwithstanding any other provision of this Agreement, in the event of a Change in Control, any Option granted hereunder (to the extent not theretofore exercised or canceled) shall become immediately exercisable in full in accordance with this Section 3.3 and shall remain exercisable during the remainder of the applicable Option Term:

(a) If the Change in Control occurs pursuant to Section 1.2(a) hereof, any such Option shall become immediately exercisable in full upon a Termination of Employment by the Company other than for Cause or by the Participant with Good Reason (i) at any time after the occurrence of the Change in Control or (ii) before the occurrence of the Change in Control if such termination is in connection with such Change in Control; and

(b) If the Change in Control occurs pursuant to Section 1.2(b), (c) or (d) hereof, any such Option shall become exercisable in full immediately upon the effective date of such Change in Control.

ARTICLE 4. EXERCISE OF OPTION; ISSUANCE OF SHARES

4.1 *Transferability*. The Options granted hereunder may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated and shall not be subject to execution, attachment or similar process. Any attempted sale, transfer, pledge, assignment, hypothecation or other disposition of any Option contrary to the provisions hereof, or the levy of any execution, attachment or similar process upon any such Option, shall be null and void and without effect. In addition, the Options may be exercised during the lifetime of the Optionee only by the Optionee. Notwithstanding the foregoing, the designation of a beneficiary by the Optionee does not constitute such transfer and, after the death of the Optionee, any exercisable portion of the Options may be exercised by the estate of the Optionee or by a person who shall have acquired the right to exercise the Options by bequest or inheritance in accordance with the provisions of Sections 3.2.1 and 3.2.2.

4.2 *Manner of Exercise*. Subject to the terms and conditions of this Agreement, each Option granted hereunder, or any portion thereof, may be exercised by delivery of written notice of such exercise to the Company at its principal office at 5101 Northwest Drive, St. Paul, Minnesota 55111-3034, Attention of the Secretary. Such notice shall state the election to exercise an Option granted hereunder, the Date of Grant of the Option being exercised and the number of shares in respect of which such Option is being exercised (which shall not be less than one hundred (100) shares) and shall be signed by the person or persons so exercising the Option. Such notice shall be accompanied by payment of the full Purchase Price of such shares in the following manner:

4.2.1 in United States dollars in cash or by check, bank draft or money order payable to the order of the Company;

4.2.2 through the delivery of shares of Common Stock with an aggregate Fair Market Value on the exercise date equal to the Purchase Price;

4.2.3 by delivery of irrevocable instructions to a financial institution to sell the shares of Common Stock acquired upon exercise of the Option or a sufficient portion thereof and remit promptly to the Company the portion of the sale or loan proceeds sufficient to pay the Purchase Price;

4.2.4 by the withholding of shares of Common Stock otherwise to be delivered upon exercise of the Option with a Fair Market Value on the date of exercise equal to the Purchase Price; or

4.2.5 by any combination of the above methods of payment or by such other means and in such other forms as the Committee shall approve.

Such notice shall also be accompanied by payment of all amounts which the Company is required under federal, state or local law to withhold upon the exercise of the Option. In the event that the Option shall be exercised, pursuant to Sections 3.2.1 or 3.2.2 hereof, by any person or persons other than the Optionee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise the Option.

4.3 *Issuance of Shares of Common Stock.* The certificate or certificates for the shares as to which an Option shall have been exercised in the manner set forth in Section 4.2 hereof shall be registered in the name of the person or persons so exercising the Option and shall be delivered after payment of the full Purchase Price and any applicable withholding taxes to or upon the written order of the person or persons exercising the Option. All shares that shall be purchased upon the exercise of an Option shall be fully paid and non-assessable. Anything in this Agreement to the contrary notwithstanding, the obligation of the Company to sell and deliver shares of Common Stock upon exercise of an Option shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of a registration statement under the Securities Act of 1933, as amended, as deemed necessary or appropriate by counsel for the Company and such shares having been approved for trading on the NASDAQ National Market System.

ARTICLE 5. MISCELLANEOUS

5.1 *Administration.* The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option. In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

5.2 *Termination of Employment.* For purposes of the Option, the Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, without limitation, all questions of whether particular leaves of absence constitute Terminations of Employment and whether any re-employment by the Company shall be deemed to be simultaneous with termination.

5.3 *Plan Does Not Confer Employment or Stockholder Rights.* Nothing in this Agreement shall confer upon the Optionee any right to continue in the employ of the Company or any Subsidiary or interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Optionee at any time. Neither the Optionee nor any person entitled to exercise the Optionee's rights in the event of the Optionee's death shall have any of the rights of a stockholder of the Company with respect to the shares subject to an Option except and to the extent that, and until, such shares shall have been issued by the Company upon the exercise of the Option.

5.4 *Shares to be Reserved.* The Company shall at all times during the term of any Option granted hereunder reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement.

5.5 *Titles.* Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 *Amendment.* This Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Agreement.

5.7 *Governing Law.* The laws of the State of Delaware shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.8 *Jurisdiction.* Any suit, action or proceeding against the Optionee with respect to this Agreement, or any judgment entered by any court in respect of any thereof, may be brought in any court of competent jurisdiction in the States of Delaware, Minnesota or New York, as the Company may elect in its sole discretion, and the Optionee hereby submits to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment.

5.9 *Notices.* All notices and other communications provided for herein shall be in writing and shall be deemed to have been duly given if delivered by hand (whether by overnight courier or otherwise) or sent by registered or certified mail, return receipt requested, postage prepaid, to the party to whom it is directed:

5.9.1 If to the Company, to it at the following address:

Northwest Airlines Corporation
5101 Northwest Drive
St. Paul, Minnesota 55111-3034
Attn: Secretary

5.9.2 If to the Optionee, to him at the address set forth on the applicable Schedule;

or at such other address as either party shall from time to time specify by notice in writing to the other.

5.10 *Counterparts*. This Agreement may be executed in two or more counterparts.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the date set forth above.

NORTHWEST AIRLINES CORPORATION

By:

Name:

Title:

OPTIONEE:

Date of Schedule: _____, _____

**NORTHWEST AIRLINES CORPORATION
2001 STOCK INCENTIVE PLAN**

Stock Option Agreement Schedule

This STOCK OPTION AGREEMENT SCHEDULE (the "Schedule") dated as of the date set forth above is issued by Northwest Airlines Corporation (the "Company") to the Optionee named below pursuant to the Stock Option Agreement (the "Agreement") dated as of February __, _____ between the Company and the Optionee. This Schedule sets forth the terms of an Option granted to the Optionee pursuant to the Company's 2001 Stock Incentive Plan, as amended (the "Plan"). This Schedule is subject to the provisions of the Plan and the Agreement. All terms not defined in this Schedule shall have the meanings given to them in the Agreement and the Plan.

Optionee Information:

Name of Optionee:

Address of Optionee:

Social Security Number: _____

Terms of Non-Qualified Stock Option Granted Pursuant to the Plan:

Date of Grant: _____, _____

Number of Shares Subject to the Option: _____

Purchase Price: \$_____ per share (The Fair Market Value per share of Common Stock on the Grant Date)

Expiration Date: _____, _____

Vesting Schedule: The Option becomes exercisable as follows:

The Company has caused this Stock Option Agreement Schedule to be signed and delivered as of the date set forth above.

NORTHWEST AIRLINES CORPORATION

By: _____

Name: _____

Title: _____

QuickLinks

[Exhibit 10.28](#)

[NORTHWEST AIRLINES CORPORATION 2001 STOCK INCENTIVE PLAN](#)

Northwest Airlines Corporation

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)

	Year ended December 31,				
	2001	2000	1999	1998	1997
Earnings:					
Income (loss) before income taxes and 1997 extraordinary items	\$ (670)	\$ 435	\$ 487	\$ (430)	\$ 985
Less: Income (loss) from less than 50% owned investees	(5)	92	86	9	19
Add:					
Rent expense representative of interest(1)	237	229	199	193	198
Interest expense net of capitalized interest	326	316	348	294	228
Interest of preferred security holder	25	27	27	22	24
Amortization of debt discount and expense	14	11	15	18	6
Amortization of interest capitalized	4	4	4	4	3
Adjusted earnings	\$ (59)	\$ 930	\$ 994	\$ 92	\$ 1,425
Fixed charges:					
Rent expense representative of interest(1)	\$ 237	\$ 229	\$ 199	\$ 193	\$ 198
Interest expense net of capitalized interest	326	316	348	294	228
Interest of preferred security holder	25	27	27	22	24
Amortization of debt discount and expense	14	11	15	18	6
Capitalized interest	29	23	16	17	11
Fixed charges	\$ 631	\$ 606	\$ 605	\$ 544	\$ 467
Ratio of earnings to fixed charges	-(2)	1.53	1.64	-(2)	3.05

(1) Calculated as one-third of rentals, which is considered representative of the interest factor.

(2) Earnings were inadequate to cover fixed charges by \$690 million and \$452 million for the years ended December 31, 2001 and 1998, respectively.

[Exhibit 12.1](#)

[Northwest Airlines Corporation COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES \(Dollars in millions\)](#)

Northwest Airlines Corporation

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK REQUIREMENTS

(Dollars in millions)

	Year ended December 31,				
	2001	2000	1999	1998	1997
Earnings:					
Income (loss) before income taxes and 1997 extraordinary items	\$ (670)	\$ 435	\$ 487	\$ (430)	\$ 985
Less: Income (loss) from less than 50% owned investees	(5)	92	86	9	19
Add:					
Rent expense representative of interest(1)	237	229	199	193	198
Interest expense net of capitalized interest	326	316	348	294	228
Interest of preferred security holder	25	27	27	22	24
Amortization of debt discount and expense	14	11	15	18	6
Amortization of interest capitalized	4	4	4	4	3
Adjusted earnings	\$ (59)	\$ 930	\$ 994	\$ 92	\$ 1,425
Fixed charges and preferred stock requirements:					
Rent expense representative of interest(1)	\$ 237	\$ 229	\$ 199	\$ 193	\$ 198
Interest expense net of capitalized interest	326	316	348	294	228
Preferred stock requirements	1	1	1	2	21
Interest of preferred security holder	25	27	27	22	24
Amortization of debt discount and expense	14	11	15	18	6
Capitalized interest	29	23	16	17	11
Fixed charges and preferred stock requirements	\$ 632	\$ 607	\$ 606	\$ 546	\$ 488
Ratio of earnings to fixed charges and preferred stock requirements	-(2)	1.53	1.64	-(2)	2.92

(1) Calculated as one-third of rentals, which is considered representative of the interest factor.

(2) Earnings were inadequate to cover fixed charges by \$691 million and \$454 million for the years ended December 31, 2001 and 1998, respectively.

[Exhibit 12.2](#)

[Northwest Airlines Corporation COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK REQUIREMENTS \(Dollars in millions\)](#)

NORTHWEST AIRLINES CORPORATION

LIST OF SUBSIDIARIES

(wholly-owned unless otherwise specified)

Northwest Airlines Corporation (Delaware corporation)

Northwest Airlines Holdings Corporation (Delaware corporation)

NWA Inc. (Delaware corporation)

Northwest Airlines, Inc. (Minnesota corporation)

Win-Win L.P. (Delaware limited partnership) *

Wings Finance Company (Japanese corporation)

NWA Funding, LLC (Delaware limited liability company)

Northwest Airlines Cargo, Inc. (Delaware corporation)

NWA Fuel Services Corporation (Texas corporation)

Montana Enterprises, Inc. (Montana corporation)

Tomisato Shoji Kabushiki Kaisha (Japan corporation)

NWA Worldclub, Inc. (Wisconsin corporation)

Northwest Aircraft Inc. (Delaware corporation)

Aircraft Foreign Sales, Inc. (U.S. Virgin Islands corporation)

Mesaba Holdings, Inc. (Minnesota corporation) **

Northwest Aerospace Training Corporation (Delaware corporation)

MLT Inc. (Minnesota corporation)

NWA Aircraft Finance, Inc. (Delaware corporation)

Northwest PARS Holdings, Inc. (Delaware corporation)

Northwest PARS, Inc. (Delaware corporation)

Express Airlines I, Inc. (Georgia corporation)

* Northwest Airlines, Inc. is 99% limited partner

** The Company owns 27.9% of the common stock of Mesaba Holdings, Inc., the holding company of Mesaba Aviation, Inc., a Northwest Airlinck carrier.

QuickLinks

[EXHIBIT 21.1](#)

Consent of Independent Auditors

We consent to the use of our report dated January 16, 2002 included in the Annual Report (Form 10-K) of Northwest Airlines Corporation.

Our audit also included the financial statement schedule of Northwest Airlines Corporation listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-79215, 333-45314 and 333-65588) of Northwest Airlines Corporation and Northwest Airlines, Inc. and in the related Prospectuses, in the Registration Statement on Form S-3 (No. 333-69655) of Northwest Airlines Corporation and in the related Prospectus and in the Registration Statements on Form S-8 (Nos. 33-85220, 333-14445, 333-12571, 333-46045, 333-66253 and 333-75933) of Northwest Airlines Corporation of our report dated January 16, 2002, with respect to the consolidated financial statements and the financial statement schedule included in this Annual Report (Form 10-K) of Northwest Airlines Corporation.

ERNST & YOUNG LLP

Minneapolis, Minnesota
March 28, 2002

QuickLinks

[Exhibit 23.1](#)

[Consent of Independent Auditors](#)