

Report to The Legislative Commission on
Planning and Fiscal Policy
on
Metropolitan Airports Commission-
Northwest Airlines Negotiations

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INTRODUCTION

The Legislative Commission on Planning and Fiscal Policy voted December 16, 1991, to approve \$390 million in Metropolitan Airports Commission (MAC) bonding as part of the Northwest Airlines financing package authorized in 1991 Minnesota Laws, Chapter 350. As part of its motion to approve the bonding, the legislative commission required that staff representing the Legislature monitor the negotiations between the Metropolitan Airports Commission and Northwest Airlines. The staff was directed to report back to the legislative commission following the completion of the negotiations.

Numerous negotiation sessions were held on the MAC portion of the deal. Those participating varied depending upon the topic of discussion. The chief negotiating team on both sides included top level staff members from MAC and Northwest, supplemented with outside counsel for each of the parties. Some sessions included negotiators from the state and some included representatives of Duluth, Hibbing, and the Iron Range Resources and Rehabilitation Board (IRRRB). The negotiators' work was officially completed on March 29, 1992, when the numerous documents needed to cover all the legal aspects of the deal were signed.

This report is an attempt to inform legislators of how the negotiators addressed the requirements of the 18-page MAC term sheet and the legislative commission amendments. Each of the terms is reprinted in this report and followed by a summary of language from the negotiated documents, or the actual language of the documents. The term sheet language is in regular type, the negotiated language is in boldface.

I. GENERAL OBLIGATION REVENUE BOND FINANCING

TERM SHEET

A. GO BOND TERMS

1. **General.** Subject to compliance with the requirements of this Term Sheet, the GO Bonds will be issued in one or more series in a principal amount of \$270,000,000. The proceeds of the GO Bonds will be principally utilized (i) to purchase GO Facilities from NAI or NAI affiliates (which facilities will then be leased back to NAI pursuant to GO Leases), and (ii) to refinance certain GO Facilities pursuant to a purchase of NAI's leasehold interests in certain facilities together with a lease back of such facilities to NAI under GO Leases (for the same terms as the original leaseholds) and/or pursuant to GO Loans.

The principal amount of the GO Bonds applied to so purchase or refinance the GO Facilities may not exceed 85 percent of the fair market value of the GO Facilities as determined by GO Appraisal.

NEGOTIATED AGREEMENT

The Metropolitan Airports Commission (MAC) issued a preliminary official statement March 17 and passed a bond resolution at its March 24 meeting for the sale of a single series of taxable general obligation revenue bonds in the principal amount of \$270 million. The proceeds are to be used to 1) finance the acquisition of certain flight training facilities and related property owned by Northwest Aerospace Training Corporation, Northwest Airlines, Inc. (NATCO), and NWA Inc. (NAI); (2) acquire certain machinery and equipment owned by NAI consisting of maintenance docks, cranes and hoists and ground power systems located at the Minneapolis-St. Paul International Airport, and 3) refinance certain leasehold interests of NAI or NWA with respect to Building F, Sun Country Hangar, Building C and the Gold Concourse located at the Minneapolis-St. Paul International Airport. (MAC Bond Resolution, Section 1.01)

The purchase price for the NATCO property and the airport equipment is not more than \$245,140,000 and the fair market value of the property is \$290,400,000, according to the MAC Bond Resolution. Therefore, the purchase price is 84.4 percent of the fair market value. (MAC Bond Resolution, Section 1.08, j.)

The portion of the bonds attributable to the financing or refinancing of the Airport Leases is not more than \$24,860,000 and the fair market value of the Airport Leases is \$29,450,000, according to the MAC Bond Resolution. Therefore, the portion of the bonds applied to refinance the GO Facilities is 84.4 percent of the fair market value. (MAC Bond Resolution, Section I.08, k.)

The total amount of the GO Bonds applied to purchase or refinance the GO Facilities is \$270 million or 84.4 percent of the total fair market value of the facilities - \$319,850,000. (Exhibit D.2, page 23.)

TERM SHEET

2. **Term.** Each series of GO Bonds will mature over a term of approximately 30 years. It is expected that most of the principal on the GO Bonds will be scheduled to mature later than most of the principal on the Revenue Bonds, and the MAC Loan to achieve a level overall debt service schedule to the extent reasonably possible consistent with the other terms and conditions hereof. Principal on the GO Bonds will be payable annually (or more frequently if acceptable to MAC and NAI), either through serial maturities or sinking fund redemptions.

NEGOTIATED AGREEMENT

The \$270 million bond issue, Series 9, has two maturity dates: January 1, 2010 for \$58,545,000, and January 1, 2022 for \$211,455,000, according to MAC's bond resolution and the bond issue preliminary official statement. The bonds are payable annually through mandatory sinking fund redemptions.

TERM SHEET

3. **Rate.** The GO Bonds will be issued as taxable fixed-rate instruments provided that with the approval of NAI and MAC and upon terms acceptable to MAC, a portion of the GO Bonds may be issued as variable rate instruments for all or part of the term. The GO Bonds will bear interest payable semi-annually or at such other times as acceptable to NAI and MAC.

NEGOTIATED AGREEMENT

The MAC Bond Resolution provides that the taxable, fixed-interest rate bonds will bear interest at a weighted average coupon rate not exceeding 9.5 percent per annum. (MAC Bond Resolution, Section 3.03) The bonds will bear interest from April 1, 1992, payable on July 1, 1992, and semiannually thereafter on January 1 and July 1 of each year. (MAC Bond Resolution, Section 2.01; bond preliminary official statement, page 2) The actual interest rates are \$58,545,000 at 8.6 percent due January 1, 2010 and \$211,455,000 at 8.95 percent due January 1, 2022.

TERM SHEET

4. **Redemption.** GO Bonds are subject to redemption at the option of MAC and NAI under certain circumstances at par plus a market premium. GO Bonds are subject to extraordinary redemption at the option of MAC at par or at par plus a market premium under certain specified circumstances.

NEGOTIATED AGREEMENT

The MAC Bond Resolution and MAC bond issue preliminary official statement both contain the provision for early redemption of the bonds by the Commission. The resolution contains a schedule and the prepayment premium to be paid for the early redemption. (MAC Bond Resolution, Section 3.02) See Exhibit 6 in the Appendix for the schedule.

TERM SHEET

5. **Security.** The obligations of NAI on the GO Leases and GO Loans shall be secured by GO Mortgages given by NAI on the GO Facilities and such other collateral as is necessary to meet the GO Collateral Requirement.

The GO Bonds will be secured by the general obligation pledge of MAC. If recommended by the Underwriters and if acceptable to MAC and NAI, the GO Bonds may also be secured by (i) a pledge of the net rental income under the GO Leases, (ii) a pledge of debt service payments on the GO Loans, and (iii) a pledge of the GO mortgages. The GO Leases will be triple-net leases. The quarterly GO Lease rental payments and the quarterly GO Loan debt service payments will be in a combined amount sufficient to pay debt service on the GO Bonds.

NEGOTIATED AGREEMENT

Northwest Airlines, Inc. has provided mortgages on GO Facilities and provided other collateral to secure the leases and loans. For a list of the GO mortgaged property and collateral, see "E. GO Mortgages," page 19.

The \$270 million bond issue is secured by the general obligation pledge of MAC, in addition to lease rentals and other revenues of the Commission. Attached find copies of the schedules for quarterly GO Lease rental payments as Exhibit 5 in the Appendix.

TERM SHEET

6. **Reserve Requirement.** The reserve requirement shall be the amount authorized under MAC's enabling legislation (i.e., approximately equal to the debt service on the GO Bonds in the next following 27 months (the "GO Reserve Requirement")).

NEGOTIATED AGREEMENT

Provisions for a 27-month reserve are contained in the MAC Bond Resolution (Section 6) and the bond preliminary official statement (pages 10-11).

TERM SHEET

7. **MAC Loan.** Concurrently with the issuance of the GO Bonds, MAC will loan to NAI an amount sufficient to (i) fund initially the GO Reserve Requirement and (ii) pay the costs of issuance in connection with the GO Bonds and other costs related thereto (hereinafter "MAC Loan"). The purpose of the MAC Loan is to assure that, to the fullest extent possible, the entire \$270,000,000.00 of gross GO Bond proceeds will be available to purchase or refinance GO Facilities as more fully described in Paragraph II(A) (8) below. The MAC Loan will be in an amount of between \$35,000,000.00 and \$45,000,000.00 and will be repaid over the twenty year period immediately following the making of the MAC Loan in equal quarterly payments based on a twenty-year amortization at an interest rate equal to the interest rate on the GO Bonds. The obligations of NAI on the MAC Loan shall be secured by GO Mortgages given by NAI on such collateral as is necessary to meet the GO Collateral Requirement. In connection with the closing of the MAC Loan, NAI shall deliver to MAC the MAC Loan documents ("MAC Loan Documents"). The MAC Loan Documents shall include, without limitation, a promissory note and shall contain the terms and conditions pertaining to GO Leases described below in Paragraph II (D). Further, NAI shall execute and deliver a mortgage in favor of MAC securing repayment of the MAC Loan in form and content satisfactory to MAC and shall pay all costs, including mortgage registration tax, in connection therewith.

NEGOTIATED AGREEMENT

The Metropolitan Airports Commission on January 21, approved the issuance of \$45 million in general obligation bonds, under its existing bonding authority under Minnesota Statutes Section 473.667, to replenish its construction fund. The MAC used money from the construction fund to make the \$45 million loan to NAI to fund the reserve requirement and issuance costs of the \$270 million GO bond issue. The rent payable under the financing leases includes a reimbursement rent component which constitutes the return of the \$45 million loan. The leases include a schedule for repayment of the loan in quarterly payments to MAC over 20 years (See Exhibit 5, Schedule C). The Collateral Agreement provides that NAI maintain and keep subject to a senior lien in favor of MAC, collateral with an aggregate fair market value of not less than the applicable percentage of the sum of (i) the Undeferred GO Bonds Balance minus the Series 9 Bond Account Balance (as defined in the Leases) allocated to principal (or if greater, the Basic Rent Balance) from time to time outstanding, plus (ii) the amount of the Reimbursement Balance from time to time remaining unpaid plus (iii) the Replacement Balance (such amount, as it may be adjusted from time to time hereunder, the "Collateral Value Requirement"). [COLLATERAL AGREEMENT, ARTICLE 1]

TERM SHEET

8. **Use of Bond Proceeds.** The bond proceeds will be utilized to purchase or refinance GO Facilities, resulting in the creation of GO Leases and GO Loans, as described in Paragraph (II) (A) (I) above

NEGOTIATED AGREEMENT

The proceeds are to be used to 1) finance the acquisition of certain flight training facilities and related property owned by Northwest Aerospace Training Corporation, Northwest Airlines, Inc., and NWA INC.; 2) acquire certain machinery and equipment owned by NAI consisting of maintenance docks, cranes and hoists and ground power systems located at the Minneapolis-St. Paul International Airport, and 3) the refinancing of certain leasehold interests of NAI or NWA with respect to Building F, Sun Country Hangar, Building C and the Gold Concourse located at the Minneapolis-St. Paul International Airport. (MAC Bond Resolution, Section 1.01)

TERM SHEET

B. GO BONDS RESOLUTION

The GO Bonds will be authorized and issued and the security provisions with respect thereto will be provided for pursuant to a GO Bonds Resolution to be adopted by MAC pursuant to applicable statutory authority. The GO Bonds Resolution will pledge the full faith and credit and unlimited taxing power of MAC to the repayment of the GO Bonds and, if applicable, will pledge and provide for the segregation and appropriation of the net rental income derived from the GO Leases and the debt service from the GO Loans to the payment of the GO Bonds on a parity with MAC's outstanding general obligation revenue bonds. The GO Bonds Resolution will also provide for the terms and conditions upon which the GO Bonds may be redeemed and additional bonds may be issued. If MAC so desires, NAI will enter into an indenture of trust or collateral administration agreement with respect to the GO Mortgaged Property pursuant to which a trust company will act as a fiduciary for MAC to hold and administer the GO Mortgaged Property and to assure compliance with the GO Mortgage provisions.

NEGOTIATED AGREEMENT

The Metropolitan Airports Commission passed its 31-page GO Bond Resolution, Resolution No. 1477, at a special commission meeting on March 24, 1 p.m. The resolution, prepared

in consultation with bond counsel, pledges the taxing power of the MAC to repayment of the GO bonds. (MAC Bond Resolution, Section 1.03, Page 2). The resolution outlines the terms and conditions upon which the GO bonds may be redeemed (Section 3.02) and additional bonds may be issued (Section 7). The collateral agreement permits MAC to enter an indenture of trust or collateral administrator agreement, but does not require it to do so.

TERM SHEET

C. GO FACILITIES PURCHASE AGREEMENT

1. **Purchase Agreement.** MAC will acquire the GO Facilities for cash, pursuant to a sale-leaseback arrangement. The purchase agreements pursuant to which these GO Facilities will be acquired by MAC shall contain terms acceptable to MAC concerning title, closing documents, representations and warranties (including without limitation suitable environmental representations and warranties), and other such matters as are customarily addressed in purchase agreements for similar assets. Pursuant to the enabling legislation, the purchase price may not exceed 85% of the fair market value of the GO facilities being acquired as determined by the GO Appraisal.

NEGOTIATED AGREEMENT

MAC has acquired the GO Facilities for a purchase price of \$270,000,000, pursuant to a sale-leaseback arrangement. Three separate purchase and sale agreements have been executed between the following parties: MAC and NWA, Inc., MAC and Northwest Aerospace Training Corporation (NATCO), and MAC and Northwest Airlines, Inc. The purchase and sale agreements provide for:

- (1) the purchase and sale of the property;
- (2) the submission of contracts, permits, licenses, certificates, insurance, UCC and tax lien searches, and leases to the purchaser;
- (3) the delivery of a title insurance policy, current survey, and reinsurance proposal to the purchaser;
- (4) seller representations and warranties, including the seller's representation that the seller has kept and maintained the facilities in compliance with the environmental laws;
- (5) purchaser representations and warranties;
- (6) the purchaser's access to information concerning the seller's book and records;
- (7) the seller's conduct of business and action to be taken before the closing;
- (8) closing conditions; and
- (9) the survival of representations and warranties and indemnification.

Based upon the collateral appraisals performed by Airline Economics and Marquette Partners, the purchase price is equal to 84.4 percent of the fair market value of the GO Facilities. [EXHIBIT D.2]

TERM SHEET

D. GO LEASES

1. **General Terms.** The GO Facilities will be leased to NAI (or a third party acceptable to MAC) pursuant to the GO Leases. To the extent NAI is not the lessee under a GO Lease, NAI will guaranty the performance of the lessee's obligations thereunder. Any GO Leases relating to the Airport Facilities (other than Airport Facilities owned by NAI) shall be true leases. At the option of NAI and on the terms acceptable to MAC, any GO Leases relating to the NATCO Facility and Airport Facilities owned by NAI may be either true leases or financing leases for tax purposes pursuant to which NAI will have the option to purchase the leased facilities for a nominal or other mutually agreeable consideration upon expiration of the lease term and retirement of the GO Bonds issued with respect thereto. If NAI elects to structure such leases as financing leases, then NAI shall execute mortgages in form and content satisfactory to MAC and shall pay all costs, including mortgage registration tax, in connection therewith. The foregoing provisions of this paragraph relating to structuring GO Leases on Airport Facilities owned by NAI as financing leases are subject to the need to fully preserve and retain the rights and benefits of MAC under existing leases on such Airport Facilities and do not constitute in any way a commitment on the part of MAC to revise the provisions of or extend the terms of such existing leases. NAI will have the right to direct MAC to exercise any option or options MAC may have to call the GO Bonds for redemption under certain circumstances; provided NAI provides sufficient funds to pay the redemption price. The GO Leases will terminate or be subject to termination at NAI's option upon retirement or defeasance of the GO Bonds. NAI may elect at any time to prepay the GO Bonds in accordance with their terms or cause them to be defeased by depositing cash or securities with MAC in an amount acceptable to MAC. MAC shall be the lessor under all GO Leases.

NEGOTIATED AGREEMENT

The GO Facilities have been leased to NWA, Inc., Northwest Aerospace Training Corporation (NATCO), and Northwest Airlines, Inc. Three facilities and equipment lease agreements have been executed between the three entities and MAC. For tax purposes, the transaction provided for in the purchase agreement and in the lease agreement is recognized by the parties and intended to constitute a financing arrangement such that NWA and affiliates are considered the owner of the premises and other personal property. [LEASE AGREEMENT, Recitals, 7th paragraph] A mortgage and security agreement and fixture financing statement has been executed between NWA, Inc. and MAC. The agreement provides that NWA, Inc. assumes responsibility for, and agrees to pay and discharge, and holds harmless and indemnifies on an after-tax basis the MAC against all taxes. [MORTGAGE AND SECURITY AGREEMENT, Section 2.4, Taxes] NWA, Inc., NATCO, and Northwest Airlines, Inc. have the option to purchase the facilities. Once the purchase price is paid to MAC, the agreements terminate and the MAC must convey its rights to NAI. The lease agreement defines "purchase price" as prepayment of both the

reimbursement rent and the basic rent in whole. [LEASE AGREEMENT, Article XIX, Sections 19.2 and 19.3] The agreement authorizes NAI to prepay basic rent in whole or in part. [LEASE AGREEMENT, Article XIX, Section 19.1]

TERM SHEET

2. **Payment Obligations.** The GO Leases will be triple-net leases whereby NAI will be obligated to pay all costs of operation and maintenance with respect to the GO Facilities leased thereby and pay additional quarterly net rentals sufficient, when aggregated with quarterly debt service payments on the GO Loans and with interest income and amounts deposited to meet the GO Reserve Requirement and other trusteed funds, to pay the debt service on the GO Bonds issued with respect thereto as such debt service payments come due. If acquired as GO Facilities, ground rents currently payable by NAI to MAC on the Airport Facilities and base rents currently payable by NAI to MAC with respect to Buildings B, C and the Gold Concourse shall not be included in determining the level of additional revenues required from NAI (whether from additional rents on the GO Leases or debt service on the GO Loans) to pay the debt service on the GO Bonds. All fees to Alfred Checchi & Associates shall be subordinated to payment obligations under the GO Leases GO Loans. All obligations of NAI or NAI affiliates under the GO Leases and GO Loans shall be guaranteed by NAI parent and subsidiary affiliates, including, without limitation, NWA, Inc. and Wings Holdings, Inc. In addition, the GO Leases and GO Loans shall provide that NAI shall maintain its existence and not merge or sell substantially all of its assets unless (i) the resultant transferee or entity has at least substantially the same net worth as NAI, (ii) any new entity assumes all obligations of NAI under the GO Leases and GO Loans and (iii) no defaults otherwise result from the transaction. Liquidated damages will be payable for a breach of certain covenants made for the benefit of MAC.

NEGOTIATED AGREEMENT

The three facilities and lease agreements are net leases and require the lessee to keep the premises clean and in good condition and repair and perform all maintenance at the Lessee's sole cost. [LEASE AGREEMENT, Article IV and Article VII, Section 7.2] The agreement requires the lessee to pay to the lessor, beginning May 10, 1992, quarterly installment payments on February 10, May 10, August 10, and November 10 for deposit in the Lessor's Series 9 Bond Account established under the Bond Resolution of the Basic Rent specified in schedule A. [LEASE AGREEMENT, Article III, Section 3.1] A separate guaranty has been executed by each of the following entities: Wings Holdings, Inc.; NWA Inc.; Northwest Airlines, Inc.; and NATCO. Each guaranty is in favor of MAC as security for the obligations of each guarantor. Each guarantor agrees that the guaranty must remain in full force and effect and be binding upon the guarantor until the obligations are paid in full. (Guaranty, page 1, paragraph 4, and representation and warrants, page 3, item 6). The

subordination agreement executed between Alfred Checchi Associates, Inc. and the MAC subordinates the payment of all obligations to Alfred Checchi Associates, Inc. to the payment and performance of the MAC obligations. In addition, all transactions between the lessee and Alfred Checchi Associates, Inc. must be on terms no less favorable to the lessee than would be available in an arms-length transaction on commercially reasonable terms. [LEASE AGREEMENT, Article XX, Section 20.2, Paragraph (j)] The master financing agreement, executed by the state, Northwest Airlines, Inc., NWA, Inc., and Wings Holding Inc., includes representations by all parties that the agreement constitutes a valid and binding obligation of each party. [MASTER FINANCING AGREEMENT, 1.a.(3); 1.b.(2); 1.c.(2); and 1.d.(2)] The lease agreement prohibits the lessee from consolidating with or merging into another person unless: (1) the lessee gives the lessor 30 days' notice; (2) the resulting entity has, immediately following the consolidation or merger, at least 90 percent of the same net worth as the lessee immediately preceding the consolidation or merger; (3) the resulting entity assumes in writing satisfactory to the lessor not later than the date of the consolidation or merger all obligations of the lessee; and (4) no default or event of default exists immediately before and after the consolidation and merger. [LEASE AGREEMENT, Article XX, Section 20.2, Paragraph (c)] Prepayment requirements relating to a breach of the noise, employment, or hub covenant are provided for in the lease agreement reproduced on pages 36 to 40. [LEASE AGREEMENT, Article XXI, Section 21.4]

TERM SHEET

3. Other Provisions. MAC and NAI will have rights and obligations consistent with customary sale-leaseback transactions.

NEGOTIATED AGREEMENT

The lease agreements provide that to the extent that rent to be paid relates to the refinancing of real property owned by the lessor and leased to the lessee, the leases constitute revenue agreements related to the refinanced properties. The lease agreements further provide that although the transaction is in the form of a sale-leaseback, the parties recognize the substance of the transaction is a financing with the lessor as the lender and the lessee as the borrower. [LEASE AGREEMENT, Recitals, Paragraph 7]

The lease agreements include the following terms and conditions:

- (1) the lessee is leasing the equipment in "as is" condition;
- (2) rental payments will be made by the lessee;
- (3) the lessee is required to maintain and service the equipment at lessee's own expense;

- (4) the lessee assumes responsibility for and agrees to pay all taxes;
- (5) the lessee agrees to effect all required insurance at no cost and expense to the lessor at all times during the term of the agreement for the benefit of the lessor and lessee;
- (6) the lessee will comply with all laws of governmental entities having jurisdiction over the equipment;
- (7) a description of events of default; and
- (8) required financial statements, reports, and filings.

TERM SHEET

4. Public Policy Covenants.

- (i) Linkage. MAC will agree to issue the GO Bonds upon (a) compliance with the terms and conditions of this Term Sheet, (b) execution of leases (or commitments with respect thereto acceptable to MAC) relating to the bonds ("State Bonds") to be issued by the State of Minnesota ("State") to finance the Airbus Maintenance Facility in Duluth ("Airbus Maintenance Facility") and the Engine Repair Facility in Hibbing ("Engine Repair Facility") pursuant to the Duluth Term Sheet and Hibbing Term Sheet, respectively, (c) the pledge by NAI to MAC of the \$100 million of international routes ("State Collateral") referenced in the Duluth Term Sheet and the Hibbing Term Sheet (\$65 million with respect to Duluth and \$35 million with respect to Hibbing) on terms and conditions acceptable to MAC if no portion of State Bonds has then been issued (it being agreed that MAC will subordinate its first lien position in the Additional Collateral at such time as the State Bonds are issued), (d) finalization between MAC and the State of an appropriate Intercreditor Agreement relating to the second position of the State on certain of the GO Mortgages, and (e) the receipt by MAC of written assurances acceptable to MAC that the effectuation of the Financing will not adversely affect existing or future federal airport funding sources. All NAI obligations relating to the GO Bonds, including without limitation GO Leases, GO Loans, the MAC Loan and related security documentation, shall be (a) cross-defaulted with the NAI obligations to the State of Minnesota relating to the Airbus Maintenance Facility and the Engine Repair Facility and (b) for so long as the State of Minnesota maintains a subordinate lien on the GO Mortgaged Property (as more fully described in Paragraph II(E)(5) hereof), further secured by a second lien on the collateral granted by NAI to the State to secure repayment of the NAI obligations relating to such facilities. In the event the Airbus Maintenance Facility or the Engine Repair Facility are not undertaken and completed, then such event shall constitute a default under the GO Leases and GO Loans and related documents.

NEGOTIATED AGREEMENT

The state agreements were executed and delivered on March 29, 1992. The MAC agreements were executed and delivered on March 29, 1992. The security agreement entered between Northwest Airlines, Inc. and the MAC provides for a grant of security interests to MAC, in the pledged state international routes equal to \$110,000,000 (value appraised by Airline Economics). The MAC and the state have executed a Subordination and Intercreditor Rights Agreement. Article II of the Agreement relates to the grant of subordinated liens on the MAC collateral to the state and the grant of subordinated liens on the state collateral to the MAC. A letter from the General Counsel of the United States Department of Transportation, Federal Aviation Administration, to the General Counsel of the MAC addresses the requirement that MAC receive written assurances that the effectuation of the financing will not adversely affect existing or future federal airport funding sources. (See Exhibit 2) [also see PURCHASE AGREEMENT, Article VII, Section 7.3]

The master financing agreement provides that NAI, NWA, and Wings agree that the state is considered a beneficiary of each and every transaction document and MAC document and is entitled to enforce any obligations of NAI, NWA, or Wings thereunder or seek any other available remedy as though the state were an express signatory and to the same extent as any other party to the document. [MASTER FINANCING AGREEMENT, Paragraph 17]

The lease agreement provides that an event of default by NAI under the Duluth or Hibbing lease or a default by NAI under either the Duluth or Hibbing facility development agreement is an event of default under the lease agreement. [LEASE AGREEMENT, Article XIV, Section 14.1, Paragraphs (l) and (m)]

TERM SHEET

- (ii) Headquarters and Employment. NAI shall deliver the headquarters and employment covenant attached hereto as Exhibit B.

EXHIBIT B
HEADQUARTERS AND EMPLOYMENT COVENANT

NAI covenants and pledges:

- a. In order to satisfy the statutory requirements concerning the retention of employment, operations and facilities, it and its affiliates will employ personnel in the Minneapolis-St. Paul metropolitan area and the State of Minnesota at substantially the level that existed as of the date of the MAC Bonds;
- b. It will cause personnel to be employed at the Duluth and Hibbing Facilities, upon their respective completion and full operation, at substantially the following levels, respectively, 1,000 and 500 persons; and
- c. It will maintain its corporate headquarters in the Minneapolis-St. Paul metropolitan area.

The foregoing covenants shall not be deemed to prevent NAI or its affiliates:

- i) from moving particular categories of employment or the facilities or operations associated therewith (other than corporate headquarters) from Minnesota, provided the required employment levels are maintained; or
- ii) from reducing or changing its Minnesota employment, operations or facilities (other than the location of its corporate headquarters) in response to *force majeure*, business conditions, technology changes or statutory or regulatory changes; provided, except to the extent prohibited by applicable law and contractual obligations, NAI will use its best efforts to cause any such reductions or changes in Minnesota to be substantially proportional to the comparable reductions or changes occurring elsewhere, taking into account the category and character of employment, facility or operation.

“Corporate headquarters” means the principal office of NAI from which its business is conducted and the principal office of the chief executive officer of NAI.

“NAI” means Northwest Airlines, Inc. and any successor tenant under the GO Leases.

NEGOTIATED AGREEMENT
(actual agreement language)

“21.2 **Employment and Headquarters.** Lessee agrees that it shall, and shall cause its Affiliates, NATCO and NWA with respect to employment and corporate headquarters:

- (a) (Overall Employment) To cause Affiliated Employees to be employed in the Minneapolis-St. Paul metropolitan area and the state of Minnesota at substantially the level existing as of February 29, 1992, (which was 17,883 persons) (calculated annually); provided, however, Duluth employees at the Duluth facility and Hibbing employees at the Hibbing facility shall not be included in determining compliance with this provision 21.2(a);
- (b) (Duluth Employment) To cause to be employed at the Duluth facility Duluth employees at substantially the following levels: (i) not less than 300 Duluth employees not later than June 30, 1995; (ii) after June 30, 1995 until the effective date in (iii) below, an annually increasing number of Duluth employees and for any day, not less than the number of Duluth employees that were employed on any preceding day and in no event less than 300 Duluth employees; and (iii) not less than 1,000 Duluth employees not later than three (3) years after the Duluth facility becomes operational or June 30, 1998, whichever first occurs, and to maintain at least such level of employment (calculated annually thereafter);
- (c) (Hibbing Employment) To cause to be employed at the Hibbing facility Hibbing employees at substantially the following levels: (i) not less than 200 Hibbing employees not later than September 30, 1995; (ii) after September 30, 1995, until the effective date in (iii) below, an annually increasing number of Hibbing employees and for any day, not less than the number of Hibbing employees that were employed on any preceding day and in no event less than 200 Hibbing employees; and (iii) not less than 500 Hibbing employees not later than three (3) years after the Hibbing facility becomes operational or June 30, 1998, whichever first occurs, and to maintain at least such level of employment (calculated annually thereafter); and
- (d) (Headquarters) To maintain the corporate headquarters of NAI in the Minneapolis-St. Paul metropolitan area.

Section 21.2(a)-(d) above shall not be deemed to prevent Lessee or its affiliates:

- (i) from moving particular categories of employment or the facilities or operations associated therewith (other than NAI's corporate headquarters) from Minnesota, provided the required employment levels are maintained; or
- (ii) from reducing or changing its Minnesota employment, operations or facilities (other than the location of NAI's corporate headquarters) in response to *force majeure*, business conditions, technological changes or statutory or regulatory changes; provided, except to the extent prohibited by applicable law or contractual obligations, NAI and NWA will use their best efforts to cause any such reductions or changes in Minnesota employment, operations, or facilities to be substantially proportional to the comparable reductions or changes occurring elsewhere in its domestic business locations, taking into account the category and character of employment, facility, or operation.

Lessee represents as of the date of this agreement that it intends that the Duluth facility and the Hibbing facility when operational shall employ, respectively, Duluth employees and Hibbing employees performing the particular functions and subject to the particular ranges of compensation described in attachments 1 and 2 hereto." (Facilities and Equipment Lease Agreement between MAC and Northwest Airlines, Inc.)

TERM SHEET

- (iii) **Noise Abatement.** NAI shall deliver the noise abatement covenant attached hereto as Exhibit C.

EXHIBIT C **NOISE ABATEMENT COVENANTS**

NAI shall agree with respect to noise abatement at the Minneapolis-St. Paul International Airport (the "Airport"), as follows:

- (1) to consent to provide its proportionate share of air carrier funding for soundproofing, purchase assurance and other off-airport noise compatibility programs of not less than \$2,000,000 per year beginning in 1994 through termination of the scheduled air carrier use and lease agreement;
- (2) to guarantee that it will accept a delivery of not less than \$390,000,000 of Stage 3 aircraft in 1992;
- (3) to limit the proportional utilization of Stage 2 aircraft at the Airport (calculated on an annualized basis) beginning in 1992 to be no more than the proportional utilization of Stage 2 aircraft throughout NAI's domestic system, and in addition not to increase the Stage 2 proportional utilization at the Airport in any year above the prior year's utilization, beginning in 1993; and
- (4) to agree to an 11:00 p.m. to 6:00 a.m. curfew, for scheduled passenger flights of Stage 2 aircraft scheduled to arrive or depart during such time period.

NEGOTIATED AGREEMENT **(actual agreement language)**

- "21.1. **Noise.** Lessee agrees that it shall, with respect to noise abatement at the airport:
- (a) consent to provide its proportionate share of air carrier funding for soundproofing, purchase assurance and other project costs for off-airport aircraft noise costs of not less than \$2,000,000 per year, beginning in 1994 through the date of termination of the scheduled airline operating agreement and terminal building lease;

- (b) accept delivery of stage 3 aircraft in 1992 having an aggregate purchase price of not less than \$390,000,000;
- (c) (i) limit its proportional utilization of Stage 2 aircraft at the airport beginning in calendar year 1992 (calculated on an annualized basis) to no more than the proportional utilization of Stage 2 aircraft throughout NAI's domestic system, and (ii) not increase its proportional utilization of Stage 2 aircraft at the airport in any calendar year above the prior calendar year's utilization, beginning in 1993 (as compared with 1992 utilization); and
- (d) comply with an 11:00 p.m. to 6:00 a.m. curfew at the airport for scheduled passenger arrivals or departures of NAI Stage 2 aircraft during such time period.

Section 21.1(c) above shall not be deemed to prevent Lessee from increasing its proportional utilization of Stage 2 aircraft at the airport in the event of *force majeure*." (Facilities and Equipment Lease Agreement between MAC and Northwest Airlines, Inc.)

TERM SHEET

- (iv) Financial Requirements and Covenants. An event of default and acceleration with respect to the NAI leveraged buyout debt with Bankers Trust ("BT Debt") and after retirement thereof with respect to any indebtedness of NAI in excess of \$500,000,000. ("Major Debt") shall constitute an event of default under the GO Leases and GO Loans. All waivers and amendments with respect to such indebtedness shall be in the sole discretion of the holders of such debt and shall be binding on MAC. After retirement of the BT Debt and so long as no other Major Debt is outstanding, NAI must maintain a "tangible net worth" (to be defined, taking into account market values of all assets, including rights in existing and ordered aircraft and international route authority, and parent debt guaranteed or secured by assets of NAI) of \$1,000,000,000. In addition, NAI, NWA and Wings Holdings, Inc. shall provide current, quarterly and annual reports to MAC modeled after reporting requirements under the Securities Exchange Act of 1934, together with reports evidencing compliance with required financial statement tests. Prior to the issuance of the GO Bonds, NAI shall have obtained a waiver or modification from Bankers Trust concerning the financial covenants associated with the BT Debt that NAI is not currently meeting or is not expected to meet.

NEGOTIATED AGREEMENT

The lease agreement provides that the occurrence of an event of default under either the credit agreement among Bankers Trust Company and NAI or after payment and performance of all obligations and liabilities under the Bankers Trust Agreement and its

subsequent termination, any agreement under which NAI is obligated for at least \$500,000,000 or at least \$500,000,000 is available to be borrowed (Major Debt Agreement) and acceleration or demand for the full payment of the obligations or the obligations being past due in full under either the Bankers Trust Agreement or a Major Debt Agreement constitutes an event of default under the lease agreement (unless NAI is engaged in good faith negotiations to extend the loan term and the lender is not pursuing its remedies under the loan documents). [LEASE AGREEMENT, Article XIV, Section 14.1, Paragraph (j)]

The lease agreement requires, so long as no major debt is outstanding, NAI to maintain a tangible net worth of not less than \$1,000,000,000 and to furnish the MAC with a certified statement stating the tangible net worth of NAI and a detailed calculation as of the end of each calendar quarter. [LEASE AGREEMENT, Article XX, Section 20.2, paragraph (j)] The lease agreement requires NAI and affiliates to furnish MAC with U.S. Department of Transportation Form 41s, annual consolidated financial statements, quarterly unaudited consolidated financial statements, and copies of press releases. At any time that NAI or an affiliate is subject to the requirements of section 13(a) of the Securities Exchange Act of 1934, NAI or the affiliate must furnish MAC with the reports required to be filed under the 1934 act. [LEASE AGREEMENT, Article XX, Section 20.1, Paragraph (a)] The Bankers Trust waiver was obtained by NAI on March 26, 1992. [Exhibit 3]

TERM SHEET

5. **GO Loans.** To the extent that any Airport Facility is refinanced in whole or in part pursuant to a GO Loan, then NAI will deliver to MAC GO Loan documents ("GO Loan Documents") with respect to such airport facility in lieu of or in addition to a GO Lease. The GO Loan Documents shall include, without limitation, a promissory note and/or a revenue agreement and shall contain the terms and conditions pertaining to GO Leases described above in this paragraph II(D). Further, NAI shall execute and deliver a mortgage on such airport facility in form and content satisfactory to MAC and shall pay all costs, including mortgage registration tax, in connection therewith.

NEGOTIATED AGREEMENT

The terms of the refinancing of the airport facilities are incorporated into the GO Lease Agreements. [LEASE AGREEMENT, Recitals, Paragraph 7; and Article III]

TERM SHEET

E. GO MORTGAGES.

1. **GO Mortgaged Property.** The GO Mortgages will create a first mortgage lien on and security interest in the GO Mortgaged Property. The GO Mortgaged Property will have an Appraised Value in compliance with the GO Collateral Requirement at all times. The GO Mortgaged Property will include some or all of the following: (i) portions of NATCO Facility acquired with the proceeds of the GO Bonds (to be valued at fair market value on an asset-by-asset basis and not on a going concern basis); (ii) Airport Facilities consisting of Buildings F, Building G and the Sun Country Hangar to the extent acquired with the proceeds of the GO Bonds; (iii) international routes; and (iv) spare aircraft and engine parts. All GO Mortgaged Property shall be subject to MAC approval. The initial package of the GO Mortgaged Property and other terms and conditions relating to the GO Mortgaged Property are set forth on Exhibit D attached hereto and are incorporated into this Term Sheet by reference.

EXHIBIT D GO MORTGAGED PROPERTY

GO BOND LOAN

The legislation requires that the loan amount for the General Obligation Bonds be no greater than 85% of the fair market value of the facilities to be purchased. The following represents the approach necessary to support the purchase price of \$270 million:

NATCO Value as a going concern -	\$280,000,000
Other Airport Facilities (to be determined)	<u>38,000,000</u>
Total	\$318,000,000
 85% of FMV -	 \$270,300,000

ACCEPTABLE COLLATERAL:

1. NATCO

Simulators	\$175.2
Computers	1.2
Parts	3.4
Equipment	6.2
Land/Building	<u>17.0*</u>
Total:	\$203.0 million
2. AIRCRAFT PARTS

McDonnell Douglas aircraft parts and engine parts	\$ 40.0 million
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3. AIRPORTS FACILITIES*

Building F	\$14.0	
Sun Country Hangar	2.7	
Building G	.8	
Bldg B, C & Gold Improvements	<u>7.0</u>	
Total		\$ 24.5 million

*Subject to completion of appraisal.

4. INTERNATIONAL ROUTES

Boston-London
Boston-Amsterdam
Boston-Frankfurt
Boston Glasgow

Total Revenue through 9/30/91 \$174.0

Revenue Multiple = 1.2

Collateral Value = \$208.8 million

5. G.O. LOAN DEBT SERVICE RESERVE

Amount on deposit each October 1 which
represents principal payments due during
the next 27 months.

1/1/92 amount = 0.0

TOTAL COLLATERAL \$476.3 million

Amount to be collateralized:
(G.O. Bonds plus MAC loan) \$308 million

Collateral % = 155%

Collateral requirement for funds borrowed by NWA from MAC will be a minimum of 145% of the sum of (i) the outstanding principal balance on the G.O. Bonds and (ii) the outstanding principal balance of the MAC Loan. MAC will reduce the actual collateral percentage in effect by 5% for each consecutive full calendar year which NAI maintains an investment grade rating from both Moody's and S&P on its senior unsecured debt, until the collateral percentage reaches 135%. However, the collateral requirement would immediately return to 145% if either S&P or Moody's rates any of NAI's unsecured senior debt at a level lower than investment grade.

At all times during the term of the loan all simulators owned or subsequently acquired by NAI will be added as collateral within 30 days of the date of acquisition. Other collateral may be added or deleted in the following priority order:

When additional collateral is needed:

1. Aircraft parts/engine parts
2. Other collateral acceptable to MAC

When collateral is reduced:

1. Airport Facilities.
2. Airport Building Contents.
3. International routes will be reduced until this category reaches 20% of the existing collateral package. Routes may then be maintained, at NAI's option, at no more than 20% of the collateral total for the balance of the lease term.
4. NATCO parts, computers and equipment.
5. NATCO Buildings and Land.
6. PARTS - NAI may keep a reasonable amount of aircraft or engine parts as part of the collateral package to provide for necessary flexibility in arriving at the actual collateral amount required.
7. NATCO Simulators - At such time as the percentage of collateral in the package represented by simulators reaches 60%, as a result of reductions and substitutions, NAI will then maintain simulators at that 60% level for the balance of the lease term.

NEGOTIATED AGREEMENT

The mortgage and security agreement and financing statement executed by NWA, Inc., and the MAC grants a security interest in the mortgaged property. (Security agreement, paragraphs 1 and 2) Separate security agreements relating to engine parts, international routes, and other collateral have been executed by Northwest Airlines, Inc. and the MAC. A separate security agreement has also been entered between NATCO and the MAC relating to simulators and other NATCO property. The following exhibits represent the approach taken to meet the 145% collateral requirement and the 85% fair market value test.

EXHIBIT D.1
MAC FINANCING COLLATERAL APPRAISALS (145% Test)
(in millions)

<u>Asset</u>	<u>Final Value</u>
1) NATCO:	
Simulators	\$174.0
Computers	.8
Equipment	6.2
Simulator Inventory	3.4
Building and Real Estate	12.5
	<hr/> 196.9
2) Spare Parts:	
Pratt & Whitney	50.9
3) MSP Facilities:	
Building F	9.0
Sun Country Hangar	3.0
Building G	0
Building B & C	
Improvements	7.0
	<hr/> 19.0
4) International Routes:	
Boston-London	
Boston-Amsterdam	
Boston-Frankfurt	
Boston-Glasgow	
	<hr/>
	Subtotal 209.5
TOTALS	\$476.3

As a Percentage of \$315 Million Total Financing.....
151.2%

EXHIBIT D.2
MAC FINANCING - 85% TEST
(in millions)

<u>Asset</u>	<u>Final Value</u>
1) NATCO - Going Concern Value	\$280.0
Exclusions:	
Cash	.002
Accounts Receivable	2.282
Prepaid Expenses	.074
2) Airport Facilities - Going Concern Value	
Lease Value Write-ups	
C only	4.95
Gold	8.4
Building F	13.0
Sun Country Hangar	3.1
Improvements at Buildings B & C	10.4
	<hr/>
TOTAL AIRPORT FACILITIES	39.85
FMV of purchased assets	<u>319.85</u>
<u>85% of FMV</u>	271.9

The collateral agreement executed by the MAC, Northwest Airlines, Inc., NATCO, and NWA, Inc., requires the maintenance of collateral with an aggregate fair market value of not less than 145 percent of the sum of the defeased GO Bonds Balance minus the Series 9 Bond Account Balance allocated to principal (or if greater, the Basic Rent Balance) from time to time outstanding, plus the amount of the Reimbursement Balance from time to time remaining unpaid plus the Replacement Balance.

The 145 percent collateral requirement is reduced to 140 percent during any continuous period NAI and affiliates maintain an Investment Grade rating from both Moody's and S&P on all of their senior unsecured debt which at any time had any rating from either of Moody's or S&P after having continuously maintained the Investment Grade rating from

both agencies for the entire then preceding calendar year. The 145 percent collateral requirement is reduced to 135% during any continuous period NAI and affiliates maintain an Investment Grade rating from both Moody's and S&P on all of their senior unsecured debt which at any time had any rating from either of Moody's or S&P after having continuously maintained an Investment Grade rating from both agencies for the entire then preceding two calendar years.

If either S&P or Moody's rates any of the unsecured senior debt at a level lower than Investment Grade, the collateral requirement immediately reverts to 145 percent.

For purposes of the collateral agreement, "Investment Grade" means a rating by S&P and Moody's in one of their four highest rating categories or any future equivalent.

If the collateral value actually being maintained is less than the collateral value requirement, NAI shall immediately cause additional collateral sufficient to meet the collateral value requirement to become subject to a senior lien of a security agreement. The additional collateral must be aircraft parts and engine parts or other collateral acceptable to MAC.

[COLLATERAL AGREEMENT, Article 1, Sections 1.1 and 1.2]

Unless and until the collateral value of the NATCO simulators remaining subject to a senior lien is greater than 80 percent of the total collateral value of all of the collateral remaining subject to a senior lien, all NATCO simulators owned or subsequently acquired by NAI or affiliates is immediately subject to a senior lien and must be perfected within 30 days of their acquisition date.

If the collateral value of the NATCO simulators remaining subject to a senior lien is greater than 80 percent of the total collateral value of all of the collateral remaining subject to a senior lien, NAI may request the release of a NATCO simulator from the lien; provided that if the release causes the collateral value of the NATCO simulators remaining subject to a senior lien to be less than 80 percent, NAI must add aircraft parts or engine parts to the senior lien having a collateral value equal to or greater than the difference between the collateral value of the NATCO simulators remaining subject to the senior lien and the amount which is equal to 80 percent of the total collateral value of all of the collateral remaining subject to a senior lien. **[COLLATERAL AGREEMENT, Article 1, Section 1.5, Paragraphs (a) and (b)]**

If it is determined that the collateral value actually being maintained exceeds the collateral value requirement, the collateral may be released in the following order:

- (a) Airport Facilities.
- (b) Airport Building Contents.
- (c) International Routes.
- (d) NATCO Parts, Computers, and Equipment.

- (e) NATCO Buildings and Land.
- (f) Aircraft Parts and Engine Parts.
- (g) Simulators.

After liens on international routes have been released to the extent that the collateral value of the international routes remaining subject to a senior lien is not greater than 20 percent of the total collateral value of all of the collateral remaining subject to a senior lien, NAI may request that additional international routes not be released prior to the release of other types of collateral so long as the collateral value of the international routes remaining subject to a senior lien is not greater than 20 percent of the total collateral value of all of the collateral remaining subject to a senior lien.

Liens on the NATCO simulators may be released only to the extent that, after the release, the collateral value of the NATCO simulators remaining subject to a senior lien is equal to the greater of 60 percent or the greater percentage, not in excess of 80 percent, as has been reached as a result of additions, releases, or substitutions of collateral, of the total collateral value of all of the collateral remaining subject to a senior lien.

[COLLATERAL AGREEMENT, Article 1, Section 1.3]

TERM SHEET

2. **General Covenants.** The GO Mortgages will contain customary covenants with respect to (i) the maintenance of the GO Mortgaged Property in appropriate condition and working order, (ii) property and liability insurance, (iii) the payment of all costs and claims with respect to the GO Mortgaged Property, including taxes and other government assessments and charges, (iv) the observation of all applicable laws and regulations, including without limitation, environmental laws and regulations, and (v) prevention and removal of all liens thereon other than the lien of the GO Mortgages and other permitted encumbrances agreed to by MAC.

NEGOTIATED AGREEMENT

The mortgage and security agreement requires NAI, at NAI's sole cost and expense; (1) to comply with all zoning ordinances, energy and environmental codes, building and use restrictions and codes, any requirements with respect to licenses, permits, and agreements necessary for the lawful use and operation of the premises; (2) to keep the premises clean and in good condition and repair; and (3) to perform all maintenance. [MORTGAGE AGREEMENT, Article 2, Section 2.2, Paragraph (a)]

Pursuant to the mortgage agreement, NAI also agrees to pay all operating costs and expenses of the mortgaged property, keep mortgaged property free from all liens, pay when due all permitted indebtedness which may be secured by mortgage, and lien or charge on the property. NAI also assumes responsibility for and agrees to pay all taxes, assessments, and charges. [MORTGAGE AGREEMENT, Article 2, Sections 2.3 and 2.4, Paragraph (a)]

NAI agrees to provide at no cost and expense to MAC, at all times during the term of the mortgage and for the benefit of NAI and the MAC the following insurance: general public liability insurance, property insurance, workers' compensation insurance, boiler insurance if applicable, sprinkler leakage insurance if a sprinkler system is located on the premises, and other customarily obtained insurance. [MORTGAGE AGREEMENT, Article 3, Section 3.1]

The security agreement executed between Northwest Airlines, Inc. and MAC requires NAI, at its own expense, to maintain and service each item of equipment, inventory, and goods in accordance with prudent industry practice and to maintain aircraft parts in as good condition as when the same originally were delivered to NAL [SECURITY AGREEMENT, Article II, Sections 2.9 and 2.10] The security agreement also requires NAI to maintain at no cost and expense to MAC, the following types of insurance: physical loss and damage insurance, general public liability insurance, workers' compensation insurance, and other customarily obtained insurance. [SECURITY AGREEMENT, Article III, Section 3.1]

The security agreement executed between Northwest Airlines, Inc. and the MAC relating to international airline routes require NAI to preserve and keep in full force and effect its existence and its material rights in and to use its international routes. [SECURITY AGREEMENT, Article II, Section 2.6]

The security agreement executed between NATCO and the MAC requires NATCO to maintain and service equipment, inventory, and goods; maintain the insurance required under the agreement; comply with all laws; and sign and deliver documents to MAC establishing and maintaining a first priority security interest. [SECURITY AGREEMENT, Articles I to III] The collateral assignment of lease, security agreement, and fixture financing statement requires NWA Inc. to comply with all codes, licenses, permits, and agreements; keep the premises in good condition and repair; make all repairs and replacements, perform all maintenance; keep the property free from all liens; pay all taxes; and provide the insurance coverage for the benefit of MAC and NWA Inc. that is required under the collateral assignment. [COLLATERAL ASSIGNMENT, Articles I to III]

TERM SHEET

3. **Collateral Evaluation and Maintenance of Collateral Value.** The GO Mortgaged Property will be appraised by the Appraisers pursuant to a GO Appraisal prior to the issuance of the GO Bonds and thereafter as herein provided:
- (i) The real property constituting the GO Mortgaged Property will be appraised prior to issuance of the GO Bonds or prior to its date of substitution (if such substitution is approved by MAC) and thereafter every three years; provided, however, that NAI and MAC shall each have two additional options to appraise the real property at such time over the term of the GO Bonds as they, in their discretion, may determine.
 - (ii) The personal property constituting the original GO Mortgaged Property will be appraised prior to the issuance of the GO Bonds and bi-annually thereafter as of every second anniversary date of the GO Bonds; provided, however, that NAI and MAC shall each have two additional options to appraise the personal property at such time over the term of the GO Bonds as they, in their discretion, may determine. Personal property substituted for other GO Mortgaged Property (if such substitution is approved by MAC) shall be appraised prior to the date of substitution and shall thereafter be subject to reappraisal as set forth in the immediately preceding sentence.

NAI shall prepare and submit semi-annually and on each date on which collateral is substituted a report itemizing each item of collateral and its value. NAI may substitute other items of real or personal property for items of the GO Mortgaged Property, whether real or personal property, provided the GO Collateral Requirement remains satisfied, and provided MAC approves the substitution. Notwithstanding the foregoing, MAC shall not unreasonably withhold its approval to collateral substitution so long as the procedures set forth in Exhibit D relating to the provision of specified additional collateral to maintain the GO Collateral Requirement are followed. All appraisals shall be by the Appraiser appropriate to the item of property to be valued. NAI will add additional collateral within thirty (30) days after each required appraisal to the extent necessary to satisfy the GO Collateral Requirement. Costs of all Appraisals shall be the obligation of NAI; provided, however, that the optional Appraisals referenced above shall be at the expense of the requesting party.

NEGOTIATED AGREEMENT

The collateral agreement executed by MAC, Northwest Airlines, Inc., NATCO, and NWA Inc., requires the collateral constituting the real property and fixtures to be appraised immediately prior to the issuance of the GO bonds and every three years after, as of the anniversary date of the GO bond issuance. MAC and NAI may each request two additional appraisals of the real property collateral at such time over the term of the GO bonds as they each, in their discretion, may determine.

Collateral constituting personal property must be appraised immediately prior to the issuance of the GO bonds and every two years after, as of the anniversary date of the issuance of the GO bonds. MAC and NAI may each request two additional appraisals of the personal property collateral at such time over the term of the GO bonds as they each, in their discretion, may determine.

Property that is approved by MAC for substitution of other collateral must be appraised immediately prior to the date of substitution and is thereafter subject to reappraisal as provided above as of the corresponding anniversary date of the issuance of the GO bonds.

NAI must prepare, at their expense, and submit to MAC within 30 days after each January 1 and July 1, a report itemizing each item of collateral and its fair market value as of such January 1, and July 1. [COLLATERAL AGREEMENT, Article II, Sections 2.2 and 2.3.]

NAI may, at their expense and with the written consent of MAC, which may be given or withheld in its sole and absolute discretion, request the release from a lien upon substitution of other collateral. The release may not be granted until: (a) the substitute collateral has been appraised and established to have collateral value sufficient to at least equal the collateral value requirement, and (b) NAI has taken actions as may be reasonably required or requested by MAC to subject the substitute collateral to a senior lien.

Every appraisal must consist of one or more appraisals from an appraiser expert with respect to the category of collateral to be appraised. [COLLATERAL AGREEMENT, Article II, Section 2.2, Paragraph (d)]

If the collateral value actually being maintained is less than the collateral value requirement, NAI must cause additional sufficient collateral to become subject to a senior lien of a security agreement within 30 days of being notified by MAC of the deficiency. [COLLATERAL AGREEMENT, Article I, Section 1.2]

Except for optional appraisals, NAI agrees to pay transaction costs relating to the collateral agreement, appraisal costs, and perfection of security interest costs.

TERM SHEET

4. **Consent of Third Parties.** NAI shall obtain the consent of all required third parties, as determined by MAC, with respect to the issuance of the GO Bonds, the release of prior encumbrances on the GO Mortgaged Property, and the perfection of security interests in the GO Mortgaged Property in favor of MAC.

NEGOTIATED AGREEMENT

The mortgage agreement requires NAI to keep the mortgaged property free from all liens and to pay when due all permitted indebtedness which may be secured by mortgage, lien, or charge on the mortgaged property. [MORTGAGE AGREEMENT, Article 2, Section 2.3.]

In each of the security agreements cited below, NAI grants MAC a continuing security interest of first priority in the collateral and mortgaged property; provides that all filings, registrations, and recordings have been accomplished; and represents that there are no liens on the collateral or mortgaged property. [NORTHWEST AIRLINES/MAC SECURITY AGREEMENT: Article I, Section 1.1, and Article II, Sections 2.1 and 2.2; NWA, INC./MAC SECURITY AGREEMENT: Article I, Section 1.1, and Article II, Sections 2.1 and 2.2; NATCO/MAC SECURITY AGREEMENT: Article I, Section 1.1, and Article II, Sections 2.1 and 2.2; NORTHWEST AIRLINES/MAC SECURITY AGREEMENT, RELATING TO ENGINE PARTS: Article I, Section 1.1, and Article II, Sections 2.1 and 2.2; NORTHWEST AIRLINES/MAC SECURITY AGREEMENT, RELATING TO INTERNATIONAL AIRLINE ROUTES: Article I, Section 1.1, and Article II, Section 2.2]

TERM SHEET

5. Second Position GO Mortgages to State. At such time as the State Collateral is released by the State in accordance with the terms and conditions of the Duluth and Hibbing term sheets, MAC will also release its interest in the State Collateral and will grant or permit to be granted to the State a subordinated lien in a portion of the GO Mortgaged Property to the extent that the fair market value of the Airbus Maintenance Facility and Engine Repair Facility is insufficient to satisfy the 125% State Collateral Requirement (as defined in said term sheets). The portion of the GO Mortgaged Property available for this purpose shall be an amount thereof exclusive of such GO Mortgaged Property designated by MAC with a value equal to the sum of the unpaid principal balance of the MAC Loan, the unpaid principal balance of the GO Bonds, and the negative arbitrage requirement described below. For administrative convenience, the value of the available GO Mortgaged Property subjected to such subordinated lien may exceed the amount of the collateral insufficiency referenced above by a reasonable amount. The terms and conditions of the subordinated lien shall be acceptable to MAC in its sole discretion. The terms and conditions shall include provisions requiring the State, prior to any enforcement action in connection with its subordinated lien, to provide assurances acceptable to MAC that effectuation by the State of its remedies in connection with its subordinated lien will result in payment of proceeds to MAC sufficient to retire the MAC Loan and defease the Go Bonds. Such proceeds shall include amounts to cover the projected negative arbitrage in connection with such defeasance.

NEGOTIATED AGREEMENT

The Subordination and Intercreditor Rights Agreement executed between the state and the MAC provides that the MAC agrees to permit NAI to grant to the state a lien, subordinated to the MAC, on a portion of the MAC collateral to the extent that the fair market value of the Airbus Maintenance Facility and the Engine Repair Facility is insufficient to satisfy the state collateral requirement.

The maximum amount of MAC collateral permitted to be subjected to the subordinated lien is the amount by which the collateral value of all of the MAC collateral exceeds the amount of the MAC secured obligations. To the extent that there is sufficient MAC collateral available to permit the subordinated lien, the specific items of MAC collateral to be subjected to the subordinated lien is exclusive of the items of MAC collateral designated by MAC, in its sole and absolute discretion, having a collateral value equal to the amount of the MAC secured obligations.

For administrative convenience, in the sole and absolute discretion of MAC, the aggregate collateral value of the portion of the MAC collateral actually subjected to the subordinated lien may exceed, by a reasonable amount, the amount of MAC collateral required to be subjected to the subordinated lien.

Prior to any enforcement action in connection with the MAC collateral subjected to the subordinated lien, the state is required to provide assurances acceptable to MAC that effectuation by the state of its remedies in connection with the subordinated lien will result in the payment of proceeds to MAC sufficient to fully and completely discharge the MAC secured obligations. [INTERCREDITOR AGREEMENT, Article II, Section 2.1]

TERM SHEET

F. GO APPRAISAL

The GO Appraisal will consist of one or more appraisals from an Appraiser expert with respect to the category of property to be appraised. The Uniform Standard of Professional Appraisal Practice will apply to the GO Appraisal. The GO Appraisal will establish the Fair Market Value of the GO Facilities and the GO Mortgaged Property. Fair Market Value is defined as the estimated amount at which the properties might be expected to be exchanged between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both. The initial Appraisers for the GO Facilities and the GO Mortgaged Property consisting of assets other than Simulators, routes, gates and slots, shall be Marquette Partners. In this regard, Marquette Partners shall subcontract with American Appraisal Associates for research and support. The initial Appraisers for the Simulators, routes, gates and slots, shall be Airline Economics, Inc. In this regard, Airline Economics, Inc. shall subcontract with Marquette Partners for research and support. Subsequent Appraisals shall be performed by qualified independent Appraisers designated by NAI (unilaterally or in response to a request by MAC) within a reasonable period of time prior to any subsequent Appraisal. Such designated Appraisers shall be acceptable to MAC. In the event NAI and MAC are unable to agree on the identity of the Appraiser within 30 days, MAC and NAI shall each submit lists of acceptable Appraisers and the Appraiser shall be selected by arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

NEGOTIATED AGREEMENT

The collateral agreement provides for appraisals of all collateral immediately prior to the issuance of the GO Bonds. Real property is to be appraised every three years thereafter and personal property every two years thereafter. However, in both cases, MAC and the obligors have the option to request, upon notice to the other, two additional appraisals over the term of the GO bonds. There is no limitation on the number or timing of appraisals after and during the continuance of a default or in the event of default. (Collateral Agreement, Section 2.2,a)

The initial appraiser of the assets other than simulators and international routes was Marquette Partners, which subcontracted with American Appraisal Associates for research and support. The initial appraiser for the simulators and the routes was Hap Pareti and Associates, Inc., which subcontracted with Marquette Partners for research and support. (See Exhibit D.1, GO Mortgaged Property, page 22, for a list of their valuations.) Subsequent appraisers are to be designated by NAI and must be acceptable to MAC. If the two parties are unable to agree to the identity of an appraiser within 30 days, each must submit lists of acceptable appraisers and the appraiser will be selected by arbitration in accordance with the commercial arbitrations rules of the American Arbitration Association. (Collateral Agreement, Section 2.2, c-f).

TERM SHEET

G. DOCUMENTATION

All documentation in connection with the Financing pertaining to the GO Bonds, including without limitation, the GO Bond Documents, the GO Bonds Resolution, the GO Facilities Purchase Agreements, the GO Leases, the GO Loans, the MAC Loan, the GO Mortgages and supporting documentation relating to such documents shall be in form and content acceptable to MAC and shall be prepared by MAC or parties acceptable to MAC. In connection with the Financing, NAI shall furnish an opinion of counsel satisfactory to MAC pertaining to the execution, delivery and enforceability of the documentation, perfection of security interests in the collateral, and such other matters as MAC shall request.

NEGOTIATED AGREEMENT

The MAC Bond Resolution contains a list of 30 documents, including bond documents and financing documents, completed as part of the negotiations. Forms of the documents were presented to the Commission, according to the MAC Bond Resolution. In addition, the resolution lists reports and other information presented to the Commission as part of the deal. (MAC Bond Resolution, Sections 1.03 to 1.06) A copy of the document and report lists can be found as Exhibit 1 in the Appendix. At the time of publication of this report, NAI had not yet furnished an opinion of counsel pertaining to the execution, delivery and enforceability of the document, perfection of security interests in the collateral, and such other matters as MAC shall request. That letter is expected to be signed and submitted at the closing on the bond issue in mid-April, according to MAC staff.

TERM SHEET

H. COSTS:

All costs of issuance shall be paid from proceeds of the GO Bonds, the Revenue Bonds, or the MAC Loan, and shall be subject to NAI and MAC approval.

PRELIMINARY OFFICIAL STATEMENT

The preliminary official statement, dated March 17, 1992, states that the MAC expects to use the proceeds of the Series 9 Bonds, together with other available funds of the MAC, to (a) acquire a flight training center in Eagan, Minnesota, presently owned by NATCO, Northwest Airlines, and NWA, consisting of land and a building, flight simulators, and related equipment and leasehold interests and other rights of Northwest Airlines in certain additional property located at Minneapolis-St. Paul International Airport, (b) fund the required deposit to be made in the Debt Service Fund, and (c) pay issuance and other financing costs. (P.O.S. pg. 7)

II. REVENUE BOND FINANCING.

MAC Will Not Be Issuing Revenue Bonds

III. REICHGOTT AMENDMENT

- (1) That no more than one-half of the proceeds of the MAC financing may be used to prepay LBO debt, either directly or indirectly;

NEGOTIATED AGREEMENT
(actual agreement language)

"(f) LBO Debt. Lessee will not, and will cause each of its affiliates to not, directly or indirectly, use more than one-half of the proceeds of the NATCO Purchase Agreement, NAI Purchase Agreement, and NWA Purchase Agreement to prepay or make any payments against any principal, interest, or premium on the LBO Debt. "LBO Debt" means the term loan obligations owing under the BT agreement or debt incurred to replace or repay such obligations (other than the obligations of Lessee hereunder). "For purposes of this section 20.2 (f), the term 'indirectly' includes any prepayment of the LBO Debt written 120 days after the Closing Date with any new funds other than those received from earnings, financings or asset sales." [LEASE AGREEMENT, Article XX, Section 20.2, Paragraph (f)]

- (2) That the covenant by NAI regarding new and existing jobs and other public policy covenants be enforced by requiring accelerated prepayment of the MAC financing within ten years or less in an amount proportional to the deficiency, measured either in terms of the number of jobs or payroll;

NEGOTIATED AGREEMENT
(actual agreement language)

"21.2 Employment and Headquarters. Lessee agrees that it shall, and shall cause its affiliates, NATCO and NWA with respect to employment and corporate headquarters:

- (a) (Overall Employment) To cause affiliated employees to be employed in the Minneapolis-St. Paul metropolitan area and the state of Minnesota at substantially the level existing as of February 29, 1992 (which was 17,883 persons) (calculated annually); provided, however, Duluth employees at the Duluth facility and Hibbing employees at the Hibbing facility shall not be included in determining compliance with this provision 21.2(a);
- (b) (Duluth Employment) To cause to be employed at the Duluth facility Duluth employees at substantially the following levels: (i) not less than 300 Duluth employees not later than June 20, 1995; (ii) after June 30, 1995 until the effective date in (iii) below, an annually increasing number of Duluth employees and for any day, not less than the number of Duluth employees that were employed on any preceding day and in no event less than 300 Duluth employees; and (iii) not less than 1,000 Duluth employees not later than three (3) years after the Duluth facility becomes operational or June 30, 1998, whichever first occurs, and to maintain at least such level of employment (calculated annually thereafter);
- (c) (Hibbing Employment) To cause to be employed at the Hibbing facility Hibbing employees at substantially the following levels: (i) not less than 200 Hibbing employees not later than September 30, 1995; (ii) after September 30, 1995, until the effective date in (iii) below, an annually increasing number of Hibbing employees and for any day, not less than the number of Hibbing employees that were employed on any preceding day and in no event less than 200 Hibbing employees; and (iii) not less than 500 Hibbing employees not later than three (3) years after the Hibbing facility becomes operational or June 30, 1998, whichever first occurs, and to maintain at least such level of employment (calculated annually thereafter); and
- (d) (Headquarters) To maintain the corporate headquarters of NAI in the Minneapolis-St. Paul metropolitan area.

Section 21.2(a)-(d) above shall not be deemed to prevent Lessee or its affiliates:

- (i) from moving particular categories of employment or the facilities or operations associated therewith (other than NAI's corporate headquarters) from Minnesota, provided the required employment levels are maintained; or
- (ii) from reducing or changing its Minnesota employment, operations, or facilities (other than the location of NAI's corporate headquarters) in response to *force majeure*, business conditions, technological changes or statutory or regulatory changes; provided, except to the extent prohibited by applicable law or contractual obligations, NAI and NWA will use their best efforts to cause any such reductions or changes in Minnesota employment, operations, or facilities to be substantially proportional to the comparable reductions or changes occurring elsewhere in its domestic business locations, taking into account the category and character of employment, facility, or operation.

Lessee represents as of the date of this agreement that it intends that the Duluth facility and the Hibbing facility when operational shall employ, respectively, Duluth employees and Hibbing employees performing the particular functions and subject to the particular ranges of compensation described in attachments 1 and 2 hereto." [LEASE AGREEMENT, Article XXI, Section 21.2]

"21.4. Termination; Remedies.

- (a) In the event Lessee, NWA and NATCO have paid or defeased all amounts owing under the MAC leases, the Duluth lease and the Hibbing lease, then all of the public policy covenants shall terminate.
- (b) The public policy covenants shall be enforceable by the state of Minnesota Department of Finance ("State") and MAC, jointly or individually.
- (c) If it is determined that Lessee has breached any of the public policy covenants and failed to cure such breach within 60 days, and with respect to the Hub covenant within six months, after being notified by an authorized official of the state or of Lessor, the state or Lessor (as the case may be) shall be entitled to pursue all remedies provided by law or in equity except as limited below:
 - (i) To the extent Lessee breaches the noise covenant set forth in section 21.1(c) (Proportional Utilization) in either respect in an amount less than five percentage points of the total percentage amounts measured, then Lessee must in the succeeding calendar year modify its performance to be in complete conformance with the requirements of all the terms of such Noise covenant set forth in section 21.1(c). To the extent Lessee breaches either or both of the requirements of the Noise covenant set forth in section 21.1(c), (A) in any such succeeding calendar year in any amount, or (B) in any year in an amount of five percentage points or greater of the total percentage amounts measured, then Lessee must, if any amounts outstanding under the MAC leases remain

unpaid, prepay the MAC leases in an amount equal to the applicable noise prepayment amount in installments on the applicable payment dates; provided, that Lessor may elect the alternative remedy of specific performance of the requirements of Noise covenant set forth in section 21.1(c) provided that if both elements of the Noise Covenant set forth in Section 21.1 (c) shall be breached and not timely cured, then the remedy shall be applied against that element of the covenant yielding the greater penalty.

- (ii) To the extent NAI breaches the Noise covenant set forth in section 21.1(d) (Curfew), Lessee shall pay liquidated damages in the amount of \$10,000 per breach (with one flight per day deemed to be one breach) to be applied by MAC for noise abatement purposes.
- (iii) To the extent Lessee breaches any Employment Covenant or the Headquarters Covenant, Lessee must, if any amount outstanding under the MAC Leases remains unpaid, prepay the MAC Leases in an amount equal to the applicable PrePayment Amount in Installments payable upon each of the applicable Payment Dates.
- (iv) To the extent Lessee breaches the Hub Covenant, Lessee must, if any amount outstanding under the MAC Leases remains unpaid, prepay the MAC Leases in an amount equal to the applicable Pre-Payment Amount in Installments payable upon each of the applicable Payment Dates; provided that if both elements of the Hub Covenant shall be breached and not timely cured, then the remedy shall be applied against that element of the covenant yielding the greater penalty.

(d) With respect to the remedies set forth in Section 21.4 (c) (i), (ii), (iii) and (iv) above, the following additional principles apply:

- (i) With respect to the Noise Covenants set forth in Section 21.1 (a) and (b), the State or Lessor, as the case may be, shall be entitled to pursue all remedies provided by law or in equity.
- (ii) With respect to the Noise Covenant set forth in Section 21.1 (c) as more fully set forth under Section 21.4 (c) (i) above, MAC or the State, as the case may be, may elect specific performance or prepayment of the applicable Lease (i.e., MAC Leases, Duluth Lease and/or Hibbing Lease, as the case may be) as the remedy for each uncured default of the Noise Covenant set forth in Section 21.1 (c); provided, however, that (A) only one remedy (i.e., specific performance or prepayment) may be elected for each such default; and (B) the availability of alternative remedies for any such default is expressly intended by the parties and such alternative remedies shall not be deemed mutually exclusive (i.e., it is not intended that availability of prepayment shall preclude the availability of prepayment shall preclude the availability of specific performance or that the availability of specific performance shall

preclude the availability of prepayment) although only one such remedy may be elected for each such default.

- (iii) With respect to the Noise Covenant set forth in Section 21.1 (d), the remedy stated in Section 21.4 (c) (ii) above is the exclusive remedy to MAC or the State, as the case may be, the parties agreeing that the damages for breach of the Noise Covenant set forth in Section 21.1 (d) are difficult or impossible to ascertain.
 - (iv) With respect to breach of the Employment Covenants, and with respect to the Headquarters Covenant, the remedies set forth in Section 21.4 (c) (iii) above shall be the exclusive remedies of the State or MAC, as the case may be.
 - (v) With respect to breach of the Hub Covenant, the remedies set forth in Section 21.4 (c) (iv) above shall be the exclusive remedies of the State or MAC, as the case may be.
 - (vi) The remedies set forth herein have been structured to encourage performance by the Lessee of its obligations under the covenants set forth in this Article XXI collectively and to facilitate receipt by the Lessor, the State of Minnesota and to the public at large of the benefits to be provided by such covenants.
 - (vii) A determination by a court of competent jurisdiction that any of the provisions of this Article XXI, including the provisions of this Article XXI relating to remedies, are invalid and void under the Act shall not affect the other provisions of this Article XXI or other provisions of this Agreement which shall remain fully valid and enforceable, it being the intent of the parties that each and every provision of this Agreement shall be enforceable to the fullest extent of law. To the extent any remedy is deemed unenforceable as aforesaid, it is the intent of the parties that with respect to any alternative remedy not expressly authorized under this Article XXI, Lessor shall be entitled to exercise such alternative remedy after giving Lessee notice of such breach and a 60-day period to cure the default (or such other cure period as a court of competent jurisdiction may dictate).
- (e) With respect to the remedies listed under Section 21.4 (c) (i), (iii) and (iv) above, the following additional principles apply:
- (i) All amounts prepaid under a lease shall be applied against rents coming due in the inverse order of maturity, subject to Section 21.4 (e) (vii).
 - (ii) A breach of any covenant shall be counted as a single breach unless a subsequent breach with respect to such covenant results in a higher PrePayment Percentage or Noise PrePayment Percentage, as the case may be.
 - (iii) In the event a breach is cured, then any remaining PrePayment obligation relating to such breach shall terminate.

- (iv) In the event a breach is cured, but later recurs, the PrePayment obligation relating to such breach shall recommence from the date of the new breach and the amount thereof shall be calculated on the basis of such new breach only.
- (v) The Headquarters Covenant is only susceptible of being a breach one time (unless cured).
- (vi) With respect to PrePayments of the MAC Leases, the portion of each Installment consisting of the Reimbursement Rent Principal PrePayment Portion shall be applied in the manner described for partial prepayments of Reimbursement Rent in Section 3.2. With respect to PrePayments of the MAC Leases, the portion of each Installment attributable to Replacement Rent (if any) shall be applied in inverse order of due dates for Principal Components, and shall not reduce the amounts of intervening payments of Replacement Rent.
- (vii) With respect to PrePayments of the MAC Leases, the portion of each Installment and consisting of the Defeasance Amount (Breach) and attributable to PrePayments of Basic Rent shall be held and deposited by the Lessor in a deposit account ("Deposit Account") and invested by the Lessor in Defeasance Obligations and shall be irrevocably pledged to the payment of the last maturing principal and interest due on any outstanding GO Bonds without reducing installments of Basic Rent as a result thereof. Such Deposit Account shall be maintained until such time as the sum of the balances in (a) such Deposit Account, and (B) the Series 9 Bond account Balance, is an amount sufficient to pay the remaining principal payment obligations on the MAC Leases consisting of the sum of (X) the Reimbursement Balance set forth on Schedule C (as such Schedule may be modified from time to time) with respect to Reimbursement Rent, (Y) the sum of the unpaid Principal Components set forth in Schedule B with respect to Basic Rent together with any Redemption Premium related thereto, and (Z) the unpaid Principal Components set forth in the Replacement Rent Schedule with respect to Replacement Rent, if any.
- (viii) With respect to any PrePayments of the MAC Leases under this Article XXI, there shall be a contribution to each Installment of each such PrePayment by each of the Lessees under each of the MAC Leases in an amount equal to their respective Applicable Percentages of each such Installment.

Lessee will report annually to the State Department of Finance and MAC concerning compliance with the Public Policy Covenants, which report shall be submitted for a particular

calendar year not later than January 31 of the immediately succeeding calendar year; provided, however, that with respect to employment covenants relating to the Duluth Facility and the Hibbing Facility, additional compliance reports shall be submitted not later than thirty (30) days after each of the specified target dates for achievement of specified employment levels. [LEASE AGREEMENT, ARTICLE XXI, Section 21.4]

REICHGOTT AMENDMENT

- (3) That NAI maintain a sufficient proportion of connecting flights at the Minneapolis-St. Paul Airport to ensure continuation of the hub in Minnesota as a major NAI hub;

NEGOTIATED AGREEMENT (actual agreement language)

"21.3. Hub Covenant. Lessee agrees that it shall, with respect to the airport Hub:

- (a) In order to ensure the continuation of the Hub in Minnesota as a major NAI Hub, NAI will maintain a sufficient proportion of connecting flights at the airport such that the number of NAI and NAI Code-Share Airlines enplaned revenue passengers whose flight travel involves a flight or flights which arrive at and depart from the airport (but whose flight travel neither originates from nor terminates at the airport) will not be less than 30 percent of the total number of NAI and NAI code-share airlines enplaned revenue passengers whose flight travel involves a flight or flights which arrive at or depart from the airport (calculated annually); and
- (b) NAI will maintain not less than substantially 187 departing NAI and NAI code-share airlines flights per day from the airport, calculated annually (which amount is 75 percent of the 1991 number of such flights).

The above provision shall not be deemed to prevent NAI from reducing the airport Hub in response to force majeure or to avoid violations of applicable law, statutes or regulations that would otherwise arise from compliance with such covenant." [LEASE AGREEMENT, Article XXI, Section 21.3]

REICHGOTT AMENDMENT

- (4) That if NAI rejects or voids one or more leases in bankruptcy or similar proceedings, all NAI leases of property owned by MAC are also rejected or voided;

NEGOTIATED AGREEMENT (actual agreement language)

- “(g) Lease Rejection. If lessee, or any of its affiliates, rejects any of the leases of property between the lessee or any such affiliate, as lessee, and MAC, as lessor, under § 365 of the Bankruptcy Code (or under any similar provision of any similar law), lessee agrees that it shall act to reject, and shall cause all its affiliates to act to reject, all such leases. Lessee further covenants and agrees that any such rejection shall automatically constitute rejection of all other such leases, whether or not further action is taken by lessee or such affiliates to do so. The provisions of this section 20.2 (g) shall not affect the determination of whether any contract or agreement constitutes a “lease” for purposes of § 365 the Bankruptcy Code (or any similar provision).” [LEASE AGREEMENT, Article XX, Section 20.2, Paragraph (g)]

REICHGOTT AMENDMENT

- (6) Cross default provisions that permit the state to enforce all rights under any of the financing agreements, including those between MAC and NAI.

NEGOTIATED AGREEMENT (actual agreement language)

- “(b) The public policy covenants shall be enforceable by the state of Minnesota Department of Finance (“State”) and MAC, jointly or individually.” [LEASE AGREEMENT, Article XXI, Section 21.4, Paragraph (b)]

IV. MERRIAM AMENDMENT

The financing agreement entered between Northwest Airlines, Inc., and the Metropolitan Airports Commission for the purpose of acquiring or refinancing facilities or leasehold interests of Northwest Airlines, Inc., includes a provision by which Northwest Airlines, Inc., agrees not to submit an investment proposal to or request an investment from any retirement fund administered by the Minnesota State Board of Investment during the entire term of bonds issued by the Metropolitan Airports Commission for the purpose of financing or refinancing property or bonds issued to refund these bonds as authorized under Minnesota Laws 1991, chapter 350, article 2, sections 3 and 4.

For purposes of this motion, "NAI" means Northwest Airlines Incorporated or its affiliates or successors, "MAC financing" means the leases and loans financed with the proceeds of general obligation MAC bonds or from the MAC construction fund.

NEGOTIATED AGREEMENT (actual agreement language)

"(h) No Investment Proposal. The Lessee covenants and agrees to not, and to cause all of its affiliates to not, submit any proposal for investment in the Lessee or any of its affiliates, or request any investment in the Lessee or any of its affiliates, from any retirement, pension, or similar fund administered by the Minnesota State Board of Investment. For purposes of this section 20.2(i) "investment" shall include any property delivered to or exchanged with any person whether against delivery of stock, evidence of indebtedness, or other obligations or security." [LEASE AGREEMENT, Article XX, Section 20.2, Paragraph (h)]

EXHIBIT 1

MAC BOND RESOLUTION 1477

List of Documents & Reports

1.04 Bond Documents Presented. Forms of the following documents relating to the issuance, sale and method of payment of the Bonds have been presented to the Commission:

(a) Bond Purchase Agreement to be dated as of the date of execution thereof (the "Bond Purchase Agreement") between the Commission and Dain Bosworth Incorporated, as Representative of the several Underwriters named therein, pursuant to which the Bonds are to be sold by the Commission to the Underwriters;

(b) Preliminary Official Statement dated March 17, 1992 (the "Preliminary Official Statement") pursuant to which the Bonds are being offered for sale by the Underwriters; and

(c) Letter of Representation to be dated as of the date of delivery of the Bonds to the Underwriters (the "Letter of Representation") between the Commission and the Depository Trust Company, New York, New York ("DTC") providing for the manner of payment and certain other matters relating to the Bonds.

1.05. Financing Documents Presented. Forms of the following documents (sometimes referred to herein as the "Financing Documents") relating to the NATCO Property and the Airport Property, the leases to NATCO, NWA and NAI and to the security for the lease payments have been presented to the Commission:

(a) Purchase and Sale Agreement For Certain Assets of Northwest Aerospace Training Corporation (the "NATCO Purchase Agreement") between NATCO, as seller, and the Commission, as purchaser, providing for the purchase by the Commission of the portions of the NATCO Property presently owned by NATCO;

(b) Purchase and Sale Agreement For Certain Assets of NWA Inc. (the "NWA Purchase Agreement") between NWA, as seller, and the Commission, as purchaser, providing for the purchase by the Commission of the portions of the NATCO Property presently owned by NWA and the refinancing of NWA's leasehold interest in Sun Country Hangar (the "Sun Country Hangar Lease");

(c) Purchase and Sale Agreement For Certain Assets of Northwest Airlines, Inc. (the "NAI Purchase Agreement") between NAI, as seller, and the Commission, as purchaser, providing for the purchase by the Commission of Airport Equipment and the portions of the NATCO property presently owned by NAI and for refinancing of the Airport Leases other than the Sun Country Hangar Lease;

(d) Facilities and Equipment Lease Agreement (the "NATCO Financing Lease") between the Commission, as lessor, and NATCO, as lessee, providing for the lease back of the portions of the NATCO Property acquired from NATCO;

(e) Facilities and Equipment Lease Agreement (the "NWA Financing Lease") between the Commission, as lessor, and NWA, as lessee, providing for the lease back of the portions of the NATCO Property acquired from NWA and certain other payment obligations on account of the refinancing of the Sun Country Hangar Lease;

(f) Facilities and Equipment Lease Agreement (the "NAI Financing Lease") between the Commission, as lessor, and NAI, as lessee, providing for the lease back of the portions of the Airport Equipment and the NATCO Property acquired from NAI and certain other payment obligations on account of the refinancing of the Airport Leases other than the Sun Country Hangar Lease;

(g) Guaranty (the "NAI Guaranty") from NAI to the Commission, whereby NAI guaranties the obligations of NATCO and NWA under the NATCO Financing Lease and NWA Financing Lease and certain other obligations;

(h) Guaranty (the "NWA Guaranty") from NWA, as parent of NAI and NATCO, to the Commission, whereby NWA guaranties the obligations of NATCO and NAI under the NATCO Financing Lease, the NAI Financing Lease and certain other obligations;

(i) Guaranty (the "Wings Guaranty") from Wings Holdings, Inc., as parent of NWA ("Wings"), to the Commission, whereby Wings guaranties the obligations of NATCO, NWA and NAI under the NATCO Financing Lease, the NWA Financing Lease and the NAI financing Lease and certain other obligations;

(j) Guaranty (the "NATCO Guaranty") from NATCO to the Commission, whereby NATCO guaranties the obligations of NAI and NWA under the NAI Financing Lease and the NWA Financing Lease and certain other obligations;

(k) Security Agreement (the "NWA Security Agreement") between NWA and the Commission whereby NWA pledges certain property to the Commission as security for its obligations under the NWA Financing Lease and the NWA Guaranty;

(l) Security Agreement (the "NAI Security Agreement") between NAI and the Commission whereby NAI pledges certain property to the Commission as security for its obligations under the NAI Financing Lease and the NAI Guaranty;

(m) Security Agreement (the "NATCO Security Agreement") between NATCO and the Commission whereby NATCO pledges certain property to the Commission as security for its obligations under the NATCO Financing Lease and the NATCO Guaranty;

- (n) Pledge Agreement (the "NWA Pledge Agreement") between NWA and the Commission whereby NWA pledges the stock of NATCO and certain other property to the Commission as security for the NWA Financing Lease and NWA Guaranty;
- (o) Mortgage and Security Agreement and Fixture Financing Statement from NWA, as mortgagor, to the Commission, as mortgagee, whereby NWA grant to the Commission a mortgage and security interest in portions of the NATCO Property;
- (p) Collateral Assignment of Lease, and Security Agreement and Fixture Financing Statement from NWA to the Commission, whereby NWA makes an assignment to the Commission of its interest in the Sun Country Hangar Lease;
- (q) Assignment of Subleases, Rents and Other Income from NAI to the Commission whereby NAI assigns the rents with respect to certain of the NATCO Property to the Commission;
- (r) Assignment of Leases, Rents and Other Income from NWA to the Commission whereby NWA assigns the rents with respect to certain of the NATCO Property to the Commission;
- (s) Subordination and Attornment Agreement (the "NATCO Subordination") whereby NAI, NWA and NATCO subordinate their leasehold interests in the NATCO Property to the Commission;
- (t) Subordination Agreement relating to the simulator portions of the NATCO Property;
- (u) Collateral Assignment of Leases, Security Agreement and Fixture Financing Statement (the "Lease Collateral Assignment") whereby NAI makes an assignment of its interests in the Airport Leases other than the Sun Country Hangar Lease to the Commission;
- (v) Collateral Agreement (the "Collateral Agreement"), between NATCO, NAI and NWA and the Commission whereby NATCO, NAI and NWA agree to pledge and maintain certain collateral (the "Collateral") as security for the Financing Leases;
- (w) Security Agreement relating to that portion of the Collateral consisting of engine parts;
- (x) Security Agreement relating to that portion of the Collateral consisting of international routes;
- (y) Subordination and Intercreditor Rights Agreement between the State of Minnesota and the Commission;
- (z) Subordination of Alfred Checchi Associates, Inc.;

(aa) Financing and Refinancing Agreement (the "Transaction Agreement") between NATCO, NAI, NWA and Wings and the Commission relating to various aspects of the transaction;

As used herein the term "Financing Leases" refers collectively to the NATCO Financing Lease, the NAI Financing Lease and the NWA Financing Lease.

1.06. Reports and Other Information Presented. The following reports and other information have been presented to the Commission:

(a) Report of Price Waterhouse dated November 10, 1991 entitled "Financial Analysis of Northwest" projecting the available revenues of NAI and its affiliates for the term of the Bonds, (the "Price Waterhouse Report"), together with letters from Price Waterhouse relating thereto dated December 15, 1991 and March 17, 1992;

(b) Report of KPMG Peat Marwick dated November 27, 1991 entitled "Financial Analysis, Metropolitan Airport System Incorporating Financing for Northwest Airlines" projecting available revenues of the Commission for the term of the Bonds (the "Peat Marwick Report");

(c) Report of audit by Deloitte & Touche of the 1991 financial statements of the Commission (the "Audit Report");

(d) Appraisal prepared by Airline Economics, Inc. of portions of the NATCO Property and supplements thereto prepared by Hap Pareti & Associates (the "NATCO Appraisal");

(e) Appraisals prepared by Marquette Partners of the Airport Property (the "Airport Appraisals") and the real estate portion of the NATCO Property (the "NATCO Real Estate Appraisal");

(f) Appraisal of spare parts to be pledged as collateral for the Financing Leases prepared by SH & E (the "Parts Appraisal");

(g) Appraisals of international routes to be pledged as collateral for the Financing Leases prepared by Airline Economics and Hap Pareti & Associates (the "Route Appraisals");

(h) Letter dated March 24, 1992 from Dain Bosworth Incorporated, investment bankers, to the Commission relating to the terms of the Financing Documents and certain additional information relating to the terms of other financings; and

(i) Certificate from NAI to the Commission describing the relationship between the transactions contemplated hereby and the transactions described in Section 1.07 hereof.

MAR 13 1992

Thomas W. Anderson, Esq.
General Counsel
Metropolitan Airports Commission
Minneapolis-St. Paul International Airport
6040 28th Avenue South
Minneapolis, Minnesota 55450

Re: Proposed State-authorized Loan by MAC to Northwest Airlines

Dear Mr. Anderson:

Thank you for your letter dated February 14, 1992, requesting an advisory opinion about a proposed loan by the Metropolitan Airports Commission (MAC) to Northwest Airlines, Inc. (Northwest). Based on the information you have provided, the proposed arrangements would not in concept be inconsistent with grant assurances made by MAC under the Airport Improvement Program (AIP) as set forth below.

I must caution you that the opinions expressed in this letter are advisory only. This letter is not a Federal Aviation Administration (FAA) approval of the proposed transaction. Under the Airport and Airway Improvement Act of 1982 (AAIA) and the Federal Aviation Act of 1958 (FAA Act), air carriers and airport users may file administrative complaints asking the FAA to investigate alleged violations. I cannot bind the FAA to any future decision in response to a complaint that might be filed regarding the proposed transaction.

This letter addresses the following issues:

- a. whether the proposed transactions would be inconsistent with MAC's obligation to provide access to MSP on fair and reasonable terms without unjust discrimination or the obligation to avoid granting exclusive rights;
- b. whether the loan to Northwest from the special capital fund or the potential use of airport revenues to repay the general obligation/revenue bonds (GO bonds) would be inconsistent with the limitations on the use of airport revenues in Section 511(a)(12) of the AAIA; and

service reserve were not adequate to cover the outstanding bond obligations. MAC considers this possibility to be remote. If airport revenue were insufficient, the seven counties comprising MAC would be required to exercise their taxing

- 2
- c. the FAA's policy on accumulation of airport revenue without expenditure by the airport.

The Financial Incentive Package

As described in your letter and background material, the proposed loan by MAC is part of a larger financial incentive package developed to induce Northwest to construct new facilities within the State of Minnesota. Northwest would operate a new heavy maintenance facility in Duluth and a new engine repair facility in Hibbing.

MAC would own the Duluth facility on land leased from Duluth. MAC would lease the facility to Northwest. Except for the lease payments from Northwest, MAC revenues would not be pledged to finance the facility.

The Hibbing facility would be owned by MAC or by the cities of Hibbing and Chisago; it would be leased to Northwest. Except for any lease payments from Northwest, MAC revenues would not be pledged to finance the facility.

MAC would also purchase and lease back to Northwest existing facilities at and near the Minneapolis/St. Paul International Airport (MSP). The off-airport facilities are Northwest's flight training facility and flight simulators in Bagin (MATCO). Northwest uses MATCO to train its own pilots. Other pilots also use the facility on a fee-for-use basis. Northwest accounts for about 70 percent of MATCO's use. Other pilots account for about 30 percent.

The MATCO facilities were originally located on the airport grounds. Northwest moved MATCO off the airport to provide additional on-airport facilities for flight-crew check-in. The move also permitted expansion of MATCO. MATCO is now approximately 3 miles from MSP.

Under the proposed arrangement, MAC would issue up to \$270 million in GO bonds. MAC would pledge the Northwest lease payments to support the bonds. In addition, Northwest must secure the GO bonds with collateral equal to between 133 and 155 percent of the principal amount of the outstanding GO bonds, and a related loan (discussed below). Northwest must also provide for a reserve approximately equal to 27 months of debt service amounts.

In the event of a Northwest default, MAC would repay the bonds out of other airport revenue if Northwest's collateral and debt service reserve were not adequate to cover the outstanding bond obligations. MAC considers this possibility to be remote. If airport revenue were insufficient, the seven counties comprising MAC would be required to exercise their taxing authority.

MAC would also loan up to \$45 million to Northwest from MAC's special construction fund. This money would be used to fund the debt service reserve for the GO bonds and to defray other bonding expenses. The loan is intended to maximize the amount of the GO bond proceeds available to Northwest.

MAC would also issue separate revenue bonds of \$79 million. The proceeds would be used for the sale and lease back of additional Northwest facilities. These bonds would be supported by the lease payments for the affected facilities. Northwest would also pledge collateral equal to 200 percent of the outstanding bond principal. In contrast to the GO bonds, other airport revenue and the full faith and credit of the counties comprising MAC would not be pledged to satisfy these bond obligations.

In return for these financial benefits, Northwest would make a variety of commitments to the State and MAC. Northwest would agree to minimum employment levels at both the Hibbing and Duluth facilities. Northwest would also agree to maintain its corporate headquarters in the Minneapolis/St. Paul area and to maintain existing employment levels within the State. Northwest would also agree to specified restrictions on its operation of Stage 2 aircraft at MSP, and to contribute at least \$3 million per year as its proportionate share of air carrier funding for noise mitigation. As required by the Minnesota Legislative Commission on Financing and Fiscal Policy, Northwest must also agree to maintain sufficient connecting flights at MSP to assure continuation of MSP as a major Northwest hub.

Applicable Law

Your letter specifically requested an opinion on whether the proposed financing arrangement was consistent with MAC's grant assurances. In exchange for AIP grants, MAC has agreed to the statutory assurances in Section 511 AIA. Sections 511(a)(1), 511(a)(2) and 511(a)(12) are relevant here.

Under Section 511(a)(1), MSP must be open to public use on fair and reasonable terms and without unjust discrimination. Section 511(a)(2) prohibits the grant of an exclusive right for the use of the airport by any person providing aeronautical services to the public. Section 108 of the FAAct, as amended, 49 U.S.C. App. § 1349, also prohibits the grant of an exclusive right.

Section 511(a)(12) requires that all revenues generated by the airport be expended for the "capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the [sponsor] and directly and substantially related to the actual air transportation of passengers or property." The current statutory language was

enacted in 1987. The original provision permitted airport revenue to be expended for "other local facilities . . . which are owned by the [airport sponsor] and directly related to the transportation of persons or properties."

In adopting the original provision, Congress wanted to ensure that "airport systems which are receiving Federal assistance are utilizing all locally generated revenue for the systems which they operate." Congress wanted to protect airport users from being "burdened with 'hidden taxation' for unrelated municipal services." H.R. Rep. 97-760 at 712, U.S. Code Cong. and Ad. News 1190, 1474 (1982).

The legislative history of the 1987 amendment does not show exactly what Congress' concern was. Congress clearly intended to narrow the scope of the "other transportation" uses for airport revenues, because the committee reports describe statutory changes as "limit[ing]" the authorization "to facilities directly and substantially related to the actual air transportation of passengers or property." H.R. Rep. No. 100-123. See also, H.R. Rep. 100-484.

Application of law to proposed transaction

a. Exclusive Rights/Unjust Discrimination

Based on the descriptions outlined above, the proposed transaction does not appear to be inconsistent in concept with MAC's obligation to provide access on fair and reasonable terms without unjust discrimination. The State and MAC would make similar incentives available to other carriers that made similar commitments on employment and noise mitigation. The statutory authorization for the incentive program refers to air carriers; it is not limited to Northwest. Because the new facilities and MACO are not located on the MSP property, space on the airport would not be necessary to allow other carriers to take advantage of the incentives.

Section 511(a)(1) specifically requires that air carriers pay the same or substantially comparable fees for making the same or substantially similar uses of the same or substantially similar facilities. By making similar financial incentives available to any air carrier offering similar benefits to the State and MAC, MAC appears to satisfy the specific as well as general nondiscrimination requirement of Section 511(a)(1).

The proposed transaction in concept also appears not to conflict with the prohibitions on exclusive rights. MAC's mere ownership of a facility, even one that was used exclusively by a single tenant, does not itself amount to the grant of an exclusive right. Airport sponsors routinely own individual gates that are leased on an exclusive basis to a single air

carrier tenant. An exclusive rights violation might occur if MAC were to preclude other carrier tenants from operating their own NAWCO-like facilities on NHP or off, or to restrict access to NAWCO, or if NHP's actual physical layout would preclude comparable transactions with other carriers. However, the material does not indicate that these situations exist.

One other matter could arise if MAC were required to apply airport revenues to pay for the GO bonds. Any resolution would depend on the circumstances at the time of Northwest's default. However, I want to be sure that MAC is aware of the matter before it proceeds to issue bonds. The requirement to provide airport access on fair and reasonable basis involves a requirement to charge reasonable and nondiscriminatory rates and charges. If Northwest were to default on the GO bonds and if MAC were to raise NHP user charges substantially to cover debt service on the bonds, airport users might challenge the user fees as either excessive or unjustly discriminatory. Among the factors the FTA could consider in reviewing that challenge would be whether other airport users made use of NAWCO or otherwise benefited from MAC's ownership of NAWCO.

B. Use of airport revenues

Section 511(a)(12) must be addressed separately in connection with the GO bonds and the construction supplement loan.

As to the construction supplement loan, the funds in question are clearly airport revenue. Under Section 511(a)(12) the funds must, therefore, be spent ultimately on the airport purposes spelled out in Section 511(a)(12). However, the statute does not require that the funds be invested in any particular way until they are spent. It is reasonable to view the loan to Northwest as an investment of those funds. If the funds are ultimately repaid and used for a permissible purpose under Section 511(a)(12), that assurance appears to be satisfied.

You have suggested that the acquisition of NAWCO, to be financed with the GO bonds, is directly and substantially related to the actual transportation of passengers and property for the following reason. In support of your position you argue that without trained pilots, air carriers would not be able to operate their flights. This argument suggests that air carrier pilot training facility could be supported by airport revenues as a general principle.

Congress narrowed the scope of the "other transportation" purpose with the 1987 amendments to Section 511(a)(12). The new standard, "directly and substantially related to the actual air transportation of passengers and cargo", suggests that the Congress intended a strong link between the facility and the

carrier tenant. An exclusive rights violation might occur if KAC were to preclude other carrier tenants from operating their own MATCO-like facilities on MSP or off, or to restrict access to MATCO, or if MSP's actual physical layout would preclude comparable transactions with other carriers. However, the material does not indicate that these limitations exist.

One other matter could arise if KAC were required to apply airport revenue to pay for the GO bonds. Any resolution would depend on the circumstances at the time of Northwest's default. However, I want to be sure that KAC is aware of the matter before it proceeds to issue bonds. The requirement to provide airport access on fair and reasonable basis includes a requirement to charge reasonable and nondiscriminatory rates and charges. If Northwest were to default on the GO bonds and if KAC were to raise MSP user charges substantially to cover debt service on the bonds, airport users might challenge the user fees as either excessive or unjustly discriminatory. Among the factors the FAA could consider in reviewing that challenge would be whether other airport users made use of MATCO or otherwise benefited from KAC's ownership of MATCO.

b. Use of airport revenues

Section 511(a)(12) must be addressed separately in connection with the GO bonds and the construction supplement loan.

As to the construction supplement loan, the funds in question are clearly airport revenue. Under Section 511(a)(12) the funds must, therefore, be spent ultimately on the airport purposes spelled out in section 511(a)(12). However, the statute does not require that the funds be invested in any particular way until they are spent. It is reasonable to view the loan to Northwest as an investment of these funds. If the funds are ultimately repaid and used for a permissible purpose under Section 511(a)(12), that assurance appears to be satisfied.

You have suggested that the acquisition of MATCO, to be financed with the GO bonds, is directly and substantially related to the actual transportation of passengers and property for the following reason. In support of your position you argue that without trained pilots, air carriers would not be able to operate their flights. This argument suggests that air carrier pilot training facility could be supported by airport revenue as a general principle.

Congress narrowed the scope of the "other transportation" purpose with the 1987 amendments to Section 511(a)(12). The new standard, "directly and substantially related to the actual air transportation of passengers and cargo", suggests that Congress intended a strong link between the facility and the

actual movement of passengers to, through, or from the airport. There is a link between air carrier pilot training and the movement of passengers from the airport. However, it is not clear that this link alone would satisfy Congressional intent.

Therefore, I am not prepared at this time to interpret Section 511(a)(12) to permit the use of airport revenues to support off-airport pilot training facilities as a general principle. However, it is not necessary to do so in the case of NATCO, because there is additional linkage. Northwest made NW USA of the on-airport facilities that NATCO vacated. Northwest used the facilities for crew check-in. Crew check-in is a necessary element for the operation of specific flights. As such, it is directly related to the actual movement of passengers from the airport. The off-airport location of NATCO enhanced this activity by making additional airport facilities available. Passengers using MSP thereby receive a direct benefit by the location of NATCO off the airport. Moreover, NAC will acquire title to the crew check-in facilities and lease them to Northwest. This direct benefit, when combined with the benefits from a pilot training facility, in concept provides the necessary link between NATCO and the actual movement of passengers to, from, or through MSP.

c. FAA Policy on Accumulation of Capital Reserves

As a matter of policy, the FAA discourages excessive accumulation of airport revenue without expenditure on permissible capital projects. FAA Order 5100.42, Airport Compliance Requirements, § 4.20.c (1989). Excessive accumulations may raise questions about the level of user charges or whether revenues are being properly spent for airport purposes. Id.

The FAA has not determined that NAC's capital supplement account currently represents excess accumulations of airport revenue. However, in certain circumstances, an airport user might file a complaint alleging that NAC's loan from the supplemental capital fund is inconsistent with the FAA's policy against excessive accumulations of revenue. If such a complaint were filed, the FAA would have the discretion to examine this issue more closely.

I trust that this opinion is sufficient for your purposes. Please feel free to contact me if I can be of any further assistance in this matter.

Sincerely,



Kenneth P. Quinn
Chief Counsel



Bankers Trust

Bankers Trust New York Corporation
and its affiliated Companies

EXHIBIT 3

John C. Moses
Vice President
BT Securities Corporation
Telephone: 212-250-7155

Mailing Address:
P.O. Box 318, Church Street Station
New York, New York 10008

Address:
One Bankers Trust Plaza
New York, New York 10006

March 26, 1992

Commissioner of Finance
State of Minnesota
4th Floor Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Metropolitan Airports Commission
6040 28th Avenue South
Minneapolis, Minnesota 55450

Ladies and Gentlemen:

Reference is made to certain transactions to be entered into between the State of Minnesota and Northwest Airlines, Inc. ("Northwest") and certain of its affiliates whereby bonds will be issued by the State of Minnesota, the Metropolitan Airports Commission and certain other parties, the proceeds of which will be to used to purchase, refinance and finance various facilities to be leased by Northwest and certain of its affiliates in Minnesota.

We hereby confirm to you that Bankers Trust Company, as agent, and certain other financial institutions have entered into an Amended and Restated Credit Agreement with Northwest, NWA Inc. and Wings Holdings Inc. dated as of March 26, 1992. We are in receipt of signed pages of such Credit Agreement from the requisite banks, Northwest and certain Northwest affiliates, and such documentation is effective.

Very truly yours,

EXHIBIT 4
FACILITIES AND EQUIPMENT LEASE AGREEMENT
DEFINED TERMS

"Affiliate" shall mean with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For the purposes of this definition, "control" (including with correlative meanings the terms "controlling," "controlled by," and "under common control with"), as used with respect to any Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. Unless otherwise specified, "Affiliate" means an Affiliate of the Lessee and any guarantor of any of the obligations of Lessee hereunder.

Notwithstanding the foregoing, for purposes of Article XXI and Section 20.2(j) only, "Affiliate" means an entity controlling, controlled by, or under common control with NAI. For purposes of this definition "control" shall mean greater than 50% control of all classes of voting stock. Wings shall in all events be deemed an Affiliate of NAI for purposes of Article XXI.

"Affiliated Employees" means active employees (not on leave of absence) of NAI and its Affiliates together with active employees (not on leave of absence) of third parties that perform work on behalf of NAI or its Affiliates in lieu of their employees (consistent with the contractual obligations of NAI and its Affiliates). The number of Affiliated Employees shall be calculated at any time by counting one such full-time employee as one Affiliated Employee and one such part-time employee as three-quarters of one Affiliated Employee. Such calculations shall be made using the full-time/part-time reporting standards required by the Minnesota Department of Jobs and Training applicable to NAI as of February 29, 1992 (e.g., such that a pilot or flight attendant employed to work the "full-time" hours permitted by contract and the regulations of the Federal Aviation Administration shall be deemed a full-time employee).

"Corporate Headquarters" means the principal office of a corporation from which its business is conducted and the principal office of its chief executive officer.

"Default" shall mean an event or condition which, with the giving of notice or the lapse of time or both, would become an Event of Default.

"Defeasance Amount (Breach)" means, as certified by an accounting or financial consulting firm acceptable to Lessor, an amount which, if held as cash or invested in then available Defeasance Obligations, would provide funds sufficient, without reinvestment, to pay on the next available Redemption Date, principal on the last maturing GO Bonds outstanding in the amount of the Bonds Principal Pre-Payment Portion together with (i) interest thereon to such Redemption Date, and (ii) any Redemption Premium thereof; provided, however, that such amount shall never be less than the Bonds Principal Pre-Payment Portion.

"Defeasance Amount (Optional)" means, as of any date of computation, as certified by an accounting or financial consulting firm acceptable to Lessor, an amount which, if held as cash or invested in then available Defeasance Obligations, will provide funds sufficient, without reinvestment, to pay when due or called for redemption on the Redemption Date, principal, Redemption Premium, if any, and interest for all or a designated portion of GO Bonds outstanding.

"Development Agreements" shall mean, collectively, the Development Agreement of even date herewith among the City of Duluth, MAC and NAI, and the Development Agreement of even date herewith among, inter alia, the City of Hibbing and NAI.

"Defeasance Obligations" means one or more of the following, to the extent not callable or callable only at the option of the holder thereof:

- (i) cash;
- (ii) State and local Government Series issued by the United States Treasury;
- (iii) United State Treasury bills, notes and bonds, as traded on the open market;
and
- (iv) Zero Coupon United States Treasury Bonds.

"Discharge Amount" means with respect to a Redemption Date, the amount necessary to pay the principal of, Redemption Premium, if any, and interest on GO Bonds to the Redemption Date.

"Duluth Employees" means employees of NAI and its Affiliates at the Duluth Facility together with employees of third parties that perform work at the Duluth Facility on behalf of NAI or its Affiliates in lieu of their employees (consistent with the contractual obligations of NAI and its Affiliates) and employees of third parties which NAI or its Affiliates directly cause to be employed at the Duluth Facility (e.g., employees of joint venture partners of NAI). The number of Duluth Employees shall be calculated at any time on a full-time equivalent basis.

"Duluth Facility" means the proposed heavy maintenance facility at the Duluth airport for which financing has been authorized by the Minnesota legislature.

"Duluth Lease" means that certain lease agreement and related documents between NAI and the Metropolitan Airports Commission concerning the Duluth Facility.

"Equipment" shall have the meaning specified in the Recitals hereof.

"Facilities Pre-payment Amount" means the product of (i) the remaining principal payment obligations (inclusive of all elements of rental thereunder) under the MAC Leases, multiplied by (ii) the Facilities Pre-Payment Percentage. The remaining principal payment obligations under the MAC Leases consist of the sum of (i) the Reimbursement Balance set

forth in Schedule C with respect to Reimbursement Rent, (ii) the sum of the unpaid Principal Components set forth in Schedule B with respect to Basic Rent, and (iii) the unpaid Principal Components set forth in the Replacement Rent Schedule with respect to Replacement Rent; if any.

"Facilities Pre-Payment Percentage" means sixty percent (60%), upon the failure to complete the Duluth Facility, and forty percent (40%), upon the failure to complete the Hibbing Facility, and one hundred percent (100%) upon the failure to complete either the Duluth Facility or the Hibbing Facility.

"Facilities Pre-Payment Dates" mean the eighth (8th), ninth (9th) and tenth (10th) anniversaries of this Agreement. The applicable percentage of the Facilities Pre-Payment Amount payable on each Facilities Pre-Payment Date shall be as follows:

<u>Anniversary</u>	<u>Percentage of Facilities Pre-Payment Amount</u>
8	26%
9	37%
10	37%

"Flight" means a scheduled flight of jet aircraft with not less than 70 passenger seats.

"Force Majeure" means any direct effect of prolonged strikes or other major labor troubles, acts of God, litigation commenced by third parties resulting in injunction or other similar judicial action, or acts of any federal, state or local governmental unit, which in any case directly prohibits or prevents compliance with this covenant notwithstanding the best efforts to comply. With respect to the Noise covenant set forth in Section 21.1(c), force majeure shall include the direct effect of any grounding of a specific fleet or aircraft by the manufacturer thereof or by a governmental authority during the period of such grounding.

"Greater Breach" means (i) with respect to any of the Employment covenants or of the Hub covenant, a breach resulting in a Non-Compliance Percentage greater than fifty percent (50%) and (ii) with respect to Noise covenant set forth in section 21.1(c), a breach resulting in a Noise Non-Compliance Percentage greater than ten percent (10%), and (iii) with respect to the Headquarters Covenant, a breach.

"Hibbing Employees" means employees of NAI and its Affiliates at the Hibbing Facility together with employees of third parties that perform work at the Hibbing Facility on behalf of NAI or its Affiliates in lieu of their employees (consistent with the contractual obligations of NAI and its Affiliates) and employees of third parties which NAI or its Affiliates directly cause to be employed at the Hibbing Facility (e.g., employees of joint venture partners of NAI). The number of Hibbing Employees shall be calculated at any time on a full-time equivalent basis.

"Hibbing Facility" means the proposed aircraft engine repair facility at the Hibbing/Chisholm airport for which financing has been authorized by the Minnesota legislature.

"Hibbing Lease" means that certain lease agreement and related documents between NAI and the Chisholm-Hibbing Airport Commission concerning the Hibbing Facility.

"Hub" means an airport used by an airline for a significant number of its connecting flight passengers.

"Initial Payment Date" means the next succeeding regular Rental Payment Date under the affected MAC Lease following written notice by MAC or the State, as the case may be, to NAI of the Pre-Payment Amount or the Noise Pre-Payment Amount, as the case may be.

"Installment" means with respect to a particular Payment Date, the sum of (i) the Defeasance Amount (Breach) related thereto, plus (ii) the Reimbursement Rent Principal Pre-Payment Portion.

"Lessee" shall mean NAI and, to the extent permitted in Sections 15.2 and 20.2(c) and (d) of this Agreement, its successors and assigns.

"Lesser Breach" means (i) with respect to any of the Employment covenants or of the Hub covenant, a breach resulting in a Non-Compliance Percentage of less than or equal to fifty percent (50%) and (ii) with respect to the Noise covenant set forth in Section 21.1(c), a breach resulting in a Noise Non-Compliance Percentage of less than or equal to ten percent (10%).

"Lessor" shall mean MAC and to the extent permitted in Section 22.5 of this Agreement, its successors and assigns.

"MAC" means the Metropolitan Airports Commission, a public authority organized under the laws of the State of Minnesota, and its successors and assigns.

"Minor Affiliates" shall mean an Affiliate with a tangible net worth of less than \$1,000,000.00, as determined in accordance with GAAP.

"Multiemployer Plan" means a multiemployer plan as defined in ERISA Section 4001(a)(3) and to which the Lessee or any ERISA Affiliate is making, or is obligated to make, contributions or has made, or has been obligated to make, contributions.

"NAI" means Northwest Airlines, Inc., a Minnesota corporation, and its successors and assigns.

"NAI Code-Share Airlines" means airlines other than NAI which share the "NW" (or equivalent) computer code of NAI for ticket sales purposes.

"Noise Non-Compliance Percentage" means, but only if a positive number, the greater of the two percentages calculated by subtracting the actual percentages of compliance with respect to the two requirements of Noise covenant set forth in Section 21.1(c) from the applicable required percentages of compliance.

"Noise Pre-Payment Amount" means the product of (i) the remaining principal payment obligation (inclusive of all elements of base rental thereunder) under the MAC Leases, multiplied by (ii) the Noise Pre-Payment Percentage. The remaining principal payment obligations under the MAC Leases consist of the sum of (i) the Reimbursement Balance set forth and Schedule C with respect to Reimbursement Rent, (ii) the sum of the unpaid Principal Components set forth in Schedule B with respect to Basic Rent, and (iii) the unpaid Principal Component set forth in the Replacement Rent Schedule with respect to Replacement Rent, if any.

"Noise Pre-Payment Percentage" means, with respect to a particular Noise Non-Compliance Percentage, the particular Noise Pre-Payment Percentage indicated below:

Noise Non-Compliance Percentage	Noise Pre-Payment Percentage
greater than 0% and to 2.5%	15%
greater than 2.5% and to 5%	30%
greater than 5% and to 7.5%	50%
greater than 7.5% and to 10%	75%
greater than 10%	100%

"Non-Compliance Percentage" means the percentage by which NAI is not in compliance with an applicable covenant, as the case may be (determined without deduction for the "substantially" calculation).

"NWA" means NWA Inc., a Delaware corporation, and its successors and assigns.

"Off-Airport Aircraft Noise Costs" has the meaning provided in the Scheduled Airline operating Agreement and Terminal Building Lease.

"Operational" means that date after completion of the Duluth Facility or the Hibbing Facility, as the case may be, at which such facility is fully operational for its intended use, but not later than six months after "substantial completion" as said term is defined in the Hibbing Lease with respect to the Hibbing Facility and in the Duluth Lease with respect to Phase I of the Duluth Facility.

"Overdue Rate" shall mean the rate of eleven percent (11%) per annum.

"Payment Date" means the Initial Payment Date and one of the following, as applicable:

(i) with respect to breaches of the Noise covenant set forth in Section 21.1(c), the Employment covenants or the Hub covenants, the applicable Succeeding Payment Dates.

(ii) with respect to a breach of the Headquarters covenant, the applicable Succeeding Payment Dates (Headquarters).

"Pre-Payment Amount" means the product of (i) the remaining principal payment obligation (inclusive of all elements of rental thereunder) under the MAC Leases, multiplied by (ii) the Pre-Payment Percentage. The remaining principal payment obligations under the MAC Leases consist of the sum of (i) the Reimbursement Balance set forth in Schedule C with respect to Reimbursement Rent, (ii) the sum of the unpaid Principal Components set forth in Schedule B with respect to Basic Rent, and (iii) the unpaid Principal Component set forth in the Replacement Rent Schedule with respect to Replacement Rent, if any.

"Pre-Payment Percentage" means, with respect to a particular Non-Compliance Percentage, the particular Pre-Payment Percentage indicated below:

Non-Compliance Percentage	Pre-Payment Percentage
greater than 10% and to 20%	15%
greater than 20% and to 30%	30%
greater than 30% and to 40%	50%
greater than 40% and to 50%	75%
Greater than 50%	100%

"Principal Pre-Payment Installment" means an amount determined by dividing the Pre-Payment Amount or the Noise Pre-Payment Amount, as the case may be, by the number of Applicable Payment Dates.

"Proportional Utilization" means the proportion of NAI's Stage 2 Aircraft Utilization compared with the aggregate of NAI's Stage 2 Aircraft and Stage 3 Aircraft Utilization.

"Proportionate Share" has the meaning provided in the Scheduled Airline Operating Agreement and Terminal Building Lease.

"Public Policy Covenants" means the noise, employment, headquarters and Hub covenants mandated by the Minnesota State Legislature set forth in Article XXI hereof.

"Reimbursement Balance" means, as of any date of determination, the aggregate unpaid Principal Components of Reimbursement Rent, as set forth under the column entitled "Reimbursement Balance" on Schedule C.

"Reimbursement Rate" shall have the meaning specified in Section 3.2 hereof.

"Reimbursement Rent" has the meaning given it in section 3.2.

"Reimbursement Rent Principal Pre-Payment Portion" means 15% of the Principal Pre-Payment Installment, but if Reimbursement Rent under the MAC Leases is paid or prepaid in full, then 0% thereof.

"Rent" shall mean, collectively, the Basic Rent, Reimbursement Rent, Replacement Rent and Supplemental Rent.

"Stage 2 Aircraft" means an aircraft that complies with the Stage 2 requirements under 14 C.F.R. part 36, as amended from time to time.

"Stage 3 Aircraft" means an aircraft that complies with the Stage 3 requirements under 14 C.F.R. part 36, as amended from time to time.

"State" shall mean the State of Minnesota, acting through its Commissioner of Finance.

"Subsidiary" of any Person shall mean any corporation, partnership, joint venture, limited liability company association or other business entity of which more than 50% of the total voting power of share of stock or other interests therein entitled to vote in the election of members of the board of directors, partnership committee, board of managers or trustees or other managerial body thereof is at the time owned or controlled directly or indirectly, by such Person or a combination thereof. Unless otherwise specified, "Subsidiary" means a Subsidiary of the Lessee.

"Substantially" shall mean at least ninety percent (90%), except when used as part of the definition of the term "Substantially all of the Equipment."

"Substantially all of the Equipment" shall be deemed to mean 50% or more of the fair market value of the Equipment. For purposes of this definition, "fair market value" shall be the estimated amount at which the Equipment might be expected to be exchanged between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both.

"Succeeding Payment Date" means each of (i) the number of immediately succeeding anniversary dates of the Initial Payment Date determined by reference to the table and notes thereto below or (ii) such number of immediately succeeding anniversary dates of the Initial Payment Date occurring within the remaining term of the applicable lease (inclusive of exercised options to renew but exclusive of unexercised options to renew) whichever is less.

Succeeding Payment Date Table

Lesser Breaches (only)	Anniversary Dates
first	9
second	8
third	6
fourth	4
fifth	2
sixth	1

Greater Breaches (only)

first	4
second	2
third and all subsequent	1

Notes:

(i) if after the first breach one or more subsequent breaches shall occur, the Succeeding Payment Dates for the earlier breaches shall be adjusted to be such that none shall be later than the final Succeeding Payment Date of the last breach.

(ii) if both a Greater Breach and a subsequent Lesser Breach shall occur, the remaining applicable Succeeding Payment Dates of all breaches shall each be accelerated by six months.

"Succeeding Payment Date (Headquarters)" means each of (i) if the remaining term of the MAC leases is greater than 24 years at the time of the breach, the four immediately succeeding anniversary dates of the Initial Payment Date, (ii) if the remaining term of the MAC Leases is greater than 18 years but less than or equal to 24 years, the three immediately succeeding anniversary dates of the Initial Payment Date, (iii) if the remaining term of the MAC Leases is greater than 12 years but less than or equal to 18 years, the two immediately succeeding anniversary dates of the Initial Payment Date or (iv) if the remaining term of the MAC Leases is greater than six years but less than or equal to 12 years, the one immediately succeeding anniversary date of the Initial Payment Date.

"Utilization" means the number of NAI scheduled Domestic passenger and cargo jet aircraft landings and takeoffs.

"Wings" shall mean Wings Holdings, Inc., a Delaware corporation, and its successors and assigns.

SCHEDULE A

EXHIBIT 5

<u>RENTAL PAYMENT</u> <u>DATE</u>	<u>SEQUENCE</u> <u>YEAR</u>	<u>DEBT YEAR</u>	<u>SEQUENCE YEAR</u> <u>PRINCIPAL & INTEREST</u>	<u>BASIC RENT</u>	<u>ADJUSTMENT</u>
					3.1(b)(1) 1.25%
10-May-92				5,990,023	0
10-Aug-92				5,990,023	n/a
10-Nov-92	1993	1995	23,960,093	5,990,023	599,002
10-Feb-93	1993	1995	23,960,093	5,990,023	599,002
10-May-93	1993	1995	23,960,093	5,990,023	599,002
10-Aug-93	1993	1995	23,960,093	5,990,023	n/a
10-Nov-93	1994	1996	23,960,093	5,990,023	599,002
10-Feb-94	1994	1996	23,960,093	5,990,023	599,002
10-May-94	1994	1996	23,960,093	5,990,023	599,002
10-Aug-94	1994	1996	23,960,093	5,990,023	n/a
10-Nov-94	1995	1997	23,960,093	5,990,023	599,002
10-Feb-95	1995	1997	23,960,093	5,990,023	599,002
10-May-95	1995	1997	23,960,093	5,990,023	599,002
10-Aug-95	1995	1997	23,960,093	5,990,023	n/a
10-Nov-95	1996	1998	23,960,093	5,990,023	599,002
10-Feb-96	1996	1998	23,960,093	5,990,023	599,002
10-May-96	1996	1998	23,960,093	5,990,023	599,002
10-Aug-96	1996	1998	23,960,093	5,990,023	n/a
10-Nov-96	1997	1999	23,960,093	5,990,023	599,002
10-Feb-97	1997	1999	23,960,093	5,990,023	599,002
10-May-97	1997	1999	23,960,093	5,990,023	599,002
10-Aug-97	1997	1999	23,960,093	5,990,023	n/a
10-Nov-97	1998	2000	23,960,093	5,990,023	599,002
10-Feb-98	1998	2000	23,960,093	5,990,023	599,002
10-May-98	1998	2000	23,960,093	5,990,023	599,002
10-Aug-98	1998	2000	23,960,093	5,990,023	n/a
10-Nov-98	1999	2001	23,960,093	5,990,023	599,002
10-Feb-99	1999	2001	23,960,093	5,990,023	599,002
10-May-99	1999	2001	23,960,093	5,990,023	599,002
10-Aug-99	1999	2001	23,960,093	5,990,023	n/a
10-Nov-99	2000	2002	23,960,093	5,990,023	599,002
10-Feb-2000	2000	2002	23,960,093	5,990,023	599,002
10-May-2000	2000	2002	23,960,093	5,990,023	599,002
10-Aug-2000	2000	2002	23,960,093	5,990,023	n/a
10-Nov-2000	2001	2003	29,075,258	7,268,814	662,942
10-Feb-2001	2001	2003	29,075,258	7,268,814	662,942
10-May-2001	2001	2003	29,075,258	7,268,814	662,942
10-Aug-2001	2001	2003	29,075,258	7,268,814	n/a
10-Nov-2001	2002	2004	29,070,163	7,267,541	726,818
10-Feb-2002	2002	2004	29,070,163	7,267,541	726,818
10-May-2002	2002	2004	29,070,163	7,267,541	726,818
10-Aug-2002	2002	2004	29,070,163	7,267,541	n/a
10-Nov-2002	2003	2005	29,057,713	7,264,428	726,598
10-Feb-2003	2003	2005	29,057,713	7,264,428	726,598
10-May-2003	2003	2005	29,057,713	7,264,428	726,598
10-Aug-2003	2003	2005	29,057,713	7,264,428	n/a
10-Nov-2003	2004	2006	29,044,468	7,261,117	726,277
10-Feb-2004	2004	2006	29,044,468	7,261,117	726,277
10-May-2004	2004	2006	29,044,468	7,261,117	726,277
10-Aug-2004	2004	2006	29,044,468	7,261,117	n/a
10-Nov-2004	2005	2007	29,036,128	7,259,032	726,007

SCHEDULE A

RENTAL PAYMENT DATE	SEQUENCE YEAR	DEBT YEAR	SEQUENCE YEAR PRINCIPAL & INTEREST	BASIC RENT	3.1(b)(1) 1.25% ADJUSTMENT	
10-Feb-2005	2005	2007	29,036,128	7,259,032	726,007	
10-May-2005	2005	2007	29,036,128	7,259,032	726,007	
10-Aug-2005	2005	2007	29,036,128	7,259,032	n/a	
10-Nov-2005	2006	2008	29,018,393	7,254,598	725,682	
10-Feb-2006	2006	2008	29,018,393	7,254,598	725,682	
10-May-2006	2006	2008	29,018,393	7,254,598	725,682	
10-Aug-2006	2006	2008	29,018,393	7,254,598	n/a	
10-Nov-2006	2007	2009	29,006,533	7,251,633	725,312	
10-Feb-2007	2007	2009	29,006,533	7,251,633	725,312	
10-May-2007	2007	2009	29,006,533	7,251,633	725,312	
10-Aug-2007	2007	2009	29,006,533	7,251,633	n/a	
10-Nov-2007	2008	2010	28,990,173	7,247,543	724,959	
10-Feb-2008	2008	2010	28,990,173	7,247,543	724,959	
10-May-2008	2008	2010	28,990,173	7,247,543	724,959	
10-Aug-2008	2008	2010	28,990,173	7,247,543	n/a	
10-Nov-2008	2009	2011	28,955,348	7,238,837	724,319	
10-Feb-2009	2009	2011	28,955,348	7,238,837	724,319	
10-May-2009	2009	2011	28,955,348	7,238,837	724,319	
10-Aug-2009	2009	2011	28,955,348	7,238,837	n/a	
10-Nov-2009	2010	2012	28,918,309	7,229,577	723,421	
10-Feb-2010	2010	2012	28,918,309	7,229,577	723,421	
10-May-2010	2010	2012	28,918,309	7,229,577	723,421	
10-Aug-2010	2010	2012	28,918,309	7,229,577	n/a	
10-Nov-2010	2011	2013	28,877,889	7,219,472	722,452	
10-Feb-2011	2011	2013	28,877,889	7,219,472	722,452	
10-May-2011	2011	2013	28,877,889	7,219,472	722,452	
10-Aug-2011	2011	2013	28,877,889	7,219,472	n/a	
10-Nov-2011	2012	2014	28,831,256	7,207,814	721,364	
10-Feb-2012	2012	2014	28,831,256	7,207,814	721,364	
10-May-2012	2012	2014	28,831,256	7,207,814	721,364	
10-Aug-2012	2012	2014	28,831,256	7,207,814	n/a	
10-Nov-2012	2013	2015	28,784,685	7,196,171	720,199	
10-Feb-2013	2013	2015	28,784,685	7,196,171	720,199	
10-May-2013	2013	2015	28,784,685	7,196,171	720,199	
10-Aug-2013	2013	2015	28,784,685	7,196,171	n/a	
10-Nov-2013	2014	2016	28,733,554	7,183,388	718,978	
10-Feb-2014	2014	2016	28,733,554	7,183,388	718,978	
10-May-2014	2014	2016	28,733,554	7,183,388	718,978	
10-Aug-2014	2014	2016	28,733,554	7,183,388	n/a	
10-Nov-2014	2015	2017	28,677,570	7,169,393	717,639	
10-Feb-2015	2015	2017	28,677,570	7,169,393	717,639	
10-May-2015	2015	2017	28,677,570	7,169,393	717,639	
10-Aug-2015	2015	2017	28,677,570	7,169,393	n/a	
10-Nov-2015	2016	2018	28,610,770	7,152,693	716,104	
10-Feb-2016	2016	2018	28,610,770	7,152,693	716,104	
10-May-2016	2016	2018	28,610,770	7,152,693	716,104	
10-Aug-2016	2016	2018	28,610,770	7,152,693	n/a	
10-Nov-2016	2017	2019	28,545,848	7,136,462	714,458	
10-Feb-2017	2017	2019	28,545,848	7,136,462	714,458	
10-May-2017	2017	2019	28,545,848	7,136,462	714,458	
10-Aug-2017	2017	2019	28,545,848	7,136,462	n/a	
10-Nov-2017	2018	2020	28,469,378	7,117,344	712,690	

SCHEDULE B

<u>CALENDAR YEAR</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL</u>	<u>OCT. 10 REQUIRED BOND ACCOUNT BALANCE</u>
1992	0	5,990,023	5,990,023	47,920,185
1993	0	23,960,093	23,960,093	47,920,185
1994	0	23,960,093	23,960,093	47,920,185
1995	0	23,960,093	23,960,093	47,920,185
1996	0	23,960,093	23,960,093	47,920,185
1997	0	23,960,093	23,960,093	47,920,185
1998	0	23,960,093	23,960,093	47,920,185
1999	0	23,960,093	23,960,093	47,920,185
2000	0	23,960,093	23,960,093	47,920,185
2001	0	23,960,093	23,960,093	53,035,350
2002	0	23,960,093	23,960,093	58,145,420
2003	5,345,000	23,730,258	29,075,258	58,127,875
2004	5,820,000	23,250,163	29,070,163	58,102,180
2005	6,330,000	22,727,713	29,057,713	58,080,595
2006	6,885,000	22,159,468	29,044,468	58,054,520
2007	7,495,000	21,541,128	29,036,128	58,024,925
2008	8,150,000	20,868,393	29,018,393	57,996,705
2009	8,870,000	20,136,533	29,006,533	57,945,520
2010	9,650,000	19,340,173	28,990,173	57,873,656
2011	10,500,000	18,455,348	28,955,348	57,796,198
2012	11,445,000	17,473,309	28,918,309	57,709,145
2013	12,475,000	16,402,889	28,877,889	57,615,941
2014	13,595,000	15,236,256	28,831,256	57,518,239
2015	14,820,000	13,964,685	28,784,685	57,411,124
2016	16,155,000	12,578,554	28,733,554	57,288,340
2017	17,610,000	11,067,570	28,677,570	57,156,618
2018	19,190,000	9,420,770	28,610,770	57,015,225
2019	20,920,000	7,625,848	28,545,848	56,861,194
2020	22,800,000	5,669,378	28,469,378	56,694,094
2021	24,855,000	3,536,816	28,391,816	28,302,278
2022	27,090,000	1,212,278	28,302,278	n/a
	\$270,000,000	\$551,988,472	\$821,988,472	

SCHEDULE C

<u>RENTAL PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT (1)</u>	<u>REIMBURSEMENT RENT</u>	<u>REIMBURSEMENT BALANCE</u>
10-May-92	0	289,250	289,250	45,000,000
10-Aug-92	213,546	1,001,250	1,214,796	44,786,454
10-Nov-92	218,297	996,499	1,214,796	44,568,157
10-Feb-93	223,154	991,641	1,214,796	44,345,003
10-May-93	228,119	986,676	1,214,796	44,116,884
10-Aug-93	233,195	981,601	1,214,796	43,883,689
10-Nov-93	238,384	976,412	1,214,796	43,645,305
10-Feb-94	243,688	971,108	1,214,796	43,401,617
10-May-94	249,110	965,686	1,214,796	43,152,508
10-Aug-94	254,652	960,143	1,214,796	42,897,855
10-Nov-94	260,318	954,477	1,214,796	42,637,537
10-Feb-95	266,111	948,685	1,214,796	42,371,426
10-May-95	272,031	942,764	1,214,796	42,099,395
10-Aug-95	278,084	936,712	1,214,796	41,821,311
10-Nov-95	284,272	930,524	1,214,796	41,537,039
10-Feb-96	290,597	924,199	1,214,796	41,246,443
10-May-96	297,062	917,733	1,214,796	40,949,380
10-Aug-96	303,672	911,124	1,214,796	40,645,708
10-Nov-96	310,429	904,367	1,214,796	40,335,279
10-Feb-97	317,336	897,460	1,214,796	40,017,944
10-May-97	324,396	890,399	1,214,796	39,693,547
10-Aug-97	331,614	883,181	1,214,796	39,361,933
10-Nov-97	338,993	875,803	1,214,796	39,022,940
10-Feb-98	346,535	868,260	1,214,796	38,676,405
10-May-98	354,246	860,550	1,214,796	38,322,159
10-Aug-98	362,128	852,668	1,214,796	37,960,032
10-Nov-98	370,185	844,611	1,214,796	37,589,847
10-Feb-99	378,422	836,374	1,214,796	37,211,425
10-May-99	386,841	827,954	1,214,796	36,824,584
10-Aug-99	395,449	819,347	1,214,796	36,429,135
10-Nov-99	404,247	810,548	1,214,796	36,024,888
10-Feb-2000	413,242	801,554	1,214,796	35,611,646
10-May-2000	422,437	792,359	1,214,796	35,189,209
10-Aug-2000	431,836	782,960	1,214,796	34,757,373
10-Nov-2000	441,444	773,352	1,214,796	34,315,929
10-Feb-2001	451,266	763,529	1,214,796	33,864,663
10-May-2001	461,307	753,489	1,214,796	33,403,356
10-Aug-2001	471,571	743,225	1,214,796	32,931,785
10-Nov-2001	482,063	732,732	1,214,796	32,449,721
10-Feb-2002	492,789	722,006	1,214,796	31,956,932
10-May-2002	503,754	711,042	1,214,796	31,453,178
10-Aug-2002	514,962	699,833	1,214,796	30,938,215
10-Nov-2002	526,420	688,375	1,214,796	30,411,795
10-Feb-2003	538,133	676,662	1,214,796	29,873,682
10-May-2003	550,107	664,689	1,214,796	29,323,555
10-Aug-2003	562,347	652,449	1,214,796	28,761,208
10-Nov-2003	574,859	639,937	1,214,796	28,186,350
10-Feb-2004	587,649	627,146	1,214,796	27,598,700
10-May-2004	600,725	614,071	1,214,796	26,997,976
10-Aug-2004	614,091	600,705	1,214,796	26,383,885
10-Nov-2004	627,754	587,041	1,214,796	25,756,131
10-Feb-2005	641,722	573,074	1,214,796	25,114,409

SCHEDULE C

RENTAL PAYMENT DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT (1)	REIMBURSEMENT RENT	REIMBURSEMENT BALANCE
10-May-2005	656,000	558,796	1,214,796	24,458,409
10-Aug-2005	670,596	544,200	1,214,796	23,787,813
10-Nov-2005	685,517	529,279	1,214,796	23,102,296
10-Feb-2006	700,770	514,026	1,214,796	22,401,526
10-May-2006	716,362	498,434	1,214,796	21,685,164
10-Aug-2006	732,301	482,495	1,214,796	20,952,864
10-Nov-2006	748,594	466,201	1,214,796	20,204,269
10-Feb-2007	765,251	449,545	1,214,796	19,439,018
10-May-2007	782,278	432,518	1,214,796	18,656,741
10-Aug-2007	799,683	415,112	1,214,796	17,857,058
10-Nov-2007	817,476	397,320	1,214,796	17,039,581
10-Feb-2008	835,665	379,131	1,214,796	16,203,916
10-May-2008	854,259	360,537	1,214,796	15,349,658
10-Aug-2008	873,266	341,530	1,214,796	14,476,392
10-Nov-2008	892,696	322,100	1,214,796	13,583,696
10-Feb-2009	912,558	302,237	1,214,796	12,671,138
10-May-2009	932,863	281,933	1,214,796	11,738,275
10-Aug-2009	953,619	261,177	1,214,796	10,784,656
10-Nov-2009	974,837	239,959	1,214,796	9,809,819
10-Feb-2010	996,527	218,268	1,214,796	8,813,291
10-May-2010	1,018,700	196,096	1,214,796	7,794,591
10-Aug-2010	1,041,366	173,430	1,214,796	6,753,225
10-Nov-2010	1,064,536	150,259	1,214,796	5,688,689
10-Feb-2011	1,088,222	126,573	1,214,796	4,600,467
10-May-2011	1,112,435	102,360	1,214,796	3,488,031
10-Aug-2011	1,137,187	77,609	1,214,796	2,350,844
10-Nov-2011	1,162,489	52,306	1,214,796	1,188,355
10-Feb-2012	1,188,355	26,441	1,214,796	0
	\$45,000,000	\$51,258,110	\$96,258,110	

(1) Reimbursement Rate: 8.900%

EXHIBIT 6

3.02. Redemption. All Bonds are subject to redemption and prior payment in whole or in part in such order of maturity as the Commission may determine at the option of the Commission on January 1, 2002, and any date thereafter, from any moneys that may be made available for such purpose, at a redemption price of par plus a premium (expressed as a percentage of the principal amount to be redeemed) as set forth below, plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Premium</u>
January 1, 2002 to and including December 31, 2002	4.50 %
January 1, 2003 to and including December 31, 2003	4.05 %
January 1, 2004 to and including December 31, 2004	3.60 %
January 1, 2005 to and including December 31, 2005	3.15 %
January 1, 2006 to and including December 31, 2006	2.70 %
January 1, 2007 to and including December 31, 2007	2.25 %
January 1, 2008 to and including December 31, 2008	1.80 %
January 1, 2009 to and including December 31, 2009	1.35 %
January 1, 2010 to and including December 31, 2010	.90 %
January 1, 2011 to and including December 31, 2011	.45 %
January 1, 2012 and thereafter December 31, 2012	-0- %

All Bonds due on January 1, 2010 are subject to mandatory redemption and shall be redeemed in part at par plus accrued interest on the mandatory redemption dates and in the principal amounts as follows:

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
January 1, 2003	\$5,345,000
January 1, 2004	5,820,000
January 1, 2005	6,330,000
January 1, 2006	6,885,000
January 1, 2007	7,495,000
January 1, 2008	8,150,000
January 1, 2009	8,870,000
January 1, 2010	9,650,000

All Bonds due on January 1, 2022 are subject to mandatory redemption and shall be redeemed in part at par plus accrued interest on the mandatory redemption dates and in the principal amounts as follows:

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
January 1, 2011	\$10,500,000
January 1, 2012	11,445,000
January 1, 2013	12,475,000
January 1, 2014	13,595,000
January 1, 2015	14,820,000
January 1, 2016	16,155,000
January 1, 2017	17,610,000
January 1, 2018	19,190,000

January 1, 2019	20,920,000
January 1, 2020	22,800,000
January 1, 2021	24,855,000
January 1, 2022	27,090,000

The principal amount of the Bonds maturing on January 1, 2010, or January 1, 2022 required to be redeemed on each mandatory redemption date as set forth above, may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of Bonds of such maturities credited against future mandatory redemption requirements for such Bonds in such order as the Commission shall determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Registrar and Paying Agent may, and if directed by the Commission shall, purchase Bonds of the applicable maturity in an amount not exceeding the amount of Bonds of such maturity required to be redeemed on such date and at a price not exceeding the principal amount thereof plus accrued interest. Any Bonds so purchased shall be canceled and the redemption thereof shall be credited against the principal amount of Bonds of such maturity required to be redeemed on the next mandatory redemption date. Thirty days prior to the redemption date notice of any such redemption shall be given by mail to the banks where the Bonds are payable and to the registered owners by first-class mail (postage prepaid), in accordance with Chapter 475, Minnesota Statutes. Failure to give such notice by mail or any defect therein with respect to any registered owner shall not affect the validity of the proceedings for redemption of any other Bonds. In the event of partial redemption of Bonds, of any maturity, the Commission shall redeem Bonds of such maturity from each registered holder thereof in the same proportion, rounded to increments of \$5,000, that the aggregate principal amount of Bonds of such maturity to be redeemed then owned by each registered holder bears to the principal amount of Bonds of such maturity then outstanding. Upon partial redemption of any Bond, the same shall be surrendered in exchange for one or more new Bonds in authorized form for the unredeemed portion of principal.

SCHEDULE A

RENTAL PAYMENT DATE	SEQUENCE YEAR	DEBT YEAR	SEQUENCE YEAR PRINCIPAL & INTEREST	BASIC RENT	3.1(b)(1) 1.25%	
					ADJUSTMENT	
10-Feb-2018	2018	2020	28,469,378	7,117,344	712,690	
10-May-2018	2018	2020	28,469,378	7,117,344	712,690	
10-Aug-2018	2018	2020	28,469,378	7,117,344	n/a	
10-Nov-2018	2019	2021	28,391,816	7,097,954	710,765	
10-Feb-2019	2019	2021	28,391,816	7,097,954	710,765	
10-May-2019	2019	2021	28,391,816	7,097,954	710,765	
10-Aug-2019	2019	2021	28,391,816	7,097,954	n/a	
10-Nov-2019	2020	2022	28,302,278	7,075,569	708,676	
10-Feb-2020	2020	2022	28,302,278	7,075,569	708,676	
10-May-2020	2020	2022	28,302,278	7,075,569	708,676	
10-Aug-2020	2020	2022	28,302,278	7,075,569	n/a	

\$780,058,310