

CLOSING TRANSCRIPT

METROPOLITAN AIRPORTS COMMISSION  
1994 MODIFICATION: AMENDMENTS TO SERIES 9 FINANCING DOCUMENTS

December 21, 1994

<u>Entity</u>	<u>Reference</u>
Metropolitan Airports Commission	MAC
Northwest Airlines, Inc.	NAI
Northwest Aerospace Training Corporation	NATCO
Northwest Airlines Corporation (formerly Wings Holdings Inc.)	NWAC
NWA Inc.	NWA
Commissioner of Finance of the State of Minnesota	State
Chicago Title Insurance Company	Chicago Title

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A. AMENDMENTS TO FINANCING DOCUMENTS

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1. Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994, by and between MAC, as Lessor, and NAI, as Lessee
  2. Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994, by and between MAC, as Lessor, and NWA, as Lessee
  3. Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994, by and between MAC, as Lessor, and NATCO, as Lessee
  4. First Amendment to Security Agreement Relating to Certain International Airline Routes dated December 21, 1994, by and between MAC and NAI
  5. Second Amendment to Security Agreement Relating to Certain Engine Parts dated December 21, 1994, by and between MAC and NAI
  6. First Amendment to Collateral Agreement dated December 21, 1994, by and between MAC, NAI, NATCO and NWA
  7. First Amendment to Subordination and Intercreditor Rights Agreement dated December 21, 1994, by and between MAC and the State

## SECOND AMENDMENT TO FACILITIES AND EQUIPMENT LEASE AGREEMENT

THIS SECOND AMENDMENT TO FACILITIES AND EQUIPMENT LEASE AGREEMENT ("Second Amendment") dated as of the 21st day of December, 1994, by and between NORTHWEST AIRLINES, INC., a Minnesota corporation ("NAI" or "Lessee") and the METROPOLITAN AIRPORTS COMMISSION, a public authority organized under the laws of the State of Minnesota ("MAC" or "Lessor").

### RECITALS

A. Lessee and Lessor entered into that certain Facilities and Equipment Lease Agreement dated as of March 27, 1992, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 (collectively the "Original Lease", and as amended by this Second Amendment and as may be further amended, supplemented, restated or otherwise modified and in effect from time to time, the "NAI Lease"). All capitalized terms used herein and not otherwise defined have the meaning given them in the Original Lease;

B. The Original Lease contemplated the construction of the Duluth Facility and the Hibbing Facility (as defined in the Original Lease) pursuant to certain terms and conditions more fully set forth in the Master Financing Agreement and the Development Agreements (as defined in the Original Lease), and the Original Lease contains certain covenants relating to the Duluth Facility and the Hibbing Facility;

C. Pursuant to agreements between the State, NAI and its Affiliates, the City of Duluth, the Duluth Economic Development Authority, St. Louis County, the City of Hibbing, the City of Chisholm, the Office of the Commissioner of Iron Range Resources and Rehabilitation and related entities, modifications have been made to the size and scope of the Duluth Facility to be constructed and as to the size, scope, function and location of the Hibbing Facility to be constructed (which will now be located in Chisholm, Minnesota) and the parties hereto desire to amend the Original Lease in accordance with such agreements;

NOW, THEREFORE, in consideration of the foregoing and further good and valuable consideration, the receipt of which is hereby acknowledged by the parties hereto, the parties hereby agree as follows:

1. Recitals a Part Hereof. The Recitals set forth above shall be deemed a part of this Second Amendment.

2. Section 14.1(l). Section 14.1(l) is hereby deleted in its entirety and replaced with the following:

An Event of Default (as defined therein) by NAI or any of its Affiliates, if a party thereto, occurs under the Duluth Lease or an Early Amortization Event (as defined therein) by NAI occurs under the Chisholm Agreement;

3. Section 14.1(m). Section 14.1(m) is hereby deleted in its entirety and replaced with the following:

A default by NAI or any of its Affiliates, if a party thereto, occurs under the Development Agreement or if NAI terminates the Chisholm Agreement for any reason (other than the failure of the IRRRB to deposit with the Disbursing Agent as described in Section 3.2 of

the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement pertaining to the Chisholm Facility for reasons other than non-performance by NAI of any of its obligations under the Chisholm Agreement).

4. Section 19.4. Section 19.4 is deleted in its entirety and replaced with the following:

Mandatory Prepayment Upon Failure to Issue Bonds or Deposit Loan Proceeds. If the State shall fail to issue its bonds as set forth in Section 2(h) of the Development Agreement and/or the IRRRB shall fail to deposit with the Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement pertaining to the Chisholm Facility (for reasons other than the non-performance by NAI of any of its obligations under the Chisholm Agreement), and as a result of such failure or failures, NAI shall have the right, and shall elect to exercise the right, to not construct either or both of the Chisholm Facility or the Duluth Facility, then Lessee shall prepay the Applicable Percentage of the applicable percentage of the Facilities Pre-Payment Amount upon each of the applicable Facilities Pre-Payment Dates. Nothing contained in this Section 19.4 shall be deemed to alter the Lessee's obligation to make Rent payments hereunder until all Rent is paid.

5. Section 20.2(k). The following subsection 20.2(k) shall be added to Section 20.2 of the Original Lease, as follows:

Location of Additional Heavy Maintenance Facilities. To the extent NAI or its Affiliates requires additional heavy maintenance facilities ("Additional Facilities") for the performance of additional heavy maintenance operations ("Additional Operations") on Airbus Aircraft owned, utilized or maintained by NAI or its Affiliates (and any other aircraft it determines appropriate) prior to December 31, 2005, NAI, for itself and its Affiliates, shall utilize its best efforts to (i) locate such Additional Facilities at the Duluth Facility so long as the State, the County, and Duluth provide for the issuance of bonds (pursuant to the Act or otherwise) to finance the cost of the Additional Facilities, or (ii) perform the Additional Operations at the Airport in existing NAI and Affiliate facilities at the Airport so long as capacity exists at such existing NAI and Affiliate facilities based on then current level of NAI and Affiliate operations thereat.

6. Article XXI. Article XXI of the Original Lease is hereby deleted in its entirety and amended and restated as follows:

**ARTICLE XXI  
PUBLIC POLICY REPRESENTATIONS AND COVENANTS; REMEDIES**

- 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.

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 Chisholm Employees at the Chisholm 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: (A) on and after December 31, 1996, not less than 150 Duluth Employees; (B) on and after December 31, 1997, not less than 200 Duluth Employees; (C) on and after December 31, 1998, not less than 250 Duluth Employees; (D) on and after December 31, 1999, not less than 300 Duluth Employees; and (E) on and after December 31, 2000, not less than 350 Duluth Employees and to maintain at least such level of employment (calculated annually thereafter); provided, however, that the employment deadline dates set forth in this Employment Covenant (b) (Duluth Employment) shall be extended by one day for each day that the deadline for Substantial Completion of the Duluth Facility is extended as provided in the Development Agreement or as otherwise agreed to by the parties to the Development Agreement; provided, however, that for purposes of this Employment Covenant (b) (Duluth Employment), (i) in determining whether or not NAI has satisfied this Employment Covenant (b) (Duluth Employment) as of any given date, NAI shall, notwithstanding the definition of Duluth Employees, be entitled to count as Duluth Employees a number of Other Employees equal to not more than 3% (rounded to the nearest whole number) of the then applicable required employment level set forth above (provided, however, that no Other Employee shall be counted who is performing a job created "offsite," except for any job that could be reasonably performed regarding the maintenance of aircraft at the site of the Duluth Facility by an employee of NAI or its Affiliates, (ii) in no event shall said deadline for Substantial Completion be extended beyond August 31, 1997 without the prior written consent of MAC except to the extent that such extension is a result of Unavoidable Delays; (iii) notwithstanding the immediately preceding subsection (b)(ii), the deadline for Substantial Completion of the Duluth Facility shall not be extended beyond August 31, 1996 due to the failure of NAI to

diligently pursue obtaining necessary permits; and (iv) notwithstanding the foregoing provisions of this Employment Covenant (b) (Duluth Employment), and notwithstanding the occurrence of an event or events of Force Majeure and/or Unavoidable Delays and/or any other event, if the date of Substantial Completion of the Duluth Facility has not occurred by June 30, 1998 for any reason (other than the election of NAI not to construct the Duluth Facility because of the failure of the State to issue its bonds pursuant to Section 2(h) of the Development Agreement for reasons other than the non-performance by NAI of its obligations under the Development Agreement) then, for purposes of this Employment Covenant (b) (Duluth Employment), the deadline for Substantial Completion shall be deemed to be June 30, 1998 and shall not be extended.

- (c) (Chisholm Employment) To cause to be employed at the Chisholm Facility Chisholm Employees at Substantially the following levels: (A) not less than 75 Chisholm Employees not later than thirty (30) days after the Substantial Completion Date and for the period beginning on such date and ending on the effective date in (B) below, on average, not less than 75 Chisholm Employees; (B) not less than 200 Chisholm Employees not later than the anniversary date of the effective date in (A) above and for the period beginning on such date and ending on the effective date in (C) below, on average not less than 200 Chisholm Employees; (C) not less than 330 Chisholm Employees not later than the anniversary date of the effective date in (B) above and for the period beginning on such date and ending on the effective date in (D) below, on average not less than 330 Chisholm Employees; (D) not less than 460 Chisholm Employees not later than the anniversary date of the effective date in (C) above and for the period beginning on such date and ending on the effective date in (E) below, on average not less than 460 Chisholm Employees; and (E) not less than 504 Chisholm Employees not later than the anniversary date of the effective date in (D) above and to maintain at least such level of employment (calculated on an average basis for each calendar year or portion thereof thereafter) for ten years thereafter; provided, however, that (i) while the employment deadline dates set forth in this Employment Covenant (c) (Chisholm Employment) relate to the Substantial Completion Date of the Chisholm Facility, for purposes of this Employment Covenant (c) (Chisholm Employment) such Substantial Completion Date shall not be extended beyond July 31, 1997 without the prior written consent of MAC except to the extent that such extension is as a result of Chisholm Force Majeure; (ii) in any event, the Substantial Completion Date for the Chisholm Facility shall not be extended beyond August 31, 1996 due to NAI's failure to diligently pursue obtaining the necessary permits; (iii) in computing the number of Chisholm Employees described above, no Chisholm Employee shall be recognized as such if the position occupied by such employee of NAI is transferred from another location within the State, and such transfer does not result in a gain in employment by NAI in the State, and no employee of an NAI Affiliate or Supplier shall be recognized if the position occupied by such employee is transferred from another location within the TTRA, and such transfer does not result in a gain in employment by such NAI Affiliate or Supplier in the TTRA; (iv) notwithstanding the foregoing provisions of this Employment Covenant (c) (Chisholm Employment), and notwithstanding the occurrence of an event or events of Force Majeure and/or Chisholm Force Majeure and/or any other event, if the construction of the Chisholm Facility fails to proceed for any reason other than the failure of the IRRRB to deposit with the Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement (and with respect to such failure to deposit, for reasons other than the non-performance by NAI of any of its obligations

under the Chisholm Agreement) such that for any reason the Substantial Completion Date of the Chisholm Facility has not occurred by June 30, 1998, then for purposes of this Employment Covenant (c) (Chisholm Employment), the Substantial Completion Date shall be deemed to be June 30, 1998 and shall not be extended; and (v) it is acknowledged that all or a portion of Loan B (as defined in the Chisholm Agreement) may be forgiven in the event that Employees (as defined in the Chisholm Agreement) at the Chisholm Facility exceed 504 Employees pursuant to the terms and conditions of the Chisholm Agreement, with the full amount of said Loan B to be forgiven upon the attainment of 604 Employees at the Chisholm Facility as further provided in the Chisholm Agreement.

For purposes of this Employment Covenant (c) (Chisholm Employment), if an employment position at the Chisholm Facility has been filled and thereafter a vacancy in the position occurs for a period not to exceed 90 days, the vacancy shall be disregarded in determining the number of Chisholm Employees as of a particular date or during a particular period.

This Employment Covenant (c) (Chisholm Employment) shall also not prevent Lessee from reducing the number of employees at the Chisholm Facility in response to an insufficient number of qualified persons available to be hired as employees; provided, however, that the Lessee first provides to MAC and the State a certificate stating that, to the best of its knowledge after using its best efforts to hire such persons, there is an insufficient number of individuals available with the skills and training required for such positions to be hired as employees in the number required under this Employment Covenant (c) (Chisholm Employment), and the Lessee further provides to MAC, not less often than each six months during the period that this condition persists, a certificate confirming that, to the best of its knowledge after using its best efforts to hire such persons, there is an insufficient number of individuals available with the skills and training required for such positions to be hired as Chisholm Employees in the number required under this Employment Covenant (c) (Chisholm Employment).

- (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 when Operational shall employ Duluth Employees performing the particular functions and subject to the particular ranges of compensation described in Attachments 1 and 2 hereto.

**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% 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 seventy-five (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.

**21.4. Termination; Remedies.**

- (a) In the event Lessee, NWA and NATCO have paid or defeased all amounts owing under the MAC Leases and Duluth Lease and shall have paid, defeased, or been unconditionally discharged from all amounts owing under the Chisholm Agreement, 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 sixty (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 Pre-Payment Amount in Installments on the applicable Payment Dates; provided, that Lessor may elect the alternative remedy of specific performance of the requirements of the 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 Pre-Payment Amount payable in Installments 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 Chisholm Agreement, 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 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 (exclusive of any remedies the IRRRB may have under the Chisholm Agreement and exclusive of any remedies that Duluth and the County may have under the Development Agreement) 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 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 Pre-Payment Percentage or Noise Pre-Payment Percentage, as the case may be.

- (iii) In the event a breach is cured, then any remaining pre-payment obligation relating to such breach shall terminate.
- (iv) In the event a breach is cured but later recurs, the pre-payment 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 pre-payments of the MAC Leases, the portion of each Installment consisting of the Reimbursement Rent Principal Pre-Payment Portion shall be applied in the manner described for partial pre-payments of Reimbursement Rent in Section 3.2. With respect to pre-payments 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 pre-payments of the MAC Leases, the portion of each Installment consisting of the Defeasance Amount (Breach) and attributable to pre-payments 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 pre-payments of the MAC Leases under this Article XXI, there shall be a contribution to each Installment of each such pre-payment 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 Chisholm 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.

7. Amendment of Certain Definitions in Article XXII. The definitions for the following defined terms in the Original Lease are hereby deleted in their entirety and replaced with the definitions indicated below. All definitions in the Original Lease not referenced in this Paragraph 7 shall remain unchanged.

"Collateral Agreement" shall mean that certain Collateral Agreement of even date herewith by and among MAC, NAI, NATCO, and NWA, as amended by that certain First Amendment to Collateral Agreement dated December 21, 1994.

"Development Agreement" shall mean the Development Agreement of even date herewith among the City of Duluth, MAC and NAI as amended and restated by that certain Amended and Restated Master Financing Agreement and Development Agreement among the Commissioner of Finance of the State of Minnesota (acting on behalf of the State of Minnesota), St. Louis County, the City of Duluth, DEDA, NAI, NWA and Wings.

"Duluth Lease" means that certain Amended and Restated Lease Agreement (Duluth Aircraft Maintenance Facilities) between DEDA and NAI dated December 21, 1994 concerning the Duluth Facility.

"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 Chisholm Facility, and one hundred percent (100%) upon the failure to complete both the Duluth Facility and the Chisholm Facility.

"Intercreditor Agreement" shall mean that certain Subordination and Intercreditor Rights Agreement, dated December 21, 1994, by and between MAC and the State, and as consented to by NAI, NATCO, NWA and Wings, as amended by that certain First Amendment to Subordination and Intercreditor Rights Agreement dated December 21, 1994.

"Master Financing Agreement" shall mean that certain Master Financing Agreement of even date herewith among the State, NAI, NWA and Wings, as amended and restated by the Development Agreement.

"NAI Guarantee" shall mean that certain Guarantee of even date herewith by NAI in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NATCO Guarantee" shall mean that certain Guarantee of even date herewith by NATCO in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NATCO Lease" shall mean that certain Facilities and Equipment Lease Agreement of even date herewith by and between MAC and NATCO, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

"NWA Guarantee" shall mean that certain Guarantee of even date herewith by NWA in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NWA Lease" shall mean that certain Facilities and Equipment Lease Agreement of even date herewith by and between MAC and NWA, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

"Operational" means that date after completion of the Duluth Facility or the Chisholm Facility, as the case may be, at which such facility is fully operational for its intended use, but not later than six months after (i) the Substantial Completion Date with respect to the Chisholm Facility and (ii) the date of Substantial Completion with respect to the Duluth Facility.

"Public Policy Covenants" means the Noise, Employment, Headquarters, and Hub Covenants mandated by the Minnesota State Legislature and set forth in Article XXI hereof, as amended from time to time.

"Security Agreement - Engine Parts" shall mean that certain Security Agreement Relating to Certain Engine Parts dated as of the Closing Date by and between MAC and NAI, as amended and supplemented by that certain (a) Addendum to Security Agreement dated as of April 23, 1992, recorded by the FAA on 1/9/95 as Conveyance No. #85003, (b) Supplement No. 1 to Security Agreement Relating to Certain Engine Parts dated as of February 8, 1993, recorded by the FAA on March 1, 1993 as Conveyance No. DD003858, (c) Supplement No. 2 to Security Agreement Relating to Certain Engine Parts dated as of March 30, 1994, recorded by the FAA on July 8, 1994 as Conveyance No. Z96089, (d) Supplement No. 3 to Security Agreement Relating to Certain Engine Parts dated as of April 5, 1994, recorded by the FAA on August 26, 1994 as Conveyance No. PP004217, and (e) Second Amendment to Security Agreement Relating to Certain Engine Parts dated December 21, 1994.

"Security Agreement - Routes" shall mean that certain Security Relating to Certain International Airline Routes dated as of the Closing Date by and between MAC and NAI, as amended and supplemented by that certain (a) Supplement No. 1 to Security Agreement Relating to International Routes dated as of February 8, 1993, and (b) First Amendment to Security Agreement Relating to Certain International Airline Routes dated December 21, 1994.

"Security Documents" shall mean the Collateral Agreement, the NATCO Security Agreement, the NAI Security Agreement, the Security Agreement - Engine Parts, the Security Agreement - Routes, the NWA Mortgage, the NWA Collateral Assignment of Lease, the NAI Collateral Assignment of Leases, the NWA Assignment of Leases and Rents, the NAI Assignment of Subleases and Rents, the Pledge Agreement and any other agreement or instrument similar in form and substance to the foregoing and in any case satisfactory to MAC from time to time made pursuant to which Collateral is granted to MAC.

"Wings" shall mean Northwest Airlines Corporation, a Delaware corporation formerly known as Wings Holdings Inc., and its successors and assigns.

**"Wings Guarantee"** shall mean that certain Guarantee of even date herewith by Wings in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

8. **Additional Definitions.** The following terms shall be added to Article XXII and shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. To the extent any of the terms set forth below are defined by reference to the meaning given said term in another document, then amendments to such other document shall not be deemed to amend such definition for the purpose of this Agreement unless specifically incorporated herein or in a subsequent written amendment entered into by the parties hereto.

**Additional Facilities** shall have the meaning specified in Section 20.2(k) hereof.

**Additional Operations** shall have the meaning specified in Section 20.2(k) hereof.

**Airbus Aircraft** means aircraft manufactured by Airbus Industries.

**Chisholm Agreement** means that certain Facilities Agreement for the Chisholm Facility between the IRRRB and NAI dated December 21, 1994.

**Chisholm Employees** means a Full-Time Equivalent Employee employed, and working substantially all of his or her working hours as a Full-Time Equivalent Employee, at the Chisholm Facility by or for NAI or by or for an NAI Affiliate or at the Chisholm Facility by or for a Supplier. Notwithstanding anything contained in this definition to the contrary, no NAI Employee shall be deemed a "Chisholm Employee" to the extent the position occupied by such employee is transferred from another location within the State, and such transfer does not result in a gain in employment by NAI in the State, and no NAI Affiliate or Supplier Employee shall be deemed a "Chisholm Employee" if the position occupied by such employee is transferred from another location within the TTRA, and such transfer does not result in a gain in employment by such NAI Affiliate or Supplier in the TTRA.

**Chisholm Facility** means the proposed NAI reservation center in Chisholm, Minnesota, defined as the "Project" in the Chisholm Agreement.

**Chisholm Force Majeure** means any one or more of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or the State or any of their departments, agencies or officials (other than the IRRRB or any IRRRB official acting under the Chisholm Agreement) or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms, droughts, floods, blizzards or other severe or prolonged bad weather conditions; or explosions, breakages or accidents to machinery, transmission pipes or canals.

**County** means St. Louis County, Minnesota.

**DEDA** shall mean the Duluth Economic Development Authority, a public body corporate and politic, under the laws of the State of Minnesota.

**"Disbursing Agent"** shall have the meaning ascribed to such term in the Chisholm Agreement.

**"Duluth"** means the City of Duluth, Minnesota.

**"Full-Time Equivalent Employee"** means:

- a. for the period beginning with the Substantial Completion Date and ending on the last day of the calendar year containing the month that is the seventy-third (73rd) month after the month containing the Substantial Completion Date, as of the date of determination, the actual number of persons employed in full-time and part-time positions, counting as 1.00 each full-time position and counting as 0.62 each part-time position; and
- b. for the period beginning with the first calendar year commencing after the seventy-third (73rd) month after the month containing the Substantial Completion Date and ending upon termination of the Employment Covenants as provided in the Chisholm Agreement, as of the date of determination, the greater of: (i) the total average for the preceding calendar year of persons employed in full-time and part-time positions, counting as 1.00 each full-time position and counting as 0.62 each part-time position, or (ii) the total paid hours for the Chisholm Facility for the preceding calendar year divided by 12 and then divided by 173.33 hours (where 173.33 hours equals the average monthly hours paid to a full-time employee); provided, however, that for purposes of Section 7.2.7.3 of the Chisholm Agreement, such period shall not be the preceding calendar year but the six-month period ending on the date that the first installment of principal of the Loan (as defined in the Chisholm Agreement) is then payable thereunder.
- c. The "0.62" and "1.00" equivalents agreed upon by the parties as noted above are based upon specific representations of NAI that "part-time position" employees of NAI that would work at the Chisholm Facility are not permitted to work more than 25 hours per work week and must work at least 4 hours on any work day on which they work, and that "full-time position" employees of NAI work on average 2,080 hours of paid work (including paid leave time) per year, under collective bargaining agreements currently in effect to which NAI is a party.

**"IRRRB"** means the Office of the Commissioner of Iron Range Resources and Rehabilitation, an administrative agency of the State.

**"NAI Affiliate"** means a Person in which NAI owns fifty-one percent (51%) or more of the voting stock or equity interest.

**"NAI Lease"** shall mean this Facilities and Equipment Lease Agreement, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and as amended by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

"Other Employees" means employees of third parties who perform certain maintenance functions with respect to aircraft which are maintained at the Duluth Facility pursuant to contracts between the respective third party employers and NAI or its Affiliates and who perform the functions at locations within St. Louis County but not within the confines of the Duluth Facility. The number of Other Employees shall be calculated at any time on a full-time equivalent basis.

"Substantial Completion" shall have the meaning ascribed to such term in the Duluth Lease.

"Substantial Completion Date" shall have the meaning ascribed to such term in the Chisholm Agreement.

"Supplier" means a business enterprise with an office within the TTRA which provides supplies or services to the Chisholm Facility after the Substantial Completion Date.

"TTRA" means the Taconite Tax Relief Area, as defined in Minnesota Statutes, Section 273.134.

"Unavoidable Delays" shall have the meaning ascribed to such term in the Development Agreement.

9. Deleted Definitions. The following terms and their definitions set forth in Article XXII of the Original Lease are hereby deleted:

"Hibbing Employees"

"Hibbing Facility"

"Hibbing Lease"

"NWA Security Agreement"

10. Aviation Act. The term "Aviation Act" and its definition in Article XXII of the Original Lease is hereby deleted in its entirety. All references in the Original Lease to the Aviation Act are deemed to be references to the corresponding and succeeding provisions of the Transportation Code, Title 49 of the United States Code, any successor provisions, and any rules and regulations promulgated thereunder.

11. Attachments 1 and 2. Attachments 1 and 2 referenced in Section 21.2 hereof are hereby deleted and are replaced with Attachments 1 and 2 attached hereto.

12. Effectiveness of Amendment. This Second Amendment shall be deemed effective upon execution and delivery by the parties to this Second Amendment. The Original Lease, as amended by this Second Amendment, remains in full force and effect.

13. Counterparts. This Second Amendment may be signed by the parties hereto on different counterparts with the same effect as if the signatures were on the same instrument.

14. Further Assurances. Lessor and Lessee agree to complete, execute or cause to be executed or done all such further acts, documentation and amendments as shall be required to implement and carry out the purposes of this Second Amendment. The parties hereto have executed this Second Amendment as of the date herein first above written.

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DULUTH MAINTENANCE FACILITY

## Estimated Personnel Staffing

	<u>December 1996</u>	<u>December 2000</u>
Hangar	133	200
Facility Support	78	78
Core Functions	<u>56</u>	<u>56</u>
TOTAL	267	334

The foregoing data are estimates prepared by Northwest Airlines, Inc. in the fall of 1994, and the provision of such estimates does not constitute an independent promise to achieve such estimates beyond the requirements of the related Duluth Employment Covenant.

ANNUAL AVERAGE WAGES

- The annual labor costs per Mechanic are estimated as \$54,400. This estimate is based on a \$41,900 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Lead Mechanic are estimated at \$59,300. This estimate is based on a \$45,600 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per General Inspector are estimated as \$59,500. This estimate is based on a \$45,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Lead Inspector are estimated as \$60,800. This estimate is based on a \$46,700 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Work Control Clerk are estimated as \$38,700. This estimate is based on a \$29,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Technical Writer are estimated as \$64,800. This estimate is based on a \$49,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Cleaner are estimated as \$33,500. This estimate is based on a \$25,800 salary multiplied by a factor of 1.3 to include benefits.

Note: The above analysis is based upon average years of service as of 10/25/94. The above analysis also assumes pre-concession wage rates.

## **SECOND AMENDMENT TO FACILITIES AND EQUIPMENT LEASE AGREEMENT**

THIS SECOND AMENDMENT TO FACILITIES AND EQUIPMENT LEASE AGREEMENT ("Second Amendment") dated as of the 21st day of December, 1994, by and between NWA INC., a Delaware corporation ("NWA" or "Lessee") and the METROPOLITAN AIRPORTS COMMISSION, a public authority organized under the laws of the State of Minnesota ("MAC" or "Lessor").

### **RECITALS**

A. Lessee and Lessor entered into that certain Facilities and Equipment Lease Agreement dated as of March 27, 1992, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 (collectively the "Original Lease", and as amended by this Second Amendment and as may be further amended, supplemented, restated or otherwise modified and in effect from time to time, the "NWA Lease"). All capitalized terms used herein and not otherwise defined have the meaning given them in the Original Lease;

B. The Original Lease contemplated the construction of the Duluth Facility and the Hibbing Facility (as defined in the Original Lease) pursuant to certain terms and conditions more fully set forth in the Master Financing Agreement and the Development Agreements (as defined in the Original Lease), and the Original Lease contains certain covenants relating to the Duluth Facility and the Hibbing Facility;

C. Pursuant to agreements between the State, NAI and its Affiliates, the City of Duluth, the Duluth Economic Development Authority, St. Louis County, the City of Hibbing, the City of Chisholm, the Office of the Commissioner of Iron Range Resources and Rehabilitation and related entities, modifications have been made to the size and scope of the Duluth Facility to be constructed and as to the size, scope, function and location of the Hibbing Facility to be constructed (which will now be located in Chisholm, Minnesota) and the parties hereto desire to amend the Original Lease in accordance with such agreements;

NOW, THEREFORE, in consideration of the foregoing and further good and valuable consideration, the receipt of which is hereby acknowledged by the parties hereto, the parties hereby agree as follows:

1. Recitals a Part Hereof. The Recitals set forth above shall be deemed a part of this Second Amendment.

2. Section 14.1(l). Section 14.1(l) is hereby deleted in its entirety and replaced with the following:

An Event of Default (as defined therein) by NAI or any of its Affiliates, if a party thereto, occurs under the Duluth Lease or an Early Amortization Event (as defined therein) by NAI occurs under the Chisholm Agreement;

3. Section 14.1(m). Section 14.1(m) is hereby deleted in its entirety and replaced with the following:

A default by NAI or any of its Affiliates, if a party thereto, occurs under the Development Agreement or if NAI terminates the Chisholm Agreement for any reason (other than the failure of the IRRRB to deposit with the Disbursing Agent as described in Section 3.2 of

the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement pertaining to the Chisholm Facility for reasons other than non-performance by NAI of any of its obligations under the Chisholm Agreement).

4. Section 19.4. Section 19.4 is deleted in its entirety and replaced with the following:

Mandatory Prepayment Upon Failure to Issue Bonds or Deposit Loan Proceeds. If the State shall fail to issue its bonds as set forth in Section 2(h) of the Development Agreement and/or the IRRRB shall fail to deposit with the Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement pertaining to the Chisholm Facility (for reasons other than the non-performance by NAI of any of its obligations under the Chisholm Agreement), and as a result of such failure or failures, NAI shall have the right, and shall elect to exercise the right, to not construct either or both of the Chisholm Facility or the Duluth Facility, then Lessee shall prepay the Applicable Percentage of the applicable percentage of the Facilities Pre-Payment Amount upon each of the applicable Facilities Pre-Payment Dates. Nothing contained in this Section 19.4 shall be deemed to alter the Lessee's obligation to make Rent payments hereunder until all Rent is paid.

5. Section 20.2(j). The following subsection 20.2(j) shall be added to Section 20.2 of the Original Lease, as follows:

Location of Additional Heavy Maintenance Facilities. To the extent NAI or its Affiliates requires additional heavy maintenance facilities ("Additional Facilities") for the performance of additional heavy maintenance operations ("Additional Operations") on Airbus Aircraft owned, utilized or maintained by NAI or its Affiliates (and any other aircraft it determines appropriate) prior to December 31, 2005, Lessee shall cause NAI, for itself and its Affiliates, to utilize its best efforts to (i) locate such Additional Facilities at the Duluth Facility so long as the State, the County, and Duluth provide for the issuance of bonds (pursuant to the Act or otherwise) to finance the cost of the Additional Facilities, or (ii) perform the Additional Operations at the Airport in existing NAI and Affiliate facilities at the Airport so long as capacity exists at such existing NAI and Affiliate facilities based on then current level of NAI and Affiliate operations thereat.

6. Article XXI. Article XXI of the Original Lease is hereby deleted in its entirety and amended and restated as follows:

**ARTICLE XXI  
PUBLIC POLICY REPRESENTATIONS AND COVENANTS; REMEDIES**

21.1 Noise. Lessee agrees that it shall cause its Affiliate, NAI, 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 NAI from increasing its Proportional Utilization of Stage 2 Aircraft at the Airport in the event of Force Majeure.

21.2 Employment and Headquarters. Lessee agrees that it shall, and shall cause its Affiliates, NATCO and NAI 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 Chisholm Employees at the Chisholm 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: (A) on and after December 31, 1996, not less than 150 Duluth Employees; (B) on and after December 31, 1997, not less than 200 Duluth Employees; (C) on and after December 31, 1998, not less than 250 Duluth Employees; (D) on and after December 31, 1999, not less than 300 Duluth Employees; and (E) on and after December 31, 2000, not less than 350 Duluth Employees and to maintain at least such level of employment (calculated annually thereafter); provided, however, that the employment deadline dates set forth in this Employment Covenant (b) (Duluth Employment) shall be extended by one day for each day that the deadline for Substantial Completion of the Duluth Facility is extended as provided in the Development Agreement or as otherwise agreed to by the parties to the Development Agreement; provided, however, that for purposes of this Employment Covenant (b) (Duluth Employment), (i) in determining whether or not NAI has satisfied this Employment Covenant (b) (Duluth Employment) as of any given date, NAI shall, notwithstanding the definition of Duluth Employees, be entitled to count as Duluth Employees a number of Other Employees equal to not more than 3% (rounded to the nearest whole number) of the then applicable required employment level set forth above (provided, however, that no Other Employee shall be counted who is performing a job created "offsite," except for any job that could be reasonably performed regarding the maintenance of aircraft at the site of the Duluth Facility by an employee of NAI or its Affiliates, (ii) in no event shall said deadline for Substantial Completion be extended beyond August 31, 1997 without the prior written consent of MAC

except to the extent that such extension is a result of Unavoidable Delays; (iii) notwithstanding the immediately preceding subsection (b)(ii), the deadline for Substantial Completion of the Duluth Facility shall not be extended beyond August 31, 1996 due to the failure of NAI to diligently pursue obtaining necessary permits; and (iv) notwithstanding the foregoing provisions of this Employment Covenant (b) (Duluth Employment), and notwithstanding the occurrence of an event or events of Force Majeure and/or Unavoidable Delays and/or any other event, if the date of Substantial Completion of the Duluth Facility has not occurred by June 30, 1998 for any reason (other than the election of NAI not to construct the Duluth Facility because of the failure of the State to issue its bonds pursuant to Section 2(h) of the Development Agreement for reasons other than the non-performance by NAI of its obligations under the Development Agreement) then, for purposes of this Employment Covenant (b) (Duluth Employment), the deadline for Substantial Completion shall be deemed to be June 30, 1998 and shall not be extended.

- (c) (Chisholm Employment) To cause to be employed at the Chisholm Facility Chisholm Employees at Substantially the following levels: (A) not less than 75 Chisholm Employees not later than thirty (30) days after the Substantial Completion Date and for the period beginning on such date and ending on the effective date in (B) below, on average, not less than 75 Chisholm Employees; (B) not less than 200 Chisholm Employees not later than the anniversary date of the effective date in (A) above and for the period beginning on such date and ending on the effective date in (C) below, on average not less than 200 Chisholm Employees; (C) not less than 330 Chisholm Employees not later than the anniversary date of the effective date in (B) above and for the period beginning on such date and ending on the effective date in (D) below, on average not less than 330 Chisholm Employees; (D) not less than 460 Chisholm Employees not later than the anniversary date of the effective date in (C) above and for the period beginning on such date and ending on the effective date in (E) below, on average not less than 460 Chisholm Employees; and (E) not less than 504 Chisholm Employees not later than the anniversary date of the effective date in (D) above and to maintain at least such level of employment (calculated on an average basis for each calendar year or portion thereof thereafter) for ten years thereafter; provided, however, that (i) while the employment deadline dates set forth in this Employment Covenant (c) (Chisholm Employment) relate to the Substantial Completion Date of the Chisholm Facility, for purposes of this Employment Covenant (c) (Chisholm Employment) such Substantial Completion Date shall not be extended beyond July 31, 1997 without the prior written consent of MAC except to the extent that such extension is as a result of Chisholm Force Majeure; (ii) in any event, the Substantial Completion Date for the Chisholm Facility shall not be extended beyond August 31, 1996 due to NAI's failure to diligently pursue obtaining the necessary permits; (iii) in computing the number of Chisholm Employees described above, no Chisholm Employee shall be recognized as such if the position occupied by such employee of NAI is transferred from another location within the State, and such transfer does not result in a gain in employment by NAI in the State, and no employee of an NAI Affiliate or Supplier shall be recognized if the position occupied by such employee is transferred from another location within the TTRA, and such transfer does not result in a gain in employment by such NAI Affiliate or Supplier in the TTRA; (iv) notwithstanding the foregoing provisions of this Employment Covenant (c) (Chisholm Employment), and notwithstanding the occurrence of an event or events of Force Majeure and/or Chisholm Force Majeure and/or any other event, if the construction of the Chisholm Facility fails to proceed for any reason other than the failure of the IRRRB to deposit with the

Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement (and with respect to such failure to deposit, for reasons other than the non-performance by NAI of any of its obligations under the Chisholm Agreement) such that for any reason the Substantial Completion Date of the Chisholm Facility has not occurred by June 30, 1998, then for purposes of this Employment Covenant (c) (Chisholm Employment), the Substantial Completion Date shall be deemed to be June 30, 1998 and shall not be extended; and (v) it is acknowledged that all or a portion of Loan B (as defined in the Chisholm Agreement) may be forgiven in the event that Employees (as defined in the Chisholm Agreement) at the Chisholm Facility exceed 504 Employees pursuant to the terms and conditions of the Chisholm Agreement, with the full amount of said Loan B to be forgiven upon the attainment of 604 Employees at the Chisholm Facility as further provided in the Chisholm Agreement.

For purposes of this Employment Covenant (c) (Chisholm Employment), if an employment position at the Chisholm Facility has been filled and thereafter a vacancy in the position occurs for a period not to exceed 90 days, the vacancy shall be disregarded in determining the number of Chisholm Employees as of a particular date or during a particular period.

This Employment Covenant (c) (Chisholm Employment) shall also not prevent NAI or its Affiliates from reducing the number of employees at the Chisholm Facility in response to an insufficient number of qualified persons available to be hired as employees; provided, however, that NAI first provides to MAC and the State a certificate stating that, to the best of its knowledge after using its best efforts to hire such persons, there is an insufficient number of individuals available with the skills and training required for such positions to be hired as employees in the number required under this Employment Covenant (c) (Chisholm Employment), and NAI further provides to MAC, not less often than each six months during the period that this condition persists, a certificate confirming that, to the best of its knowledge after using its best efforts to hire such persons, there is an insufficient number of individuals available with the skills and training required for such positions to be hired as Chisholm Employees in the number required under this Employment Covenant (c) (Chisholm Employment).

- (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 NAI 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 when Operational shall employ Duluth Employees performing the particular functions and subject to the particular ranges of compensation described in Attachments 1 and 2 hereto.

21.3 Hub Covenant. Lessee agrees that it shall cause NAI, 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% 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 seventy-five (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.

21.4. Termination; Remedies.

- (a) In the event Lessee, NAI and NATCO have paid or defeased all amounts owing under the MAC Leases and the Duluth Lease and shall have paid, defeased, or been unconditionally discharged from all amounts owing under the Chisholm Agreement, 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 sixty (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 Pre-Payment Amount in Installments on the applicable Payment Dates; provided, that Lessor may elect the alternative remedy of specific performance of the requirements of the 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 Pre-Payment Amount payable in Installments 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 Chisholm Agreement, 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 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 (exclusive of any remedies the IRRRB may have under the Chisholm Agreement and exclusive of any remedies that Duluth and the County may have under the Development Agreement) 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 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 Pre-Payment Percentage or Noise Pre-Payment Percentage, as the case may be.
- (iii) In the event a breach is cured, then any remaining pre-payment obligation relating to such breach shall terminate.
- (iv) In the event a breach is cured but later recurs, the pre-payment 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 pre-payments of the MAC Leases, the portion of each Installment consisting of the Reimbursement Rent Principal Pre-Payment Portion shall be applied in the manner described for partial pre-payments of Reimbursement Rent in Section 3.2. With respect to pre-payments 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 pre-payments of the MAC Leases, the portion of each Installment consisting of the Defeasance Amount (Breach) and attributable to pre-payments 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 pre-payments of the MAC Leases under this Article XXI, there shall be a contribution to each Installment of each such pre-payment 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 Chisholm 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.

7. Amendment of Certain Definitions in Article XXII. The definitions for the following defined terms in the Original Lease are hereby deleted in their entirety and replaced with the definitions indicated below. All definitions in the Original Lease not referenced in this Paragraph 7 shall remain unchanged.

"Collateral Agreement" shall mean that certain Collateral Agreement of even date herewith by and among MAC, NAI, NATCO, and NWA, as amended by that certain First Amendment to Collateral Agreement dated December 21, 1994.

"Development Agreement" shall mean the Development Agreement of even date herewith among the City of Duluth, MAC and NAI as amended and restated by that certain Amended and Restated Master Financing Agreement and Development Agreement among the Commissioner of Finance of the State of Minnesota (acting on behalf of the State of Minnesota), St. Louis County, the City of Duluth, DEDA, NAI, NWA and Wings.

"Duluth Lease" means that certain Amended and Restated Lease Agreement (Duluth Aircraft Maintenance Facilities) between DEDA and NAI dated December 21, 1994 concerning the Duluth Facility.

"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 Chisholm Facility, and one hundred percent (100%) upon the failure to complete both the Duluth Facility and the Chisholm Facility.

"Intercreditor Agreement" shall mean that certain Subordination and Intercreditor Rights Agreement, dated December 21, 1994, by and between MAC and the State, and as consented to by NAI, NATCO, NWA and Wings, as amended by that certain First Amendment to Subordination and Intercreditor Rights Agreement dated December 21, 1994.

"Master Financing Agreement" shall mean that certain Master Financing Agreement of even date herewith among the State, NAI, NWA and Wings, as amended and restated by the Development Agreement.

"NAI Guarantee" shall mean that certain Guarantee of even date herewith by NAI in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NATCO Guarantee" shall mean that certain Guarantee of even date herewith by NATCO in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NATCO Lease" shall mean that certain Facilities and Equipment Lease Agreement of even date herewith by and between MAC and NATCO, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and by

that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

"NWA Guarantee" shall mean that certain Guarantee of even date herewith by NWA in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NAI Lease" shall mean that certain Facilities and Equipment Lease Agreement of even date herewith by and between MAC and NAI, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

"Operational" means that date after completion of the Duluth Facility or the Chisholm Facility, as the case may be, at which such facility is fully operational for its intended use, but not later than six months after (i) the Substantial Completion Date with respect to the Chisholm Facility and (ii) the date of Substantial Completion with respect to the Duluth Facility.

"Public Policy Covenants" means the Noise, Employment, Headquarters, and Hub Covenants mandated by the Minnesota State Legislature and set forth in Article XXI hereof, as amended from time to time.

"Security Agreement - Engine Parts" shall mean that certain Security Agreement Relating to Certain Engine Parts dated as of the Closing Date by and between MAC and NAI, as amended and supplemented by that certain (a) Addendum to Security Agreement dated as of April 23, 1992, recorded by the FAA on 11/9/95 as Conveyance No. 485003, (b) Supplement No. 1 to Security Agreement Relating to Certain Engine Parts dated as of February 8, 1993, recorded by the FAA on March 1, 1993 as Conveyance No. DD003858, (c) Supplement No. 2 to Security Agreement Relating to Certain Engine Parts dated as of March 30, 1994, recorded by the FAA on July 8, 1994 as Conveyance No. Z96089, (d) Supplement No. 3 to Security Agreement Relating to Certain Engine Parts dated as of April 5, 1994, recorded by the FAA on August 26, 1994 as Conveyance No. PP004217, and (e) Second Amendment to Security Agreement Relating to Certain Engine Parts dated December 21, 1994.

"Security Agreement - Routes" shall mean that certain Security Relating to Certain International Airline Routes dated as of the Closing Date by and between MAC and NAI, as amended and supplemented by that certain (a) Supplement No. 1 to Security Agreement Relating to International Routes dated as of February 8, 1993, and (b) First Amendment to Security Agreement Relating to Certain International Airline Routes dated December 21, 1994.

"Security Documents" shall mean the Collateral Agreement, the NATCO Security Agreement, the NAI Security Agreement, the Security Agreement - Engine Parts, the Security Agreement - Routes, the NWA Mortgage, the NWA Collateral Assignment of Lease, the NAI Collateral Assignment of Leases, the NWA Assignment of Leases and Rents, the NAI Assignment of Subleases and Rents, the Pledge Agreement and any other agreement or instrument similar in form and substance to the foregoing and in any case satisfactory to MAC from time to time made pursuant to which Collateral is granted to MAC.

**"Wings"** shall mean Northwest Airlines Corporation, a Delaware corporation formerly known as Wings Holdings Inc., and its successors and assigns.

**"Wings Guarantee"** shall mean that certain Guarantee of even date herewith by Wings in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

8. **Additional Definitions.** The following terms shall be added to Article XXII and shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. To the extent any of the terms set forth below are defined by reference to the meaning given said term in another document, then amendments to such other document shall not be deemed to amend such definition for the purpose of this Agreement unless specifically incorporated herein or in a subsequent written amendment entered into by the parties hereto.

**"Additional Facilities"** shall have the meaning specified in Section 20.2(j) hereof.

**"Additional Operations"** shall have the meaning specified in Section 20.2(j) hereof.

**"Airbus Aircraft"** means aircraft manufactured by Airbus Industries.

**"Chisholm Agreement"** means that certain Facilities Agreement for the Chisholm Facility between the IRRRB and NAI dated December 21, 1994.

**"Chisholm Employees"** means a Full-Time Equivalent Employee employed, and working substantially all of his or her working hours as a Full-Time Equivalent Employee, at the Chisholm Facility by or for NAI or by or for an NAI Affiliate or at the Chisholm Facility by or for a Supplier. Notwithstanding anything contained in this definition to the contrary, no NAI Employee shall be deemed a "Chisholm Employee" to the extent the position occupied by such employee is transferred from another location within the State, and such transfer does not result in a gain in employment by NAI in the State, and no NAI Affiliate or Supplier Employee shall be deemed a "Chisholm Employee" if the position occupied by such employee is transferred from another location within the TTRA, and such transfer does not result in a gain in employment by such NAI Affiliate or Supplier in the TTRA.

**"Chisholm Facility"** means the proposed NAI reservation center in Chisholm, Minnesota, defined as the "Project" in the Chisholm Agreement.

**"Chisholm Force Majeure"** means any one or more of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or the State or any of their departments, agencies or officials (other than the IRRRB or any IRRRB official acting under the Chisholm Agreement) or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms, droughts, floods, blizzards or other severe or prolonged bad weather conditions; or explosions, breakages or accidents to machinery, transmission pipes or canals.

**"County"** means St. Louis County, Minnesota.

"**DEDA**" shall mean the Duluth Economic Development Authority, a public body corporate and politic, under the laws of the State of Minnesota.

"**Disbursing Agent**" shall have the meaning ascribed to such term in the Chisholm Agreement.

"**Duluth**" means the City of Duluth, Minnesota.

"**Full-Time Equivalent Employee**" means:

- a. for the period beginning with the Substantial Completion Date and ending on the last day of the calendar year containing the month that is the seventy-third (73rd) month after the month containing the Substantial Completion Date, as of the date of determination, the actual number of persons employed in full-time and part-time positions, counting as 1.00 each full-time position and counting as 0.62 each part-time position; and
- b. for the period beginning with the first calendar year commencing after the seventy-third (73rd) month after the month containing the Substantial Completion Date and ending upon termination of the Employment Covenants as provided in the Chisholm Agreement, as of the date of determination, the greater of: (i) the total average for the preceding calendar year of persons employed in full-time and part-time positions, counting as 1.00 each full-time position and counting as 0.62 each part-time position, or (ii) the total paid hours for the Chisholm Facility for the preceding calendar year divided by 12 and then divided by 173.33 hours (where 173.33 hours equals the average monthly hours paid to a full-time employee); provided, however, that for purposes of Section 7.2.7.3 of the Chisholm Agreement, such period shall not be the preceding calendar year but the six-month period ending on the date that the first installment of principal of the Loan (as defined in the Chisholm Agreement) is then payable thereunder.
- c. The "0.62" and "1.00" equivalents agreed upon by the parties as noted above are based upon specific representations of NAI that "part-time position" employees of NAI that would work at the Chisholm Facility are not permitted to work more than 25 hours per work week and must work at least 4 hours on any work day on which they work, and that "full-time position" employees of NAI work on average 2,080 hours of paid work (including paid leave time) per year, under collective bargaining agreements currently in effect to which NAI is a party.

"**IRRRB**" means the Office of the Commissioner of Iron Range Resources and Rehabilitation, an administrative agency of the State.

"**NAI Affiliate**" means a Person in which NAI owns fifty-one percent (51%) or more of the voting stock or equity interest.

"**NWA Lease**" shall mean this Facilities and Equipment Lease Agreement, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April



23, 1992 and as amended by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

"Other Employees" means employees of third parties who perform certain maintenance functions with respect to aircraft which are maintained at the Duluth Facility pursuant to contracts between the respective third party employers and NAI or its Affiliates and who perform the functions at locations within St. Louis County but not within the confines of the Duluth Facility. The number of Other Employees shall be calculated at any time on a full-time equivalent basis.

"Substantial Completion" shall have the meaning ascribed to such term in the Duluth Lease.

"Substantial Completion Date" shall have the meaning ascribed to such term in the Chisholm Agreement.

"Supplier" means a business enterprise with an office within the TTRA which provides supplies or services to the Chisholm Facility after the Substantial Completion Date.

"TTRA" means the Taconite Tax Relief Area, as defined in Minnesota Statutes, Section 273.134.

"Unavoidable Delays" shall have the meaning ascribed to such term in the Development Agreement.

9. Deleted Definitions. The following terms and their definitions set forth in Article XXII of the Original Lease are hereby deleted:

"Hibbing Employees"

"Hibbing Facility"

"Hibbing Lease"

"NWA Security Agreement"

10. Aviation Act. The term "Aviation Act" and its definition in Article XXII of the Original Lease is hereby deleted in its entirety. All references in the Original Lease to the Aviation Act are deemed to be references to the corresponding and succeeding provisions of the Transportation Code, Title 49 of the United States Code, any successor provisions, and any rules and regulations promulgated thereunder.

11. Attachments 1 and 2. Attachments 1 and 2 referenced in Section 21.2 hereof are hereby deleted and are replaced with Attachments 1 and 2 attached hereto.

12. Effectiveness of Amendment. This Second Amendment shall be deemed effective upon execution and delivery by the parties to this Second Amendment. The Original Lease, as amended by this Second Amendment, remains in full force and effect.

13. Counterparts. This Second Amendment may be signed by the parties hereto on different counterparts with the same effect as if the signatures were on the same instrument.

14. Further Assurances. Lessor and Lessee agree to complete, execute or cause to be executed or done all such further acts, documentation and amendments as shall be required to implement and carry out the purposes of this Second Amendment. The parties hereto have executed this Second Amendment as of the date herein first above written.

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INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and year first above written.

METROPOLITAN AIRPORTS COMMISSION,  
a public authority organized under the laws  
of the State of Minnesota

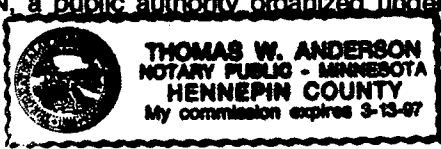
By: *Jeffrey W. Hamiel*  
Its: Executive Director

NWA INC.,  
a Delaware corporation

By: *Douglas B. Hultberg*  
Its: Assistant Treasurer

STATE OF MINNESOTA )  
                                  ) ss.  
COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this 23 day of November, 1994 by JEFFREY W. HAMIEL, a Executive Director of METROPOLITAN AIRPORTS COMMISSION, a public authority organized under the laws of the State of Minnesota, on behalf of the Commission.



*Thomas W. Anderson*  
Notary Public

STATE OF MINNESOTA )  
                                  ) ss.  
COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this 21st <sup>December</sup> day of November, 1994 by Douglas B. Hultberg, an Assistant Treasurer of NWA INC., a Delaware corporation, on behalf of the corporation.

*Elizabeth A. Shiels*



DULUTH MAINTENANCE FACILITY

## Estimated Personnel Staffing

	<u>December 1996</u>	<u>December 2000</u>
Hangar	133	200
Facility Support	78	78
Core Functions	<u>56</u>	<u>56</u>
TOTAL	267	334

The foregoing data are estimates prepared by Northwest Airlines, Inc. in the fall of 1994, and the provision of such estimates does not constitute an independent promise to achieve such estimates beyond the requirements of the related Duluth Employment Covenant.

ANNUAL AVERAGE WAGES

- The annual labor costs per Mechanic are estimated as \$54,400. This estimate is based on a \$41,900 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Lead Mechanic are estimated at \$59,300. This estimate is based on a \$45,600 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per General Inspector are estimated as \$59,500. This estimate is based on a \$45,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Lead Inspector are estimated as \$60,800. This estimate is based on a \$46,700 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Work Control Clerk are estimated as \$38,700. This estimate is based on a \$29,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Technical Writer are estimated as \$64,800. This estimate is based on a \$49,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Cleaner are estimated as \$33,500. This estimate is based on a \$25,800 salary multiplied by a factor of 1.3 to include benefits.

Note: The above analysis is based upon average years of service as of 10/25/94. The above analysis also assumes pre-concession wage rates.

## SECOND AMENDMENT TO FACILITIES AND EQUIPMENT LEASE AGREEMENT

THIS SECOND AMENDMENT TO FACILITIES AND EQUIPMENT LEASE AGREEMENT ("Second Amendment") dated as of the 21st day of December, 1994, by and between NORTHWEST AEROSPACE TRAINING CORPORATION, a Delaware corporation ("NATCO" or "Lessee") and the METROPOLITAN AIRPORTS COMMISSION, a public authority organized under the laws of the State of Minnesota ("MAC" or "Lessor").

### RECITALS

A. Lessee and Lessor entered into that certain Facilities and Equipment Lease Agreement dated as of March 27, 1992, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 (collectively the "Original Lease", and as amended by this Second Amendment and as may be further amended, supplemented, restated or otherwise modified and in effect from time to time, the "NATCO Lease"). All capitalized terms used herein and not otherwise defined have the meaning given them in the Original Lease;

B. The Original Lease contemplated the construction of the Duluth Facility and the Hibbing Facility (as defined in the Original Lease) pursuant to certain terms and conditions more fully set forth in the Master Financing Agreement and the Development Agreements (as defined in the Original Lease), and the Original Lease contains certain covenants relating to the Duluth Facility and the Hibbing Facility;

C. Pursuant to agreements between the State, NAI and its Affiliates, the City of Duluth, the Duluth Economic Development Authority, St. Louis County, the City of Hibbing, the City of Chisholm, the Office of the Commissioner of Iron Range Resources and Rehabilitation and related entities, modifications have been made to the size and scope of the Duluth Facility to be constructed and as to the size, scope, function and location of the Hibbing Facility to be constructed (which will now be located in Chisholm, Minnesota) and the parties hereto desire to amend the Original Lease in accordance with such agreements;

NOW, THEREFORE, in consideration of the foregoing and further good and valuable consideration, the receipt of which is hereby acknowledged by the parties hereto, the parties hereby agree as follows:

1. Recitals a Part Hereof. The Recitals set forth above shall be deemed a part of this Second Amendment.

2. Section 14.1(l). Section 14.1(l) is hereby deleted in its entirety and replaced with the following:

An Event of Default (as defined therein) by NAI or any of its Affiliates, if a party thereto, occurs under the Duluth Lease or an Early Amortization Event (as defined therein) by NAI occurs under the Chisholm Agreement;

3. Section 14.1(m). Section 14.1(m) is hereby deleted in its entirety and replaced with the following:

A default by NAI or any of its Affiliates, if a party thereto, occurs under the Development Agreement or if NAI terminates the Chisholm Agreement for any reason (other than the failure of the IRRRB to deposit with the Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement pertaining to the Chisholm Facility for reasons other than non-performance by NAI of any of its obligations under the Chisholm Agreement).

4. Section 19.4. Section 19.4 is deleted in its entirety and replaced with the following:

Mandatory Prepayment Upon Failure to Issue Bonds or Deposit Loan Proceeds. If the State shall fail to issue its bonds as set forth in Section 2(h) of the Development Agreement and/or the IRRRB shall fail to deposit with the Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement pertaining to the Chisholm Facility (for reasons other than the non-performance by NAI of any of its obligations under the Chisholm Agreement), and as a result of such failure or failures, NAI shall have the right, and shall elect to exercise the right, to not construct either or both of the Chisholm Facility or the Duluth Facility, then Lessee shall prepay the Applicable Percentage of the applicable percentage of the Facilities Pre-Payment Amount upon each of the applicable Facilities Pre-Payment Dates. Nothing contained in this Section 19.4 shall be deemed to alter the Lessee's obligation to make Rent payments hereunder until all Rent is paid.

5. Section 20.2(g). The following subsection 20.2(g) shall be added to Section 20.2 of the Original Lease, as follows:

Location of Additional Heavy Maintenance Facilities. To the extent NAI or its Affiliates requires additional heavy maintenance facilities ("Additional Facilities") for the performance of additional heavy maintenance operations ("Additional Operations") on Airbus Aircraft owned, utilized or maintained by NAI or its Affiliates (and any other aircraft it determines appropriate) prior to December 31, 2005, Lessee shall cause NAI, for itself and its Affiliates, shall utilize its best efforts to (i) locate such Additional Facilities at the Duluth Facility so long as the State, the County, and Duluth provide for the issuance of bonds (pursuant to the Act or otherwise) to finance the cost of the Additional Facilities, or (ii) perform the Additional Operations at the Airport in existing NAI and Affiliate facilities at the Airport so long as capacity exists at such existing NAI and Affiliate facilities based on then current level of NAI and Affiliate operations thereat.

6. Article XXI. Article XXI of the Original Lease is hereby deleted in its entirety and amended and restated as follows:

**ARTICLE XXI  
PUBLIC POLICY REPRESENTATIONS AND COVENANTS; REMEDIES**

21.1 Noise. Lessee agrees that it shall cause its Affiliate, NAI, 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 NAI from increasing its Proportional Utilization of Stage 2 Aircraft at the Airport in the event of Force Majeure.

21.2 Employment and Headquarters. Lessee agrees that it shall, and shall cause its Affiliates, NAI 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 Chisholm Employees at the Chisholm 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: (A) on and after December 31, 1996, not less than 150 Duluth Employees; (B) on and after December 31, 1997, not less than 200 Duluth Employees; (C) on and after December 31, 1998, not less than 250 Duluth Employees; (D) on and after December 31, 1999, not less than 300 Duluth Employees; and (E) on and after December 31, 2000, not less than 350 Duluth Employees and to maintain at least such level of employment (calculated annually thereafter); provided, however, that the employment deadline dates set forth in this Employment Covenant (b) (Duluth Employment) shall be extended by one day for each day that the deadline for Substantial Completion of the Duluth Facility is extended as provided in the Development Agreement or as otherwise agreed to by the parties to the Development Agreement; provided, however, that for purposes of this Employment Covenant (b) (Duluth Employment), (i) in determining whether or not NAI has satisfied this Employment Covenant (b) (Duluth Employment) as of any given date, NAI shall, notwithstanding the definition of Duluth Employees, be entitled to count as Duluth Employees a number of Other Employees equal to not more than 3% (rounded to the nearest whole number) of the then applicable required employment level set forth above (provided, however, that no Other Employee shall be counted who is performing a job created "offsite," except for any job that could be reasonably performed regarding the maintenance of aircraft at the site of the Duluth



Facility by an employee of NAI or its Affiliates, (ii) in no event shall said deadline for Substantial Completion be extended beyond August 31, 1997 without the prior written consent of MAC except to the extent that such extension is a result of Unavoidable Delays; (iii) notwithstanding the immediately preceding subsection (b)(ii), the deadline for Substantial Completion of the Duluth Facility shall not be extended beyond August 31, 1996 due to the failure of NAI to diligently pursue obtaining necessary permits; and (iv) notwithstanding the foregoing provisions of this Employment Covenant (b) (Duluth Employment), and notwithstanding the occurrence of an event or events of Force Majeure and/or Unavoidable Delays and/or any other event, if the date of Substantial Completion of the Duluth Facility has not occurred by June 30, 1998 for any reason (other than the election of NAI not to construct the Duluth Facility because of the failure of the State to issue its bonds pursuant to Section 2(h) of the Development Agreement for reasons other than the non-performance by NAI of its obligations under the Development Agreement) then, for purposes of this Employment Covenant (b) (Duluth Employment), the deadline for Substantial Completion shall be deemed to be June 30, 1998 and shall not be extended.

- (c) (Chisholm Employment) To cause to be employed at the Chisholm Facility Chisholm Employees at Substantially the following levels: (A) not less than 75 Chisholm Employees not later than thirty (30) days after the Substantial Completion Date and for the period beginning on such date and ending on the effective date in (B) below, on average, not less than 75 Chisholm Employees; (B) not less than 200 Chisholm Employees not later than the anniversary date of the effective date in (A) above and for the period beginning on such date and ending on the effective date in (C) below, on average not less than 200 Chisholm Employees; (C) not less than 330 Chisholm Employees not later than the anniversary date of the effective date in (B) above and for the period beginning on such date and ending on the effective date in (D) below, on average not less than 330 Chisholm Employees; (D) not less than 460 Chisholm Employees not later than the anniversary date of the effective date in (C) above and for the period beginning on such date and ending on the effective date in (E) below, on average not less than 460 Chisholm Employees; and (E) not less than 504 Chisholm Employees not later than the anniversary date of the effective date in (D) above and to maintain at least such level of employment (calculated on an average basis for each calendar year or portion thereof thereafter) for ten years thereafter; provided, however, that (i) while the employment deadline dates set forth in this Employment Covenant (c) (Chisholm Employment) relate to the Substantial Completion Date of the Chisholm Facility, for purposes of this Employment Covenant (c) (Chisholm Employment) such Substantial Completion Date shall not be extended beyond July 31, 1997 without the prior written consent of MAC except to the extent that such extension is as a result of Chisholm Force Majeure; (ii) in any event, the Substantial Completion Date for the Chisholm Facility shall not be extended beyond August 31, 1996 due to NAI's failure to diligently pursue obtaining the necessary permits; (iii) in computing the number of Chisholm Employees described above, no Chisholm Employee shall be recognized as such if the position occupied by such employee of NAI is transferred from another location within the State, and such transfer does not result in a gain in employment by NAI in the State, and no employee of an NAI Affiliate or Supplier shall be recognized if the position occupied by such employee is transferred from another location within the TTRA, and such transfer does not result in a gain in employment by such NAI Affiliate or Supplier in the TTRA; (iv) notwithstanding the foregoing provisions of this Employment Covenant (c) (Chisholm Employment), and notwithstanding the occurrence of an event or events of Force Majeure

and/or Chisholm Force Majeure and/or any other event, if the construction of the Chisholm Facility fails to proceed for any reason other than the failure of the IRRRB to deposit with the Disbursing Agent as described in Section 3.2 of the Chisholm Agreement the principal amount of the loans described in Section 3.3 of the Chisholm Agreement (and with respect to such failure to deposit, for reasons other than the non-performance by NAI of any of its obligations under the Chisholm Agreement) such that for any reason the Substantial Completion Date of the Chisholm Facility has not occurred by June 30, 1998, then for purposes of this Employment Covenant (c) (Chisholm Employment), the Substantial Completion Date shall be deemed to be June 30, 1998 and shall not be extended; and (v) it is acknowledged that all or a portion of Loan B (as defined in the Chisholm Agreement) may be forgiven in the event that Employees (as defined in the Chisholm Agreement) at the Chisholm Facility exceed 504 Employees pursuant to the terms and conditions of the Chisholm Agreement, with the full amount of said Loan B to be forgiven upon the attainment of 604 Employees at the Chisholm Facility as further provided in the Chisholm Agreement.

For purposes of this Employment Covenant (c) (Chisholm Employment), if an employment position at the Chisholm Facility has been filled and thereafter a vacancy in the position occurs for a period not to exceed 90 days, the vacancy shall be disregarded in determining the number of Chisholm Employees as of a particular date or during a particular period.

This Employment Covenant (c) (Chisholm Employment) shall also not prevent NAI or its Affiliates from reducing the number of employees at the Chisholm Facility in response to an insufficient number of qualified persons available to be hired as employees; provided, however, that NAI first provides to MAC and the State a certificate stating that, to the best of its knowledge after using its best efforts to hire such persons, there is an insufficient number of individuals available with the skills and training required for such positions to be hired as employees in the number required under this Employment Covenant (c) (Chisholm Employment), and NAI further provides to MAC, not less often than each six months during the period that this condition persists, a certificate confirming that, to the best of its knowledge after using its best efforts to hire such persons, there is an insufficient number of individuals available with the skills and training required for such positions to be hired as Chisholm Employees in the number required under this Employment Covenant (c) (Chisholm Employment).

- (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 NAI 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 when Operational shall employ Duluth Employees performing the particular functions and subject to the particular ranges of compensation described in Attachments 1 and 2 hereto.

21.3 Hub Covenant. Lessee agrees that it shall cause NAI, 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% 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 seventy-five (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.

21.4. Termination; Remedies.

- (a) In the event Lessee, NAI and NWA have paid or defeased all amounts owing under the MAC Leases and the Duluth Lease and shall have paid, defeased, or been unconditionally discharged from all amounts owing under the Chisholm Agreement, 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 sixty (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 Pre-Payment Amount in Installments on the applicable Payment Dates; provided, that Lessor may elect the alternative remedy of specific performance of the requirements of the 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 Pre-Payment Amount payable in Installments 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 Chisholm Agreement, 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 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 (exclusive of any remedies the IRRRB may have under the Chisholm Agreement and exclusive of any remedies that Duluth and the County may have under the Development Agreement) 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 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 Pre-Payment Percentage or Noise Pre-Payment Percentage, as the case may be.
- (iii) In the event a breach is cured, then any remaining pre-payment obligation relating to such breach shall terminate.
- (iv) In the event a breach is cured but later recurs, the pre-payment 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 pre-payments of the MAC Leases, the portion of each Installment consisting of the Reimbursement Rent Principal Pre-Payment Portion shall be applied in the manner described for partial pre-payments of Reimbursement Rent in Section 3.2. With respect to pre-payments 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 pre-payments of the MAC Leases, the portion of each Installment consisting of the Defeasance Amount (Breach) and attributable to pre-payments 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 pre-payments of the MAC Leases under this Article XXI, there shall be a contribution to each Installment of each such pre-payment 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 Chisholm 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.

7. Amendment of Certain Definitions in Article XXII. The definitions for the following defined terms in the Original Lease are hereby deleted in their entirety and replaced with the definitions indicated below. All definitions in the Original Lease not referenced in this Paragraph 7 shall remain unchanged.

"Collateral Agreement" shall mean that certain Collateral Agreement of even date herewith by and among MAC, NAI, NATCO, and NWA, as amended by that certain First Amendment to Collateral Agreement dated December 21, 1994.

"Development Agreement" shall mean the Development Agreement of even date herewith among the City of Duluth, MAC and NAI as amended and restated by that certain Amended and Restated Master Financing Agreement and Development Agreement among the Commissioner of Finance of the State of Minnesota (acting on behalf of the State of Minnesota), St. Louis County, the City of Duluth, DEDA, NAI, NWA and Wings.

"Duluth Lease" means that certain Amended and Restated Lease Agreement (Duluth Aircraft Maintenance Facilities) between DEDA and NAI dated as of December 21, 1994 concerning the Duluth Facility.

"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 Chisholm Facility, and one hundred percent (100%) upon the failure to complete both the Duluth Facility and the Chisholm Facility.

"Intercreditor Agreement" shall mean that certain Subordination and Intercreditor Rights Agreement, dated December 21, 1994, by and between MAC and the State, and as consented to by NAI, NATCO, NWA and Wings, as amended by that certain First Amendment to Subordination and Intercreditor Rights Agreement dated December 21, 1994.

"Master Financing Agreement" shall mean that certain Master Financing Agreement of even date herewith among the State, NAI, NWA and Wings, as amended and restated by the Development Agreement.

"NAI Guarantee" shall mean that certain Guarantee of even date herewith by NAI in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

"NATCO Guarantee" shall mean that certain Guarantee of even date herewith by NATCO in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

**"NATCO Lease"** shall mean that certain Facilities and Equipment Lease Agreement of even date herewith by and between MAC and NATCO, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

**"NWA Guarantee"** shall mean that certain Guarantee of even date herewith by NWA in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

**"NWA Lease"** shall mean that certain Facilities and Equipment Lease Agreement of even date herewith by and between MAC and NWA, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

**"Operational"** means that date after completion of the Duluth Facility or the Chisholm Facility, as the case may be, at which such facility is fully operational for its intended use, but not later than six months after (i) the Substantial Completion Date with respect to the Chisholm Facility and (ii) the date of Substantial Completion with respect to the Duluth Facility.

**"Public Policy Covenants"** means the Noise, Employment, Headquarters, and Hub Covenants mandated by the Minnesota State Legislature and set forth in Article XXI hereof, as amended from time to time.

**"Security Agreement - Engine Parts"** shall mean that certain Security Agreement Relating to Certain Engine Parts dated as of the Closing Date by and between MAC and NAI, as amended and supplemented by that certain (a) Addendum to Security Agreement dated as of April 23, 1992, recorded by the FAA on 11/9/95 as Conveyance No. 485003, (b) Supplement No. 1 to Security Agreement Relating to Certain Engine Parts dated as of February 8, 1993, recorded by the FAA on March 1, 1993 as Conveyance No. DD003858, (c) Supplement No. 2 to Security Agreement Relating to Certain Engine Parts dated as of March 30, 1994, recorded by the FAA on July 8, 1994 as Conveyance No. Z96089, (d) Supplement No. 3 to Security Agreement Relating to Certain Engine Parts dated as of April 5, 1994, recorded by the FAA on August 26, 1994 as Conveyance No. PP004217, and (e) Second Amendment to Security Agreement Relating to Certain Engine Parts dated December 21, 1994.

**"Security Agreement - Routes"** shall mean that certain Security Relating to Certain International Airline Routes dated as of the Closing Date by and between MAC and NAI, as amended and supplemented by that certain (a) Supplement No. 1 to Security Agreement Relating to International Routes dated as of February 8, 1993, and (b) First Amendment to Security Agreement Relating to Certain International Airline Routes dated December 21, 1994.

**"Security Documents"** shall mean the Collateral Agreement, the NATCO Security Agreement, the NAI Security Agreement, the Security Agreement - Engine Parts, the Security Agreement - Routes, the NWA Mortgage, the NWA Collateral Assignment of Lease, the NAI Collateral Assignment of Leases, the NWA Assignment of Leases and Rents, the NAI Assignment of Subleases and Rents, the Pledge Agreement and any other agreement or



instrument similar in form and substance to the foregoing and in any case satisfactory to MAC from time to time made pursuant to which Collateral is granted to MAC.

**"Wings"** shall mean Northwest Airlines Corporation, a Delaware corporation formerly known as Wings Holdings Inc., and its successors and assigns.

**"Wings Guarantee"** shall mean that certain Guarantee of even date herewith by Wings in favor and for the benefit of MAC, as amended by that certain Acknowledgement and Affirmation of Guarantee dated December 21, 1994.

8. **Additional Definitions.** The following terms shall be added to Article XXII and shall have the meanings herein specified unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. To the extent any of the terms set forth below are defined by reference to the meaning given said term in another document, then amendments to such other document shall not be deemed to amend such definition for the purpose of this Agreement unless specifically incorporated herein or in a subsequent written amendment entered into by the parties hereto.

**Additional Facilities** shall have the meaning specified in Section 20.2(q) hereof.

**Additional Operations** shall have the meaning specified in Section 20.2(q) hereof.

**Airbus Aircraft** means aircraft manufactured by Airbus Industries.

**Chisholm Agreement** means that certain Facilities Agreement for the Chisholm Facility between the IRRRB and NAI dated December 21, 1994.

**Chisholm Employees** means a Full-Time Equivalent Employee employed, and working substantially all of his or her working hours as a Full-Time Equivalent Employee, at the Chisholm Facility by or for NAI or by or for an NAI Affiliate or at the Chisholm Facility by or for a Supplier. Notwithstanding anything contained in this definition to the contrary, no NAI Employee shall be deemed a "Chisholm Employee" to the extent the position occupied by such employee is transferred from another location within the State, and such transfer does not result in a gain in employment by NAI in the State, and no NAI Affiliate or Supplier Employee shall be deemed a "Chisholm Employee" if the position occupied by such employee is transferred from another location within the TTRA, and such transfer does not result in a gain in employment by such NAI Affiliate or Supplier in the TTRA.

**Chisholm Facility** means the proposed NAI reservation center in Chisholm, Minnesota, defined as the "Project" in the Chisholm Agreement.

**Chisholm Force Majeure** means any one or more of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or the State or any of their departments, agencies or officials (other than the IRRRB or any IRRRB official acting under the Chisholm Agreement) or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms,

droughts, floods, blizzards or other severe or prolonged bad weather conditions; or explosions, breakages or accidents to machinery, transmission pipes or canals.

**"County"** means St. Louis County, Minnesota.

**"DEDA"** shall mean the Duluth Economic Development Authority, a public body corporate and politic, under the laws of the State of Minnesota.

**"Disbursing Agent"** shall have the meaning ascribed to such term in the Chisholm Agreement.

**"Duluth"** means the City of Duluth, Minnesota.

**"Full-Time Equivalent Employee"** means:

- a. for the period beginning with the Substantial Completion Date and ending on the last day of the calendar year containing the month that is the seventy-third (73rd) month after the month containing the Substantial Completion Date, as of the date of determination, the actual number of persons employed in full-time and part-time positions, counting as 1.00 each full-time position and counting as 0.62 each part-time position; and
- b. for the period beginning with the first calendar year commencing after the seventy-third (73rd) month after the month containing the Substantial Completion Date and ending upon termination of the Employment Covenants as provided in the Chisholm Agreement, as of the date of determination, the greater of: (i) the total average for the preceding calendar year of persons employed in full-time and part-time positions, counting as 1.00 each full-time position and counting as 0.62 each part-time position, or (ii) the total paid hours for the Chisholm Facility for the preceding calendar year divided by 12 and then divided by 173.33 hours (where 173.33 hours equals the average monthly hours paid to a full-time employee); provided, however, that for purposes of Section 7.2.7.3 of the Chisholm Agreement, such period shall not be the preceding calendar year but the six-month period ending on the date that the first installment of principal of the Loan (as defined in the Chisholm Agreement) is then payable thereunder.
- c. The "0.62" and "1.00" equivalents agreed upon by the parties as noted above are based upon specific representations of NAI that "part-time position" employees of NAI that would work at the Chisholm Facility are not permitted to work more than 25 hours per work week and must work at least 4 hours on any work day on which they work, and that "full-time position" employees of NAI work on average 2,080 hours of paid work (including paid leave time) per year, under collective bargaining agreements currently in effect to which NAI is a party.

**"IRRRB"** means the Office of the Commissioner of Iron Range Resources and Rehabilitation, an administrative agency of the State.

**"NAI Affiliate"** means a Person in which NAI owns fifty-one percent (51%) or more of the voting stock or equity interest.

**"NATCO Lease"** shall mean this Facilities and Equipment Lease Agreement, as amended by that certain First Amendment to Facilities and Equipment Lease Agreement dated as of April 23, 1992 and as amended by that certain Second Amendment to Facilities and Equipment Lease Agreement dated December 21, 1994.

**"Other Employees"** means employees of third parties who perform certain maintenance functions with respect to aircraft which are maintained at the Duluth Facility pursuant to contracts between the respective third party employers and NAI or its Affiliates and who perform the functions at locations within St. Louis County but not within the confines of the Duluth Facility. The number of Other Employees shall be calculated at any time on a full-time equivalent basis.

**"Substantial Completion"** shall have the meaning ascribed to such term in the Duluth Lease.

**"Substantial Completion Date"** shall have the meaning ascribed to such term in the Chisholm Agreement.

**"Supplier"** means a business enterprise with an office within the TTRA which provides supplies or services to the Chisholm Facility after the Substantial Completion Date.

**"TTRA"** means the Taconite Tax Relief Area, as defined in Minnesota Statutes, Section 273.134.

**"Unavoidable Delays"** shall have the meaning ascribed to such term in the Development Agreement.

9. **Deleted Definitions.** The following terms and their definitions set forth in Article XXII of the Original Lease are hereby deleted:

**"Hibbing Employees"**

**"Hibbing Facility"**

**"Hibbing Lease"**

**"NWA Security Agreement"**

10. **Aviation Act.** The term "Aviation Act" and its definition in Article XXII of the Original Lease is hereby deleted in its entirety. All references in the Original Lease to the Aviation Act are deemed to be references to the corresponding and succeeding provisions of the Transportation Code, Title 49 of the United States Code, any successor provisions, and any rules and regulations promulgated thereunder.

11. Attachments 1 and 2. Attachments 1 and 2 referenced in Section 21.2 hereof are hereby deleted and are replaced with Attachments 1 and 2 attached hereto.

12. Effectiveness of Amendment. This Second Amendment shall be deemed effective upon execution and delivery by the parties to this Second Amendment. The Original Lease, as amended by this Second Amendment, remains in full force and effect.

13. Counterparts. This Second Amendment may be signed by the parties hereto on different counterparts with the same effect as if the signatures were on the same instrument.

14. Further Assurances. Lessor and Lessee agree to complete, execute or cause to be executed or done all such further acts, documentation and amendments as shall be required to implement and carry out the purposes of this Second Amendment. The parties hereto have executed this Second Amendment as of the date herein first above written.

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DULUTH MAINTENANCE FACILITY

## Estimated Personnel Staffing

	<u>December 1996</u>	<u>December 2000</u>
Hangar	133	200
Facility Support	78	78
Core Functions	<u>56</u>	<u>56</u>
TOTAL	267	334

The foregoing data are estimates prepared by Northwest Airlines, Inc. in the fall of 1994, and the provision of such estimates does not constitute an independent promise to achieve such estimates beyond the requirements of the related Duluth Employment Covenant.

ANNUAL AVERAGE WAGES

- The annual labor costs per Mechanic are estimated as \$54,400. This estimate is based on a \$41,900 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Lead Mechanic are estimated at \$59,300. This estimate is based on a \$45,600 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per General Inspector are estimated as \$59,500. This estimate is based on a \$45,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Lead Inspector are estimated as \$60,800. This estimate is based on a \$46,700 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Work Control Clerk are estimated as \$38,700. This estimate is based on a \$29,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Technical Writer are estimated as \$64,800. This estimate is based on a \$49,800 salary multiplied by a factor of 1.3 to include benefits.
- The annual labor costs per Cleaner are estimated as \$33,500. This estimate is based on a \$25,800 salary multiplied by a factor of 1.3 to include benefits.

Note: The above analysis is based upon average years of service as of 10/25/94. The above analysis also assumes pre-concession wage rates.