
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,

DULUTH ECONOMIC DEVELOPMENT AUTHORITY,

NORTHWEST AIRLINES, INC.,

NWA INC.

and

NORTHWEST AIRLINES CORPORATION

Dated as of December 21, 1994

Drafted by: Dorsey & Whitney (KTT)
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TABLE OF CONTENTS

	<u>Page</u>
PARTIES	1
BACKGROUND	1
DEFINITIONS	2
AGREEMENT	8
1. Representations of Parties	8
a. State Representations	8
b. County Representations	10
c. City Representations	11
d. DEDA Representations	13
e. NAI Representations	15
f. NWA Representations	17
g. NWAC Representations	18
2. Financing	19
a. Finance Plan Overview	19
b. Concurrent Documents	20
c. Anticipated Documents	20
d. Opinions	20
e. Issuance of Bonds	20
f. Refunding	21
g. Information for Offering Documents	21
h. Effect of Failure to Issue Bonds	21
3. Land	22
a. Title	22
b. Platting and Rezoning	22
c. Indemnity Agreements	23
4. Related Improvements	23
5. Designation of Representatives	24
6. Project Design, Construction, Cost and Ownership	24
a. Approval of Project Design Description	24
b. NAI Designated as Developer	25
c. Payment and Performance Bonds	25
d. Uses of Funds Statement	26
e. DEDA Consultant	26
f. Limitation On Contracting and Funding	26
g. A&E	27
h. Schematic Plans and Outline Specifications	27
i. Construction Plans and Specifications	27
j. Bidding	28
k. Unilateral Change Order Approval	28

l. Change Order Approval Over 10%	29
m. Construction Responsibility	29
n. Compliance, Books and Records	29
o. Disbursing	30
p. Monthly Reports	30
q. Ownership	30
r. NAI Warranties	30
s. Waiver of Sales Tax	30
7. Construction Schedule and Substantial Completion	30
a. Construction Schedule	30
b. Substantial Completion	31
c. Delegation by DEDA	31
8. Other Project Costs	31
9. Additional Revenue Bonds	31
10. Tax Increment Obligations	31
a. Tax Increment	31
b. Assessment Agreement	32
c. Property Taxes	33
d. Tax Increment Deficiency	33
e. Personal Obligation	34
f. Adjustment of Assessor's Minimum Market Value .	34
g. Tax Increment Inflation	35
11. Remedies for Breach of Employment Covenant	38
12. Foreign Trade Zone	39
13. Cooperation	39
14. Consents and Approvals	39
15. Defaults	39
16. Notices	40
17. Binding Effect	40
18. Severability	41
19. Amendments, Changes and Modifications	41
20. Assignment	41
21. Estoppel Certificates	41
22. Applicable Law	41
23. Time is of Essence	41
24. Resolution of Conflicts Between DEDA and NAI	41
25. Other State, County, City and DEDA Costs to be Reimbursed	42
26. Future Expansion	42
27. This Agreement Controls.	43
28. Further Assurances	43
29. Dispute Resolution	44
30. Job Listing	43

31. Audits	44
32. Nondiscrimination	44
33. Civil Rights	45
34. Affirmative Action	45
35. Binding Effect of State Obligations	45
36. State as Beneficiary	46
37. Hibbing, Chisholm and Chisholm-Hibbing Airport Commission Costs.....	46
38. Amendment of Public Policy Covenants	46
39. State Administration Costs	46
SIGNATURES	48

LIST OF EXHIBITS

- Exhibit A - Legal Description of Land
- Exhibit A-1 - Permitted Exceptions
- Exhibit B - Survey of Land
- Exhibit C - Assessment Agreement
- Exhibit D- Finance Plan Overview
- Exhibit E - Preliminary Uses of Funds Statement
- Exhibit F - Related Improvements and Estimated Costs and Cost Allocation
- Exhibit F-1- Related Improvement Plans and Specifications
- Exhibit F-2- Related Improvements Costs and Allocation of Costs
- Exhibit G - Preliminary Project Design Description
- Exhibit G-1 - Preliminary Site Layout
- Exhibit H - Hibbing, Chisholm and Chisholm-Hibbing Airport Commission Costs to be Reimbursed
- Exhibit I - Related Improvements Construction Schedule
- Exhibit J - State Costs to be Reimbursed
- Exhibit K - County Costs to be Reimbursed
- Exhibit L - City and DEDA Costs to be Reimbursed
- Exhibit M - TIF Calculation Examples
- Exhibit N- Construction Schedule
- Exhibit O- Concurrent Documents
- Exhibit P- Anticipated Documents

THIS AMENDED AND RESTATED MASTER FINANCING AGREEMENT AND DEVELOPMENT AGREEMENT ("Agreement") is made as of December 21, 1994, between THE COMMISSIONER OF FINANCE OF THE STATE OF MINNESOTA, ACTING ON BEHALF OF THE STATE OF MINNESOTA ("State"), ST. LOUIS COUNTY, a political subdivision under the laws of the State of Minnesota ("County"), the CITY OF DULUTH, Minnesota, a municipal corporation, a home charter city and a political subdivision under the laws of the State of Minnesota ("City"), DULUTH ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic and a political subdivision under the laws of the State of Minnesota ("DEDA"), NORTHWEST AIRLINES, INC., a Minnesota corporation ("NAI"), NWA INC., a Delaware corporation ("NWA"), and NORTHWEST AIRLINES CORPORATION, a Delaware corporation ("NWAC").

BACKGROUND:

A. Laws of Minnesota, 1991, Chapter 350 (the "Act") authorizes, among other things, the issuance by the State of bonds, the proceeds of which bonds are to be used to pay the costs of planning, construction, improvement and equipping of a heavy maintenance facility for aircraft, and certain related improvements, to be located at the Duluth International Airport and to pay any costs of issuance, reserves and initial interest payments related to such bonds.

B. Such facility will be constructed, using the proceeds of such bonds and other funds, on land owned the City. Such land will be ground leased by the City and the Duluth Airport Authority ("DAA") to DEDA and such land and such facility will be leased by DEDA to NAI. The State, the County, the City and DEDA will have certain responsibilities regarding such land and certain improvements to be made to adjoining properties for the benefit of such land, as set forth in this Agreement.

C. The State, NAI and Wings Holdings Inc. ("Wings") entered into a Master Financing Agreement ("Original Master Financing Agreement") dated as of March 29, 1992 covering, among other things, the financing of such facility.

D. NWAC is the successor to Wings.

E. In connection with this Agreement, and after receipt of a report from the Arvai Group, review of information prepared by Public Financial Management, Inc. and such other due diligence as deemed appropriate by the Commissioner of Finance of the State of Minnesota ("Commissioner"), by First Supplemental Order and Findings of the Commissioner of Finance dated November 10, 1994, the Commissioner has made certain findings supplementing his prior Order regarding such facility.

F. In connection with this Agreement, a First Supplemental Report to the Legislative Commission on Planning and Fiscal Policy and a Second

Supplemental Report to the Governor dated October 27, 1994 have been prepared and delivered by the Commissioner, and a Second Supplemental Cost Report to Governor dated November 10, 1994 has been prepared and delivered by the Commissioner of Trade and Economic Development of the State of Minnesota, to supplement reports previously prepared and delivered under the Act.

G. The City has established Development District No. 14--Aircraft Maintenance Facilities-Airport, within which Development District such facility will be constructed as contemplated by the City's development district program regarding such Development District. The City believes that implementation of such development district program will be in the public interest, will be consistent with the objectives of such Development District, will provide jobs for local residents and will otherwise be beneficial to the City, its residents and the residents of the surrounding area. To achieve such objectives, the City has adopted a tax increment financing plan to provide tax increment financing for such facility. The City has assigned its authority over such Development District to DEDA.

H. The City, the Metropolitan Airports Commission ("MAC") and NAI entered into a Development Agreement dated March 29, 1992 ("Original Development Agreement") setting forth certain of the original agreements among them regarding such facility and improvements.

I. MAC has assigned, among other things, all of its interest in the Original Development Agreement to the City and DEDA pursuant to an Assignment, Assumption and Release among MAC, the City and other parties dated as of the same date as this Agreement.

J. The Hibbing Facility referred to in the Original Master Financing Agreement will not be constructed. Certain documents relating to the Hibbing Facility referred to in the Original Master Financing Agreement have been terminated and certain documents relating to the Duluth Facility referred to in the Original Master Financing Agreement have been terminated or amended and restated.

K. The parties desire to enter into this Agreement to amend and restate the Original Master Financing Agreement and the Original Development Agreement in their entirety as a single, integrated document and to set forth the obligations of the parties regarding the financing, design, development and construction of such facility, and certain other matters.

DEFINITIONS:

The following definitions will apply to this Agreement:

"Act": Minn. Laws 1991, Chapter 350.

"Additional Facilities": as defined in Section 26 of this Agreement.

"Additional Operations": as defined in Section 26 of this Agreement.

"Adjusted Assessor's Minimum Market Value": as defined in Section 10(f) of this Agreement.

"Airport": the Minneapolis-St. Paul International Airport.

"Affiliates": as defined in the Project Lease.

"Affiliated Parties": as defined in Section 6(f) of this Agreement.

"Airbus Aircraft": aircraft manufactured by Airbus Industries.

"Annual TIF Surplus": In any calendar year, the amount by which the Tax Increment payable from the Project exceeds the Minimum TIF Amount.

"Anticipated Documents": the documents listed on Exhibit P to this Agreement and the various documents, certificates and agreements required or contemplated by the Concurrent Documents or the Finance Plan Overview or which are customary for the issuance and sale of the Bonds (including, without limitation, officers certificates, incumbency certificates, tax certificates and agreements, financing statements and bonds).

"Assessment Agreement": the Assessment Agreement to be executed and delivered by NAI, DEDA and the Assessor and to be consented to by the City and the DAA pursuant to this Agreement, in the form of attached Exhibit C.

"Assessor": the City's assessor.

"Assessor's Minimum Market Value": the minimum market value for the Project established pursuant to Section 10(b) of this Agreement, prior to any adjustment that may be made pursuant to Section 10(f) of this Agreement.

"A&E": as defined in Section 6(g) of this Agreement.

"Basic Rent": as defined in the Project Lease.

"Bond Counsel": as defined in the Project Lease.

"Bonds": as defined in the Finance Plan Overview.

"Certificate of Completion": a certificate of completion for the Project, delivered pursuant to Section 4.6 of the Project Lease.

"City": City of Duluth, Minnesota.

"City Revenue Bonds": as defined in the Loan Agreement.

"Commissioner": the Commissioner of Finance of the State of Minnesota.

"Completion Date": the date of completion for construction and installation of the Project, as that date shall be certified in the applicable Certificate of Completion.

"Concurrent Documents": the documents listed on Exhibit O to this Agreement.

"Construction Schedule": the schedule for completion of the Project, as agreed to and modified from time to time in accordance with this Agreement.

"County": St. Louis County, Minnesota.

"Costs of Issuance": as defined in the Project Lease.

"County-Backed Bonds": as defined in the Project Lease.

"CPS": as defined in Section 6(i) of this Agreement.

"DAA": the Duluth Airport Authority.

"DEDA": the Duluth Economic Development Authority.

"DEDA Consultant": as defined in Section 6(e) of this Agreement.

"Development District": Development District No. 14, established by the City pursuant to the Development District Act and a resolution of the City Council of the City.

"Development District Act": Minn. Stat. Sections 469.124 through 469.134, as amended and supplemented by Minn. Laws Chapter 350 and as otherwise amended.

"Development District Program": the program for the development of the Development District adopted by the City pursuant to the Development District Act.

"Disbursing Agreement": the Bond Proceeds Disbursing Agreement to be entered into pursuant to this Agreement.

"Duluth-Backed Bonds": as defined in the Loan Agreement.

"Duluth Environmental Permits": as defined in the Indemnity Agreements.

"Employment Covenant": NAI's covenant to employ or cause to be employed a certain number of full time equivalent employees in connection with the Project over a specified period of time, as provided in the Project Lease.

"Essential Design Concepts": as defined in Section 6(a) of this Agreement.

"Excused Delay": any delay in issuance of the Bonds from the timing required by this Agreement if: (a) the delay is caused by an Unavoidable Delay; (b) the Bonds for which issuance is delayed are not then required to pay Costs of Issuance or Project Costs as reasonably determined by the State and NAI; or (c) the State has suspended its performance or terminated its obligations under this Agreement pursuant to Section 15 of this Agreement.

"Finance Plan Overview": The Finance Plan Overview attached to this Agreement as Exhibit D.

"First Mortgage Bonds": as defined in the Project Lease.

"Ground Lease": as defined in the Project Lease.

"Indemnity Agreements": as defined in the Project Lease.

"Indentures": the Indentures of Trust to be entered into between the State and the Trustees pursuant to this Agreement and consented to by the City.

"Land": the property shown as such on attached Exhibit B and legally described on attached Exhibit A.

"Loan Agreement": The Loan Agreement dated as of the date of this Agreement among the State, the City and DEDA regarding the Duluth-Backed Bonds.

"MAC": Metropolitan Airports Commission.

"Minimum TIF Amount": The Tax Increment payable from the Project in the first calendar year in which property taxes are payable on the Project at its full Assessor's Minimum Market Value; provided, however, that, if the Assessor's Minimum Market Value is adjusted pursuant to Section 10(f) of this Agreement, the Minimum TIF Amount shall be the Tax Increment payable from the Project and attributable to the Adjusted Assessor's Minimum Market Value.

"NWAC": Northwest Airlines Corporation.

"NAI": Northwest Airlines, Inc.

"NAI Environmental Permits": as defined in the Indemnity Agreements.

"NAI Group": NAI, NWA and NWAC.

"NWA": NWA Inc.

"Original Assessment Agreement": the Assessment Agreement among the City, NAI and the City Assessor dated as of March 29, 1992.

"Original Development Agreement": the Development Agreement among the City, MAC and NAI dated as of March 29, 1992.

"Original Master Financing Agreement": the Master Financing Agreement among the State, NAI, and Wings dated as of March 29, 1992.

"Other Project Property": as defined in the Project Lease.

"Project": as defined in the Project Lease.

"Project Costs": as defined in the Project Lease.

"Project Design Description": the general description of the Project on attached Exhibit G.

"Project Lease": the Amended and Restated Lease Agreement dated as of the date of this Agreement between DEDA, as Lessor, and NAI, as Lessee, regarding the Project.

"Related Improvements": the improvements to the Land and to certain adjoining and nearby properties, and certain cost items, identified in the Finance Plan Overview, Exhibit F, Exhibit F-1 and/or Exhibit F-2.

"Related Improvements Construction Schedule": the schedule for construction of the Related Improvements set forth on attached Exhibit I.

"SPOS": as defined in Section 6(h) of this Agreement.

"State": the State of Minnesota, acting through its Commissioner of Finance or another person succeeding to the powers of such Commissioner.

"State Guaranteed Bonds": as defined in the Project Lease.

"State TIF Amount": as defined in Section 10(f) of this Agreement.

"Substantial Completion": as defined in the Project Lease.

"Survey": as defined in Section 3 (a) of this Agreement.

"Tax Increment": the tax increment derived from the Tax Increment Financing District which DEDA receives and is entitled to retain under the Tax Increment Financing Act.

"Tax Increment Bonds": as defined in the Loan Agreement.

"Tax Increment Financing Act": Minn. Stat. Sections 469.174 through 469.179, as amended.

"Tax Increment Financing District": Tax Increment Financing District No. 14 approved by the City pursuant to the Tax Increment Financing Act and the Act, the control of which District has been transferred by the City to DEDA.

"Tax Increment Financing Plan": the tax increment financing plan approved by the City and/or DEDA for the Tax Increment Financing District.

"Transaction Documents" : all Concurrent Documents, the Anticipated Documents, and all documents executed in connection therewith or pursuant thereto.

"Trustees": the Trustees under the Indentures.

"Unavoidable Delays" means delays which are the direct result of strikes or other labor troubles, severe or prolonged bad weather, acts of God, fire or

other casualties to the Project, litigation commenced by third parties which, by injunction or other similar judicial action, directly result in delays, acts of any federal, state or local governmental unit (other than the party required to perform and otherwise than as authorized in this Agreement) which directly results in delays, riots, material shortages or any other cause, event or circumstance not reasonably under the control of the party required to perform, and, with respect to the obligations of the City and DEDA, continuation of any Default or Event of Default under the Project Lease (and the written consent of the State to a suspension of the performance of the party in question), and with respect to the obligations of NAI, delays resulting from unavailability of Bond proceeds required to be made available under the Finance Plan Overview (other than the proceeds of the First Mortgage Bonds and earnings thereon), delays resulting from failure of the Federal Aviation Administration to approve any of the Related Improvements or any other matter requiring Federal Aviation Administration approval in connection with the Related Improvements or the Project, failure of the Related Improvements to be completed as and when required by this Agreement, inability to obtain the NAI Environmental Permits or Federal Aviation Administration permits relating to the Project (provided that NAI is diligently pursuing such permits) or delays resulting from dispute resolution under Sections 24 and/or 29 of this Agreement that occurs as a result of an action or position taken in good faith by any member of the NAI Group. If, as a result of Unavoidable Delays, the date of Substantial Completion of the Project is extended to a date during the period from November 15 to March 15, then the number of days of Unavoidable Delays shall be deemed to be increased by an additional period of 120 days.

"Uses of Funds Statement": as defined in Section 6 (d) of this Agreement.

"Wings": Wings Holdings Inc.

AGREEMENT:

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree that the Original Master Financing Agreement and the Original Development Agreement are amended and restated in their entirety as follows:

1. **Representations of Parties.** The parties to this Agreement warrant and represent to each other as follows:

a. **State Representations.** The State represents and warrants that:

(1) At the time of execution by the State of any Transaction Document as to which the State is a party or has any obligation (each a "State Document"), the State will have full power and authority under the Constitution and laws of the State to adopt and execute and deliver the State Document and to perform its obligations thereunder.

(2) The State has duly authorized its execution and delivery of this Agreement.

(3) Upon execution and delivery of each State Document, the State Document shall constitute a valid and binding obligation of the State, enforceable against the State in accordance with its terms (except that certain equitable remedies, including specific performance, may be unavailable).

(4) All filings with, or approvals or consents of governmental authorities required to be made or obtained by the State for the valid authorization, execution and delivery by the State of a State Document or the performance by the State of its obligations thereunder shall, prior to execution and delivery thereof, have been duly made or obtained (other than environmental permits concerning the Project and the Related Improvements).

(5) To the best knowledge of the State, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public body pending or threatened against any party, calling into question the validity of any State Document or any other document pertaining thereto, the authority of the State to execute and deliver any State Document or any other document relating thereto and to perform in any material respect its obligations thereunder (other than environmental permits concerning the Project and the Related Improvements).

(6) The execution and delivery by the State of any State Document or any document relating thereto, and the performance of its obligations thereunder, will not violate in any material respect any provision of law or regulation, or of any judgment, decree, writ, order or injunction, and will not in any material respect contravene the provisions of, or constitute a material default under, any material agreement to which the State is a party.

(7) To the State's best knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of the State under any State Document.

(8) The State has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any State Document.

(9) To the best knowledge of the State, no public officer of the State who is authorized to take part in any manner in making any State Document or any contract contemplated thereby has a personal financial interest in or has personally and financially benefitted from any State Document or any such contract.

(10) An "agreement" has been "entered into before March 31, 1992" within the meaning of Section 27 of the Act.

(11) All representations and warranties of the State in each State Document will be, when made, true and correct in all material respects.

(12) The State will duly and timely perform all of its obligations under each State Document.

b. County Representations. The County represents and warrants that:

(1) The County is a political subdivision of the State under the laws of the State.

(2) At the time of execution by the County of any Transaction Document as to which the County is a party or has any obligation (each a "County Document"), the County will have full power and authority under the Constitution and laws of the State to adopt and execute and deliver the County Document and to perform its obligations thereunder.

(3) The County has duly authorized its execution and delivery of this Agreement.

(4) Upon execution and delivery of each County Document, the County Document shall constitute a valid and binding obligation of the County, enforceable against the County in accordance with its terms (except that certain equitable remedies, including specific performance, may be unavailable).

(5) All filings with, or approvals or consents of governmental authorities required to be made or obtained by the County for the valid authorization, execution and delivery by the County of a County Document or the performance by the County of its obligations thereunder shall, prior to execution and delivery thereof, have been duly made or obtained.

(6) To the best knowledge of the County, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public body pending or threatened against any party, calling into question the validity of any County Document or any other document pertaining thereto, the

authority of the County to execute and deliver any County Document or any other document relating thereto and to perform in any material respect its obligations thereunder.

(7) The execution and delivery by the County of any County Document or any document relating thereto, and the performance of its obligations thereunder, will not violate in any material respect any provision of law or regulation, or of any judgment, decrees, writ, order or injunction, and will not in any material respect contravene the provisions of, or constitute a material default under, any material agreement to which the County is a party.

(8) To the County's best knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of the County under any County Document.

(9) The County has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any County Document.

(10) To the best knowledge of the County, no public officer of the County who is authorized to take part in any manner in making any County Document or any contract contemplated thereby has a personal financial interest in or has personally and financially benefitted from any County Document or any such contract.

(11) All representations and warranties of the County in each County Document will be, when made, true and correct in all material respects.

(12) The County will duly and timely perform all of its obligations under each County Document.

c. City Representations. The City represents and warrants that:

(1) The City is a public corporation under the laws of the State of Minnesota.

(2) At the time of execution by the City of any Transaction Document as to which the City is a party or has any obligation (each a "City Document"), the City will have full corporate power and authority under the Constitution and laws of the State to adopt and execute and deliver the City Document and to perform its obligations thereunder.

(3) The City has duly authorized its execution and delivery of this Agreement.

(4) Upon execution and delivery of each City Document, the City Document shall constitute a valid and binding obligation of the City, enforceable against the City in accordance with its terms (except that (i) the enforceability of this Agreement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application relating to the enforcement of creditor's rights and (ii) certain equitable remedies, including specific performance, may be unavailable).

(5) All filings with, or approvals or consents of governmental authorities required to be made or obtained by the City for the valid authorization, execution and delivery by the City of a City Document or the performance by the City of its obligations under thereunder shall, prior to execution and delivery thereof, have been duly made or obtained, except for the Duluth Environmental Permits.

(6) To the best knowledge of the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public body pending or threatened against any party, calling into question the creation or existence of the City, the validity of any City Document or any other document pertaining thereto, the adoption of the Development District Program or the Tax Increment Financing Plan, the formation of the Development District or the Tax Increment Financing District, the authority of the City to execute and deliver any City Document or any other document relating thereto and to perform in any material respect its obligations thereunder.

(7) The execution and delivery by the City of any City Document or any document relating to thereto, and the performance of its obligations thereunder, will not violate in any material respect the Charter or any of the ordinances of the City, or any provision of law or regulation, or of any judgment, decrees, writ, order or injunction, and will not in any material respect contravene the provisions of, or constitute a material default under, any material agreement to which the City is a party or by which any of its properties constituting a part of the properties pledged pursuant to the Indentures is bound.

(8) To the City's best knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of the City under any City Document.

(9) The City has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any City Document other than to the State or any of its political subdivisions or to secure the Bonds.

(10) To the best knowledge of the City, no public officer of the City who is authorized to take part in any manner in making any City Document or any contract contemplated thereby has a personal financial interest in or has personally and financially benefitted from any City Document or any such contract.

(11) The development contemplated by this Agreement is in conformity with the development objectives set forth in the Tax Increment Financing Act, the Development District Program and the Tax Increment Financing Plan. The City has duly transferred its rights and obligations regarding the Tax Increment Financing District to DEDA.

(12) The reasonably estimated costs of the Related Improvements are as set forth on attached Exhibit F.

(13) All representations and warranties of the City in each City Document will be, when made, true and correct in all material respects.

(14) The City will duly and timely perform all of its obligations under each City Document.

(15) The City presently has no reason to believe that construction of any Related Improvement to be constructed will not occur as provided in Exhibit I, assuming that the SPOS are timely completed in accordance with the Construction Schedule attached to this Agreement as Exhibit N.

d. DEDA Representations. DEDA represents and warrants that:

(1) DEDA is a public body corporate and politic and a political subdivision under the laws of the State of Minnesota.

(2) At the time of execution by DEDA of any Transaction Document as to which DEDA is a party or has any obligation (each a "DEDA Document"), DEDA will have full power and authority under the Constitution and laws of the State to adopt and execute and deliver the DEDA Document and to perform its obligations thereunder.

(3) DEDA has duly authorized its execution and delivery of this Agreement.

(4) Upon execution and delivery of each DEDA Document, the DEDA Document shall constitute a valid and binding obligation of DEDA, enforceable against DEDA in accordance with its terms (except that (i) the enforceability of this Agreement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application relating to the enforcement of creditor's

rights and (ii) certain equitable remedies, including specific performance, may be unavailable).

(5) All filings with, or approvals or consents of governmental authorities required to be made or obtained by DEDA for the valid authorization, execution and delivery by DEDA of a DEDA Document or the performance by DEDA of its obligations thereunder shall, prior to execution and delivery thereof, have been duly made or obtained.

(6) To the best knowledge of DEDA, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public body pending or threatened against any party, calling into question the creation or existence of DEDA, the validity of any DEDA Document or any other document pertaining thereto, the adoption of the Development District Program or the Tax Increment Financing Plan, the formation of the Development District or the Tax Increment Financing District, the authority of DEDA to execute and deliver any DEDA Document or any other document relating thereto and to perform in any material respect its obligations thereunder.

(7) The execution and delivery by DEDA of any DEDA Document or any document relating thereto, and the performance of its obligations thereunder, will not violate in any material respect the organizational documents, resolutions or other promulgations of DEDA, or any provision of law or regulation, or of any judgment, decrees, writ, order or injunction, and will not in any material respect contravene the provisions of, or constitute a material default under, any material agreement to which DEDA is a party or by which any of its properties constituting a part of the properties pledged pursuant to the Indentures is bound.

(8) To DEDA's best knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of DEDA under any DEDA Document.

(9) DEDA has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any DEDA Document other than to the State or any of its political subdivisions or to secure the Bonds.

(10) To the best knowledge of DEDA, no public officer of DEDA who is authorized to take part in any manner in making any DEDA Document or any contract contemplated thereby has a personal financial interest in or has personally and financially benefitted from any DEDA Document or any such contract.

(11) The development contemplated by this Agreement is in conformity with the development objectives set forth in the Tax Increment

Financing District, the Development District Program and the Tax Increment Financing Plan. DEDA has duly accepted transfer to DEDA by the City of the City's rights and obligations regarding the Tax Increment Financing District.

(12) All representations and warranties of DEDA in each DEDA Document will be, when made, true and correct in all material respects.

(13) DEDA will duly and timely perform all of its obligations under each DEDA Document.

e. **NAI Representations.** NAI represents and warrants that:

(1) NAI is a corporation duly created and existing under the laws of the State, and, at the time of execution by NAI of any Transaction Document as to which NAI is a party or has any obligation (each an "NAI Document"), shall be qualified to do business and be in good standing in the State, shall have the corporate power and authority to enter into the NAI Document, shall have duly authorized the execution and delivery of the NAI Document by proper corporate action, and shall have the corporate power to perform its obligations under the NAI Document.

(2) Upon execution and delivery of each NAI Document, the NAI Document shall constitute a valid and binding obligation of NAI, enforceable against NAI in accordance with its terms (except that (i) the enforceability of the NAI Document may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application relating to the enforcement of creditor's rights and (ii) certain equitable remedies, including specific performance, may be unavailable).

(3) To the best knowledge of NAI, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public board or body pending or threatened against any party, calling into question (i) the creation or existence of NAI, (ii) the validity of any NAI Document or any other document pertaining thereto, (iii) the authority of NAI to execute and deliver any NAI Document or any other document pertaining thereto, or (iv) the authority of NAI to perform in any material respect its obligations any NAI Document or any other document pertaining thereto.

(4) To the best knowledge of NAI, all filings with, or approvals or consents of governmental authorities required to be made or obtained by NAI for the valid authorization, execution and delivery of any NAI Document by NAI or the performance by NAI of its obligations under any NAI Document have been duly made or obtained, except for the NAI Environmental Permits and the other permits (including the building permit) required to construct the Project.

(5) The execution and delivery by NAI of any NAI Document or any document relating to thereto and the performance of its obligations thereunder will not violate the Articles of Incorporation or Bylaws of NAI or any provision of law or regulation, or any judgment, decree, writ, order or injunction, and will not contravene in any material respect the provisions of, or constitute a material default under, any material agreement to which NAI is a party or by which any of its properties are bound.

(6) To NAI's knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of NAI hereunder or under any material agreement to which NAI is a party.

(7) NAI has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any NAI Document other than to the State or to secure the Bonds or Duluth-Backed Bonds or in connection with an assignment, mortgage, pledge or sublease permitted by the Project Lease.

(8) NAI believes in good faith that the Project Design Description attached to this Agreement fairly describes the Project expected to be constructed and installed on the Land and paid for with Bond proceeds and that the Uses of Funds Statement attached to this Agreement is a reasonable estimate of all Project Costs presently expected to be incurred.

(9) All representations and warranties of any member of the NAI Group in each Transaction Document will be, when made, true and correct in all material respects.

(10) NAI will duly and timely perform all of its obligations under each NAI Document. NAI presently has no reason to believe that completion of the Project will not occur as provided in the Construction Schedule, without modification of the Construction Schedule, assuming timely obtaining of all required permits by NAI and the timely performance of this Agreement and the Transaction Documents by all of the other parties to this Agreement and the Transaction Documents.

(11) All costs intended to be within the categories set forth in the Uses of Funds Statement are costs which were, or are in good faith reasonably expected to be, incurred by NAI for the planning, construction or equipping of the Project or the Hibbing Facility referenced in the Original Master Financing Agreement. All such costs incurred prior to the date of this Agreement were incurred solely for the foregoing purposes, and, to the extent any prior costs are based on services provided by employees of NAI or any Affiliate of NAI, such costs are a reasonable allocation of the direct costs of salaries and benefits of such employees for the services or out-

of-pocket expenditures (such as travel) related to the services and are not costs of a general administrative or overhead nature.

f. NWA Representations. NWA represents and warrants that:

(1) NWA is a corporation duly created and existing under the laws of the State of Delaware, and, at the time of execution by NWA of any Transaction Document as to which NWA is a party or has any obligation (each an "NWA Document"), shall be qualified to do business and be in good standing in the State, shall have the corporate power and authority to enter into the NWA Document, shall have duly authorized the execution and delivery of the NWA Document by proper corporate action, and shall have the corporate power to perform its obligations under the NWA Document.

(2) Upon execution and delivery of each NWA Document, the NWA Document shall constitute a valid and binding obligation of NWA, enforceable against NWA in accordance with its terms (except that (i) the enforceability of the NWA Document may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application relating to the enforcement of creditor's rights and (ii) certain equitable remedies, including specific performance, may be unavailable).

(3) To the best knowledge of NWA, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public board or body pending or threatened against any party, calling into question (i) the creation or existence of NWA, (ii) the validity of any NWA Document or any other document pertaining thereto, (iii) the authority of NWA to execute and deliver any NWA Document or any other document pertaining thereto, or (iv) the authority of NWA to perform in any material respect its obligations any NWA Document or any other document pertaining thereto.

(4) To the best knowledge of NWA, all filings with, or approvals or consents of governmental authorities required to be made or obtained by NWA for the valid authorization, execution and delivery of any NWA Document by NWA or the performance by NWA of its obligations under any NWA Document have been duly made or obtained, except for the NWA Environmental Permits and the other permits (including the building permit) required to construct the Project.

(5) The execution and delivery by NWA of any NWA Document or any document relating to thereto and the performance of its obligations thereunder will not violate the Articles of Incorporation or Bylaws of NWA or any provision of law or regulation, or any judgment, decree, writ, order or injunction, and will not contravene in any material respect the provisions of, or constitute a material default

under, any material agreement to which NWA is a party or by which any of its properties are bound.

(6) To NWA's knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of NWA hereunder or under any material agreement to which NWA is a party.

(7) NWA has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any NWA Document other than to the State or to secure the Bonds or Duluth-Backed Bonds or in connection with an assignment, mortgage, pledge or sublease permitted by the Project Lease.

(8) All representations and warranties of any member of the NAI Group in each Transaction Document will be, when made, true and correct in all material respects.

(9) NWA will duly and timely perform all of its obligations under each NWA Document and guaranty the performance by NAI of NAI's obligations under the NAI Documents.

g. NWAC Representations. NWAC represents and warrants that:

(1) NWAC is a corporation duly created and existing under the laws of the State of Delaware, and, at the time of execution by NWAC of any Transaction Document as to which NWAC is a party or has any obligation (each an "NWAC Document"), shall be qualified to do business and be in good standing in the State, shall have the corporate power and authority to enter into the NWAC Document, shall have duly authorized the execution and delivery of the NWAC Document by proper corporate action, and shall have the corporate power to perform its obligations under the NWAC Document.

(2) Upon execution and delivery of each NWAC Document, the NWAC Document shall constitute a valid and binding obligation of NWAC, enforceable against NWAC in accordance with its terms (except that (i) the enforceability of the NWAC Document may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application relating to the enforcement of creditor's rights and (ii) certain equitable remedies, including specific performance, may be unavailable).

(3) To the best knowledge of NWAC, there is no action, suit, proceeding or investigation at law or in equity before or by any court, either State or federal, or public board or body pending or threatened against any party, calling into question (i) the creation or existence of NWAC, (ii) the validity of any NWAC

Document or any other document pertaining thereto, (iii) the authority of NWAC to execute and deliver any NWAC Document or any other document pertaining thereto, or (iv) the authority of NWAC to perform in any material respect its obligations any NWAC Document or any other document pertaining thereto.

(4) To the best knowledge of NWAC, all filings with, or approvals or consents of governmental authorities required to be made or obtained by NWAC for the valid authorization, execution and delivery of any NWAC Document by NWAC or the performance by NWAC of its obligations under any NWAC Document have been duly made or obtained, except for the NWAC Environmental Permits and the other permits (including the building permit) required to construct the Project.

(5) The execution and delivery by NWAC of any NWAC Document or any document relating to thereto and the performance of its obligations thereunder will not violate the Articles of Incorporation or Bylaws of NWAC or any provision of law or regulation, or any judgment, decree, writ, order or injunction, and will not contravene in any material respect the provisions of, or constitute a material default under, any material agreement to which NWAC is a party or by which any of its properties are bound.

(6) To NWAC's knowledge, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute a default with respect to or on the part of NWAC hereunder or under any material agreement to which NWAC is a party.

(7) NWAC has not assigned or pledged and will not assign or pledge its right, title, or interest in and to any NWAC Document other than to the State or to secure the Bonds or in connection with an assignment, mortgage, pledge or sublease permitted by the Project Lease.

(8) All representations and warranties of any member of the NAI Group in each Transaction Document will be, when made, true and correct in all material respects.

(9) NWAC will duly and timely perform all of its obligations under each NWAC Document and guaranty the performance by NAI of NAI's obligations under the NAI Documents.

2. Financing.

a. **Finance Plan Overview.** The financing for the Project and the Related Improvements is described in the Finance Plan Overview. The parties to this Agreement shall use their best efforts to implement the Finance Plan Overview

consistent with this Agreement and in a manner that will permit the timely performance by the parties hereunder of their respective obligations, subject to the terms and conditions of this Agreement, Unavoidable Delay and, in the case of the State, Excused Delay.

b. **Concurrent Documents.** The Concurrent Documents have been executed by the parties to the Concurrent Documents concurrently with the execution and delivery of this Agreement.

c. **Anticipated Documents.** The Anticipated Documents have not yet been drafted. To the extent necessary to implement the Finance Plan Overview, each party to this Agreement shall use its best efforts to enter into those Anticipated Documents to which it is party. The Anticipated Documents shall be consistent with the terms of this Agreement and the Finance Plan Overview. Subject to the foregoing, all timely reasonable requests of the affected parties shall be taken into account in the Anticipated Documents. If any of the parties affected by an Anticipated Document or the State cannot agree upon any of the terms or conditions of the Anticipated Document, such dispute shall be submitted to arbitration under Section 29 of this Agreement.

d. **Opinions.** Each party has delivered an opinion or opinions of counsel relating to this Agreement and dated as of the date of this Agreement. Each party to this Agreement agrees to deliver similar opinions of such opinion-givers with respect to the Anticipated Documents to which it is a party, at the time of execution and delivery of such Anticipated Documents. The NAI Group will also deliver to the State, on the date that the first Bonds are issued, an opinion of its outside special aviation counsel with respect to certain collateral to be pledged by NAI in connection with the Bonds.

e. **Issuance of Bonds.** The parties agree that the State shall be under no obligation to issue the Bonds if: there is an Excused Delay; NAI, NWA or NWAC is/are in default under this Agreement or any of the Transaction Documents (provided, however, that such default shall constitute an excuse for failure to issue the Bonds only if the State has notified NAI, NWA or NWAC of such default in writing, and shall not continue as an excuse for failure to issue the Bonds after such default has been cured in accordance with the Transaction Document in question); legal proceedings of any nature shall be pending (or overtly threatened) which call into question the validity of any Bonds or the exclusion of interest from gross income of any tax exempt Bonds; any documents, certificates, opinions or proceedings are not satisfactory in any respects to Bond Counsel and the Attorney General of the State; or Bond Counsel does not deliver an unqualified opinion as to the validity of the Bonds in form reasonably satisfactory to the State.

f. Refunding. Recognizing that under the Constitution of the State, the State Guaranteed Bonds and the Duluth-Backed Bonds are not permitted to have a maturity in excess of 20 years from their date of issue, the State agrees, to the extent permitted by law, to authorize and use its best efforts to issue refunding State Guaranteed Bonds and Duluth-backed Bonds prior to the final maturity of each of the initial series of the State Guaranteed Bonds and Duluth-Backed Bonds to allow, in the aggregate, for a full 30-year amortization of such Bonds from the date of initial issuance of such Bonds in the manner described in the Finance Plan Overview.

g. Information for Offering Documents. For purposes of issuing the Bonds, NAI shall timely provide such information for inclusion in offering documents relating to the Bonds as is necessary to comply with any applicable state or federal securities laws.

h. Effect of Failure to Issue Bonds. If the State fails to issue all or any of Bonds as required by this Agreement for any reason other than (i) as to any Bonds, an Excused Delay or a default by NAI, NWA or NWAC under this Agreement or the Transaction Documents (provided, however, that such default shall constitute an excuse for failure to issue the Bonds only if the State has notified NAI, NWA or NWAC of such default in writing, and shall not continue as an excuse for failure to issue the Bonds after such default has been cured in accordance with the Transaction Document in question), or (ii) as to the First Mortgage Bonds only, the financial prospects or condition of NAI or any member of the NAI Group, the failure of NAI to request issuance of the First Mortgage Bonds, or the failure of any member of the NAI Group to enter into any Transaction Document reasonably required by the State in connection with the issuance of the First Mortgage Bonds, then NAI may give notice to the State of such failure within 90 days after such failure ("NAI Notice"). If the State does not issue the Bonds in question within 90 days after receiving the NAI Notice and if no Bonds are then outstanding under an Indenture, then the NAI Group and all other parties shall be excused from the performance of this Agreement and all Transaction Documents shall be deemed to be terminated except as follows:

(1) If the State has used its best efforts to cause the Bonds to be issued, then NAI shall pay all Costs of Issuance incurred to such date of termination with respect to all of the Bonds.

(2) Instead of issuing the Bonds, the State may loan funds in the same amount as the unissued Bonds from other lawful sources pursuant to the applicable loan agreement for the purpose of funding Project Costs or the Costs of Issuance. Such loan shall be identical in all material respects to the loan that would have been made from the proceeds of the Bonds being

replaced thereby and NAI's obligations under the Project Lease shall be unaffected.

For purposes of this subsection (h), the State shall not be deemed to have issued Bonds in accordance with this Agreement if they are not rated by any one of Standard & Poor's Rating Group, a division of McGraw Hill Financial Services Company, Moody's Investors Service, Inc. or Fitch Investor Services, Inc. in one of their highest three rating categories (ignoring gradations therein); provided, however, that this requirement shall not apply to the First Mortgage Bonds.

3. Land.

a. **Title.** The City represents and warrants to the other parties that the City owns the Land, subject only to (a) the permitted exceptions attached to this Agreement as Exhibit A-1 and (b) the matters shown on the survey attached to this Agreement as Exhibit B ("Survey"). The City will pay the cost of such Survey, subject to reimbursement as a Project Cost to the extent provided in Exhibit L. NAI will pay, subject to reimbursement from Bond proceeds as Project Costs, the premium and charges associated with the issuance of an owner's policy of title insurance in the form of Title Insurance Company of Minnesota Commitment No. TC-12090, as supplemented to bring its effective date to a current date and to incorporate the current legal description of the Land, insuring the City for an insured amount not to exceed \$1,000,000, but NAI will have no obligation to pay for, and Project Costs will not include, any other title insurance premiums or charges except as NAI may agree to in writing or as may be necessary to cause the First Mortgage Bonds to be issued. The City agrees, at its sole cost and expense, to cause the permitted exception identified as item 2 on attached Exhibit A-1 to be removed as an encumbrance against the Land as soon as reasonably possible and shall, if necessary and legal to do so, exercise its condemnation powers to cause such removal to occur. The City agrees, for the sole benefit of NAI, its successors and assigns, that, so long as the Project Lease shall remain in effect, the City will, upon the request of NAI, its successors or assigns, at the City's sole cost and expense, cause the reservations of minerals and mineral rights, repurchase right and any other rights arising from the documents identified in item 5 on attached Exhibit A-1 to be removed as encumbrances against the Land as soon as reasonably possible (and shall, if necessary and legal to do so, exercise its condemnation powers to cause such removal to occur) if and when (1) any owner of any such right elects to exercise its right or (2) NAI notifies the City in writing that the removal of such encumbrances is required in connection with the issuance of the First Mortgage Bonds.

b. **Platting and Rezoning.** The City represents and warrants to the other parties that no subdivision, platting or rezoning is required in order to construct the Project on the Land.

c. **Indemnity Agreements.** The State, the City, DEDA, the County and NAI shall enter into the Indemnity Agreements to which they are parties. If there are any conflicts between the terms and conditions of the Indemnity Agreements and this Agreement, the terms and conditions of the Indemnity Agreements will govern the conflict.

4. **Related Improvements.** The City shall cause to be constructed or expended each of the Related Improvements. The City shall, subject to Unavoidable Delays, cause each Related Improvement identified on the Related Improvements Construction Schedule to be installed in such manner and with such timing so as not to impede or delay completion of the Project in accordance with the Related Improvements Construction Schedule. The costs of the Related Improvements shall be borne by the City, the State and/or the County in the proportions set forth on attached Exhibit F-2 (and by any entities other than the members of the NAI Group, including the Federal Aviation Administration, that agree with the City to bear such costs), whether or not such costs exceed the estimates set forth on attached Exhibit F-2; provided, however, that the City, the State and/or the County shall have the right to draw upon the proceeds of the State Guaranteed Bonds, in accordance with the applicable Disbursing Agreement and in accordance with any other agreement among them, in a total amount among them not to exceed \$650,000. All constructed Related Improvements are to be dedicated to the public upon completion. The City represents and warrants to the other parties that the City has obtained or will obtain all permits necessary to construct and operate the Related Improvements, which permits the City currently believes to be as set forth in the Indemnity Agreements. NAI shall be entitled to seek specific performance by the City with respect to completion of any or all of the Related Improvements under this Section 4, whether or not the cost of such performance is allocated to another party under Exhibit F-2, and shall be entitled to recover from the City all incremental Project Costs (as defined in the Project Lease) incurred by NAI regarding any default with respect to completion of the Related Improvements under this Section 4 (but only to the extent not caused by an NAI default under this Agreement); provided, however, that no amounts which may be owing by the City to NAI under this Section or otherwise shall reduce any amount owed by NAI under the Project Lease. Furthermore, if the City shall fail to cause to be constructed or to expend any of the Related Improvements, the State may, but is not obligated to, cause to be constructed or expended such Related Improvement and may withhold payment of any Local Government Aid (as defined in the next sentence) payable to the City, in the amount necessary to reimburse the State for costs and expenses. Local Government Aid means any aid from the State which is payable to the City and available for general city purposes including, but not limited to, local government aid under Chapter 477A, Minnesota Statutes. NAI shall install or cause Minnesota Power and Light Company to install electrical service to the Project, which installation shall not be a Related Improvement, and the City, DEDA, DAA and/or the County shall provide all necessary easements, without cost to Minnesota

Power and Light Company or any member of the NAI Group, as necessary to install such electrical service. NAI shall pay to the City, or cause the Trustee to pay to the City from Bond proceeds, any additional costs to the City caused by any changes required by NAI to the Related Improvements.

5. Designation of Representatives. Each party hereby designates a person as its principal representative in all matters under this Agreement, whose written approval or written decision shall be binding upon such party as to all matters relating to this Agreement except as otherwise expressly set forth below:

a. The State hereby designates the Commissioner of Finance as its principal representative.

b. The County hereby designates the County Administrator as its principal representative.

c. The City hereby designates the Mayor as its principal representative.

d. DEDA hereby designates the Executive Director as its principal representative.

e. The NAI Group hereby designates NAI's Vice President (Properties) as its principal representative.

Each party may from time to time designate a replacement principal representative or limit or expand the matters as to which such representative may bind such party or delegate some or all of his or her authority to other persons upon 3 business days' prior written notice to the principal representatives of the other parties.

6. Project Design, Construction, Cost and Ownership.

a. **Approval of Project Design Description.** The parties hereby acknowledge receipt of and approve the Project Design Description. The parties also acknowledge and agree that the Project Design Description is subject to refinement and/or modification by NAI and its design and engineering professionals in accordance with this Agreement; provided, however, that the Project shall in any case conform to the following concepts ("Essential Design Concepts"): (i) the Project must be consistent with Section 5 of the Act, all other applicable laws and regulations and the representations and warranties of NAI under the Project Lease; (ii) the Project must not materially affect the tax-exempt status of those Bonds that are intended to be tax-exempt; (iii) the Project must permit NAI to perform its obligations under the Project Lease; (iv) the Project shall be designed, constructed and equipped in accordance with current industry standards and with NAI's design and operation specifications and requirements, shall be as efficient and cost-effective

as possible, and shall be at least equal in quality and design to other NAI facilities of like type being operated in the State of Minnesota; and (v) the Project must be capable of an economically viable aircraft-related reuse if necessary in the future, without material modification.

b. **NAI Designated as Developer.** NAI is designated by the other parties to this Agreement as the developer of the Project, with responsibility and liability for the selection of all of the professionals involved in the Project and for the design, engineering and construction of Project, subject to the terms and conditions of this Agreement. NAI shall have the obligation, subject to Unavoidable Delays and the obligations of the other parties to this Agreement, to complete the Project as required by this Agreement.

c. **Payment and Performance Bonds.** NAI shall obtain a payment and performance bond from each contractor providing goods or services involved in construction and equipping of the Project in the amount of such contractor's contract. Each such bond shall comply with Minnesota Statutes Section 574.26 and shall also assure the payment and performance of NAI's obligations under this Agreement to the extent that such obligations are coextensive with those of the contractor. Notwithstanding the foregoing provisions of this subsection (c), no performance and payment bond shall be required as to any equipment that is not incorporated into the real estate and is classified as personal property for bonding purposes if it is purchased in completed or finished condition by NAI and paid for by the Trustee only upon delivery (provided, however, that the payment of a deposit or downpayment shall not constitute payment for equipment prior to delivery thereof for purposes of the preceding clause if the deposit or downpayment is advanced by NAI from NAI's own funds). Each payment and performance bond shall run in favor of NAI (at NAI's option, to the extent legally possible), DEDA and the State, and DEDA and the State shall have a reasonable right of approval over the form of each such bond (which bond shall cover NAI's obligations as contractor/developer under this Agreement to the extent coextensive with the contracts insured by the bond), which approval shall be obtained by NAI prior to bidding the contracts that are required to be covered by payment and performance bonds under this subsection c. The "penal amount" of each bond shall be increased from time to time to reflect change orders with respect to the contractor's contract. NAI shall not be required to provide any payment or performance bonds, other than the contractor bonds provided for above, except to the extent that NAI's payment and performance obligations under this Agreement that are required to be bonded under Minnesota Statutes Section 574.26 are not coextensive with the obligations of the contractors that are covered by the payment and performance bonds provided for above (and, in the event NAI must obtain any such additional payment or performance bonds, NAI shall not be required to provide any collateral for such additional payment and performance bonds, and the City shall pay all premiums regarding such additional payment and performance bonds). NAI shall not enter

into more than 6 contracts as to goods and services required to be covered by payment and performance bonds as provided above, and such contracts shall all be executed and delivered not later than 6 months after the SPOS (as defined in subsection h below) are completed and approved, assuming timely performance of this Agreement by the other parties to this Agreement; provided, however, that the execution and delivery of the first of such contracts shall be subject to all Unavoidable Delays. No downpayments on any equipment shall be financed from Bond Proceeds until after the equipment is delivered to the Project, and such limitation shall be included in the Disbursing Agreement.

d. **Uses of Funds Statement.** Attached to this Agreement as Exhibit E is a list that, based on NAI representations in Section 1(e)(11) of this Agreement and subject to verification by the State as to the amount and purpose of costs previously incurred, has been approved by DEDA and the State ("Uses of Funds Statement") setting forth the preliminary total amount of funds to be expended on the Project, which Uses of Funds Statement is broken-down into categories of expenditures. The Uses of Funds Statement may be modified at any time and from time to time by NAI; provided, however, that any such modification shall be subject to the written approval of DEDA and the State, which approval shall not be unreasonably withheld. If the DEDA Consultant (as defined below) determines that any SPOS (as defined below), any CPS (as defined below), any contract regarding the Project or any change order regarding the Project relate(s) to work that does not fit within the parameters of the categories of expenditures contained in the most-recently approved Uses of Funds Statement, then DEDA shall have no obligation to approve the SPOS, CPS, contract or change order.

e. **DEDA Consultant.** DEDA shall be entitled to hire a professional consultant ("DEDA Consultant") to assist it in exercising its rights of review as further described in this proposal. The costs of services provided by the DEDA Consultant shall be reimbursed to DEDA as Project Costs if and to the extent permitted pursuant to Exhibit L.

f. **Limitations on Contracting and Funding.** No Project Costs will be directly or indirectly distributed in any way whatsoever to NAI or to any party or parties owned by or related to NAI or to any shareholders, officers or directors of NAI or any Affiliate ("Affiliated Parties"), nor shall any contracts be entered into, directly or indirectly, with any such Affiliated Parties, except that NAI shall be entitled to reimbursement for Project Costs advanced by NAI to parties other than Affiliated Parties and for NAI's in-house development costs regarding the Project reflected in the Uses of Funds Statement. Furthermore, all contracts regarding the Project will include the following provisions:

(1) All payments shall be made in accordance with the requirements of the Disbursing Agreement.

(2) All warranties and indemnities will be enforceable by DEDA and by NAI, as provided in the Project Lease.

(3) Wages paid to skilled and unskilled labor shall not be less than the prevailing wage rates then in effect in the City of Duluth, shall be reported by the contractors to the A&E (as defined below) and shall be made available to the parties to this Agreement.

(4) Such requirements for payment and performance bonds, holdbacks and retentions as are required by law.

(5) Nondiscrimination and civil rights provisions that substantially conform to those contained in Sections 14.12 and 14.13 of the Project Lease.

g. **A&E.** NAI has selected and DEDA has approved McClier Corporation as the architect and engineer for the Project ("A&E"). NAI will have the right to replace the A&E at any time, subject to the right of DEDA to object to the selection of the replacement A&E (which objection, if any, shall be based only upon the issue of technical ability to design and construct the Project within the parameters required by this Agreement). If DEDA validly objects to the selection of another A&E on such grounds, NAI shall select another A&E that meets the criteria set forth in the request for proposals prepared by NAI and that satisfies the objection of DEDA. The A&E shall be responsible for the preparation of the schematic plans and outline specifications, the design development drawings and the final construction drawings and specifications for the Project. NAI shall have total supervisory control and responsibility for the design process for the Project, including the scope thereof, the technical project description and the day-to-day management of the design process.

h. **Schematic Plans and Outline Specifications.** The A&E shall be responsible for developing schematic plans and outline specifications (as those terms are normally defined in the design professional industry) ("SPOS") for the Project which satisfies the Essential Design Concepts and the costs of which conform to the Uses of Funds Statement. The design process shall be totally under the control of NAI, but, upon completion (which shall be no later than as is provided in the Construction Schedule, as it may be from time to time modified in accordance with this Agreement), the SPOS shall be subject to the approval of DEDA (which approval may be withheld only if NAI has failed to satisfy the Essential Design Concepts and shall conform to a standard of commercial reasonableness). If DEDA withholds its approval, the notice of disapproval given by DEDA to NAI shall state DEDA's objection(s) with reasonable specificity. If DEDA validly withholds its approval, NAI shall promptly thereafter cause the SPOS to be modified to satisfy

DEDA's objections to the SPOS. This above-stated procedure for design, review and approval shall continue until DEDA has approved the SPOS.

i. **Construction Plans and Specifications.** Upon approval by DEDA of the SPOS, the A&E shall proceed to develop the final construction plans and specifications ("CPS") under the direction of NAI. Upon completion of the CPS, and prior to bidding of the Project, the CPS shall be subject to the approval of DEDA (which approval shall only be withheld if the CPS materially departs from the approved SPOS). If DEDA withholds its approval, the notice of disapproval given by DEDA to NAI shall state DEDA's objection(s) with reasonable specificity. If DEDA validly withholds its approval, NAI shall promptly thereafter cause the CPS to be modified to satisfy DEDA's objections to the CPS. The above-stated procedure for design, review and approval shall continue until DEDA has approved the CPS.

j. **Bidding.** Upon approval of the CPS, NAI shall proceed to publicly bid the construction of the Project in accordance with Minn. Stat. 471.345. It is anticipated that the construction and equipping of the Project will involve a number of contracts for construction of facilities and purchase of equipment; provided, however, that such contractual divisions shall be mandated only by the logistics of time and the need to acquire goods and services from different vendors. The purchase of goods and services with regard to the construction and equipping of the Project shall be undertaken and completed in strict accordance with all applicable State laws related to the construction of public facilities and the purchase of equipment with regard thereto, including all public bidding laws controlling purchase of goods and services by the State, prevailing wage requirements and minority business participation regulations. Construction of the Project will be pursuant to fixed price, competitively bid contracts, provided that the contracts will be let to the lowest qualified bidder as defined by law and that construction management will not be used for the construction of this Project unless NAI chooses, in its sole discretion, to do so.

k. **Unilateral Change Order Approval.** After a contract has been entered into for the purchase of goods or services related to the Project, NAI shall have the right to unilaterally approve change orders with regard to that contract increasing or decreasing the amount of the contract in an aggregate amount of not to exceed 10% of the total contract price of the contract, but only if each such change order conforms to the Essential Design Concepts and will not cause the Project to exceed the amount for the category related to such contract in the Uses of Funds Statement. Notice of NAI's approval of any such change shall be promptly given to DEDA, and if any such approved change order shall, in the reasonable opinion of DEDA, fail to satisfy the Essential Design Concepts, DEDA shall notify NAI of its objection within seven (7) days of receipt of notice of such change order and approval of such change order shall thereafter be rescinded. If DEDA so objects, the notice of objection given by DEDA to NAI shall state DEDA's objection(s) with

reasonable specificity. If no such objection notice is received by NAI from DEDA within such seven (7) day period, DEDA shall be deemed to have waived its right to disapprove the change order. If no objection is timely made by DEDA, NAI shall be authorized to proceed with the work changed by the change order. If NAI contests any such determination by DEDA, NAI shall promptly notify DEDA and State of its disagreement with DEDA's determination and thereafter the State shall arbitrate said disagreement and promptly notify NAI and DEDA of its decision. In the event of rescission of a change order as a result of DEDA's valid objection to the change order, NAI shall be responsible for bearing any cost in excess of \$10,000 resulting from such rescission, including the costs of "undoing" work improperly approved by NAI and the amounts to which the contractor is legally entitled as a result of NAI's rescission of the change order.

1. **Change Order Approval Over 10%.** Any change orders to any contract, the aggregate of which are in excess of that which can be unilaterally approved by NAI pursuant to subsection k above, but equal to or less than 25% of the total contract price of the contract, may be approved by NAI only upon prior review and approval thereof by DEDA, which review and approval or disapproval shall be accomplished within seven (7) days of receipt of a request given by NAI to DEDA and State; provided, however, that DEDA may only disapprove such a change order if DEDA determines that the change fails to conform to the Essential Design Concepts or the Uses of Funds Statement. If DEDA disapproves, the notice of disapproval given by DEDA to NAI shall state DEDA's objections with reasonable specificity. If no such objection notice is received by NAI from DEDA within such seven (7) day period, DEDA shall be deemed to have approved the change order. If the change order is approved or deemed to be approved by DEDA, NAI shall be authorized to proceed with the work changed by the change order. Any proposed change order in excess of 25% of the total contract price of the contract shall be subject to procedures established by the Minnesota Department of Transportation.

m. **Construction Responsibility.** NAI shall have all responsibility and liability for and shall bear all risk with regard to the design, engineering, construction and cost of the Project.

n. **Compliance, Books and Records.** NAI will be fully responsible for compliance with all public bidding and contracting procedures and shall develop and retain full and complete records establishing such compliance. NAI shall further be responsible for developing and maintaining complete books and records with regard to the construction of the Project and the expenditure of funds, the acquisition of equipment therefor and the payment of funds with regard thereto, all of which shall be maintained until the expiration of the term of the Project Lease in accordance with accepted accounting practices and shall be available at all times prior to such date during ordinary business hours at NAI's principal offices in Eagan, Minnesota, or at a location designated in Duluth, Minnesota, to employees,

advisors and consultants to DEDA and the State. No such documents shall be destroyed without first delivering full and complete copies thereof to DEDA. NAI shall, upon the request of DEDA or the State, provide a copy of all or any of such documents to DEDA or State or both.

o. **Disbursing.** The proceeds of the Bonds shall be deposited with the Trustees and shall be disbursed in accordance with the applicable Disbursing Agreement.

p. **Monthly Reports.** NAI shall provide reports to DEDA and the State on a monthly basis, in a form and in a manner reasonably required by DEDA and the State, setting forth NAI's progress on design and construction of the Project, the Project Costs incurred as of the date of such reports and any modifications to the Uses of Funds Statement.

q. **Ownership.** The Project is to be constructed by NAI, in accordance with the CPS, on property leased by DEDA from the City, and it is the understanding of the parties to this Agreement that DEDA is to own the Project.

r. **NAI Warranties.** NAI represents and warrants that the Project and any actions and decisions of NAI taken and made in connection therewith shall be made in conformance with the Act, this Agreement and the CPS, as modified by permitted change orders, and, upon request of either DEDA or the State, will execute documents to that effect in favor of DEDA or the State or both of them.

s. **Waiver of Sales Taxes.** The City and the State waive the collection of all City and State sales taxes applicable to any services or materials provided in connection with the Project and purchased by NAI with proceeds of the Bonds.

7. Construction Schedule and Substantial Completion

a. **Construction Schedule.** Attached to this Agreement as Exhibit N is a preliminary construction schedule ("Construction Schedule") for the Project. The Construction Schedule may be modified at any time and from time to time by NAI; provided, however, that any such modification shall be subject to the written approval of DEDA and the State, which approval shall not be unreasonably withheld. Notwithstanding this Section 7(a), unless otherwise agreed to by MAC, (i) the deadline for Substantial Completion of the Project shall not be extended beyond August 31, 1997, except to the extent that such extension is a result of Unavoidable Delays, and (ii) notwithstanding the immediately preceding subsection (i), the deadline for Substantial Completion of the Project shall not be extended beyond August 31, 1996 to the extent such extension is due to the failure of NAI to diligently pursue obtaining all necessary permits for the Project.

b. **Substantial Completion.** NAI agrees that the Project will reach Substantial Completion on or before the substantial completion date specified in the Construction Schedule, subject to Unavoidable Delays. The parties to this Agreement agree to perform their respective obligations under this Agreement within the time periods required by this Agreement so that the Project will reach Substantial Completion on or before the date set forth in the then applicable Construction Schedule, subject to Unavoidable Delays. Except to the extent caused by Unavoidable Delays, if any delay by the City or DEDA in performing such obligations causes a delay in Substantial Completion of the Project, the City and/or DEDA shall promptly reimburse NAI for any incremental Project Costs as to which NAI is entitled to be reimbursed under Section 4 of this Agreement.

c. **Delegation by DEDA.** DEDA may delegate its rights and obligations under this Section 7 and Section 6 of this Agreement to the City, which shall perform such obligations and exercise such rights on behalf of DEDA, at any time by giving written notice of such delegation to the City and NAI.

8. **Other Project Costs.** NAI shall pay for all costs of financing, designing, constructing, equipping, operating and maintaining the Project, with NAI's funds, to the extent that proceeds of the Bonds and the Duluth-Backed Bonds required to be made available hereunder for such purposes (and investment income on such proceeds) are inadequate for such purposes, including the costs of all of the Other Project Property and all offsite improvements and permits not included in the Related Improvements.

9. **Additional Revenue Bonds.** The City shall, upon the written request of NAI, use its best efforts, to the extent permitted by law, to issue additional revenue tax increment financing bonds and/or conduit bonds in the format of industrial development bonds to the extent authorized by law to finance costs, other than Project Costs, relating to the Duluth aircraft maintenance facility of which the Project is a part, and shall use its best efforts to cause such bonds to be sold. Any such bonds shall not be secured by the full faith and credit of the City, the State or of any political subdivision of the State.

10. **Tax Increment Obligations.**

a. **Tax Increment.** The obligation of DEDA to contribute the Tax Increment toward the payment of the Tax Increment Bonds shall commence on the date specified in the Loan Agreement and continue until the date which is 30 years following DEDA's first receipt of Tax Increment from the Project, unless earlier terminated in accordance with the Loan Agreement. The State, the City and DEDA will comply with all of the terms and conditions of the Loan Agreement.

For the purposes of determining the original principal amount of the Tax Increment Bonds, Tax Increment shall be calculated assuming that the original tax capacity of the Tax Increment District is the tax capacity of such property determined by the City Assessor as of the date of the Project Lease, in accordance with Section 469.177, subd. 1(d) of the Tax Increment Financing Act, and assuming that the original tax capacity rate for the Tax Increment District is the rate specified in the County Auditor's Certificate as to Original Tax Capacity and Original Tax Capacity Rate, dated as of March 30, 1992.

Before issuance of the Tax Increment Bonds, DEDA and the City intend to modify the boundaries of the Tax Increment District to coincide with the boundaries of the Land and the Future Expansion Land shown on Exhibit B to this Agreement.

b. Assessment Agreement. Upon or before issuance of the Tax Increment Bonds, DEDA and NAI shall execute the Assessment Agreement in substantially the form attached hereto as Exhibit C pursuant to the provisions of Minn Stat. Section 469.177, subd. 8, specifying the Assessor's Minimum Market Value, which shall be effective with respect to the Project as specified in the Assessment Agreement; provided, however, that such Assessment Agreement shall be of no effect if the Tax Increment Bonds are not issued, and the City and DEDA agree to execute a recordable termination document in such event upon the written request of NAI. The City will join in the Assessment Agreement as ground lessor and will cause the DAA to join in the Assessment Agreement as ground lessor. The City, the DAA and the County acknowledge that, although it has not yet been terminated, the original Assessment Agreement is not enforceable against MAC or the NAI Group because the "Duluth-Backed Bonds," as defined in the Original Development Agreement, were not issued. The City, the DAA and NAI will enter into a recordable termination of the Original Assessment Agreement effective on the date that the Duluth-Backed Bonds are first issued pursuant to this Agreement. The County hereby consents to such termination. The City shall promptly record such termination after approval thereof by Independent School District No. 709, in accordance with Minnesota Statutes, Section 469.177, Subd. 8. Nothing in the Assessment Agreement shall limit the discretion of the Assessor to assign a market value to the Project in excess of such Assessor's Minimum Market Value or prohibit NAI from seeking through the exercise of legal or administrative remedies a reduction in such market value for property tax purposes; provided however, that a reduction of such market value shall not be sought below the Assessor's Minimum Market Value so long as the Assessment Agreement remains in effect. The Assessment Agreement shall be certified by the Assessor, as provided in Minn. Stats. Section 469.177, subd. 8, upon a finding by the Assessor that the Assessor's Minimum Market Value represents a reasonable estimate based on the plans and specifications for the Project (including the Land) submitted to the Assessor by NAI. The Assessor's Minimum Market Value shall be subject to adjustment as provided in Section 10(f) of this Agreement. Pursuant to Minn Stat. Section 469.177, subd. 8, the Assessment Agreement shall be filed for record in the office of the county

recorder or registrar of titles of St. Louis County, and such filing shall constitute notice to any subsequent encumbrancer or purchaser of the Project (or part thereof), whether voluntary or involuntary, and such Assessment Agreement shall be binding and enforceable in its entirety against any such subsequent purchaser or encumbrancer, public or private. The City, DEDA and NAI shall secure the consent to the Assessment Agreement of the mortgagee under any mortgage encumbering the Project or any part of the Project if the lien of its mortgage would be prior to the Assessment Agreement. The State hereby waives any rights it has or may have under Minn. Stat. Section 469.177, subd. 8 to terminate the Assessment Agreement in the event the State takes ownership, possession or control of the Project upon default by NAI under the Project Lease.

c. **Property Taxes.** NAI agrees for itself, its successors and assigns (subject to the terms and conditions of the Assessment Agreement) to pay before delinquency all taxes arising from the Assessor's Minimum Market Value (including without limitation any taxes payable under Minn. Stat. Section 272.01, subd. 2 and successor provisions), special assessments and other government charges of a similar nature, including penalties and interest (collectively, the "Taxes"), levied and assessed against the Project or any portion thereof, subject to contest rights permitted by this Agreement and the Assessment Agreement. Failure to cure any default under this paragraph in accordance with Section 15 of this Agreement shall constitute a default under this Agreement notwithstanding any different default provision under the Project Lease or the Ground Lease. DEDA and NAI agree that, solely with respect to ad valorem taxes (including taxes payable under Minn. Stat. 272.01, subd. 2) arising from the Assessor's Minimum Market Value, so long as the Assessment Agreement remains in effect, but subject to the terms and conditions of the Assessment Agreement:

(1) They will not seek administrative review or judicial review of the applicability or constitutionality of any tax statute relating to such real estate taxes or raise the inapplicability or constitutionality of any such tax statute as a defense in any proceedings relating to such Taxes, including delinquent tax proceedings; provided, however, that "tax statute" does not include any local ordinance or resolution levying a tax; and

(2) They will not seek any tax deferral or abatement, either presently or prospectively authorized under Minn. Stat. Section 469.181, or any other State or federal law, of such ad valorem taxes arising from the Assessor's Minimum Assessed Value.

d. **Tax Increment Deficiency.** Subsequent to issuance of the Tax Increment Bonds and continuing until the Tax Increment Bonds are no longer outstanding under the Indenture or under the indenture for any bonds issued to refund the Tax Increment Bonds, if Tax Increment derived from the Tax Increment District and paid or payable to DEDA by the County during the six month period before a semi-annual scheduled payment date for principal and/or interest on the Tax Increment Bonds is less than the Tax Increment Debt Service (as defined in the

Loan Agreement) due and payable on such payment date, after crediting any capitalized interest available on that date, then DEDA shall provide notice to NAI of such fact and the amount of such deficiency in Tax Increment; provided, however, that if, after the refunding of the Tax Increment Bonds, principal and interest on the refunding Tax Increment Bonds (i) exceeds the Minimum TIF Amount, the deficiency amount required to be paid by NAI hereunder shall not exceed the Minimum TIF Amount, or (ii) is less than the Minimum TIF Amount, then any portion of the Minimum TIF Amount in excess of such principal and interest due and payable on such refunding Tax Increment Bonds shall be applied to the payment or redemption of either the refunding Tax Increment Bonds or any outstanding City Revenue Bonds, as DEDA may designate. Twenty days after receipt of such notice of deficiency, NAI shall be liable for and shall pay to DEDA such deficiency. Failure on the part of DEDA to provide the notice of deficiency when required under this paragraph shall not relieve NAI of its obligation to make the required payment 20 days after NAI receives actual notice of the deficiency from DEDA. NAI shall not be required under this Section to pay an amount in excess of (i) total ad valorem taxes in connection with the Project (including taxes payable under Minn. Stat. Section 272.01, subd. (2) arising from the Assessor's Minimum Market Value payable in 1998 and thereafter, plus (ii) the deficiencies in Tax Increment as required above.

The obligations of NAI to make payments provided for in this paragraph shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment or counter-claim it might otherwise have against the City or any other government body or other person. NAI shall not fail to make any required payments for any cause or circumstance whatsoever, including any change in State property tax laws or any other law, or any other event, even if beyond the control of NAI.

e. **Personal Obligation.** The members of the NAI Group agree that the obligation to pay Taxes and Tax Increment deficiency under this Section 10 is a personal obligation of each of them, for which each of them is liable under this Agreement in addition to their obligations under any State statute to pay Taxes, and that their obligations under this Section 10 are binding on them notwithstanding any transfer or assignment of their interests in this Agreement to any other party; provided, however, that, if NAI is released by DEDA and the State from liability under the Project Lease, the members of the NAI Group shall also be commensurately released from liability under this Section 10.

f. **Adjustment of Assessor's Minimum Market Value.**

(1) If the actual market value of the Project as determined by the Assessor for taxes payable in 1998 exceeds the Assessor's Minimum Market Value for such year, then such actual amount shall be deemed

the "Adjusted Assessor's Minimum Market Value". Such Adjusted Assessor's Minimum Market Value shall be the Assessor's Minimum Market Value for taxes payable in 1998 and thereafter until termination of the Assessment Agreement in accordance with its terms. Any adjustment of the Assessor's Minimum Market Value under this clause shall be evidenced by a certificate signed by the Assessor and dated no later than the date on of final determination of market value for purposes of real property taxes payable in 1998, which certification shall be recorded in the office of the county recorder or registrar of titles of St. Louis County. If the Assessor's Minimum Market Value is not adjusted in accordance with the terms of this clause, the Assessor's Minimum Market Value shall remain as originally specified in the Assessment Agreement for the term of that Agreement.

Nothing in this Section 10(f)(1) or in Section 10(c) of this Agreement shall be construed to prohibit NAI from seeking through the exercise of legal or administrative remedies a reduction in market value for taxes payable in 1998, provided that such reduction in market value shall not be sought below the original Assessor's Minimum Market Value, without giving effect to any Adjusted Assessor's Minimum Market Value; and further provided that after any Adjusted Assessor's Minimum Market value is finally determined, taking into account any reduction obtained through exercise by NAI of its legal or administrative remedies, reduction in market value shall not be sought below the Adjusted Assessor's Minimum Market Value.

(2) If an Adjusted Assessor's Minimum Market Value is determined in accordance with subsection 10(f)(1) above, then the amount of Tax Increment payable from the Project each year and attributable to the Adjusted Assessor's Minimum Market Value, less the Tax Increment payable from the Project each year and attributable to the original Assessor's Minimum Market Value, shall be deemed the "State TIF Amount". The State TIF Amount shall be applied each year toward payment of the State Guaranteed Bonds in accordance with the Loan Agreement; provided, however, that, upon default by NAI in payment of real property taxes on the Project as required under the Project Lease, and continuing until the first calendar year after which such default is cured, the State TIF Amount shall be allocated to DEDA and shall be applied in the manner provided for DEDA's share of the Annual TIF Surplus under the Loan Agreement.

g. **Tax Increment Inflation.** DEDA and NAI will allocate increases in Tax Increment over the Minimum TIF Amount in accordance with the following terms and conditions:

(1) In any calendar year in which there is an Annual TIF Surplus, DEDA and NAI shall each be entitled to one-half of the Annual TIF Surplus, subject to adjustment as provided in subsection 10(g)(2) below.

(2) Notwithstanding anything in Subsection 10 (g) (1) above, on any Adjustment Date, the Annual TIF Surplus shall be allocated in accordance with this Subsection 10 (g) (2). On any Adjustment Date,

(a) DEDA shall be entitled to the amount, if any, of Annual TIF Surplus that will bring DEDA's share of cumulative Annual TIF Surplus during the Adjustment Period to the amount DEDA would have received if, during such Adjustment Period, (i) DEDA and NAI had equally shared each Annual TIF Surplus up to a 3.112 percent annual increase in Tax Increment and (ii) the portion of Annual TIF Surplus representing an annual increase in Tax Increment in excess of 3.112 percent had been allocated in each year during the Adjustment Period to NAI; and

(b) NAI shall be entitled to the balance, if any, of the Annual TIF Surplus during such Adjustment Period not allocated to DEDA as described above.

The above-described allocation shall be calculated at least 60 days before any Adjustment Date. If, as of an Adjustment Date, the Annual TIF Surplus received in the calendar year preceding the year in which the Adjustment Date occurs has already been deposited with the Trustee and applied in accordance with the Loan Agreement, or if, the amount allocable to either party under this Section 10(g)(2) exceeds the Annual TIF Surplus in the year preceding the year in which the Adjustment Date occurs, then the allocation shall be treated as follows:

(x) if NAI is entitled to an allocation under this Section 10(g)(2), then DEDA shall pay to the Trustee, on the Adjustment Date from any available sources, the amount allocated to NAI hereunder after application of any available Annual TIF Surplus received as of the last day of the year preceding such Adjustment Date and not yet paid to the Trustee under the Loan Agreement (as illustrated in Exhibit M, example 1); and

(y) if DEDA is entitled to an allocation under this Subsection 10(g)(2), then NAI shall pay to DEDA, on the Adjustment Date, from any sources available to NAI, the amount allocated to DEDA hereunder after application of any available Annual TIF

Surplus received as of the last day of the year preceding such Adjustment Date and not yet paid to the Trustee under the Loan Agreement (as illustrated in Exhibit M, example 2).

Payments under Subsections (x) and (y) above shall be applied in accordance with the Loan Agreement as if they were Annual TIF Surplus allocated to DEDA or NAI, as the case may be.

The amount of the allocation of Annual TIF Surplus under this clause shall be specified by a certificate signed by DEDA and NAI and delivered to the Trustee in accordance with the Loan Agreement.

(3) The allocation described in subsection 10(g)(2) above is illustrated in Exhibit M to this Agreement. To the extent practicable, this Section 10(g) shall be construed in light of, and in order to harmonize with Exhibit M. The examples in Exhibit M represent three hypothetical scenarios that assume an Adjustment Date in the year 2014 and varying rates of inflation in Tax Increment during the first Adjustment Period.

(4) The portion of the Annual TIF Surplus allocated to DEDA pursuant to Subsections 10(g)(1) and 10(g)(2) above in any calendar year shall be applied toward payment or prepayment of the Duluth-Backed Bonds in accordance with the Loan Agreement. The portion of the Annual TIF Surplus allocated to NAI pursuant to Subsections 10(g)(1) and 10(g)(2) above in any calendar year shall be applied toward payment or prepayment of the First Mortgage Bonds, the State Guaranteed Bonds and the County-Backed Bonds in accordance with the Loan Agreement.

(5) Upon default by NAI under any Transaction Document to which NAI is a party beyond the applicable grace period and continuing until the first calendar year after which such default is cured, NAI shall not be entitled to any portion of the Annual TIF Surplus under this section. Annual TIF Surplus or any portion thereof withheld from NAI during a period of default shall be allocated to DEDA, and any rights of NAI in amounts so withheld shall be deemed forever waived.

(6) Nothing in this Section 10(g) shall be construed to alter or diminish DEDA's rights or interest in Tax Increment in the amount that is equal to or less than the Minimum TIF Amount.

(7) After there are no longer any Duluth-Backed Bonds outstanding under the Indenture, any Annual TIF Surplus shall be allocated in accordance with Subsection 10 (g) (1) above, which allocations shall be

applied in accordance with and subject to the terms and conditions of the Loan Agreement.

(8) For the purposes of this Section 10, the following terms shall have the following meanings:

"Adjustment Date" means any date on which either the City Revenue Bonds or the Tax Increment Bonds are finally paid or redeemed in whole in accordance with their terms.

"Adjustment Period" means, with respect to the first Adjustment Period, the period commencing on January 1, 1998 and ending on December 31 preceding the year in which the first Adjustment Date occurs; and with respect to any succeeding Adjustment Period, means the period commencing on January 1 following the prior Adjustment Period and ending on December 31 preceding the year in which the applicable Adjustment Date occurs.

11. **Remedies for Breach of Employment Covenant.** The Project Lease contains certain public policy covenants of NAI, including a covenant to employ or cause to be employed a certain number of full time equivalent employees in connection with the Project (the "Employment Covenant") over a specified period of time. During any calendar year in which NAI is not in compliance with the Employment Covenant, NAI shall pay to the City on February 1 and August 1 of such calendar year an amount (which amount the City may apply towards its obligations to make payments under the Loan Agreement) equal to a percentage of the semi-annual scheduled debt service for such year on the Duluth-Backed Bonds, such percentage to be determined as follows:

<u>Percentage of Compliance</u>	<u>NAI Payment Percentage</u>
90% or more	0%
80% to (but not including) 90%	23%
70% to (but not including) 80%	34%
60% to (but not including) 70%	45%
50% to (but not including) 60%	57%
40% to (but not including) 50%	72%
less than 40%	100%

NAI further acknowledges and agrees that, in the event of a Greater Breach (as defined in the Employment Covenant) of the Employment Covenant, the City and the County, acting collectively and not individually, may, pursuant to the

Employment Covenant, compel the State to exercise the remedies provided for in the Employment Covenant as to such Greater Breach.

12. **Foreign Trade Zone.** The City will, at its sole expense and as soon as reasonably practicable, cause the Land to be designated a Foreign Trade Zone under applicable federal statutes. NAI will cooperate with the City to accomplish such designation and will execute and deliver all such documents as may be reasonably required in connection with such designation.

13. **Cooperation.** NAI agrees to cooperate with the City regarding the City's applications for EDA, FAA and DTED grants, which are intended to defray portions of the City's costs of installing and constructing the Related Improvements and agrees to execute and deliver all such documents as may be reasonably required regarding such applications and the resulting grant agreements, but the City's obligations to complete such installation and pay such costs shall not be contingent upon its obtaining the proceeds of any such grant.

14. **Consents and Approvals.** Unless otherwise expressly provided in this Agreement, any consent or approval required under this Agreement shall not be unreasonably withheld and must be in writing and shall be deemed given if not withheld by written notice to the requesting party within 3 days after the party from whom such approval or consent is requested receives a written request for such approval or consent.

15. **Defaults.** Any default by NAI, NWA or NWAC under this Agreement which is not cured within 30 days (or, with respect to any default other than NAI's failure to pay amounts otherwise due hereunder, such longer period as may be reasonably necessary to cure the default in question, so long as NAI, NWA and/or NWAC are diligently attempting to cure the default) after the State has given the NAI Group notice of the default shall constitute a default under the Transaction Documents, and any default by any of the NAI Group under a Transaction Document beyond the applicable grace period under such Transaction Document shall constitute a default under this Agreement. After the occurrence of any such uncured default, the State (and/or the City, DEDA and the County, but only with the prior written consent of the State, which State consent shall not be required, in any case, for the City, DEDA or the County to exercise their rights against NAI with respect to non-payment of real estate taxes or collection of the NAI Payment Percentage under Section 11 of this Agreement) may suspend or terminate its/their obligations under this Agreement. Upon such suspension or termination under this Section, all amounts accrued but unpaid for fees or expenses of consultants or attorneys engaged by the State in connection with matters contemplated by this Agreement (and otherwise required to be paid by NAI on or before the issuance of any Bonds) shall be promptly paid by NAI to the respective consultants or attorneys (who are hereby declared to be third party beneficiaries of this sentence, with the

right to seek enforcement hereof on their own behalf as against NAI by any or all lawful means available at law or in equity). Each party to this Agreement, other than NAI, NWA or NWAC, shall be entitled to cure any default under this Agreement within 10 days after receiving a written notice of default from one or more of the other parties. No delay or omission to exercise any right upon any default shall be construed to be a waiver of such right. If any agreement contained in this Agreement is breached by a party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach of this Agreement.

16. **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, with proper address as indicated below. The State, the County, the City and the NAI Group may, by written notice given by each to the others, designate any other address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Agreement. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To State:	Commissioner of Finance State of Minnesota 658 Cedar Street St. Paul, Minnesota 55155
To County:	St. Louis County Room 202 100 North Fifth Avenue West Duluth, Minnesota 55812 Attn: County Administrator
To the City or DEDA:	City of Duluth 400 City Hall Duluth, Minnesota 55802 Attn: Mayor
To the NAI Group:	Northwest Airlines, Inc. 5101 Northwest Drive St. Paul, Minnesota 55111 Attn: Vice President (Properties)

17. **Binding Effect.** Subject to Section 35, this Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns.

18. **Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

19. **Amendments, Changes and Modifications.** This Agreement may be amended, changed, modified or altered only by the written agreement of all of the parties to this Agreement, which agreement shall not be unreasonably withheld by any party. Except as otherwise provided in this Agreement, this Agreement may be terminated only by the written agreement of all of the parties to this Agreement.

20. **Assignment.** This Agreement may not be assigned by any party; provided, however, that NAI may assign this Agreement if and to the extent that NAI is permitted to assign the Project Lease, but in such event NAI shall remain primarily liable for its obligations under this Agreement.

21. **Estoppel Certificates.** Each party shall execute, acknowledge and deliver each to any other, within ten (10) days after request therefor, a written certificate, in recordable form, certifying (i) that this Agreement is in full force and effect without modification or amendment of any kind (or if there have been modifications or amendments that this Agreement is in full force and effect as modified or amended and stating the modifications), (ii) that no notice has been received of any default which has not been cured and, to the best of its knowledge and belief, no default exists (or, if there has been notice of a default, describing the same), and (iii) such other matters relating to this Agreement as the requesting party may reasonably request. The certificates of the parties given pursuant to this Section may be relied upon only by the requesting party and any party identified in the certificate as a prospective lender, sublessee, assignee or purchaser benefitted by the certificate.

22. **Applicable Law.** This Agreement shall be construed under and enforced in accordance with the laws of the State of Minnesota.

23. **Time is of Essence.** All time limits stated or referred to in this Agreement are of the essence.

24. **Resolution of Conflicts between DEDA and NAI.** If DEDA and NAI are required under Sections 6 or 7 of this Agreement to agree as to a particular matter or if the consent of either such party to the action of the other such party is required by such Sections, DEDA and NAI shall attempt in good faith to agree in writing upon such matter or action within one business day after the agreement or

approval is required to be made or given under this Agreement. If DEDA and NAI cannot so agree within such time period, DEDA and NAI shall, within 3 business days after the expiration of such time period, submit written summaries of their respective positions on such matter to the Commissioner of Finance of the State of Minnesota ("Finance Commissioner"), who shall make a written determination, to be submitted to DEDA and NAI within 3 business days after receiving both submittals, as to which position shall prevail. The City may act on behalf of DEDA in such proceedings if DEDA has delegated its rights and obligations under Sections 6 and 7 of this Agreement to the City. The Commissioner shall base his or her determination on the following considerations:

- (a) that the Project satisfies the Essential Design Concepts;
- (b) that the Project will be completed in a timely manner without material delay in the schedule for construction as provided for in this Agreement; and
- (c) that all requirements of the Act and the documents entered into pursuant to the Act have been met.

The determination of the Finance Commissioner shall be final and binding upon the parties.

25. Other State, County, City and DEDA Costs to be Reimbursed. Costs incurred by the City and DEDA with respect to the Project, other than the portion of the costs of the Related Improvements to be reimbursed to the City as provided in this Agreement, shall be drawn by the City and DEDA, as Project Costs, but only to the extent permitted pursuant to attached Exhibit L. Costs incurred by the County with respect to the Project, shall be drawn by the County, as Project Costs, but only to the extent permitted pursuant to attached Exhibit K. The City, DEDA and the County will not draw or be reimbursed for any other costs associated with the Project, except for the costs of the Related Improvements if and to the extent such draw or reimbursement is provided for in this Agreement. NAI shall pay, prior to issuance of the Bonds, or the State shall be entitled to draw upon the proceeds of the Bonds after such issuance to pay, certain costs of the State's consultants regarding the Project or the Hibbing Project, including those identified on attached Exhibit J. The preceding sentence shall not limit the State's rights to draw or be reimbursement for other costs under Section 4 of this Agreement or any other Transaction Documents.

26. Future Expansion. NAI will cause the A&E to design the Project to facilitate construction of future expansion, on the "Future Expansion Land" identified on attached Exhibit B, that would provide for additional maintenance capacity consistent with the Project's original scope. Any such expansion shall be undertaken solely at NAI's option. 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 Project so long as the State, the County, and the City provide for the issuance of bonds (pursuant to the Act or otherwise) to finance the cost of the Additional Facilities as provided below, or (ii) perform the Additional Operations at the Airport in existing NAI and Affiliate facilities at the Airport so long as capacity exists at existing NAI and Affiliate facilities at the Airport based on the then current level of NAI and Affiliate operations thereat. In accordance with the terms of the Act, additional financing will be made available by the State, the County and the City if NAI should decide, prior to December 31, 1999, to expand the Project, subject to compliance with applicable legal requirements. Additional bonds to finance expansion of the Project will be secured from the same sources as the Bonds, subject to compliance with applicable legal requirements. The City agrees that the City and the DAA will make the Future Expansion Land available to NAI, at no cost to NAI, for expansion of the Project at any time on or before December 31, 2005.

27. This Agreement Controls. The rights and obligations of the parties under the Transaction Documents are subject to the terms and conditions of this Agreement.

28. Further Assurances. To the extent lawful, the parties to this Agreement agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to this Agreement and such further instruments and agreements (or amendments to agreements) and take such further actions as may be reasonably required to carry out the expressed intention of this Agreement. The parties to this Agreement acknowledge that, in connection with the issuance of a particular series of Bonds, it may be necessary to make amendments to one or more of the Transaction Documents to permit or facilitate the issuance of such series of Bonds on reasonable terms and conditions, and it is the intention of the parties to agree to amendments of the Transaction Documents that are so required to the extent that they are authorized by the Act and do not require material changes in the terms and conditions of the Transaction Documents.

29. Dispute Resolution. All disputes arising under the Agreement prior to issuance of the Bonds (except for disputes that are required to be resolved under Section 24), and all disputes under Section 10(f) of this Agreement regardless of when they arise, shall be finally settled by arbitration in accordance with the Rules of Commercial Arbitration of the American Arbitration Association by a panel of three (3) arbitrators (except that, in the case of disputes under Section 10(f) of this

Agreement, there shall only be one arbitrator) appointed in accordance with such Rules. The place of arbitration shall be Minneapolis, Minnesota.

30. **Job Listing.** The NAI Group agrees to list any vacant or new positions with the job services of the Commissioner of Jobs and Training or its local service units as required by Minnesota Statute, Section 268.66, but only to the extent the NAI Group is permitted to do so under its collective bargaining agreements.

31. **Audits.** The NAI Group hereby agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of the business and affairs of each member of the NAI Group. Pursuant to Minnesota Statutes, Section 16B.06, Subdivision 4, the Commissioners and the Legislative Auditor or the designated agents or representatives shall have the right to inspect such accounts, records, documents, books, accounting procedures and practices of the NAI Group during reasonable business hours. Pursuant to Article 1, Section 2, Subd. 3 (b) of the Act or Minnesota Statutes, Section 13.02, Subd. 9, information pertaining to NAI, NWA and NWAC, exclusive of Rule 406 Information, shall be considered nonpublic data; provided that such information may be accessible as provided in Article 1, Section 2, Subd. 3 (b) of the Act and further provided that summaries of such information may be made available to the public upon a determination by the Commissioner, after consultation with NAI, that such information should be disclosed to satisfy federal and state securities laws in connection with secondary trading of the Bonds. For purposes of this paragraph, Rule 406 Information is information or documents filed by NAI, NWA or NWAC with the Securities and Exchange Commission in accordance with the requirements of the Securities and Exchange Act of 1934 Act, as amended, other than information or documents that have been granted confidential treatment under Rule 406 of the Securities and Exchange Act of 1934 Act, as amended, as long as such confidential treatment has not been revoked or withdrawn.

32. **Nondiscrimination.** The NAI Group agrees that in the event facilities are constructed, maintained, or otherwise operated that are financed with proceeds of the Bonds for a purpose for which an United States Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the NAI Group shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, CRF Part 21, Nondiscrimination in Federally-assisted programs of the United States Department of Transportation, and as said regulations may be amended. Each member of the NAI Group for itself, its personal representatives, successors in interest, and assigns hereby covenants and agrees that (1) no person shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of facilities financed with the

proceeds of the Bonds, on the basis of race, color, or national origin; (2) no person shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the construction of any improvements on, over and under facilities financed with the proceeds of the Bonds or in connection with the furnishing of services thereon, on the basis of race, color, or national origin; and (3) it shall use any facilities financed with proceeds of the Bonds in compliance with all other requirements imposed by or pursuant to Title 49, CRF Part 21, Nondiscrimination in Federally-assisted programs of the United States Department of Transportation-Effective of Title VI of the Civil Rights Act of 1964, and as said regulations may be amended.

33. Civil Rights. Each member of the NAI Group assures that it will comply with pertinent statutes, Executive Orders and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age or handicap be excluded from participating in any activity conducted with or benefitting from federal assistance. This provision obligates each member of the NAI Group or its transferee for the period during which federal assistance is extended to the airport program, except where federal assistance is to provide, or is in the form of personal property or real property or interests therein or structures or improvements thereon. In these cases the provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the land or building financed with proceeds of the Bonds are used by the airport sponsor or any transferee for a purpose for which federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the land or buildings financed with proceeds of the Bonds. In the case of contractors, this provision binds the contractors for the bid solicitation period through the completion of the contract.

34. Affirmative Action. Consistent with Minn. Stat. Section 363.073, NAI shall furnish to the State a Certificate of Compliance issued to it by the Department of Human Rights of the State and maintain such Certificate in effect throughout the term of this Agreement.

35. Binding Effect of State Obligations. Notwithstanding any other provision herein, the parties hereto acknowledge that no obligation requiring the expenditures of State funds (including the application of bond proceeds) imposed or purported to be imposed on the State herein shall be an enforceable or legally binding obligation of the State unless the State has appropriated funds therefor. The parties also acknowledge that the only funds so appropriated with respect to the Project are proceeds of the Bonds, Duluth-Backed Bonds and other bonds which may be issued by the State as described in the Finance Plan Overview. As set forth in Section 2 of this Agreement, the State will use its best efforts to implement the Finance Plan Overview consistent with this Agreement, including the issuance of

bonds as described in the Finance Plan Overview, subject to the terms and conditions of this Agreement, Unavoidable Delays and Excused Delay. The parties further acknowledge that the State may be liable in damages and specific performance only with respect to those provisions that are binding on the State. The benefits of this Section 35 shall not apply to any of the other parties to this Agreement that are political subdivisions of the State, unless required by state law.

36. State as Beneficiary. The other parties to this Agreement agree that the State shall be deemed a beneficiary of each and every Transaction Document and each and every document entered into by MAC and any member of the NAI Group in connection with the bonds issued by MAC pursuant to the Act, and shall be entitled to enforce any obligations of the parties thereunder or to seek any other remedy available at law or equity as though the State were an express signatory thereto and to the same extent and subject to the same limitations as any other party to such a document. The State shall be entitled to rely on each and every representation of any party to any Transaction Document or any document entered into by MAC and any member of the NAI Group in connection with the bonds issued by MAC pursuant to the Act as though the State were an express signatory to the document.

37. Hibbing, Chisholm and Chisholm-Hibbing Airport Commission Costs. Costs incurred by Hibbing, Chisholm and the Chisholm-Hibbing Airport Commission with respect to the Hibbing Facility shall be drawn by the Office of the Commissioner of Iron Range Resources and Rehabilitation in accordance with its agreement with NAI, as Project Costs, but only to the extent permitted pursuant to attached Exhibit H. Hibbing, Chisholm and the Chisholm-Hibbing Airport Commission will not draw or be reimbursed from proceeds of any Bonds, Duluth-Backed Bonds or any other bonds issued in connection with the Project, nor shall they be reimbursed by NAI, for any other costs. The aggregate costs set forth in attached Exhibit H shall be allocated among such entities by the Commissioner of Iron Range Resources and Rehabilitation.

38. Amendment of Public Policy Covenants. No amendment shall be made in any material manner to the Public Policy Covenant unless a report detailing such change shall be first submitted to the Legislative Commissioner of Planning and Fiscal Policy for an advisory recommendation as provided in the Act.

39. State Administration Costs. NAI shall promptly pay all costs and expenses of the State reasonably incurred for the services of third parties (including airline or aircraft consultants, engineers, appraisers, financial advisors and attorneys) in the administration, enforcement, refunding or monitoring of the Bonds, or the administration or enforcement of obligations of any member of the NAI Group hereunder or under any Transaction Document; provided, however, that, except for services provided by Bond Counsel, or services provided after the

State has in good faith given NAI notice that a default has occurred by NAI and is continuing hereunder or under any Transaction Document, the State shall give NAI prior written notice of the engagement of each such third party.

EXECUTION:

The parties have executed this Amended and Restated Master Financing Agreement and Development Agreement as of the date first stated above.

W. M. King
COMMISSIONER OF FINANCE, STATE OF MINNESOTA

ST. LOUIS COUNTY

By _____
Its _____

And By _____
Its _____

CITY OF DULUTH

By _____
Its Mayor

ATTEST:

City Clerk

COUNTERSIGNED:

City Auditor

APPROVED:

City Attorney

EXECUTION:

The parties have executed this Amended and Restated Master Financing Agreement and Development Agreement as of the date first stated above.

COMMISSIONER OF FINANCE, STATE OF MINNESOTA

ST. LOUIS COUNTY

By Stephen F. Runkle
Its Chairperson

And By _____
Its _____

CITY OF DULUTH

By _____
Its Mayor

ATTEST:

City Clerk

COUNTERSIGNED:

City Auditor

APPROVED:

City Attorney

EXECUTION:

The parties have executed this Amended and Restated Master Financing Agreement and Development Agreement as of the date first stated above.

COMMISSIONER OF FINANCE, STATE OF MINNESOTA

ST. LOUIS COUNTY

By _____
Its _____

And By _____
Its _____

CITY OF DULUTH

By *Cam C. Doty*
Its Mayor

ATTEST:

Jeffrey J. [Signature]
City Clerk

COUNTERSIGNED:

Spencer W. [Signature]
City Auditor

APPROVED:

Robert L. [Signature]
Assistant City Attorney

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY

By Michael J. [Signature]
Its President
Its Secretary

3y [Signature]

NORTHWEST AIRLINES, INC.

By _____
Its _____

INC.

By _____
Its _____

NORTHWEST AIRLINES CORPORATION

By _____
Its _____

APPROVALS
PURSUANT TO MINNESOTA STATUTES, SECTION 16B.06

This Amended and Restated Master Financing Agreement and
Development Agreement is hereby approved under Minnesota Statutes, Section
16B.06.

Dated: _____, 1994

Commissioner of Administration
State of Minnesota

APPROVED:


Assistant City Attorney

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY

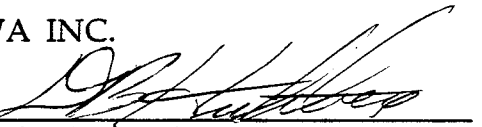
By _____
Its _____

And By _____
Its _____


NORTHWEST AIRLINES, INC

By 
Its Assistant Treasurer

NWA INC.

By 
Its Assistant Treasurer

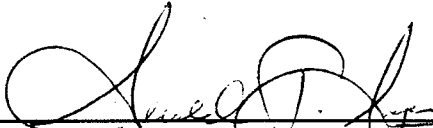
NORTHWEST AIRLINES CORPORATION

By 
Its Assistant Treasurer

APPROVALS
PURSUANT TO MINNESOTA STATUTES, SECTION 16B.06

This Amended and Restated Development Agreement is hereby approved under Minnesota Statutes, Section 16B.06.

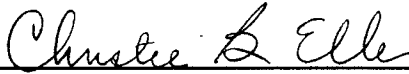
Dated: December 21, 1994



For the Commissioner of Administration
State of Minnesota

This Amended and Restated Development Agreement is approved as to form and execution.

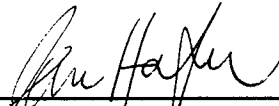
Dated: December 21, 1994



Assistant Attorney General
State of Minnesota

This Amended and Restated Development Agreement is hereby approved, and the appropriation and allotment have been encumbered for the full amount of the contract liability, within the meaning of Minnesota Statutes, Section 16B.06.

Dated: December 21, 1994



For the Commissioner of Finance
State of Minnesota

EXHIBIT A

Legal Description of Land

That part of the N 1/2 of Section 12, Township 50 North, Range 15 West of the Fourth Principal Meridian, described as follows:

Commencing at the Northwest corner of said Section 1, thence Southerly, along the West line of said Section 1, a distance of 1119.45 feet; thence deflect 90°00'00" to the left in an Easterly direction a distance of 950.24 feet; thence deflect 19°58'30" to the left in a Northeasterly direction a distance of 700.00 feet to the point of beginning of the parcel of land to be described; thence deflect 90°00'00" to the right in a Southeasterly direction a distance of 1236.00 feet to the runway visibility line as shown on the Duluth International Airport Master Plan dated 4/10/92; thence deflect 90°00'00" to the left in a Northeasterly direction, along said visibility line, a distance of 1375.00 feet; thence deflect 90°00'00" to the left in a Northwesterly direction a distance of 1236.00 feet; thence deflect 90°00'00" to the left in a Southwesterly direction, along a line 1236.00 feet distant and parallel with said visibility line, a distance of 1375.00 feet to the point of beginning.

The above described parcel of land contains approximately 39.01 acres of land, more or less.

EXHIBIT A-1

Permitted Exceptions

1. Lease No. DTFA14-86-L-R063 between the Duluth Airport Authority and the United States of America.
2. Lease No. FA66CE-3940 between the City of Duluth and the State of Minnesota dated June 15, 1967.
3. Existing cables to TACAN site and ASR/RTR site, so long as they do not interfere with the Project.
4. Existing ground water monitoring wells, so long as they do not interfere with the Project.
5. Reservations of minerals and mineral rights pursuant to Warranty Deed dated May 5, 1913, filed July 28, 1913 in Book 370 of Deeds, page 233 which right includes the right to repurchase the SE 1/4 of NE 1/4, Section 2, Township 50, Range 15 to Jesse Norton and Lottie B. Norton; Agreement dated February 8, 1944, filed February 17, 1944 in Book 98 of Miscellaneous, page 566 and Deed dated December 7, 1943, filed December 13, 1943 as Document No. 167801.
6. Airport zoning regulations.
7. Utility easement reserved to the City of Duluth and the Duluth Airport Authority, so long as it does not interfere with the Project.
8. Existing waterline to ASR/RTR site, so long as it does not interfere with the Project.
9. FAA regulations governing the use and operation of the airport.
10. Restrictions, covenants and conditions dated October 17, 1945, filed November 5, 1945, in Book 776 of Deeds, page 205. Contains no forfeiture provision. N 1/2 of NE 1/4 of Section 2, Township 50, Range 15 to be used exclusively as a site for municipal airport purposes to the extent needed for the protection of the flight approaches to the Duluth Airport.
11. Amendments to Regulations governing the height of structures and trees and the use of property in the vicinity of the Duluth Municipal Airport filed June 5, 1946 in Book 129 of Miscellaneous, page 255 and filed August 19, 1954 in Book 198 of Miscellaneous, page 713; Duluth International Airport Zoning Ordinance dated June 18, 1988, filed June 17, 1988 as Document No. 456132.

EXHIBIT C

ASSESSMENT AGREEMENT

THIS ASSESSMENT AGREEMENT ("Agreement") is entered into as of _____, 199_, between NORTHWEST AIRLINES, INC., a Minnesota corporation ("NAI"), DULUTH ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic and a political subdivision under the laws of the State of Minnesota ("DEDA"), and the CITY ASSESSOR FOR THE CITY OF DULUTH (the "Assessor").

BACKGROUND:

A. DEDA, certain other parties and NAI entered into an Amended and Restated Master Financing Agreement and Development Agreement dated as of December 21, 1994 (the "Development Agreement"), regarding certain real property located in the City of Duluth ("City") legally described on Exhibit A attached hereto and hereby made a part hereof (the "Land").

B. The City and the Duluth Airport Authority have leased the Land to DEDA pursuant to a Lease Agreement dated as of December 21, 1994 (the "Ground Lease").

C. Pursuant to the Development Agreement, the Land will be developed as a heavy aircraft maintenance facility and related improvements (collectively with the Site, the "Project").

D. The development of the Project will be financed with the proceeds of certain bonds to be issued by the State of Minnesota, the debt service on certain of which bonds is to be paid from tax increments generated by the Project as provided in that certain Loan Agreement among the State of Minnesota, the City and DEDA, and assigned to the Trustee for such bonds ("Loan Agreement").

E. The Development District (Development District No. 14-Aircraft Maintenance Facilities-Airport) for the Project has been approved by the City and assigned by the City to DEDA.

F. DEDA has leased the Project to NAI pursuant to a Lease Agreement dated as of December 21, 1994 (the "Project Lease").

G. In accordance with the Development Agreement, NAI desires to establish a minimum market value for the Land and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177, Subdivision 8.

H. The Assessor has reviewed plans and specifications for the Project.

AGREEMENT:

In consideration of the foregoing and other valuable consideration, the parties agree as follows:

1. The minimum market value assessed for the Project ("Assessor's Minimum Market Value") shall not, from and after January 2, 1996, be less than \$____ and shall not, from and after January 2, 1997, be less than \$_____.

2. If the Assessor determines that the actual market value of the Project as of January 2, 1997 exceeds the value for such date specified in Section 1 hereof, then such actual amount shall be deemed the "Adjusted Assessor's Minimum Market Value". Such Adjusted Assessor's Minimum Market Value shall be the Assessor's Minimum Market Value specified in this Agreement for taxes payable in 1998 and thereafter until termination of this Agreement in accordance with its terms. Any adjustment of the Assessor's Minimum Market Value under this Section shall be evidenced by a certificate signed by the Assessor and dated no later than the date on of final determination of market value for purposes of real property taxes payable in 1998, which certification shall be recorded in the office of the county recorder or registrar of titles of St. Louis County. If the Assessor's Minimum Market Value is not adjusted in accordance with the terms of this Section, the Assessor's Minimum Market Value shall remain as specified in Section 1 hereof for the term of this Agreement. The Assessor's Minimum Market Value shall be as specified in this Agreement, as of the dates specified in this Agreement, regardless of actual market values that may result from incomplete construction of the Project, destruction of the Project or any portion thereof, or diminution by any cause whatsoever.

3. NAI agrees that, solely with respect to ad valorem taxes (including taxes payable under Minn. Stat. 272.01, subd. 2) arising from the Assessor's Minimum Market Value, during the term of this Agreement:

a) NAI will not seek administrative review or judicial review of the applicability or constitutionality of any tax statute relating to the taxation of real property in the Project determined by any tax official to be applicable to the Project or any of them or raise the inapplicability or constitutionality of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; provided, however, that "tax statute" does not include any local ordinance or resolution levying a tax; and

b) NAI will not seek any deferral or abatement of the ad valorem taxes arising from the Assessor's Minimum Market Value, including all taxes payable under Minnesota Statutes, Section 272.01, Subd. 2, and penalties or interest payable on all taxes, either presently or prospectively authorized

under Minnesota Statutes, Section 469.181, Minnesota Statutes, Chapter 270, or any other State or federal law.

4. The Assessor's Minimum Market Value established pursuant to this Agreement shall be of no further force and effect and this Agreement shall terminate on the date that the Tax Increment District terminates.

5. This Agreement shall be promptly recorded by the City. The City shall pay all costs of recording.

6. The Assessor represents that the Assessor has reviewed the plans and specifications for the Project, and the market value previously assigned to the Site, and represents that the Assessor's Minimum Market Value as set forth in this Agreement is reasonable.

7. Nothing in this Agreement limits the discretion of the Assessor to assign to the Project a market value in excess of the Assessor's Minimum Market Value.

8. Neither the preamble nor provisions of this Agreement are intended to modify, nor shall they be construed as modifying, the terms of the Development Agreement.

9. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties; provided, however, that, if NAI is released from further obligations under the Project Lease, NAI shall be commensurately released from its obligations under this Agreement.

EXECUTION:

The parties have executed this Assessment Agreement as of the date first stated above.

NORTHWEST AIRLINES, INC.

By _____
Its _____

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

By _____
Its _____

And By _____
Its _____

CITY ASSESSOR FOR THE CITY OF DULUTH

By _____

The City of Duluth and the Duluth Airport Authority join in the execution of this Assessment Agreement as lessor under the Ground Lease.

CITY OF DULUTH

By _____
Its Mayor

ATTEST:

City Clerk

COUNTERSIGNED:

City Auditor

APPROVED:

City Attorney

DULUTH AIRPORT
AUTHORITY

By _____
Its _____

And By _____
Its _____

COUNTERSIGNED:

City Auditor

APPROVED:

City Attorney

EXHIBIT A

Land Description

That part of the N 1/2 of Section 12, Township 50 North, Range 15 West of the Fourth Principal Meridian, described as follows:

Commencing at the Northwest corner of said Section 1, thence Southerly, along the West line of said Section 1, a distance of 1119.45 feet; thence deflect 90°00'00" to me left in an Easterly direction a distance of 950.24 feet; thence deflect 19°58'30" to the left in a Northeasterly direction a distance of 700.00 feet to the point of beginning of the parcel of land to be described; thence deflect 90°00'00" to the right in a Southeasterly direction a distance of 1236.00 feet to the runway visibility line as shown on the Duluth International Airport Master Plan dated 4/10/92; thence deflect 90°00'00" to the left in a Northeasterly direction, along said visibility line, a distance of 1375.00 feet; thence deflect 90°00'00" to the left in a Northwesterly direction a distance of 1236.00 feet; thence deflect 90°00'00" to the left in a Southwesterly direction, along a line 1236.00 feet distant and parallel with said visibility line, a distance of 1375.00 feet to the point of beginning.

The above described parcel of land contains approximately 39.01 acres of land, more or less.

This Instrument Drafted By and When Recorded Return To:

Kenneth T. Tyra
Dorsey & Whitney
2200 Pillsbury Center South
220 South Sixth Street
Minneapolis, Minnesota 55402

EXHIBIT D

FINANCE PLAN OVERVIEW

ENABLING LEGISLATION

In accordance with 1991 Minn. Laws Ch. 350 (the "*Act*") the State of Minnesota (or "*State*") is authorized to issue bonds ("*Bonds*"). The Act authorizes Bonds in an aggregate principal amount up to \$250,000,000 to finance costs for planning, construction, improvement, or equipping of a heavy maintenance facility for aircraft and facilities subordinate and related to the facility (the "*Project*") that are located at the Duluth international airport (the "*Airport*"). The Act also authorizes the State to issue up to \$100 million principal amount of Bonds for the purpose of financing costs related to the planning, construction, improvement or equipping of an aircraft engine repair facility, and facilities subordinate and related to the facility, to be located at the Chisholm-Hibbing municipal airport in the city of Hibbing (the "*Hibbing Project*"). Bonds may also finance costs of issuance, reserves, credit enhancement or an initial period of interest on the Bonds.

Bonds are permitted to be issued as revenue bonds. Up to \$125,000,000 principal amount of the Bonds for the Project and up to \$50,000,000 principal amount of Bonds for the Hibbing Project may be secured by the full faith and credit of the State; up to \$12,600,000 principal amount of the Bonds for the Project may be secured by the full faith and credit of St. Louis County (the "*County*"); and up to \$47,600,000 principal amount of the Bonds for the Project may be secured by revenues of the City of Duluth (the "*City*"). In addition to being paid as general obligation bonds of the State, Bonds for the Project or the Hibbing Project may be paid from, among other things, revenues of any nature derived from the ownership, lease, operation, sale, foreclosure, or refinancing of the Project. The Act requires that the financed projects be pledged as collateral for the loans made and Bonds issued under the Act.

The Act permits the Project to be leased for the benefit of one or more airline companies for use as a heavy maintenance base.

PRIOR AGREEMENTS

On March 29, 1992 various agreements were entered into providing for the issuance of Bonds to finance permitted costs of the Project and the Hibbing Project. As a result of changed circumstances, including the number of airbus airplanes anticipated to be owned by Northwest Airlines, Inc. ("*NAI*"), the original scope of the Project has been modified to reduce its size and anticipated number of employees. Further, the Hibbing Project will no longer proceed. However, NAI will agree to operate a reservation center in Chisholm that will not be financed under the Act.

THE PROJECT

The Project will be designed, as described below, to provide aircraft maintenance and satisfy the employment covenants contained in the Lease described below. Total design, construction and equipping costs of the Project, including certain start-up and training allowances, are presently estimated not to exceed approximately \$38.8 million (exclusive of financing costs, reserves, capitalized interest, inventory and parts.)

PROJECT OWNERSHIP, LEASING, DESIGN AND CONSTRUCTION

Pursuant to a ground lease (the "*Ground Lease*") it is proposed that the City and the Duluth Airport Authority ("*DAA*," who by law has operational authority for the Airport) will lease an unimproved site at the Airport (the "*Land*") to the Duluth Economic Development Authority ("*DEDA*") as Ground Lease Tenant for a term of 99 years. (By the terms of certain federal grants the City or DAA may not convey or mortgage a fee interest in Airport land.) The Ground Lease will require DEDA to pay rent equal to the taxes due on the Land and Project and to observe all applicable laws and restrictions. (Such restrictions generally include a requirement that the Land be utilized for airport-related purposes.)

DEDA will be the tenant under the Ground Lease in order to permit the pledge of tax increment from the Project to pay the Tax Increment Bonds as described below. DEDA acts as the economic development arm of the City. It is a political body separate from the City, governed by a board of commissioners appointed by the mayor of the City and approved by the City Council. Four members of the board are currently city council members. Staffing needs of DEDA are supplied by the City.

Under an Amended and Restated Lease Agreement (the "*Lease*") DEDA will lease the Land and the Project to be constructed thereon to NAI, a wholly-owned airline operating subsidiary of NWA Inc., which is a wholly-owned subsidiary of Northwest Airlines Corporation, a publicly held corporation ("*NWAC*"). NAI, NWA Inc. and NWAC are referred to as the "*NAI Group*."

Pursuant to the Lease NAI will be required to make payments of "*Basic Rent*" on or before 11:00 A.M. on the second business day before each scheduled bond payment date sufficient to pay all scheduled payments of principal of and interest on the Lease Revenue Bonds (described below) due on such date. Further, as "*Additional Rent*" NAI will be required to pay all Trustee and servicing fees and expenses. Additional Rent will include payment in respect of any Collateral Agreement described below with respect to the MP Notes or Direct county Obligation discussed below.

Under the Lease, among other things, NAI will also agree to construct, equip and complete the Project in accordance with the Development Agreement described below; to maintain the Project; to operate the Project in accordance with the Act; to observe certain public

policy covenants (including certain covenants related to employment levels at the Project); and to pay all taxes, insurance and other costs related to the Project. The initial term of the Lease with respect to the Land and buildings comprising the Project will be co-extensive with the amortization period of the Lease Revenue Bonds (and refunding bonds) hereinafter described; provided that due to federal tax requirements, equipment financed with proceeds of any tax exempt Bonds will be leased only for a period of 77% of the economic life of such equipment (subject to the right of NAI to purchase the equipment or extend the lease term thereof for fair market value). NWA Inc. and NWAC will guarantee NAI's performance under the Lease.

An Amended and Restated Master Financing Agreement and Development Agreement (the "*Development Agreement*") will be entered into among the State, the County, the City and the NAI Group. Under the Development Agreement NAI will be designated the "Developer" for the Project, with all responsibility and liability for the selection of professionals and for the design, engineering, construction and completion of the Project. The design of the Project (i) must comply with the Act and other laws, (ii) must permit NAI to perform its obligations under the Lease, (iii) must meet current industry standards of like NAI facilities in the State and be as efficient and cost-effective as possible, (iv) must be capable of an economically viable aircraft-related reuse if necessary in the future, without material modification, and (v) must not affect the tax status of tax-exempt Bonds. Subject to such restrictions and certain agreed upon broad cost categories (that may be changed with State and City approval that cannot be unreasonably withheld), NAI has complete discretion to design the Project. Subject to Unavoidable Delays, NAI is required to complete preliminary design of the Project by no later than April 15, 1995 and have substantial completion of the Project by no later than August 30, 1996. Unavoidable delays include delays caused by the unavailability of Bond proceeds when otherwise required under the Development Agreement; any cause not reasonably under the control of the party required to perform; delay in the completion of Related Improvements; and inability to obtain certain "*NAI Environmental Permits*" as defined in the Development Agreement or certain Federal Aviation Administration ("*FAA*") permits.

NAI will be required to comply with public bidding laws and obtain from all contractors payment and performance bonds that name NAI as the principal and run in favor of DEDA and the State.

Under the Development Agreement, DEDA may engage a professional consultant to assist it in exercising its rights of review under the Development Agreement with such costs to be paid from proceeds of the Duluth-Backed Bonds. No more than \$430,000 from Bond proceeds may be applied to pay City costs for consultants or for payment and performance bonds, if any, with respect to NAI's construction obligations under the Development Agreement.

SOURCES OF FUNDS

Estimates

All Project, Related Improvement and other costs set forth herein are good faith estimates. Actual costs will likely vary from such estimates. However, at the time of first

issuance of any Bond the maximum amount of State Guaranteed Bonds will be determined based on then mutually agreed upon estimates.

Bond Funded Costs

Except as described below and subject to any limitations in the Act, sale proceeds of the Bonds and estimated investment income on such sale proceeds will finance all costs for the design, construction and equipping of the Project, up to \$45 million, plus capitalized interest, and costs of issuance (including costs identified in the Development Agreement incurred relative to the 1992 agreements for either the Project or the Hibbing Project). The debt service reserve requirement for the First Mortgage Bonds described below will also be funded by such Bonds (to the extent not otherwise funded through efforts of the IRRRB defined below) and an amount equal to estimated capitalized interest on the First Mortgage Revenue Bonds will be funded from State Guaranteed Bonds. Such Project costs also include certain expenses for start-up, training and relocation (to the extent permitted by the Act to be funded by proceeds of Bonds, and to the extent not so permitted, a like amount of interest due in respect of the Lease after Project completion will be funded by proceeds of such Bonds). In addition, if anticipated grants are not obtained by the City for certain offsite Related Improvements costs (estimated not to exceed \$3,372,500 and described below), at the request of the City the State will issue Additional Franchise Fee Bonds described below sufficient to fund such costs. Notwithstanding the foregoing, approximately \$5,000,000 of the estimated costs may be funded by a cash contribution from NAI in lieu of the issuance of First Mortgage Bonds described below.

Except for costs of issuance incurred by governmental bodies that are limited in the Development Agreement, all costs of issuance related to the Bonds will be payable from proceeds of Bonds or funds of NAI.

If the State does not issue Bonds (or otherwise make loans on similar terms) sufficient to provide funds to pay Project costs as described above (excluding First Mortgage Bonds that are not issued because of the financial aspects or condition of NAI), after a notice period NAI can be released from obligations under the Development Agreement and the Lease (other than its obligation to pay amounts sufficient to pay debt service on outstanding Lease Revenue Bonds).

Certain Other Costs

Under the Development Agreement the City is required to pay for a survey of the land, and Project costs payable from Bond proceeds will not include any costs for title insurance related to the Project, other than costs of an owner's policy in the amount of \$1,000,000 payable from proceeds of Lease Revenue Bonds. As noted above, no costs of the City for the NAI Construction Bonds or its consultants may be paid from proceeds of Bonds, except for \$430,000 payable from Duluth-Backed Bonds described below, thus requiring the City to fund with its own resources additional costs of such nature estimated at more than \$650,000. The City further agrees, if necessary, to remove at its cost certain encumbrances on the Land arising from a lease with the State and, in certain cases, a reservation of mineral rights and a related repurchase right.

Related Improvement Costs

The Development Agreement defines "*Related Improvements*" which, except for costs of the NAI Construction Bonds and costs of a City consultant, are costs generally related to improvements, other than on the Land, which are necessary for NAI to operate the Project. The costs for Related Improvements are presently estimated at approximately \$8.6 million (which excludes approximately \$5,540,000 of estimated Related Improvement costs for a gas line and construction of a taxiway portion necessary to connect the Land with an Airport runway and does not include Related Improvement costs for wetland permits or remediation, if any, which are not yet ascertained). Such costs are required to be funded other than by the NAI Group or proceeds of Lease Revenue Bonds, except that \$650,000 of Related Improvements may be funded by proceeds of State Guaranteed Bonds. Related Improvements include (a) publicly-owned roadways, (b) related intersections, (c) water main and sanitary sewer brought to the boundaries of the Land, (d) extensions of public roadways, (e) extension of the airport taxiway, (f) relocation of a tactical air navigation radar installation ("*TACAN*"), (g) relocation of an airfield surveillance radar installation ("*ASR*"), and (h) remediation of any potential water contamination or wetlands issues that may be encountered. The City expects that 90% of the costs for the taxiway extension and TACAN and ASR relocations (estimated at not more than \$3,372,000 in the aggregate) will be funded by grants from the FAA and that certain road, intersection, waterline and sewer costs will be funded by grants from the federal Economic Development Administration. Total federal grants are estimated at \$5,194,334. However, the FAA grants have not been yet awarded, or in certain cases, applied for, and such grants are separate from additional expected FAA funding for approximately \$4,000,000 of costs for a final taxiway extension to a runway not necessary to service the Project.

As described herein, the State will issue the Additional Franchise Fee Bonds if requested by Duluth because the FAA grants are not received. The State is not otherwise obligated to fund any of the costs of the Related Improvements, except (a) the State will issue State Guaranteed Bonds to fund \$650,000 of legally permitted costs (which Bonds are to be repaid from Basic Rent as described below); and (b) the State will use its best efforts through the Department of Trade and Economic Development to obtain a legislative appropriation for \$600,000 to pay for off-site roads.

Although certain costs of the Related Improvements are expected to be funded from sources other than City funds, as between NAI and the City, the City assumes responsibility for all costs for the Related Improvements.

NAI Responsibility

Subject to the foregoing, NAI will have the responsibility of completing the Project and paying all costs necessary to complete or operate the Project. NAI will at its own cost provide for all inventory, shop and miscellaneous supplies and other costs required for completing and commencing operation of the Project (estimated at \$5 million).

DESCRIPTION OF BONDS

General

Attached as Schedule I is a present estimate of the principal amount of the Bonds and expected uses of certain funds, subject to the County issuing its own full faith and credit obligation to the State (the "*Direct County Obligation*") in lieu of the issuance of the County Reserve Bonds described below.

Except for the Additional Franchise Fee Bonds, all estimated Bond principal, reserve amounts, amounts and duration of capitalized interest and costs of issuance are estimates based on current bond and reinvestment interest rates, market conditions, anticipated timing and other factors; actual terms will vary.

Bond Series

Bonds are expected to be issued by the State in the various series described below, with all Bonds secured by a mortgage lien on and security interest in the Ground Lease Tenant's interest in the Project and a security interest in certain additional collateral as described under "COLLATERAL AND PRIORITY OF CLAIMS":

- (a) "*State Guaranteed Bonds*," intended to be paid from NAI Basic Rent, but secured by a pledge of the full faith and credit of the State; expected to be issued in two series - a tax exempt series and a taxable series. The principal amount of the Tax Exempt State Guaranteed Bonds will equal the sum of all Project costs not funded by proceeds of other Bonds or investment income thereon, up to an aggregate Project cost limit of \$45,000,000; plus \$650,000 for Related Improvements; plus Construction Period Interest for such Bonds; plus two percent for cost of issuance; less investment income estimated on the foregoing. The principal amount of the Taxable State Guaranteed Bonds will equal all costs of issuance not payable from other Bonds (exclusive of the First Mortgage Bonds) and any costs of the Project not funded from proceeds of the Tax Exempt State Guaranteed Bonds solely because such funding would adversely affect the tax payment status of interest on such Bonds; plus Construction Period Interest for such Bonds.
- (b) "*County-Backed Bonds*," intended to be paid from NAI Basic Rent, but secured by a pledge of the full faith and credit of the County. The principal amount of the County-Backed Bonds will equal \$2,500,000; plus Construction Period Interest for such Bonds; plus 2% for cost of issuance; disregarding investment income.
- (c) "*First Mortgage Bonds*," intended to be paid from NAI Basic Rent and secured by a first lien on the Project, but not secured by any pledge of other governmental revenues or the full faith and credit of any

governmental body. First Mortgage Bonds will be issued, if at all, in the principal amount of \$5,000,000; plus possibly Construction Period Interest for such Bonds; plus the reserve fund requirement discussed below (but only to the extent the Iron Range Resources and Rehabilitation Board ("**IRRRB**") is unable to obtain such funds from third parties after using its best efforts); plus 2% for costs of issuance; disregarding estimated investment income.

- (d) "**Duluth-Backed Bonds**," intended to be paid from pledges of specified City revenues and secured by the right of the State to reallocate for debt service certain state-aid payments (the "**State Aid Payments**") otherwise annually payable by the State to the City; secured also by the full faith and credit of the State. The Duluth-Backed Bonds will be issued in two series - "**Tax Increment Bonds**" payable from certain tax increment revenues of the Project and "**Franchise Fee Bonds**" payable from a portion of certain franchise fees payable to the City by the Minnesota Power & Light Company ("**MP**"). The Tax Increment Bonds will be issued in the maximum principal amount supportable by the annual "**Minimum TIF Amount**" as defined in the Development Agreement. The principal amount of the Tax Increment Bonds will include capitalized interest through February 1, 1998 (with only partial capitalization for August 1, 1997 and February 1, 1998 to reflect partial receipts of tax increment in calendar year 1997) and 2% for costs of issuance, disregarding investment income. The Franchise Fee Bonds will be issued in the maximum amount supportable by annual revenues of \$750,000 in the years 1996 through 1999, and \$875,000 through 2025. The principal amount of the Franchise Fee Bonds will include capitalized interest through February 1, 1996 and 2% for costs of issuance, disregarding investment income.
- (e) "**Additional Franchise Fee Bonds**," payable and secured on parity with the Franchise Fee Bonds, will be issued at the request and cost of the City if the FAA does not grant funds for 90% of certain Related Improvements described above (presently estimated not to exceed \$3,372,500). Additional Franchise Fee Bonds would be issued in an amount sufficient to provide funds for such costs, plus capitalized interest and not more than 2% for costs of issuance, less investment income.
- (f) "**County Reserve Bonds**" or the Direct County Obligation will fund the debt service reserve requirement for the Tax Exempt State Guaranteed Bonds to the extent a \$1,000,000 note from MP, after satisfying the Reserve Fund Requirement for the Taxable State Guaranteed Bonds, is insufficient. It is presently expected that the Direct County Obligation will be issued, secured by the right of the State to offset State Aid Payments. If County Reserve Bonds are issued, interest would be paid from Basic Rent payments (but only in an amount equal to the investment

income on proceeds of the County Reserve Bonds held in the reserve fund as described below) and from other funds of the County, secured by a pledge of the County's full faith and credit. If County Reserve Bonds are issued, they would be issued in an amount equal to the lesser of:

- (i) \$2,400,000, or
- (ii) the maximum reserve requirement for the combined Taxable and Tax Exempt State Guaranteed Bonds, less \$1,000,000 to be provided by Minnesota Power and Light Company ("*MP*"), plus 2% for cost of issuance.

The County Reserve Bonds would be structured to defer payment of accrued interest until the commencement of Basic Rent payments.

The State Guaranteed Bonds, County-Backed Bonds and First Mortgage Bonds are the "*Lease Revenue Bonds*." The State Guaranteed Bonds and Duluth-Backed Bonds are secured by the State's full faith and credit and thus subject to various constitutionally-related requirements, including a 20 year maturity limitation and a requirement that on December 1 of each year amounts must be in the State's bond fund sufficient to pay all debt service on such Bonds for a 19 month period through June 1 of the second ensuing year (the "*State Reserve Requirement*").

To the extent permitted by federal tax law the foregoing series of Bonds, other than the Taxable State Guaranteed Bonds and County Reserve Bonds, will bear tax exempt interest. All tax exempt bonds will be considered private activity bonds, and interest on such Bonds will be subject to the federal alternative minimum tax. If for any reason an additional portion of the Bonds is required to be taxable, such portion will be reallocated to the Taxable State Guaranteed Bonds with appropriate adjustments in terms.

Bond Amounts and Additional Terms

Reserves. Each series of Bonds will have the following reserve requirements, funded from the following sources:

<u>Series</u>	<u>Reserve Requirement</u>	<u>Source</u>
State Guaranteed Bonds (Both Series)	State Reserve Requirement	\$1,000,000 from 120% collateralized, rated note issued by MP, bearing no interest and payable on demand -plus- Direct County Obligation or proceeds from County Reserve Bonds
County-Backed Bonds	Lesser of maximum annual debt service or 10% of Bond proceeds (" <i>Tax Code Requirement</i> ")	Available County funds
First Mortgage Bonds	Tax Code Requirement	IRRRB will use best efforts to obtain third party funds, otherwise from NAI or First Mortgage Bond proceeds
Duluth-Backed Bonds (All Series)	State Reserve Requirement	Available City funds
Additional Franchise Fee Bonds	State Reserve Requirement	Available City Funds
County Reserve Bonds	None	N.A.

Payment Dates. All Lease Revenue Bonds secured by the full faith and credit of the State will have interest payments dates on February 1 and August 1, with principal payment dates on August 1. The County-Backed Bonds and County Reserve Bonds, if any, shall have such semi-annual payment dates as shall be requested by the County and consented to by the State (which consent shall not be unreasonably withheld). Any First Mortgage Bonds shall have such interest payment dates as shall be requested by NAI and consented to by the State (which consent shall not be unreasonably withheld).

Maturity and Principal Amortization. Assuming a December 1, 1994 date of issuance for all series except First Mortgage Bonds, and subject to the timing of actual issuance of the Bonds, each Series of Bonds will have the following first scheduled principal payment dates, final maturities and, in the case of tax exempt Bonds secured by the State's full faith and credit, assumed maturity dates of refunding bonds (which dates will determine the principal amortization schedule of the applicable Bonds):

<u>Series</u>	<u>First Schedule Principal Payment</u>	<u>Maturity</u>	<u>Assumed Refunding Final Maturity Dates</u>
Tax Exempt State Guaranteed Bonds	1997	2014*	2024
Taxable State Guaranteed Bonds	1997	2014	N.A.
County-Backed Bonds	1997	2004	N.A.
First Mortgage Bonds	2005	2014	N.A.
Tax Increment Bonds	1998	2014*	2027
Franchise Fee Bonds	1996	2014*	2026
Additional Franchise Fee Bonds	1996	2014*	2026
Direct County Obligation or County Reserve Bonds	2024	2024	N.A.

* Balloon payment will be due because of the assumed maturity of refunding bonds. The State expects to refund the Tax Exempt State Guaranteed Bonds, Tax Increment Bonds and Franchise Fee Bonds by issuing refunding bonds with such maturities to extend amortization of principal. Costs of issuance for such refunding bonds are expected to be funded from proceeds of the refunding bonds.

Based on the foregoing maturities (and assumed refundings), Lease Revenue Bonds will be structured so as to provide approximately level annual Basic Rent, after principal payments commence, over a 30 year period, subject to the following assumptions:

- (a) County-Backed Bonds and Taxable State Guaranteed Bonds will have approximately level annual scheduled payments of principal and interest, after principal payments commence.
- (b) First Mortgage Bonds will have a 20 year maturity, with approximately level annual debt service after principal begins amortizing in the 10th year.
- (c) The interest rate on expected refunding bonds of Tax Exempt State Tax Guaranteed Bonds will equal the highest interest rate of the original Bond issue.

Principal payment of the Tax Increment Bonds will commence in 1998 and be structured to assume approximately level scheduled annual principal and interest payments until 2027 with a final payment in 2027 to reflect tax increment receipts in the last half of 2026 (interest rates for refunding bonds being assumed at the highest rate of the original Bond issue). Principal payment of the Franchise Fee Bonds (and any Additional Franchise Fee Bonds) will commence in 1996 and be structured to assume approximate level annual payment of principal and interest until 2026 with a final payment in 2026 to reflect franchise fee revenues in the last half of 2025 (interest rates for refunding bonds being assumed at the highest rate of the original Bond issue). Any County Reserve Bonds will mature in a single payment due in 2024.

Redemption. Principal will be paid by serial or sinking fund redemption, as determined appropriate by the State, after consultation with any party securing payment of the

applicable Bonds. Likewise, the schedule for optional redemption of any series of Bonds will be determined by the State, after such consultation. Additionally, Lease Revenue Bonds will be redeemable at par upon prepayment of the Lease due to certain events of casualty or condemnation relating to the Project that permit such prepayment. It is presently expected that no series will have a tax call or default call. Notwithstanding the foregoing, all redemption features as to any First Mortgage Bonds shall be agreed upon by the State and NAI and all redemption features of any County Reserve Bonds shall be agreed upon by the State and the County.

Except in relation to NAI's prepayment of all Basic Rent payments, any optional redemption of any series of Bonds shall be exercised:

- (a) in the case of State Guaranteed Bonds, by the State (with the consent of NAI if average annual debt service increases, other than in connection with a refunding occurring on or after December 1, 2012);
- (b) in the case of County-Backed Bonds, by the County (with the consent of NAI and the State if average annual debt service increases);
- (c) in the case of First Mortgage Bonds, by NAI (with the consent of the State and the County if average annual debt service increases);
- (d) in the case of Duluth-Backed Bonds and Additional Franchise Fee Bonds before December 1, 2012, by the City or DEDA (with the consent of the State if average annual debt service increases), and on and after December 1, 2012, by the State; and
- (e) in the case of any County Reserve Bonds, by the County.

Dates of Issuance

It is presently expected that all Bonds, other than First Mortgage Bonds and Additional Franchise Fee Bonds, will be issued at substantially the same time as soon as practicable, but no later than February 1, 1995. However, no Bonds will be issued until NAI has reasonably determined that the air quality permit, if any, required for the Project is a "minor permit," or in the alternative, if any permit is a "major permit," that the Bonds are not being issued earlier than required due to the delay caused by obtaining such permit.

All parties understand that NAI is not representing that permitting can be timely obtained to meet the scheduled completion date.

First Mortgage Bonds will be issued no later than June 1, 1996 (or at such later time as to which the State and NAI shall agree) unless in its discretion NAI shall elect not to require the issuance of such Bonds and fund Project costs with NAI funds in lieu of applying proceeds of such Bonds. Upon the request of Duluth, and a reasonable determination by the State that any anticipated grant funds to pay any costs for Related Improvements will not be

available, the State will as promptly as practicable seek to issue Additional Franchise Fee Bonds to timely fund costs for the applicable Related Improvements.

Bond Documentation

Both series of State Guaranteed Bonds will be issued pursuant to a single Indenture of Trust between the State and First Trust National Association (the "*Trustee*"). All series of Duluth-Backed Bonds will be issued pursuant to a single Indenture of Trust between the State and the Trustee. Each of the County-Backed Bonds, any County Reserve Bonds and First Mortgage Bonds will be issued pursuant to separate Indentures of Trust between the State and the Trustee.

The State's pledge of its full faith and credit will be made pursuant to the Indenture of Trust for the State Guaranteed Bonds and for the Duluth-Backed Bonds. The County's pledge of its full faith and credit will be made pursuant to a County Guaranty Agreement in favor of the Trustee.

Pursuant to separate Loan Agreements, proceeds from Lease Revenue Bonds under each separate Indenture of Trust will be loaned by the State to DEDA on a non-recourse basis, with such loans being payable from Basic Rent payments or proceeds of collateral described below. Proceeds of the Duluth-Backed Bonds will also be loaned by the State to the City and DEDA pursuant to a single separate Loan Agreement payable from revenues of the City or DEDA described above, and secured by the right of the State to appropriate State Aid Payments for such payments.

Pursuant to each Loan Agreement proceeds from the sale of the applicable series of Bonds will be required to be deposited in a construction fund held by the Trustee, except to the extent proceeds will be deposited with the Trustee to pay interest on the applicable series of Bonds or costs of issuance. Further, proceeds of the County Reserve Bonds (if any are issued) will be deposited in a reserve for the Tax Exempt State Guaranteed Bonds, except as required to be deposited to pay interest or costs of issuance.

Amounts in a construction fund will be disbursed pursuant to a Disbursing Agreement among a title insurance company, NAI, the State and the City. Subject to restrictions on the investment of State Funds, NAI may direct the nature of the investments for amounts in the Construction Fund (subject to the State's reasonable consent as to the maturity of any investment with a maturity longer than one year). NAI will have authority under the Disbursing Agreement to request withdrawal of amounts, subject to various conditions set forth therein and in the Lease, including that no default exist under the Lease (unless waived by the State) and that evidence of lien waivers shall have been provided for all disbursements through the last preceding disbursement request; provided that amounts to pay costs for Related Improvements may be drawn at the request of the City. As between series, proceeds of Bonds (except for payment of Related Improvement Costs) will be disbursed in the following priority: first, from proceeds of Duluth-Backed Bonds and Tax Exempt State Guaranteed Bonds in the ratio of 1:1.75; second, from proceeds of County-Backed Bonds; and third, from proceeds of First

Mortgage Bonds and other amounts. Proceeds of any series of Bonds in a construction fund will, until expended, secure the series.

All Basic Rent will be required to be deposited with the Trustee as "*Servicer*" pursuant to a Servicing Agreement. Lease Revenues received will be applied first to pay First Mortgage Bonds, if any, and to restore any related reserve. Then such payments will pay State Guaranteed Bonds and amounts due with respect to the County and MP Reserve Fund obligations and to restore the reserves related to the State Guaranteed Bonds. Finally, such payments will be applied to pay debt service on the County-Backed Bonds and to restore the reserve related thereto.

Pursuant to appropriate documentation, mortgage liens on and security interests in the Ground Lease Tenant's interest in the Project, as well as assignments of leases and rents from the Project will secure payment of the following obligations in the following priority: (a) principal of and interest on the First Mortgage Bonds, (b) principal of and interest on the State Guaranteed Bonds, (c) amounts owing to the State under the loan agreement for the State Guaranteed Bonds (and amounts owing by NAI to MP and the County with respect to their Reserve Fund commitments), (d) principal of and interest on the County-Backed Bonds, (e) amounts owing to the County under a County Reimbursement Agreement because of County payments made or due in respect of County-Backed Bonds, (f) principal of and interest on the Duluth-Backed Bonds, (g) amounts owing to the State under the loan agreement for the Duluth-Backed Bonds, and (h) amounts owing to Duluth in respect of the Duluth-Backed Bonds. A mortgage lien subordinate to all other liens and encumbrances of any nature on the Hibbing Project (to the extent in the future it is ever constructed) will be also entered into to secure all State Guaranteed Bonds. See "COLLATERAL AND PRIORITY OF CLAIMS".

Pursuant to separate Guaranty Agreements, each of NAI, NWA, Inc. and NWAC will guarantee amounts due under the loan agreement with respect to State Guaranteed Bonds (whether amounts are due as scheduled or as a result of acceleration) and NAI obligations under the Lease. Pursuant to a Security Agreement Relating to International Airline Route (the "*Security Agreement*"), prior to completion of the Duluth Project the State Guaranteed Bonds and Duluth-Backed Bonds (and obligations under the related Guaranty Agreements) will be secured by an initial pledge of international air route authority between Detroit and Paris presently being operated by NAI (the "*International Route*"). Other interests of parties will be secured by the International Route as described under "COLLATERAL AND PRIORITY OF CLAIMS".

After completion of the Duluth Project, pursuant to a Collateral Agreement, collateral must be pledged sufficient to satisfy the Coverage Test (defined below).

Documentation for the County Direct Obligation and MP Notes is described below.

STATE GUARANTEED BONDS RESERVE FUND

General

Both the Tax Exempt State Guaranteed Bonds and Taxable State Guaranteed Bonds will be secured by a Reserve Fund to be created by the Indenture of Trust for such Bonds. A separate account for each series of such Bonds will be established. The Tax Exempt Account will be divided into a County Subaccount and MP (Minnesota Power) Subaccount. The Taxable Account will also contain an MP Subaccount.

MP will fund up to \$1 million of the State Reserve Requirement (the maximum future or current 19-month period for debt service) for the Taxable State Guaranteed Bonds by deposit of a demand note issued by MP and described more fully below. A second demand note will also be issued by MP in the amount by which the note in the Taxable Account is less than \$1 million. The second note will be deposited in the MP Subaccount of the Tax Exempt Account. To the extent the second MP note is less than the State Reserve Requirement allocable to the Tax Exempt State Guaranteed Bonds, the deficiency will be funded by proceeds from the County Reserve Bonds (but not in excess of \$2,400,000, less 2% for costs of issuance) or the Direct County Obligation in an amount not greater than \$2,400,000.

The Reserve Fund will be considered a part of the State's Bond Fund established by law. All amounts in the State Bond Fund must be applied to pay debt service on State Bonds. Further, an automatic transfer to the Bond Fund is required on December 1 of each year if the State Reserve Requirement is not satisfied by amounts in the State Bond Fund.

MP Notes

The foregoing notes (the "*MP Notes*") will be payable to the Trustee with a maturity corresponding to the final payment of State Guaranteed Bonds (or their refunding bonds). The Trustee will be able to require prepayment (in whole or in part) upon two Business Days' notice if amounts are drawable from the applicable account or subaccount in the Reserve Fund securing the State Guaranteed Bonds; provided that notice is given to MP no less than 48 hours of a business day before funding is required. The MP Notes bear no interest rate and will be rated not less than "A" by a nationally recognized rating agency. Each of the MP Notes will be secured by a pledge to the Trustee of collateral pursuant to a Collateral Agreement. Such collateral will be comprised solely of cash, cash equivalents or marketable securities permitted to be held in the State Bond Fund. The initial collateral securing each MP Note will have a value not less than 120% of the face amount of the Note. The collateral for each MP Note will be held by the Trustee and revalued by the Trustee in November of each year to determine the market value thereof. If the market value so determined is less than 120% of the face amount of the applicable MP Note, MP shall within 10 days following notice of such fact from the State or Trustee provide sufficient additional collateral to eliminate the deficiency. In contrast, if the market value so determined exceeds 120% of the face amount of the applicable MP Note, excess collateral may be withdrawn by MP. MP also will be entitled to withdraw collateral upon substitution of other collateral, so long as the resulting value of the collateral is not less than 120% of the face amount of the applicable MP Note. All collateral agent charges by Trustee

will be payable by NAI under the Lease. The collateral will not be deemed held in the State Bond Fund and all investment income thereon will be promptly transmitted to MP so long as the collateral satisfies the 120% test.

Unless an opinion of Bond counsel to the State otherwise allows, all collateral securing the MP Note deposited in the subaccount of the Tax Exempt Account (or otherwise allocable to the Tax Exempt State Guaranteed Bonds) will be subject to federal arbitrage requirements, including a requirement that the yield on the collateral not exceed the yield on the Tax Exempt State Guaranteed Bonds (to the extent the value of the collateral exceeds the lesser of 10% or maximum annual debt service on such Bonds prior to the year of final maturity) and a requirement that rebate payments must be made to the United States to the extent the yields on all such collateral exceeds the yield on the Tax Exempt State Guaranteed Bonds. Notwithstanding the foregoing, collateral consisting of tax exempt bonds will not be subject to the foregoing yield restriction or rebate requirement.

Direct County Obligation

The Direct County Obligation will be an obligation in an amount of up to \$2.4 million issued by the County in favor of the Trustee pursuant to its own resolution that pledges the County's full faith and credit. The obligation would mature in a lump sum on the date of the expected final maturity of State Guaranteed Bonds, but would be prepayable in whole or in part if amounts are required from the County Subaccount, provided the Trustee gives notice no less than 48 hours of a business day before funding is required.

Although Chapter 475 of the Minnesota Statutes is applicable to the obligation, the 105% levy would not be required at the time of the resolution because (a) the County could determine that it is reasonable to conclude that NAI will make timely payments of Basic Rent so that no draw under the obligation would occur, or that if a draw did occur, it would be promptly reimbursed by NAI and (b) a 5% deposit would be segregated by the County in its books and records.

The County's obligation also would be secured by an agreement between the State and the County that permitted the State to apply State Aid Payments to cure any default in payment by the County. However, if at any time the State reasonably determined that anticipated State Aid Payments in any year are less than the amount payable under the obligation, then the State could require the County, pursuant to a Collateral Agreement, to pledge and deliver to the Trustee collateral that in the State's reasonable opinion equals 120% of the amount of the shortfall. The collateral arrangement would be similar to that discussed for the MP Notes.

Draws from Reserve Fund Accounts

NAI Default. All payments of Basic Rent will be first applied to pay amounts next due on the First Mortgage Bonds, if any, and to restore any related debt service reserve fund. If remaining amounts are not sufficient to pay all amounts next due on all State Guaranteed Bonds (whether tax exempt or taxable), then amounts for such deficiency shall be withdrawn from the Tax Exempt Account and Taxable Account in proportion to amounts next due on the

applicable series. With respect to each Account, amounts shall be first drawn from amounts in the State Bond Fund allocable to the Reserve Fund (because of prior Reserve Fund withdrawals). Next, amounts shall be drawn (a) to the extent necessary to pay debt service on the Taxable Bonds, from the MP Subaccount in the Taxable Account; and (b) to the extent necessary to pay debt service on the Tax Exempt Bonds, from the County Subaccount and the MP Subaccount in such proportion so that, to the extent practicable, funds are drawn from the County Subaccount and the combination of both MP Subaccounts proportional to the initial contributions thereto. On each December 1, to the extent amounts in the Reserve Fund in the aggregate are less than the State Reserve Requirement, amounts in the State Bond Fund will be deemed allocable to the Reserve Fund.

Late Payments. If amounts are drawn from the Reserve Fund because of insufficient timely payment of Basic Rent, and subsequent payments of Basic Rent curing the deficiency are made before an Event of Default is declared, then such amounts not necessary to pay the First Mortgage Bonds (or restore its reserve) shall be applied to restore amounts drawn from the Reserve Fund Accounts and Subaccounts in reverse of the priority by which amounts were drawn, and interest on the amounts drawn which accrues at the rates described below.

Bond Redemption. If State Guaranteed Bonds of any series are redeemed prior to maturity (other than due to mandatory sinking fund redemption or refunding described below), then the Accounts and Subaccounts will be drawn as provided above to the extent other funds (such as Lease prepayments or collateral proceeds) are not sufficient. If State Guaranteed Bonds are refunded, the Accounts will remain in place to the extent of the amortization period described herein.

Application of Collateral Proceeds

The Trustee for the First Mortgage Bonds will have a prior mortgage lien on and security interest in the Ground Lease Tenant's interest in the Project, before the claims of the State, MP and the County (with respect to the County Reserve Bonds or Direct County Obligation). However, the State, MP and the County (with respect to the County Reserve Bonds or Direct County Obligation) will each have a first claim to the International Route on parity with each other. See "COLLATERAL AND PRIORITY OF CLAIMS."

Upon receipt of any proceeds from collateral, after deducting costs of collection and any prior claims, the proceeds will be distributed as among the State, County and MP in proportion to the following amounts: (a) in the case of the County, the amount of funds drawn from the County Account, (b) in the case of the MP, the amounts paid under the MP Notes, (c) in the case of the State, amounts advanced or to be advanced from State funds for payment on State Guaranteed Bonds, and (d) in each case, interest on such foregoing amounts accrued at the rate or rates negotiated with NAI, but not less than the rate on the County Reserve Bonds, if any, in the case of the County; the blended rate of the State Guaranteed Bonds, in the case of the State; and the prime or reference rate of First Bank National Association, in the case of MP. See "COLLATERAL AND PRIORITY OF CLAIMS."

Changes in Reserve Requirement

If the aggregate State Reserve Requirement for both series of State Guaranteed Bonds decreases, then, the amounts of the MP Notes and amounts in the County Subaccount may be reduced in a manner that, as close as practicable, permits the obligations of the County and MP (with respect to both series) to be reduced pro rata.

As between the taxable and tax exempt bonds, if on any December 1 there is a change in the ratio of the State Reserve Fund Requirement amounts, and if requested by the State, the MP Notes shall be exchanged for new MP Notes to reflect the changed ratio.

If the State Reserve Requirement increases as a result of a refunding, MP shall have no obligation to provide an amount of MP Notes in excess of the original \$1 million, and the County shall fund such increase (through the issuance of additional County Reserve Bonds, a new Direct County Obligation or otherwise), provided that the County shall not be required to ever incur an aggregate obligation exceeding \$2.4 million. Any increase exceeding the County's obligation must be satisfied by the IRRRB seeking third party funds or the State (including by means of the statutory standing appropriation to the State Bond Fund).

Investments and Investment Income

Subject to state law restrictions on permitted types of investments (all amounts in the Reserve Fund are considered held in the State Bond Fund), the County will be entitled to direct investment of amounts in the County Subaccount. If amounts are on deposit in an MP Subaccount, MP shall be similarly entitled to direct the investment thereof. On each semi-annual bond payment date, payment of Basic Rent will be applied first to pay amounts due in respect of the First Mortgage Bonds (if any) and State Guaranteed Bonds, and to restore the related reserve funds. Thereafter, remaining Basic Rent shall be paid to the County and MP proportionately in an amount equal to the earnings on the County Subaccount and the MP Subaccounts, respectively, actually received since the last bond payment date, but only to the extent amounts on deposit in any Subaccount are not less than the portion of the State Reserve Requirement allocable to such Subaccount.

NAI will not receive credit against payments of Basic Rent for any amounts in the Reserve Fund or investment income thereon.

Return of Deposits

Upon final maturity of the applicable series of State Guaranteed Bonds (including any refunding thereof within the amortization period set forth herein), amounts in the County Subaccount and MP Subaccounts will be returned to the County and MP, respectively.

COLLATERAL AND PRIORITY OF CLAIMS

Subject to the rights of the County and City with respect to the Public Policy Covenants for a "Greater Breach" as provided in the Lease, and the City's right to receive

payments for certain breaches of the employment covenant as provided in the Development Agreement, (i) the State will control all decisions as to whether NAI shall be declared in default under the Lease (including for its failure to pay Basic Rent), and (ii) the State will also control all rights and all decisions as to whether to seek, and the manner and timing of seeking, any remedies under the Lease or with respect to any collateral securing the State for State Guaranteed Bonds or Duluth-Backed Bonds.

Collateral securing the participating governmental authorities and MP will include a mortgage lien on and security interest in the Ground Lease Tenant's interest in the Project; together with assignments of rents and leases of the Project. Additionally, such parties will be secured by such other collateral as will be necessary to satisfy the Coverage Test, including the International Route described below, but excluding any security interest of the State in collateral ("MAC Collateral") securing NAI obligations in respect of MAC Bonds issued in 1992 (the "*Additional Collateral*").

Under relevant documents the First Mortgage Bonds will have first priority as against the Ground Lease Tenant's interest in the Project and no claim as against the Additional Collateral. Subject to such First Mortgage Bond claims, the priority of other claims as against the Ground Lease Tenant's interest in the Project and the Additional Collateral will be as follows:

- (a) First, the State Guaranteed Bonds, and related rights of the State to be reimbursed for payments thereon, will be secured on parity, equally and ratably, with amounts owing by NAI to the County and MP (including accruing interest) because amounts have been drawn from the Reserve Fund for the State Guaranteed Bonds that were funded by the County and MP.
- (b) Second, the County-Backed Bonds, and related rights of the County to be reimbursed for payments thereon, will be secured.
- (c) Third, the Duluth-Backed Bonds and any Additional Franchise Fee Bonds, together with related repayment rights of Duluth, will be secured.

Under no circumstances will the pledge of franchisee fees securing Duluth-Backed Bonds secure the payment of County-Backed Bonds, County Reserve Bonds or the Direct County Obligation.

Pursuant to a Subordination and Intercreditor Rights Agreement dated as of April 23, 1992 (the "Intercreditor Agreement"), MAC was granted a security interest in the International Route that becomes subordinated to the State's claims upon the State's issuance of Bonds. Further, the Intercreditor Agreement permits NAI to grant a second security interest to the State with respect to certain "MAC Collateral."

To implement the foregoing priorities of claims, the Intercreditor Agreement is being amended at the closing on the Development Agreement to provide that MAC will

subordinate its interest in the International Route and any other collateral in favor of the State (other than any interest in MAC Collateral) to the foregoing claims of the State, the County, MP and the City. Further, such amendment will provide that to the extent necessary to meet the Coverage Test, the State (but no other parties) may be granted a second lien position in the MAC Collateral (the "Second Lien") in the following order:

- (a) Airport Facilities;
- (b) Airport Building Contents;
- (c) International Routes;
- (d) NATCO Parts, Computers and Equipment
- (e) NATCO Buildings and Land;
- (f) Aircraft Parts and Engine Parts; and
- (g) Simulators.

The State will be entitled to value any second lien position in any such collateral by agreement with MAC and NAI. The State will agree with Duluth, the County and MP to allocate proceeds from the Additional Collateral and any MAC Collateral in which the State acquires a security interest in a manner so as to permit the parties as close as practicable to realize proceeds as though all parties had an interest in such MAC Collateral and Additional Collateral in the priority described above for Additional Collateral.

COVERAGE TEST

The Act requires that the sum of the value of the assets and other security pledged to the payment of Bonds or rent due under the Lease, and taken into account by the Commissioner of Finance, must be no less than 125% of the difference between outstanding bonds to which the State's full faith and credit are pledged and any cash collateral held in a debt service reserve account and pledged to the payment of such bonds (the "*Coverage Test*"). The Act further permits the Commissioner of Finance to adopt such method of valuing the assets and other security as the Commissioner determines to be appropriate.

Subject to the issuance of Additional Franchise Fee Bonds, the aggregate amount of Bonds secured by the State's full faith and credit (State Guaranteed Bonds and Duluth-Backed Bonds) are not presently estimated to exceed \$42,225,000, and based on current assumptions, at the time of their issuance \$4,671,681 is estimated to be on deposit in reserve funds for such Bonds, leaving a net principal amount of not more than \$37,553,319 to be secured. Further, the County's and MP's rights to be reimbursed by NAI in respect of their reserve fund payments, estimated not to exceed \$2,975,000, will be secured on parity with the State. 125% of the sum of the net principal amount of the State Guaranteed Bonds, Duluth-Backed Bonds and such reserve fund payments is \$50,660,399.

The State will be secured by a pledge of the International Route, prior to liens securing the County (with respect to the County-Backed Bonds) and the City (with respect to Duluth-Backed Bonds). The route is subject to renewal on April 20, 1996. Further, the transfer of any international route is subject to approval by the United States Department of

Transportation. Nevertheless, by letter dated June 10, 1994 to the Metropolitan Airports Commission and NAI, the firm of Roberts, Roach & Associates (recognized air transportation management consultants) rendered the opinion that the value of the Detroit/Paris route was \$23.577 million. The value will be confirmed shortly before issuance of the State Guaranteed Bonds.

Additionally, the pledge of franchise fees securing and paying Franchise Fee Bonds (backed by the State's right to intercept State Aid Payments to the City) are valued in an amount sufficient to pay the Franchise Fee Bonds, estimated at \$11,075,000 (the "*Franchise Fee Value*"). Such amount will secure the State Guaranteed Bonds and Franchise Fee Bonds, but notwithstanding any provision herein, neither MP nor the County will have any claims against any of the franchise fees or the Franchise Fee Value.

At the time of issuance of Bonds funds in construction funds of an estimated \$33,179,935 will secure the State Guaranteed Bonds and the Duluth-Backed Bonds.

The value of the International Route, the Franchise Fee Value and initial construction fund amounts are presently estimated to total \$67,831,935, which will initially satisfy the Coverage Test.

Further, pursuant to the Collateral Agreement, collateral (including the Project) will be valued at fair market value upon completion of the Project, and every two years thereafter. If the Coverage Test is not satisfied, additional collateral sufficient to meet the Coverage Test will be required. At the time of each valuation, to the extent excess collateral exists, collateral not comprising the Project may be released.

SCHEDULE I TO
FINANCE PLAN OVERVIEW

State of Minnesota: Duluth Maintenance Facility Financing Analysis

Summary of Sources and Uses of Funds

Sources	County	Duluth Tax Increment	Duluth Revenue Bonds	State Tax-Exempt	State Taxable	County Reserve	First Mortgage	TOTAL
Bond Proceeds	2,740,000.00	7,425,000.00	11,085,000.00	19,650,000.00	3,900,000.00	1,950,000.00	5,105,000.00	51,855,000.00
Contribution for Reserve Fund	274,000.00	680,500.00	1,059,250.00	1,908,469.38	0.00	0.00	510,500.00	4,432,719.38
State Contribution for Capitalized Interest	0.00	0.00	0.00	0.00	0.00	0.00	107,356.81	107,356.81
Other Reserve Fund Contributions								
Minnesota Power & Light	0.00	0.00	0.00	518,342.65	481,657.35	0.00	0.00	1,000,000.00
Accrued Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	3,014,000.00	8,105,500.00	12,144,250.00	22,076,812.03	4,381,657.35	1,950,000.00	5,722,856.81	57,395,076.19
Uses								
Deposit to Construction Fund	2,500,000.00	6,069,292.38	10,074,455.47	16,895,363.40	0.00	0.00	5,000,000.00	40,539,111.25
Cost of Off-Site Improvements	0.00	0.00	0.00	650,000.00	0.00	0.00	0.00	650,000.00
Reserve Fund Deposit	274,000.00	680,500.00	1,059,250.00	2,426,812.03	481,657.35	0.00	510,500.00	5,432,719.38
Contribution to State's Reserve	0.00	0.00	0.00	0.00	0.00	1,908,469.38	0.00	1,908,469.38
Deposit to Capitalized Interest Fund	181,770.47	1,206,422.62	786,361.78	1,602,241.25	411,052.30	0.00	0.00	4,187,848.42
State Deposit for Capitalized Interest	0.00	0.00	0.00	107,356.81	0.00	0.00	107,356.81	214,713.62
Total Costs of Issuance	54,800.00	148,500.00	221,700.00	393,000.00	3,484,775.00	39,000.00	102,100.00	4,443,875.00
Accrued Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	3,429.53	785.00	2,482.75	2,038.54	4,172.70	2,530.63	2,900.00	18,339.15
Total	3,014,000.00	8,105,500.00	12,144,250.00	22,076,812.03	4,381,657.35	1,950,000.00	5,722,856.81	57,395,076.19

State of Minnesota: Duluth Maintenance Facility Financing Analysis**Costs of Issuance Budget****Financing of Underwriters' Discount and Costs of Issuance**

County Backed Bonds	54,800.00
Duluth Tax Increment Bonds	148,500.00
Duluth Revenue Bonds	221,700.00
State Guaranteed Bonds	393,000.00
State Guaranteed Taxable Bonds	3,484,775.00
County Backed Reserve Bonds	39,000.00
First Mortgage Bonds	102,100.00
	<hr/>
Subtotal	4,443,875.00

Uses of Funds Associated with Costs of Issuance

Previous Consulting Fees	2,900,000.00
New Costs of Issuance	1,181,000.00
New Underwriters' Discount	327,750.00
	<hr/>
Subtotal	4,408,750.00

State of Minnesota: Duluth Maintenance Facility Financing Analysis

Summary of Gross Debt Service Schedules

Date	<u>Lease Supported Debt</u>		<u>Non-Lease Supported Debt</u>		<u>County Reserve</u>		<u>TOTAL</u>	
	Debt Service	Annual Debt Service	Debt Service	Annual Debt Service	Debt Service	Annual Debt Service	Debt Service	Annual Debt Service
12/1/94								
2/1/95	290,514.58		195,891.25		27,625.00		514,030.83	
8/1/95	871,543.75	1,162,058.33	587,673.75	783,565.00	82,875.00	110,500.00	1,542,092.50	2,056,123.33
2/1/96	907,704.17		587,673.75		82,875.00		1,578,252.92	
8/1/96	1,088,506.25	1,996,210.42	607,673.75	1,195,347.50	82,875.00	165,750.00	1,779,055.00	3,357,307.92
2/1/97	1,088,506.25		587,208.75		82,875.00		1,758,590.00	
8/1/97	1,573,506.25	2,662,012.50	632,208.75	1,219,417.50	82,875.00	165,750.00	2,288,590.00	4,047,180.00
2/1/98	1,074,793.75		586,117.50		82,875.00		1,743,786.25	
8/1/98	1,579,793.75	2,654,587.50	701,117.50	1,287,235.00	82,875.00	165,750.00	2,363,786.25	4,107,572.50
2/1/99	1,059,995.00		583,213.75		82,875.00		1,726,083.75	
8/1/99	1,589,995.00	2,649,990.00	733,213.75	1,316,427.50	82,875.00	165,750.00	2,406,083.75	4,132,167.50
2/1/00	1,043,932.50		579,276.25		82,875.00		1,706,083.75	
8/1/00	1,603,932.50	2,647,865.00	804,276.25	1,383,552.50	82,875.00	165,750.00	2,491,083.75	4,197,167.50
2/1/01	1,026,495.00		573,201.25		82,875.00		1,682,571.25	
8/1/01	1,616,495.00	2,642,990.00	873,201.25	1,446,402.50	82,875.00	165,750.00	2,572,571.25	4,255,142.50
2/1/02	1,007,732.50		564,951.25		82,875.00		1,655,558.75	
8/1/02	1,627,732.50	2,635,465.00	879,951.25	1,444,902.50	82,875.00	165,750.00	2,590,558.75	4,246,117.50
2/1/03	987,702.50		556,131.25		82,875.00		1,626,708.75	
8/1/03	1,642,702.50	2,630,405.00	886,131.25	1,442,262.50	82,875.00	165,750.00	2,611,708.75	4,238,417.50
2/1/04	966,177.50		546,726.25		82,875.00		1,595,778.75	
8/1/04	1,656,177.50	2,622,355.00	901,726.25	1,448,452.50	82,875.00	165,750.00	2,640,778.75	4,236,557.50
2/1/05	943,133.75		536,431.25		82,875.00		1,562,440.00	
8/1/05	1,823,133.75	2,766,267.50	906,431.25	1,442,862.50	82,875.00	165,750.00	2,812,440.00	4,374,880.00
2/1/06	910,408.75		525,516.25		82,875.00		1,518,800.00	
8/1/06	1,855,408.75	2,765,817.50	920,516.25	1,446,032.50	82,875.00	165,750.00	2,858,800.00	4,377,600.00
2/1/07	875,013.75		513,666.25		82,875.00		1,471,555.00	
8/1/07	1,890,013.75	2,765,027.50	933,666.25	1,447,332.50	82,875.00	165,750.00	2,906,555.00	4,378,110.00
2/1/08	836,665.00		500,856.25		82,875.00		1,420,396.25	
8/1/08	1,926,665.00	2,763,330.00	945,856.25	1,446,712.50	82,875.00	165,750.00	2,955,396.25	4,375,792.50
2/1/09	795,235.00		487,061.25		82,875.00		1,365,171.25	
8/1/09	1,965,235.00	2,760,470.00	957,061.25	1,444,122.50	82,875.00	165,750.00	3,005,171.25	4,370,342.50
2/1/10	750,425.00		472,256.25		82,875.00		1,305,556.25	
8/1/10	2,015,425.00	2,765,850.00	972,256.25	1,444,512.50	82,875.00	165,750.00	3,070,556.25	4,376,112.50
2/1/11	701,750.00		456,381.25		82,875.00		1,241,006.25	
8/1/11	2,061,750.00	2,763,500.00	986,381.25	1,442,762.50	82,875.00	165,750.00	3,131,006.25	4,372,012.50
2/1/12	649,172.50		439,421.25		82,875.00		1,171,468.75	
8/1/12	2,119,172.50	2,768,345.00	1,004,421.25	1,443,842.50	82,875.00	165,750.00	3,206,468.75	4,377,937.50
2/1/13	592,162.50		421,200.00		82,875.00		1,096,237.50	
8/1/13	2,172,162.50	2,764,325.00	1,026,200.00	1,447,400.00	82,875.00	165,750.00	3,281,237.50	4,377,475.00
2/1/14	530,612.50		401,537.50		82,875.00		1,015,025.00	
8/1/14	16,515,612.50	17,046,225.00	12,756,537.50	13,158,075.00	2,032,875.00	2,115,750.00	31,305,025.00	32,320,050.00
Total:	66,233,096.25	66,233,096.25	39,131,220.00	39,131,220.00	5,209,750.00	5,209,750.00	110,574,066.25	110,574,066.25

State of Minnesota: Duluth Maintenance Facility Financing Analysis

Summary of Net Debt Service Schedules

Date	Lease Supported Debt		Non-Lease Supported Debt		County Reserve		TOTAL	
	Debt Service	Annual Debt Service	Debt Service	Annual Debt Service	Debt Service	Annual Debt Service	Debt Service	Annual Debt Service
12/1/94								
2/1/95	0.00		0.00		2,814.90		2,814.90	
8/1/95	0.00	0.00	0.00	0.00	8,444.69	11,259.59	8,444.69	11,259.59
2/1/96	0.00		0.00		8,444.69		8,444.69	
8/1/96	720,229.27	720,229.27	371,968.75	371,968.75	8,444.69	16,889.38	1,100,642.71	1,109,087.40
2/1/97	1,080,343.91		351,503.75		8,444.69		1,440,292.35	
8/1/97	1,565,343.91	2,645,687.82	475,072.08	826,575.83	8,444.69	16,889.38	2,048,860.68	3,489,153.03
2/1/98	1,066,631.41		428,980.83		8,444.69		1,504,056.93	
8/1/98	1,571,631.41	2,638,262.82	701,117.50	1,130,098.33	8,444.69	16,889.38	2,281,193.60	3,785,250.53
2/1/99	1,051,832.66		583,213.75		8,444.69		1,643,491.10	
8/1/99	1,581,832.66	2,633,665.32	733,213.75	1,316,427.50	8,444.69	16,889.38	2,323,491.10	3,966,982.20
2/1/00	1,035,770.16		579,276.25		8,444.69		1,623,491.10	
8/1/00	1,595,770.16	2,631,540.32	804,276.25	1,383,552.50	8,444.69	16,889.38	2,408,491.10	4,031,982.20
2/1/01	1,018,332.66		573,201.25		8,444.69		1,599,978.60	
8/1/01	1,608,332.66	2,626,665.32	873,201.25	1,446,402.50	8,444.69	16,889.38	2,489,978.60	4,089,957.20
2/1/02	999,570.16		564,951.25		8,444.69		1,572,966.10	
8/1/02	1,619,570.16	2,619,140.32	879,951.25	1,444,902.50	8,444.69	16,889.38	2,507,966.10	4,080,932.20
2/1/03	979,540.16		556,131.25		8,444.69		1,544,116.10	
8/1/03	1,634,540.16	2,614,080.32	886,131.25	1,442,262.50	8,444.69	16,889.38	2,529,116.10	4,073,232.20
2/1/04	958,015.16		546,726.25		8,444.69		1,513,186.10	
8/1/04	1,648,015.16	2,606,030.32	901,726.25	1,448,452.50	8,444.69	16,889.38	2,558,186.10	4,071,372.20
2/1/05	943,133.75		536,431.25		8,444.69		1,488,009.69	
8/1/05	1,823,133.75	2,766,267.50	906,431.25	1,442,862.50	8,444.69	16,889.38	2,738,009.69	4,226,019.38
2/1/06	910,408.75		525,516.25		8,444.69		1,444,369.69	
8/1/06	1,855,408.75	2,765,817.50	920,516.25	1,446,032.50	8,444.69	16,889.38	2,784,369.69	4,228,739.38
2/1/07	875,013.75		513,666.25		8,444.69		1,397,124.69	
8/1/07	1,890,013.75	2,765,027.50	933,666.25	1,447,332.50	8,444.69	16,889.38	2,832,124.69	4,229,249.38
2/1/08	836,665.00		500,856.25		8,444.69		1,345,965.94	
8/1/08	1,926,665.00	2,763,330.00	945,856.25	1,446,712.50	8,444.69	16,889.38	2,880,965.94	4,226,931.88
2/1/09	795,235.00		487,061.25		8,444.69		1,290,740.94	
8/1/09	1,965,235.00	2,760,470.00	957,061.25	1,444,122.50	8,444.69	16,889.38	2,930,740.94	4,221,481.88
2/1/10	750,425.00		472,256.25		8,444.69		1,231,125.94	
8/1/10	2,015,425.00	2,765,850.00	972,256.25	1,444,512.50	8,444.69	16,889.38	2,996,125.94	4,227,251.88
2/1/11	701,750.00		456,381.25		8,444.69		1,166,575.94	
8/1/11	2,061,750.00	2,763,500.00	986,381.25	1,442,762.50	8,444.69	16,889.38	3,056,575.94	4,223,151.88
2/1/12	649,172.50		439,421.25		8,444.69		1,097,038.44	
8/1/12	2,119,172.50	2,768,345.00	1,004,421.25	1,443,842.50	8,444.69	16,889.38	3,132,038.44	4,229,076.88
2/1/13	592,162.50		421,200.00		8,444.69		1,021,807.19	
8/1/13	2,172,162.50	2,764,325.00	1,026,200.00	1,447,400.00	8,444.69	16,889.38	3,206,807.19	4,228,614.38
2/1/14	530,612.50		401,537.50		8,444.69		940,594.69	
8/1/14	16,515,612.50	17,046,225.00	12,756,537.50	13,158,075.00	49,975.31	58,420.00	29,322,125.32	30,262,720.01
Total:	63,664,459.33	63,664,459.33	36,974,297.92	36,974,297.92	373,688.44	373,688.44	101,012,445.69	101,012,445.69

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Assumptions**

Financings Except First Mortgage Bonds

Dated Date	12/1/94
Delivery Date	12/1/94

First Mortgage Bonds

Dated Date	1/1/96
Delivery Date	1/1/96
Construction Fund Investment Rate	5.460%
Capitalized Interest Fund Investment Rate	5.460%
Reserve Fund Investment Rate	7.500%
Bond Insurance Premium	0.000%
Underwriters' Discount	1.000%
Cost of Construction Project	5,059,867.42

County Backed Bonds

Construction Fund Investment Rate	6.590%
Capitalized Interest Fund Investment Rate	6.590%
Reserve Fund Investment Rate	5.958%
Bond Insurance Premium	0.000%
Underwriters' Discount	1.000%
Cost of Construction Project	2,694,853.19

Duluth Tax Increment Bonds

Construction Fund Investment Rate	5.460%
Capitalized Interest Fund Investment Rate	5.460%
Reserve Fund Investment Rate	6.407%
Bond Insurance Premium	0.000%
Underwriters' Discount	0.500%
Cost of Construction Project	6,287,500.00

Duluth Revenue Bonds

Construction Fund Investment Rate	5.460%
Capitalized Interest Fund Investment Rate	5.460%
Reserve Fund Investment Rate	6.406%
Bond Insurance Premium	0.000%
Underwriters' Discount	0.500%
Cost of Construction Project	10,464,000.00

State Guaranteed Bonds

Construction Fund Investment Rate	5.460%
Capitalized Interest Fund Investment Rate	5.460%
Reserve Fund Investment Rate	6.444%
Bond Insurance Premium	0.000%
Underwriters' Discount	0.500%
Cost of Construction Project	17,625,323.98

State Guaranteed Taxable Bonds

Capitalized Interest Fund Investment Rate	5.460%
Reserve Fund Investment Rate	7.500%
Bond Insurance Premium	0.000%
Underwriters' Discount	1.000%
Funded Costs of Issuance	3,445,775.00

County Backed Bonds Reserve Fund

Reserve Fund Investment Rate	8.502%
Bond Insurance Premium	0.000%
Underwriters' Discount	1.000%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
County Backed Bonds

Sources and Uses of Funds

Sources

Bond Proceeds	2,740,000.00
St. Louis Cash Contribution for Reserve Fund	274,000.00
Accrued Interest	0.00
	<hr/>
Total	3,014,000.00

Uses

Deposit to Construction Fund		2,500,000.00
Reserve Fund Deposit		274,000.00
Deposit to Capitalized Interest Fund		181,770.47
Bond Insurance Premium	0.000%	0.00
Underwriters' Discount	1.000%	27,400.00
Costs of Issuance	1.000%	27,400.00
Accrued Interest		0.00
Rounding		3,429.53
		<hr/>
Total		3,014,000.00

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 5.95791024%	Present Value Debt Service
12/1/94							
2/1/95			26,760.83	26,760.83		0.99026289	26,500.26
8/1/95			80,282.50	80,282.50	107,043.33	0.96161676	77,201.00
2/1/96			80,282.50	80,282.50		0.93379930	74,967.74
8/1/96			80,282.50	80,282.50	160,565.00	0.90678654	72,799.09
2/1/97			80,282.50	80,282.50		0.88055519	70,693.17
8/1/97	280,000	5.250%	80,282.50	360,282.50	440,565.00	0.85508266	308,071.32
2/1/98			72,932.50	72,932.50		0.83034700	60,559.28
8/1/98	295,000	5.450%	72,932.50	367,932.50	440,865.00	0.80632688	296,673.87
2/1/99			64,893.75	64,893.75		0.78300162	50,811.91
8/1/99	310,000	5.650%	64,893.75	374,893.75	439,787.50	0.76035110	285,050.87
2/1/00			56,136.25	56,136.25		0.73835581	41,448.53
8/1/00	330,000	5.800%	56,136.25	386,136.25	442,272.50	0.71699680	276,858.45
2/1/01			46,566.25	46,566.25		0.69625565	32,422.01
8/1/01	350,000	5.950%	46,566.25	396,566.25	443,132.50	0.67611451	268,124.19
2/1/02			36,153.75	36,153.75		0.65655600	23,736.96
8/1/02	370,000	6.050%	36,153.75	406,153.75	442,307.50	0.63756327	258,948.71
2/1/03			24,961.25	24,961.25		0.61911997	15,454.01
8/1/03	390,000	6.150%	24,961.25	414,961.25	439,922.50	0.60121019	249,478.93
2/1/04			12,968.75	12,968.75		0.58381850	7,571.40
8/1/04	415,000	6.250%	12,968.75	427,968.75	440,937.50	0.56692991	242,628.28
Subtotal:	2,740,000		1,057,398.33	3,797,398.33	3,797,398.33		2,740,000.00
Accrued:			0.00	0.00	0.00		
Total:	2,740,000		1,057,398.33	3,797,398.33	3,797,398.33		
						Bond Proceeds:	2,740,000.00
						Plus Accrued:	0.00
						Total:	2,740,000.00
						Yield:	5.95791024%
Dated Date:			12/1/94				
Delivery Date:			12/1/94				

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 County Backed Bonds

Construction Fund Draw Schedule

Date	Beginning Balance	Plus Construction Fund Income	Less Construction Draw	Ending Balance
12/1/94	2,500,000.00		0.00	2,500,000.00
1/1/95	2,500,000.00	13,544.39	0.00	2,513,544.39
2/1/95	2,513,544.39	13,617.77	0.00	2,527,162.16
3/1/95	2,527,162.16	13,691.54	0.00	2,540,853.70
4/1/95	2,540,853.70	13,765.72	0.00	2,554,619.42
5/1/95	2,554,619.42	13,840.30	0.00	2,568,459.72
6/1/95	2,568,459.72	13,915.28	0.00	2,582,375.00
7/1/95	2,582,375.00	13,990.67	0.00	2,596,365.67
8/1/95	2,596,365.67	14,066.47	0.00	2,610,432.14
9/1/95	2,610,432.14	14,142.68	0.00	2,624,574.82
10/1/95	2,624,574.82	14,219.30	0.00	2,638,794.12
11/1/95	2,638,794.12	14,296.34	0.00	2,653,090.46
12/1/95	2,653,090.46	14,373.79	0.00	2,667,464.25
1/1/96	2,667,464.25	14,451.67	939,720.61	1,742,195.31
2/1/96	1,742,195.31	9,438.79	1,105,000.00	646,634.10
3/1/96	646,634.10	3,503.30	650,132.58	4.82
4/1/96	4.82	0.03	0.00	4.85
5/1/96	4.85	0.03	0.00	4.88
6/1/96	4.88	0.03	0.00	4.91
7/1/96	4.91	0.03	0.00	4.94
8/1/96	4.94	0.03	0.00	4.97
9/1/96	4.97	0.03	0.00	5.00
		194,858.19	2,694,853.19	

Construction Fund Investment Rate: 6.590%

Cost of Construction Project: 2,694,853.19

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 County Backed Bonds

Capitalized Interest Fund Draw Schedule

Date	Beginning Balance	Plus Reserve Fund Income	Plus Capitalized Int. Fund Income	Less Bond Interest Draw	Ending Balance
12/1/94	181,770.47				181,770.47
2/1/95	181,770.47	2,720.78	1,974.91	26,760.83	159,705.33
8/1/95	159,705.33	8,162.34	5,262.29	80,282.50	92,847.46
2/1/96	92,847.46	8,162.34	3,059.32	80,282.50	23,786.62
4/1/96	23,786.62	2,720.78	258.43	26,760.83	5.00
		21,766.24	10,554.95	214,086.66	

Capitalized Interest Fund Investment Rate: 6.590%

Reserve Fund Investment Rate: 5.958%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 County Backed Bonds

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Reserve Fund Earnings	Less Capitalized Interest	Net Debt Service	Annual Net Debt Service
12/1/94								
2/1/95			26,760.83	26,760.83	0.00	26,760.83	0.00	
8/1/95		0.000%	80,282.50	80,282.50	0.00	80,282.50	0.00	0.00
2/1/96			80,282.50	80,282.50	0.00	80,282.50	0.00	
8/1/96		0.000%	80,282.50	80,282.50	5,441.56	26,760.83	48,080.11	48,080.11
2/1/97			80,282.50	80,282.50	8,162.34		72,120.16	
8/1/97	280,000	5.250%	80,282.50	360,282.50	8,162.34		352,120.16	424,240.32
2/1/98			72,932.50	72,932.50	8,162.34		64,770.16	
8/1/98	295,000	5.450%	72,932.50	367,932.50	8,162.34		359,770.16	424,540.32
2/1/99			64,893.75	64,893.75	8,162.34		56,731.41	
8/1/99	310,000	5.650%	64,893.75	374,893.75	8,162.34		366,731.41	423,462.82
2/1/00			56,136.25	56,136.25	8,162.34		47,973.91	
8/1/00	330,000	5.800%	56,136.25	386,136.25	8,162.34		377,973.91	425,947.82
2/1/01			46,566.25	46,566.25	8,162.34		38,403.91	
8/1/01	350,000	5.950%	46,566.25	396,566.25	8,162.34		388,403.91	426,807.82
2/1/02			36,153.75	36,153.75	8,162.34		27,991.41	
8/1/02	370,000	6.050%	36,153.75	406,153.75	8,162.34		397,991.41	425,982.82
2/1/03			24,961.25	24,961.25	8,162.34		16,798.91	
8/1/03	390,000	6.150%	24,961.25	414,961.25	8,162.34		406,798.91	423,597.82
2/1/04			12,968.75	12,968.75	8,162.34		4,806.41	
8/1/04	415,000	6.250%	12,968.75	427,968.75	8,162.34		419,806.41	424,612.82
Total:	2,740,000		1,057,398.33	3,797,398.33	136,039.00	214,086.66	3,447,272.67	3,447,272.67
Dated Date:			12/1/94			Reserve Fund Investment Rate:		5.958%
Delivery Date:			12/1/94					

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 County Backed Bonds

Reserve Fund Earnings

Date	Reserve Earnings
12/1/94	
2/1/95	2,720.78
8/1/95	8,162.34
2/1/96	8,162.34
8/1/96	8,162.34
2/1/97	8,162.34
8/1/97	8,162.34
2/1/98	8,162.34
8/1/98	8,162.34
2/1/99	8,162.34
8/1/99	8,162.34
2/1/00	8,162.34
8/1/00	8,162.34
2/1/01	8,162.34
8/1/01	8,162.34
2/1/02	8,162.34
8/1/02	8,162.34
2/1/03	8,162.34
8/1/03	8,162.34
2/1/04	8,162.34
8/1/04	8,162.34
Total:	157,805.24
Reserve Fund Investment Rate:	5.958%

Reserve Fund Sizing: County

Maximum Annual Debt Service:	443,132.50
10% of Bond Proceeds:	274,000.00
125% of Average Annual Debt Service:	474,674.79
 Minimum of the three DSRF tests:	 274,000.00

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Tax Increment Bonds**

Sources and Uses of Funds

Sources

Bond Proceeds	7,425,000.00
City Cash Contribution for Reserve Fund	680,500.00
Accrued Interest	0.00
	<hr/>
Total	8,105,500.00

Uses

Deposit to Construction Fund		6,069,292.38
Reserve Fund Deposit		680,500.00
Deposit to Capitalized Interest Fund		1,206,422.62
Bond Insurance Premium	0.000%	0.00
Underwriters' Discount	0.500%	37,125.00
Costs of Issuance	1.500%	111,375.00
Accrued Interest		0.00
Rounding		785.00
		<hr/>
Total		8,105,500.00

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

"Hypothetical" 30 Year Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/1/94					
2/1/95			78,568.33	78,568.33	
8/1/95			235,705.00	235,705.00	314,273.33
2/1/96			235,705.00	235,705.00	
8/1/96			235,705.00	235,705.00	471,410.00
2/1/97			235,705.00	235,705.00	
8/1/97	0	4.850%	235,705.00	235,705.00	471,410.00
2/1/98			235,705.00	235,705.00	
8/1/98	65,000	5.050%	235,705.00	300,705.00	536,410.00
2/1/99			234,063.75	234,063.75	
8/1/99	100,000	5.250%	234,063.75	334,063.75	568,127.50
2/1/00			231,438.75	231,438.75	
8/1/00	105,000	5.400%	231,438.75	336,438.75	567,877.50
2/1/01			228,603.75	228,603.75	
8/1/01	115,000	5.500%	228,603.75	343,603.75	572,207.50
2/1/02			225,441.25	225,441.25	
8/1/02	120,000	5.600%	225,441.25	345,441.25	570,882.50
2/1/03			222,081.25	222,081.25	
8/1/03	125,000	5.700%	222,081.25	347,081.25	569,162.50
2/1/04			218,518.75	218,518.75	
8/1/04	135,000	5.800%	218,518.75	353,518.75	572,037.50
2/1/05			214,603.75	214,603.75	
8/1/05	140,000	5.900%	214,603.75	354,603.75	569,207.50
2/1/06			210,473.75	210,473.75	
8/1/06	150,000	6.000%	210,473.75	360,473.75	570,947.50
2/1/07			205,973.75	205,973.75	
8/1/07	160,000	6.100%	205,973.75	365,973.75	571,947.50
2/1/08			201,093.75	201,093.75	
8/1/08	170,000	6.200%	201,093.75	371,093.75	572,187.50
2/1/09			195,823.75	195,823.75	
8/1/09	180,000	6.300%	195,823.75	375,823.75	571,647.50
2/1/10			190,153.75	190,153.75	
8/1/10	190,000	6.350%	190,153.75	380,153.75	570,307.50
2/1/11			184,121.25	184,121.25	
8/1/11	200,000	6.400%	184,121.25	384,121.25	568,242.50
2/1/12			177,721.25	177,721.25	
8/1/12	215,000	6.450%	177,721.25	392,721.25	570,442.50
2/1/13			170,787.50	170,787.50	
8/1/13	230,000	6.500%	170,787.50	400,787.50	571,575.00
2/1/14			163,312.50	163,312.50	
8/1/14	245,000	6.500%	163,312.50	408,312.50	571,625.00
2/1/15			155,350.00	155,350.00	
8/1/15	260,000	6.500%	155,350.00	415,350.00	570,700.00
2/1/16			146,900.00	146,900.00	
8/1/16	275,000	6.500%	146,900.00	421,900.00	568,800.00
2/1/17			137,962.50	137,962.50	
8/1/17	295,000	6.500%	137,962.50	432,962.50	570,925.00
2/1/18			128,375.00	128,375.00	
8/1/18	315,000	6.500%	128,375.00	443,375.00	571,750.00
2/1/19			118,137.50	118,137.50	
8/1/19	335,000	6.500%	118,137.50	453,137.50	571,275.00
2/1/20			107,250.00	107,250.00	

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

"Hypothetical" 30 Year Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
8/1/20	355,000	6.500%	107,250.00	462,250.00	569,500.00
2/1/21			95,712.50	95,712.50	
8/1/21	380,000	6.500%	95,712.50	475,712.50	571,425.00
2/1/22			83,362.50	83,362.50	
8/1/22	405,000	6.500%	83,362.50	488,362.50	571,725.00
2/1/23			70,200.00	70,200.00	
8/1/23	430,000	6.500%	70,200.00	500,200.00	570,400.00
2/1/24			56,225.00	56,225.00	
8/1/24	455,000	6.500%	56,225.00	511,225.00	567,450.00
2/1/25			41,437.50	41,437.50	
8/1/25	485,000	6.500%	41,437.50	526,437.50	567,875.00
2/1/26			25,675.00	25,675.00	
8/1/26	520,000	6.500%	25,675.00	545,675.00	571,350.00
2/1/27			8,775.00	8,775.00	
8/1/27	270,000	6.500%	8,775.00	278,775.00	287,550.00
Subtotal:	7,425,000		10,627,653.33	18,052,653.33	18,052,653.33

Dated Date: 12/1/94
 Delivery Date: 12/1/94

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 6.40660893%	Present Value Debt Service
12/1/94							
2/1/95			78,568.33	78,568.33		0.98954481	77,746.88
8/1/95		0.000%	235,705.00	235,705.00	314,273.33	0.95883055	226,001.15
2/1/96			235,705.00	235,705.00		0.92906962	218,986.35
8/1/96		0.000%	235,705.00	235,705.00	471,410.00	0.90023243	212,189.29
2/1/97			235,705.00	235,705.00		0.87229032	205,603.19
8/1/97		4.850%	235,705.00	235,705.00	471,410.00	0.84521549	199,221.52
2/1/98			235,705.00	235,705.00		0.81898104	193,037.93
8/1/98	65,000	5.050%	235,705.00	300,705.00	536,410.00	0.79356087	238,627.72
2/1/99			234,063.75	234,063.75		0.76892971	179,978.57
8/1/99	100,000	5.250%	234,063.75	334,063.75	568,127.50	0.74506307	248,898.56
2/1/00			231,438.75	231,438.75		0.72193722	167,084.25
8/1/00	105,000	5.400%	231,438.75	336,438.75	567,877.50	0.69952917	235,348.72
2/1/01			228,603.75	228,603.75		0.67781664	154,951.43
8/1/01	115,000	5.500%	228,603.75	343,603.75	572,207.50	0.65677804	225,671.40
2/1/02			225,441.25	225,441.25		0.63639245	143,469.11
8/1/02	120,000	5.600%	225,441.25	345,441.25	570,882.50	0.61663961	213,012.76
2/1/03			222,081.25	222,081.25		0.59749987	132,693.52
8/1/03	125,000	5.700%	222,081.25	347,081.25	569,162.50	0.57895420	200,944.15
2/1/04			218,518.75	218,518.75		0.56098417	122,585.56
8/1/04	135,000	5.800%	218,518.75	353,518.75	572,037.50	0.54357191	192,162.86
2/1/05			214,603.75	214,603.75		0.52670010	113,031.82
8/1/05	140,000	5.900%	214,603.75	354,603.75	569,207.50	0.51035197	180,972.72
2/1/06			210,473.75	210,473.75		0.49451127	104,081.64
8/1/06	150,000	6.000%	210,473.75	360,473.75	570,947.50	0.47916225	172,725.41
2/1/07			205,973.75	205,973.75		0.46428964	95,631.48
8/1/07	160,000	6.100%	205,973.75	365,973.75	571,947.50	0.44987865	164,643.78
2/1/08			201,093.75	201,093.75		0.43591497	87,659.78
8/1/08	170,000	6.200%	201,093.75	371,093.75	572,187.50	0.42238470	156,744.32
2/1/09			195,823.75	195,823.75		0.40927440	80,145.65
8/1/09	180,000	6.300%	195,823.75	375,823.75	571,647.50	0.39657102	149,040.81
2/1/10			190,153.75	190,153.75		0.38426194	73,068.85
8/1/10	190,000	6.350%	190,153.75	380,153.75	570,307.50	0.37233492	141,544.52
2/1/11			184,121.25	184,121.25		0.36077810	66,426.91
8/1/11	200,000	6.400%	184,121.25	384,121.25	568,242.50	0.34957999	134,281.10
2/1/12			177,721.25	177,721.25		0.33872945	60,199.42
8/1/12	215,000	6.450%	177,721.25	392,721.25	570,442.50	0.32821570	128,897.28
2/1/13			170,787.50	170,787.50		0.31802829	54,315.26
8/1/13	230,000	6.500%	170,787.50	400,787.50	571,575.00	0.30815708	123,505.51
2/1/14			163,312.50	163,312.50		0.29859226	48,763.85
8/1/14	5,025,000	6.500%	163,312.50	5,188,312.50	5,351,625.00	0.28932432	1,501,104.99
Subtotal:	7,425,000		8,276,928.33	15,701,928.33	15,701,928.33		7,425,000.00
Accrued:			0.00	0.00	0.00		
Total:	7,425,000		8,276,928.33	15,701,928.33	15,701,928.33	Bond Proceeds:	7,425,000.00
						Plus Accrued:	0.00
Dated Date:			12/1/94			Total:	7,425,000.00
Delivery Date:			12/1/94			Yield:	6.40660893%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

Construction Fund Draw Schedule

Date	Beginning Balance	Plus Construction Fund Income	Less Construction Draw	Ending Balance
12/1/94	6,069,292.38		596,638.64	5,472,653.74
1/1/95	5,472,653.74	24,621.97	98,181.82	5,399,093.89
2/1/95	5,399,093.89	24,291.01	163,636.36	5,259,748.54
3/1/95	5,259,748.54	23,664.08	32,727.27	5,250,685.35
4/1/95	5,250,685.35	23,623.31	65,454.55	5,208,854.11
5/1/95	5,208,854.11	23,435.10	163,636.36	5,068,652.85
6/1/95	5,068,652.85	22,804.33	507,272.73	4,584,184.45
7/1/95	4,584,184.45	20,624.66	591,545.45	4,013,263.66
8/1/95	4,013,263.66	18,056.04	752,400.00	3,278,919.70
9/1/95	3,278,919.70	14,752.16	860,035.00	2,433,636.86
10/1/95	2,433,636.86	10,949.15	794,200.00	1,650,386.01
11/1/95	1,650,386.01	7,425.24	776,435.00	881,376.25
12/1/95	881,376.25	3,965.39	885,336.82	4.82
1/1/96	4.82	0.02	0.00	4.84
2/1/96	4.84	0.02	0.00	4.86
3/1/96	4.86	0.02	0.00	4.88
4/1/96	4.88	0.02	0.00	4.90
5/1/96	4.90	0.02	0.00	4.92
6/1/96	4.92	0.02	0.00	4.94
7/1/96	4.94	0.02	0.00	4.96
8/1/96	4.96	0.02	0.00	4.98
9/1/96	4.98	0.02	0.00	5.00
		218,212.62	6,287,500.00	

Construction Fund Investment Rate: 5.460%

Cost of Construction Project: 6,287,500.00

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Tax Increment Bonds**

Capitalized Interest Fund Draw Schedule

Date	Beginning Balance	Plus Capitalized Int. Fund Income	Less Bond Interest Draw	Ending Balance
12/1/94	1,206,422.62			1,206,422.62
2/1/95	1,206,422.62	12,438.22	78,568.33	1,140,292.51
8/1/95	1,140,292.51	35,634.14	235,705.00	940,221.65
2/1/96	940,221.65	29,381.93	235,705.00	733,898.58
8/1/96	733,898.58	22,934.33	235,705.00	521,127.91
2/1/97	521,127.91	16,285.25	235,705.00	301,708.16
6/1/97	301,708.16	6,253.30	157,136.67	150,824.79
2/1/98	150,824.79	6,316.88	157,136.67	5.00
		129,244.05	1,335,661.66	

Capitalized Interest Fund Investment Rate: 6.250%

Reserve Fund Investment Rate: 6.407%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Capitalized Interest	Net Debt Service	Annual Net Debt Service
12/1/94							
2/1/95			78,568.33	78,568.33	78,568.33	0.00	
8/1/95		0.000%	235,705.00	235,705.00	235,705.00	0.00	0.00
2/1/96			235,705.00	235,705.00	235,705.00	0.00	
8/1/96		0.000%	235,705.00	235,705.00	235,705.00	0.00	0.00
2/1/97			235,705.00	235,705.00	235,705.00	0.00	
8/1/97		4.850%	235,705.00	235,705.00	157,136.67	78,568.33	78,568.33
2/1/98			235,705.00	235,705.00	157,136.67	78,568.33	
8/1/98	65,000	5.050%	235,705.00	300,705.00		300,705.00	379,273.33
2/1/99			234,063.75	234,063.75		234,063.75	
8/1/99	100,000	5.250%	234,063.75	334,063.75		334,063.75	568,127.50
2/1/00			231,438.75	231,438.75		231,438.75	
8/1/00	105,000	5.400%	231,438.75	336,438.75		336,438.75	567,877.50
2/1/01			228,603.75	228,603.75		228,603.75	
8/1/01	115,000	5.500%	228,603.75	343,603.75		343,603.75	572,207.50
2/1/02			225,441.25	225,441.25		225,441.25	
8/1/02	120,000	5.600%	225,441.25	345,441.25		345,441.25	570,882.50
2/1/03			222,081.25	222,081.25		222,081.25	
8/1/03	125,000	5.700%	222,081.25	347,081.25		347,081.25	569,162.50
2/1/04			218,518.75	218,518.75		218,518.75	
8/1/04	135,000	5.800%	218,518.75	353,518.75		353,518.75	572,037.50
2/1/05			214,603.75	214,603.75		214,603.75	
8/1/05	140,000	5.900%	214,603.75	354,603.75		354,603.75	569,207.50
2/1/06			210,473.75	210,473.75		210,473.75	
8/1/06	150,000	6.000%	210,473.75	360,473.75		360,473.75	570,947.50
2/1/07			205,973.75	205,973.75		205,973.75	
8/1/07	160,000	6.100%	205,973.75	365,973.75		365,973.75	571,947.50
2/1/08			201,093.75	201,093.75		201,093.75	
8/1/08	170,000	6.200%	201,093.75	371,093.75		371,093.75	572,187.50
2/1/09			195,823.75	195,823.75		195,823.75	
8/1/09	180,000	6.300%	195,823.75	375,823.75		375,823.75	571,647.50
2/1/10			190,153.75	190,153.75		190,153.75	
8/1/10	190,000	6.350%	190,153.75	380,153.75		380,153.75	570,307.50
2/1/11			184,121.25	184,121.25		184,121.25	
8/1/11	200,000	6.400%	184,121.25	384,121.25		384,121.25	568,242.50
2/1/12			177,721.25	177,721.25		177,721.25	
8/1/12	215,000	6.450%	177,721.25	392,721.25		392,721.25	570,442.50
2/1/13			170,787.50	170,787.50		170,787.50	
8/1/13	230,000	6.500%	170,787.50	400,787.50		400,787.50	571,575.00
2/1/14			163,312.50	163,312.50		163,312.50	
8/1/14	5,025,000	6.500%	163,312.50	5,188,312.50		5,188,312.50	5,351,625.00
Total:	7,425,000		8,276,928.33	15,701,928.33	1,335,661.66	14,366,266.67	14,366,266.67

Dated Date: 12/1/94
 Delivery Date: 12/1/94

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

Calculation of Revenue Sufficiency and Reserve Requirement

Date	Net Debt Service	Increment Rev. Received	Period Balance	Increment Rev. Fund Balance
12/1/94				
2/1/95	0.00			
8/1/95	0.00			
2/1/96	0.00			
8/1/96	0.00			
2/1/97	0.00			
8/1/97	78,568.33	95,000.00	16,431.67	16,431.67
2/1/98	78,568.33	95,000.00	16,431.67	32,863.33
8/1/98	300,705.00	285,000.00	(15,705.00)	17,158.33
2/1/99	234,063.75	285,000.00	50,936.25	68,094.58
8/1/99	334,063.75	285,000.00	(49,063.75)	19,030.83
2/1/00	231,438.75	285,000.00	53,561.25	72,592.08
8/1/00	336,438.75	285,000.00	(51,438.75)	21,153.33
2/1/01	228,603.75	285,000.00	56,396.25	77,549.58
8/1/01	343,603.75	285,000.00	(58,603.75)	18,945.83
2/1/02	225,441.25	285,000.00	59,558.75	78,504.58
8/1/02	345,441.25	285,000.00	(60,441.25)	18,063.33
2/1/03	222,081.25	285,000.00	62,918.75	80,982.08
8/1/03	347,081.25	285,000.00	(62,081.25)	18,900.83
2/1/04	218,518.75	285,000.00	66,481.25	85,382.08
8/1/04	353,518.75	285,000.00	(68,518.75)	16,863.33
2/1/05	214,603.75	285,000.00	70,396.25	87,259.58
8/1/05	354,603.75	285,000.00	(69,603.75)	17,655.83
2/1/06	210,473.75	285,000.00	74,526.25	92,182.08
8/1/06	360,473.75	285,000.00	(75,473.75)	16,708.33
2/1/07	205,973.75	285,000.00	79,026.25	95,734.58
8/1/07	365,973.75	285,000.00	(80,973.75)	14,760.83
2/1/08	201,093.75	285,000.00	83,906.25	98,667.08
8/1/08	371,093.75	285,000.00	(86,093.75)	12,573.33
2/1/09	195,823.75	285,000.00	89,176.25	101,749.58
8/1/09	375,823.75	285,000.00	(90,823.75)	10,925.83
2/1/10	190,153.75	285,000.00	94,846.25	105,772.08
8/1/10	380,153.75	285,000.00	(95,153.75)	10,618.33
2/1/11	184,121.25	285,000.00	100,878.75	111,497.08
8/1/11	384,121.25	285,000.00	(99,121.25)	12,375.83
2/1/12	177,721.25	285,000.00	107,278.75	119,654.58
8/1/12	392,721.25	285,000.00	(107,721.25)	11,933.33
2/1/13	170,787.50	285,000.00	114,212.50	126,145.83
8/1/13	400,787.50	285,000.00	(115,787.50)	10,358.33
2/1/14	163,312.50	285,000.00	121,687.50	132,045.83
8/1/14	408,312.50	285,000.00	(123,312.50)	8,733.33
2/1/15	155,350.00	285,000.00	129,650.00	138,383.33
8/1/15	415,350.00	285,000.00	(130,350.00)	8,033.33
2/1/16	146,900.00	285,000.00	138,100.00	146,133.33
8/1/16	421,900.00	285,000.00	(136,900.00)	9,233.33
2/1/17	137,962.50	285,000.00	147,037.50	156,270.83
8/1/17	432,962.50	285,000.00	(147,962.50)	8,308.33
2/1/18	128,375.00	285,000.00	156,625.00	164,933.33
8/1/18	443,375.00	285,000.00	(158,375.00)	6,558.33
2/1/19	118,137.50	285,000.00	166,862.50	173,420.83
8/1/19	453,137.50	285,000.00	(168,137.50)	5,283.33
2/1/20	107,250.00	285,000.00	177,750.00	183,033.33

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Tax Increment Bonds**

Calculation of Revenue Sufficiency and Reserve Requirement

Date	Net Debt Service	Increment Rev. Received	Period Balance	Increment Rev. Fund Balance
8/1/20	462,250.00	285,000.00	(177,250.00)	5,783.33
2/1/21	95,712.50	285,000.00	189,287.50	195,070.83
8/1/21	475,712.50	285,000.00	(190,712.50)	4,358.33
2/1/22	83,362.50	285,000.00	201,637.50	205,995.83
8/1/22	488,362.50	285,000.00	(203,362.50)	2,633.33
2/1/23	70,200.00	285,000.00	214,800.00	217,433.33
8/1/23	500,200.00	285,000.00	(215,200.00)	2,233.33
2/1/24	56,225.00	285,000.00	228,775.00	231,008.33
8/1/24	511,225.00	285,000.00	(226,225.00)	4,783.33
2/1/25	41,437.50	285,000.00	243,562.50	248,345.83
8/1/25	526,437.50	285,000.00	(241,437.50)	6,908.33
2/1/26	25,675.00	285,000.00	259,325.00	266,233.33
8/1/26	545,675.00	285,000.00	(260,675.00)	5,558.33
2/1/27	8,775.00	285,000.00	276,225.00	281,783.33
8/1/27	278,775.00		(278,775.00)	3,008.33
	16,429,441.67	16,435,000.00		

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Tax Increment Bonds

Calculation of Revenue Sufficiency and Reserve Requirement (Cont'd)

Date	Reserve Requirement	Sufficient	Date	Reserve Fund Value
12/1/94	0.00		12/1/94	680,500.00
			2/1/95	687,766.16
12/1/95	0.00		8/1/95	709,797.40
			2/1/96	732,534.37
12/1/96	236,104.59	Yes	8/1/96	755,999.68
			2/1/97	780,216.65
12/1/97	675,326.25	Yes	8/1/97	805,209.36
			2/1/98	831,002.67
12/1/98	855,639.38	Yes	8/1/98	857,622.22
			2/1/99	885,094.47
12/1/99	853,748.54	Yes	8/1/99	913,446.74
			2/1/00	942,707.22
12/1/00	855,222.29	Yes	8/1/00	972,905.00
			2/1/01	1,004,070.11
12/1/01	850,810.63	Yes	8/1/01	1,036,233.53
			2/1/02	1,069,427.24
12/1/02	846,601.04	Yes	8/1/02	1,103,684.25
			2/1/03	1,139,038.62
12/1/03	845,741.88	Yes	8/1/03	1,175,525.49
			2/1/04	1,213,181.15
12/1/04	839,760.21	Yes	8/1/04	1,252,043.04
			2/1/05	1,292,149.79
12/1/05	837,916.88	Yes	8/1/05	1,333,541.28
			2/1/06	1,376,258.67
12/1/06	834,890.21	Yes	8/1/06	1,420,344.43
			2/1/07	1,465,842.39
12/1/07	830,648.54	Yes	8/1/07	1,512,797.78
			2/1/08	1,561,257.30
12/1/08	825,160.21	Yes	8/1/08	1,611,269.12
			2/1/09	1,662,882.98
12/1/09	818,448.96	Yes	8/1/09	1,716,150.18
			2/1/10	1,771,123.70
12/1/10	811,417.29	Yes	8/1/10	1,827,858.18
			2/1/11	1,886,410.04
12/1/11	808,027.92	Yes	8/1/11	1,946,837.50
			2/1/12	2,009,200.63
12/1/12	1,599,606.25	Yes	8/1/12	2,073,561.44
			2/1/13	2,139,983.93
12/1/13	5,351,625.00		8/1/13	2,208,534.13
			2/1/14	2,279,280.20
			8/1/14	2,352,292.48
Maximum: (excluding last year)	1,599,606.25	Total:		54,995,581.52
		Debt Service Fund Investment & Reinvestment Rate:		6.407%

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Revenue Bonds**

Sources and Uses of Funds

Sources

Bond Proceeds	11,085,000.00
City Cash Contribution for Reserve Fund	1,059,250.00
Accrued Interest	0.00
	<hr/>
Total	12,144,250.00

Uses

Deposit to Construction Fund		10,074,455.47
Reserve Fund Deposit		1,059,250.00
Deposit to Capitalized Interest Fund		786,361.78
Bond Insurance Premium	0.000%	0.00
Underwriters' Discount	0.500%	55,425.00
Costs of Issuance	1.500%	166,275.00
Accrued Interest		0.00
Rounding		2,482.75
		<hr/>
Total		12,144,250.00

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Revenue Bonds

"Hypothetical" 30 Year Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/1/94					
2/1/95			117,322.92	117,322.92	
8/1/95			351,968.75	351,968.75	469,291.67
2/1/96			351,968.75	351,968.75	
8/1/96	20,000	4.650%	351,968.75	371,968.75	723,937.50
2/1/97			351,503.75	351,503.75	
8/1/97	45,000	4.850%	351,503.75	396,503.75	748,007.50
2/1/98			350,412.50	350,412.50	
8/1/98	50,000	5.050%	350,412.50	400,412.50	750,825.00
2/1/99			349,150.00	349,150.00	
8/1/99	50,000	5.250%	349,150.00	399,150.00	748,300.00
2/1/00			347,837.50	347,837.50	
8/1/00	120,000	5.400%	347,837.50	467,837.50	815,675.00
2/1/01			344,597.50	344,597.50	
8/1/01	185,000	5.500%	344,597.50	529,597.50	874,195.00
2/1/02			339,510.00	339,510.00	
8/1/02	195,000	5.600%	339,510.00	534,510.00	874,020.00
2/1/03			334,050.00	334,050.00	
8/1/03	205,000	5.700%	334,050.00	539,050.00	873,100.00
2/1/04			328,207.50	328,207.50	
8/1/04	220,000	5.800%	328,207.50	548,207.50	876,415.00
2/1/05			321,827.50	321,827.50	
8/1/05	230,000	5.900%	321,827.50	551,827.50	873,655.00
2/1/06			315,042.50	315,042.50	
8/1/06	245,000	6.000%	315,042.50	560,042.50	875,085.00
2/1/07			307,692.50	307,692.50	
8/1/07	260,000	6.100%	307,692.50	567,692.50	875,385.00
2/1/08			299,762.50	299,762.50	
8/1/08	275,000	6.200%	299,762.50	574,762.50	874,525.00
2/1/09			291,237.50	291,237.50	
8/1/09	290,000	6.300%	291,237.50	581,237.50	872,475.00
2/1/10			282,102.50	282,102.50	
8/1/10	310,000	6.350%	282,102.50	592,102.50	874,205.00
2/1/11			272,260.00	272,260.00	
8/1/11	330,000	6.400%	272,260.00	602,260.00	874,520.00
2/1/12			261,700.00	261,700.00	
8/1/12	350,000	6.450%	261,700.00	611,700.00	873,400.00
2/1/13			250,412.50	250,412.50	
8/1/13	375,000	6.500%	250,412.50	625,412.50	875,825.00
2/1/14			238,225.00	238,225.00	
8/1/14	400,000	6.500%	238,225.00	638,225.00	876,450.00
2/1/15			225,225.00	225,225.00	
8/1/15	425,000	6.500%	225,225.00	650,225.00	875,450.00
2/1/16			211,412.50	211,412.50	
8/1/16	450,000	6.500%	211,412.50	661,412.50	872,825.00
2/1/17			196,787.50	196,787.50	
8/1/17	480,000	6.500%	196,787.50	676,787.50	873,575.00
2/1/18			181,187.50	181,187.50	
8/1/18	515,000	6.500%	181,187.50	696,187.50	877,375.00
2/1/19			164,450.00	164,450.00	
8/1/19	545,000	6.500%	164,450.00	709,450.00	873,900.00
2/1/20			146,737.50	146,737.50	

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Revenue Bonds**

"Hypothetical" 30 Year Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
8/1/20	580,000	6.500%	146,737.50	726,737.50	873,475.00
2/1/21			127,887.50	127,887.50	
8/1/21	620,000	6.500%	127,887.50	747,887.50	875,775.00
2/1/22			107,737.50	107,737.50	
8/1/22	660,000	6.500%	107,737.50	767,737.50	875,475.00
2/1/23			86,287.50	86,287.50	
8/1/23	700,000	6.500%	86,287.50	786,287.50	872,575.00
2/1/24			63,537.50	63,537.50	
8/1/24	750,000	6.500%	63,537.50	813,537.50	877,075.00
2/1/25			39,162.50	39,162.50	
8/1/25	795,000	6.500%	39,162.50	834,162.50	873,325.00
2/1/26			13,325.00	13,325.00	
8/1/26	410,000	6.500%	13,325.00	423,325.00	436,650.00
Subtotal:	11,085,000		15,471,766.67	26,556,766.67	26,556,766.67

Dated Date: 12/1/94
Delivery Date: 12/1/94

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 6.40562500%	Present Value Debt Service
12/1/94							
2/1/95			117,322.92	117,322.92		0.98954638	116,096.47
8/1/95		0.000%	351,968.75	351,968.75	469,291.67	0.95883664	337,480.53
2/1/96			351,968.75	351,968.75		0.92907995	327,007.11
8/1/96	20,000	4.650%	351,968.75	371,968.75	723,937.50	0.90024674	334,863.65
2/1/97			351,503.75	351,503.75		0.87230834	306,619.65
8/1/97	45,000	4.850%	351,503.75	396,503.75	748,007.50	0.84523698	335,139.63
2/1/98			350,412.50	350,412.50		0.81900576	286,989.86
8/1/98	50,000	5.050%	350,412.50	400,412.50	750,825.00	0.79358861	317,762.80
2/1/99			349,150.00	349,150.00		0.76896025	268,482.47
8/1/99	50,000	5.250%	349,150.00	399,150.00	748,300.00	0.74509622	297,405.16
2/1/00			347,837.50	347,837.50		0.72197278	251,129.21
8/1/00	120,000	5.400%	347,837.50	467,837.50	815,675.00	0.69956697	327,283.66
2/1/01			344,597.50	344,597.50		0.67785649	233,587.65
8/1/01	185,000	5.500%	344,597.50	529,597.50	874,195.00	0.65681979	347,850.12
2/1/02			339,510.00	339,510.00		0.63643594	216,076.37
8/1/02	195,000	5.600%	339,510.00	534,510.00	874,020.00	0.61668468	329,624.13
2/1/03			334,050.00	334,050.00		0.59754639	199,610.37
8/1/03	205,000	5.700%	334,050.00	539,050.00	873,100.00	0.57900204	312,111.05
2/1/04			328,207.50	328,207.50		0.56103320	184,135.30
8/1/04	220,000	5.800%	328,207.50	548,207.50	876,415.00	0.54362201	298,017.66
2/1/05			321,827.50	321,827.50		0.52675116	169,523.01
8/1/05	230,000	5.900%	321,827.50	551,827.50	873,655.00	0.51040388	281,654.90
2/1/06			315,042.50	315,042.50		0.49456392	155,808.65
8/1/06	245,000	6.000%	315,042.50	560,042.50	875,085.00	0.47921555	268,381.07
2/1/07			307,692.50	307,692.50		0.46434349	142,875.01
8/1/07	260,000	6.100%	307,692.50	567,692.50	875,385.00	0.44993298	255,423.58
2/1/08			299,762.50	299,762.50		0.43596969	130,687.37
8/1/08	275,000	6.200%	299,762.50	574,762.50	874,525.00	0.42243974	242,802.52
2/1/09			291,237.50	291,237.50		0.40932968	119,212.15
8/1/09	290,000	6.300%	291,237.50	581,237.50	872,475.00	0.39662648	230,534.18
2/1/10			282,102.50	282,102.50		0.38431751	108,416.93
8/1/10	310,000	6.350%	282,102.50	592,102.50	874,205.00	0.37239054	220,493.37
2/1/11			272,260.00	272,260.00		0.36083371	98,240.59
8/1/11	330,000	6.400%	272,260.00	602,260.00	874,520.00	0.34963554	210,571.50
2/1/12			261,700.00	261,700.00		0.33878489	88,660.01
8/1/12	350,000	6.450%	261,700.00	611,700.00	873,400.00	0.32827099	200,803.36
2/1/13			250,412.50	250,412.50		0.31808337	79,652.05
8/1/13	375,000	6.500%	250,412.50	625,412.50	875,825.00	0.30821192	192,759.59
2/1/14			238,225.00	238,225.00		0.29864683	71,145.14
8/1/14	7,330,000	6.500%	238,225.00	7,568,225.00	7,806,450.00	0.28937857	2,190,082.16
Subtotal:	11,085,000		12,344,291.67	23,429,291.67	23,429,291.67		11,085,000.00
Accrued:			0.00	0.00	0.00		
Total:	11,085,000		12,344,291.67	23,429,291.67	23,429,291.67	Bond Proceeds:	11,085,000.00
						Plus Accrued:	0.00
Dated Date:			12/1/94			Total:	11,085,000.00
Delivery Date:			12/1/94			Yield:	6.40562500%

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Revenue Bonds**

Construction Fund Draw Schedule

Date	Beginning Balance	Plus Construction Fund Income	Less Construction Draw	Ending Balance
12/1/94	10,074,455.47		729,225.00	9,345,230.47
1/1/95	9,345,230.47	42,045.04	120,000.00	9,267,275.51
2/1/95	9,267,275.51	41,694.31	200,000.00	9,108,969.82
3/1/95	9,108,969.82	40,982.08	40,000.00	9,109,951.90
4/1/95	9,109,951.90	40,986.50	80,000.00	9,070,938.40
5/1/95	9,070,938.40	40,810.98	200,000.00	8,911,749.38
6/1/95	8,911,749.38	40,094.77	620,000.00	8,331,844.15
7/1/95	8,331,844.15	37,485.72	723,000.00	7,646,329.87
8/1/95	7,646,329.87	34,401.53	1,425,600.00	6,255,131.40
9/1/95	6,255,131.40	28,142.40	1,629,540.00	4,653,733.80
10/1/95	4,653,733.80	20,937.57	1,504,800.00	3,169,871.37
11/1/95	3,169,871.37	14,261.54	1,471,140.00	1,712,992.91
12/1/95	1,712,992.91	7,706.91	1,720,695.00	4.82
1/1/96	4.82	0.02	0.00	4.84
2/1/96	4.84	0.02	0.00	4.86
3/1/96	4.86	0.02	0.00	4.88
4/1/96	4.88	0.02	0.00	4.90
5/1/96	4.90	0.02	0.00	4.92
6/1/96	4.92	0.02	0.00	4.94
7/1/96	4.94	0.02	0.00	4.96
8/1/96	4.96	0.02	0.00	4.98
9/1/96	4.98	0.02	0.00	5.00
		389,549.53	10,464,000.00	

Construction Fund Investment Rate: 5.460%

Cost of Construction Project: 10,464,000.00

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Revenue Bonds**

Capitalized Interest Fund Draw Schedule

Date	Beginning Balance	Plus Capitalized Int. Fund Income	Less Bond Interest Draw	Ending Balance
12/1/94	786,361.78			786,361.78
2/1/95	786,361.78	7,091.74	117,322.92	676,130.60
8/1/95	676,130.60	18,458.37	351,968.75	342,620.22
2/1/96	342,620.22	9,353.53	351,968.75	5.00
		<u>34,903.64</u>	<u>821,260.42</u>	

Capitalized Interest Fund Investment Rate: 5.460%

Reserve Investment Rate: 6.406%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Revenue Bonds

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Capitalized Interest	Net Debt Service	Annual Net Debt Service
12/1/94							
2/1/95			117,322.92	117,322.92	117,322.92	0.00	
8/1/95		0.000%	351,968.75	351,968.75	351,968.75	0.00	0.00
2/1/96			351,968.75	351,968.75	351,968.75	0.00	
8/1/96	20,000	4.650%	351,968.75	371,968.75		371,968.75	371,968.75
2/1/97			351,503.75	351,503.75		351,503.75	
8/1/97	45,000	4.850%	351,503.75	396,503.75		396,503.75	748,007.50
2/1/98			350,412.50	350,412.50		350,412.50	
8/1/98	50,000	5.050%	350,412.50	400,412.50		400,412.50	750,825.00
2/1/99			349,150.00	349,150.00		349,150.00	
8/1/99	50,000	5.250%	349,150.00	399,150.00		399,150.00	748,300.00
2/1/00			347,837.50	347,837.50		347,837.50	
8/1/00	120,000	5.400%	347,837.50	467,837.50		467,837.50	815,675.00
2/1/01			344,597.50	344,597.50		344,597.50	
8/1/01	185,000	5.500%	344,597.50	529,597.50		529,597.50	874,195.00
2/1/02			339,510.00	339,510.00		339,510.00	
8/1/02	195,000	5.600%	339,510.00	534,510.00		534,510.00	874,020.00
2/1/03			334,050.00	334,050.00		334,050.00	
8/1/03	205,000	5.700%	334,050.00	539,050.00		539,050.00	873,100.00
2/1/04			328,207.50	328,207.50		328,207.50	
8/1/04	220,000	5.800%	328,207.50	548,207.50		548,207.50	876,415.00
2/1/05			321,827.50	321,827.50		321,827.50	
8/1/05	230,000	5.900%	321,827.50	551,827.50		551,827.50	873,655.00
2/1/06			315,042.50	315,042.50		315,042.50	
8/1/06	245,000	6.000%	315,042.50	560,042.50		560,042.50	875,085.00
2/1/07			307,692.50	307,692.50		307,692.50	
8/1/07	260,000	6.100%	307,692.50	567,692.50		567,692.50	875,385.00
2/1/08			299,762.50	299,762.50		299,762.50	
8/1/08	275,000	6.200%	299,762.50	574,762.50		574,762.50	874,525.00
2/1/09			291,237.50	291,237.50		291,237.50	
8/1/09	290,000	6.300%	291,237.50	581,237.50		581,237.50	872,475.00
2/1/10			282,102.50	282,102.50		282,102.50	
8/1/10	310,000	6.350%	282,102.50	592,102.50		592,102.50	874,205.00
2/1/11			272,260.00	272,260.00		272,260.00	
8/1/11	330,000	6.400%	272,260.00	602,260.00		602,260.00	874,520.00
2/1/12			261,700.00	261,700.00		261,700.00	
8/1/12	350,000	6.450%	261,700.00	611,700.00		611,700.00	873,400.00
2/1/13			250,412.50	250,412.50		250,412.50	
8/1/13	375,000	6.500%	250,412.50	625,412.50		625,412.50	875,825.00
2/1/14			238,225.00	238,225.00		238,225.00	
8/1/14	7,330,000	6.500%	238,225.00	7,568,225.00		7,568,225.00	7,806,450.00
Total:	11,085,000		12,344,291.67	23,429,291.67	821,260.42	22,608,031.25	22,608,031.25

Dated Date: 12/1/94
 Delivery Date: 12/1/94

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Revenue Bonds

Calculation of Revenue Sufficiency and Reserve Requirement

Date	Net Debt Service	Franchise Fee Received	Period Balance	Franchise Fee Fund Balance
12/1/94				
2/1/95	0.00			
8/1/95	0.00			
2/1/96	0.00		0.00	0.00
8/1/96	371,968.75	375,000.00	3,031.25	3,031.25
2/1/97	351,503.75	375,000.00	23,496.25	26,527.50
8/1/97	396,503.75	375,000.00	(21,503.75)	5,023.75
2/1/98	350,412.50	375,000.00	24,587.50	29,611.25
8/1/98	400,412.50	375,000.00	(25,412.50)	4,198.75
2/1/99	349,150.00	375,000.00	25,850.00	30,048.75
8/1/99	399,150.00	375,000.00	(24,150.00)	5,898.75
2/1/00	347,837.50	375,000.00	27,162.50	33,061.25
8/1/00	467,837.50	437,500.00	(30,337.50)	2,723.75
2/1/01	344,597.50	437,500.00	92,902.50	95,626.25
8/1/01	529,597.50	437,500.00	(92,097.50)	3,528.75
2/1/02	339,510.00	437,500.00	97,990.00	101,518.75
8/1/02	534,510.00	437,500.00	(97,010.00)	4,508.75
2/1/03	334,050.00	437,500.00	103,450.00	107,958.75
8/1/03	539,050.00	437,500.00	(101,550.00)	6,408.75
2/1/04	328,207.50	437,500.00	109,292.50	115,701.25
8/1/04	548,207.50	437,500.00	(110,707.50)	4,993.75
2/1/05	321,827.50	437,500.00	115,672.50	120,666.25
8/1/05	551,827.50	437,500.00	(114,327.50)	6,338.75
2/1/06	315,042.50	437,500.00	122,457.50	128,796.25
8/1/06	560,042.50	437,500.00	(122,542.50)	6,253.75
2/1/07	307,692.50	437,500.00	129,807.50	136,061.25
8/1/07	567,692.50	437,500.00	(130,192.50)	5,868.75
2/1/08	299,762.50	437,500.00	137,737.50	143,606.25
8/1/08	574,762.50	437,500.00	(137,262.50)	6,343.75
2/1/09	291,237.50	437,500.00	146,262.50	152,606.25
8/1/09	581,237.50	437,500.00	(143,737.50)	8,868.75
2/1/10	282,102.50	437,500.00	155,397.50	164,266.25
8/1/10	592,102.50	437,500.00	(154,602.50)	9,663.75
2/1/11	272,260.00	437,500.00	165,240.00	174,903.75
8/1/11	602,260.00	437,500.00	(164,760.00)	10,143.75
2/1/12	261,700.00	437,500.00	175,800.00	185,943.75
8/1/12	611,700.00	437,500.00	(174,200.00)	11,743.75
2/1/13	250,412.50	437,500.00	187,087.50	198,831.25
8/1/13	625,412.50	437,500.00	(187,912.50)	10,918.75
2/1/14	238,225.00	437,500.00	199,275.00	210,193.75
8/1/14	638,225.00	437,500.00	(200,725.00)	9,468.75
2/1/15	225,225.00	437,500.00	212,275.00	221,743.75
8/1/15	650,225.00	437,500.00	(212,725.00)	9,018.75
2/1/16	211,412.50	437,500.00	226,087.50	235,106.25
8/1/16	661,412.50	437,500.00	(223,912.50)	11,193.75
2/1/17	196,787.50	437,500.00	240,712.50	251,906.25
8/1/17	676,787.50	437,500.00	(239,287.50)	12,618.75
2/1/18	181,187.50	437,500.00	256,312.50	268,931.25
8/1/18	696,187.50	437,500.00	(258,687.50)	10,243.75
2/1/19	164,450.00	437,500.00	273,050.00	283,293.75
8/1/19	709,450.00	437,500.00	(271,950.00)	11,343.75
2/1/20	146,737.50	437,500.00	290,762.50	302,106.25

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
Duluth Revenue Bonds**

Calculation of Revenue Sufficiency and Reserve Requirement

Date	Net Debt Service	Franchise Fee Received	Period Balance	Franchise Fee Fund Balance
8/1/20	726,737.50	437,500.00	(289,237.50)	12,868.75
2/1/21	127,887.50	437,500.00	309,612.50	322,481.25
8/1/21	747,887.50	437,500.00	(310,387.50)	12,093.75
2/1/22	107,737.50	437,500.00	329,762.50	341,856.25
8/1/22	767,737.50	437,500.00	(330,237.50)	11,618.75
2/1/23	86,287.50	437,500.00	351,212.50	362,831.25
8/1/23	786,287.50	437,500.00	(348,787.50)	14,043.75
2/1/24	63,537.50	437,500.00	373,962.50	388,006.25
8/1/24	813,537.50	437,500.00	(376,037.50)	11,968.75
2/1/25	39,162.50	437,500.00	398,337.50	410,306.25
8/1/25	834,162.50	437,500.00	(396,662.50)	13,643.75
2/1/26	13,325.00	437,500.00	424,175.00	437,818.75
8/1/26	423,325.00		(423,325.00)	14,493.75
	25,298,856.25	25,312,500.00		

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 Duluth Revenue Bonds

Calculation of Revenue Sufficiency and Reserve Requirement (Cont'd)

Date	Reserve Requirement	Sufficient	Date	Reserve Fund Amount
12/1/94	96,893.43		12/1/94	1,059,250.00
			2/1/95	1,070,558.60
12/1/95	798,904.99		8/1/95	1,104,846.58
			2/1/96	1,140,232.74
12/1/96	1,165,155.42	Yes	8/1/96	1,176,752.26
			2/1/97	1,214,441.43
12/1/97	1,166,500.00	Yes	8/1/97	1,253,337.71
			2/1/98	1,293,479.77
12/1/98	1,174,110.42	Yes	8/1/98	1,334,907.50
			2/1/99	1,377,662.08
12/1/99	1,248,538.75	Yes	8/1/99	1,421,786.01
			2/1/00	1,467,323.15
12/1/00	1,302,790.00	Yes	8/1/00	1,514,318.76
			2/1/01	1,562,819.55
12/1/01	1,297,911.67	Yes	8/1/01	1,612,873.73
			2/1/02	1,664,531.05
12/1/02	1,292,675.42	Yes	8/1/02	1,717,842.86
			2/1/03	1,772,862.15
12/1/03	1,290,213.75	Yes	8/1/03	1,829,643.60
			2/1/04	1,888,243.65
12/1/04	1,282,037.92	Yes	8/1/04	1,948,720.55
			2/1/05	2,011,134.42
12/1/05	1,277,392.92	Yes	8/1/05	2,075,547.28
			2/1/06	2,142,023.17
12/1/06	1,270,941.25	Yes	8/1/06	2,210,628.16
			2/1/07	2,281,430.44
12/1/07	1,262,635.42	Yes	8/1/07	2,354,500.38
			2/1/08	2,429,910.61
12/1/08	1,253,261.25	Yes	8/1/08	2,507,736.09
			2/1/09	2,588,054.17
12/1/09	1,246,841.67	Yes	8/1/09	2,670,944.69
			2/1/10	2,756,490.04
12/1/10	1,238,170.00	Yes	8/1/10	2,844,775.25
			2/1/11	2,935,888.07
12/1/11	1,228,047.92	Yes	8/1/11	3,029,919.06
			2/1/12	3,126,961.69
12/1/12	2,375,420.83	Yes	8/1/12	3,227,112.41
			2/1/13	3,330,470.77
12/1/13	7,806,450.00		8/1/13	3,437,139.50
			2/1/14	3,547,224.63
			8/1/14	3,660,835.58
Maximum: (excluding last year)	2,375,420.83	Total:		85,595,160.14
		Reserve Fund Investment Rate:		6.406%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
State Guaranteed Bonds

Sources and Uses of Funds

Sources

Bond Proceeds	19,650,000.00
St. Louis Cash Contribution for Reserve Fund	1,908,469.38
Other Cash Contributions - Minnesota Power & Light	518,342.65
Accrued Interest	0.00
Total	<u>22,076,812.03</u>

Uses

Deposit to Construction Fund	16,895,363.40
Cost of Off-Site Improvements	650,000.00
Reserve Fund Requirement	2,426,812.03
Deposit to Capitalized Interest Fund	1,602,241.25
State Deposit for Capitalized Interest - Northwest Airlines	107,356.81
Bond Insurance Premium	0.000% 0.00
Underwriters' Discount	0.500% 98,250.00
Costs of Issuance	1.500% 294,750.00
Accrued Interest	0.00
Rounding	2,038.54
Total	<u>22,076,812.03</u>

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 State Guaranteed Bonds

"Hypothetical" 30 Year Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/1/94					
2/1/95			209,903.75	209,903.75	
8/1/95			629,711.25	629,711.25	839,615.00
2/1/96			629,711.25	629,711.25	
8/1/96		4.650%	629,711.25	629,711.25	1,259,422.50
2/1/97			629,711.25	629,711.25	
8/1/97	100,000	4.850%	629,711.25	729,711.25	1,359,422.50
2/1/98			627,286.25	627,286.25	
8/1/98	100,000	5.050%	627,286.25	727,286.25	1,354,572.50
2/1/99			624,761.25	624,761.25	
8/1/99	100,000	5.250%	624,761.25	724,761.25	1,349,522.50
2/1/00			622,136.25	622,136.25	
8/1/00	100,000	5.400%	622,136.25	722,136.25	1,344,272.50
2/1/01			619,436.25	619,436.25	
8/1/01	100,000	5.500%	619,436.25	719,436.25	1,338,872.50
2/1/02			616,686.25	616,686.25	
8/1/02	100,000	5.600%	616,686.25	716,686.25	1,333,372.50
2/1/03			613,886.25	613,886.25	
8/1/03	100,000	5.700%	613,886.25	713,886.25	1,327,772.50
2/1/04			611,036.25	611,036.25	
8/1/04	100,000	5.800%	611,036.25	711,036.25	1,322,072.50
2/1/05			608,136.25	608,136.25	
8/1/05	345,000	5.900%	608,136.25	953,136.25	1,561,272.50
2/1/06			597,958.75	597,958.75	
8/1/06	365,000	6.000%	597,958.75	962,958.75	1,560,917.50
2/1/07			587,008.75	587,008.75	
8/1/07	385,000	6.100%	587,008.75	972,008.75	1,559,017.50
2/1/08			575,266.25	575,266.25	
8/1/08	410,000	6.200%	575,266.25	985,266.25	1,560,532.50
2/1/09			562,556.25	562,556.25	
8/1/09	435,000	6.300%	562,556.25	997,556.25	1,560,112.50
2/1/10			548,853.75	548,853.75	
8/1/10	460,000	6.350%	548,853.75	1,008,853.75	1,557,707.50
2/1/11			534,248.75	534,248.75	
8/1/11	490,000	6.400%	534,248.75	1,024,248.75	1,558,497.50
2/1/12			518,568.75	518,568.75	
8/1/12	525,000	6.450%	518,568.75	1,043,568.75	1,562,137.50
2/1/13			501,637.50	501,637.50	
8/1/13	560,000	6.500%	501,637.50	1,061,637.50	1,563,275.00
2/1/14			483,437.50	483,437.50	
8/1/14	590,000	6.500%	483,437.50	1,073,437.50	1,556,875.00
2/1/15			464,262.50	464,262.50	
8/1/15	1,060,000	6.500%	464,262.50	1,524,262.50	1,988,525.00
2/1/16			429,812.50	429,812.50	
8/1/16	1,130,000	6.500%	429,812.50	1,559,812.50	1,989,625.00
2/1/17			393,087.50	393,087.50	
8/1/17	1,200,000	6.500%	393,087.50	1,593,087.50	1,986,175.00
2/1/18			354,087.50	354,087.50	
8/1/18	1,280,000	6.500%	354,087.50	1,634,087.50	1,988,175.00
2/1/19			312,487.50	312,487.50	
8/1/19	1,360,000	6.500%	312,487.50	1,672,487.50	1,984,975.00
2/1/20			268,287.50	268,287.50	

State of Minnesota: Duluth Maintenance Facility Financing Analysis
State Guaranteed Bonds

"Hypothetical" 30 Year Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
8/1/20	1,450,000	6.500%	268,287.50	1,718,287.50	1,986,575.00
2/1/21			221,162.50	221,162.50	
8/1/21	1,545,000	6.500%	221,162.50	1,766,162.50	1,987,325.00
2/1/22			170,950.00	170,950.00	
8/1/22	1,645,000	6.500%	170,950.00	1,815,950.00	1,986,900.00
2/1/23			117,487.50	117,487.50	
8/1/23	1,750,000	6.500%	117,487.50	1,867,487.50	1,984,975.00
2/1/24			60,612.50	60,612.50	
8/1/24	1,865,000	6.500%	60,612.50	1,925,612.50	1,986,225.00
Subtotal:	19,650,000		28,648,737.50	48,298,737.50	48,298,737.50

Dated Date:

12/1/94

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 6.44418741%	Present Value Debt Service
12/1/94							
2/1/95			209,903.75	209,903.75		0.98948477	207,696.56
8/1/95		0.000%	629,711.25	629,711.25	839,615.00	0.95859784	603,639.85
2/1/96			629,711.25	629,711.25		0.92867506	584,797.14
8/1/96		4.650%	629,711.25	629,711.25	1,259,422.50	0.89968633	566,542.60
2/1/97			629,711.25	629,711.25		0.87160248	548,857.89
8/1/97	100,000	4.850%	629,711.25	729,711.25	1,359,422.50	0.84439527	616,164.73
2/1/98			627,286.25	627,286.25		0.81803734	513,143.58
8/1/98	100,000	5.050%	627,286.25	727,286.25	1,354,572.50	0.79250218	576,375.94
2/1/99			624,761.25	624,761.25		0.76776410	479,669.26
8/1/99	100,000	5.250%	624,761.25	724,761.25	1,349,522.50	0.74379822	539,076.13
2/1/00			622,136.25	622,136.25		0.72058045	448,299.22
8/1/00	100,000	5.400%	622,136.25	722,136.25	1,344,272.50	0.69808742	504,114.23
2/1/01			619,436.25	619,436.25		0.67629651	418,922.57
8/1/01	100,000	5.500%	619,436.25	719,436.25	1,338,872.50	0.65518581	471,364.42
2/1/02			616,686.25	616,686.25		0.63473408	391,431.78
8/1/02	100,000	5.600%	616,686.25	716,686.25	1,333,372.50	0.61492076	440,705.25
2/1/03			613,886.25	613,886.25		0.59572591	365,707.95
8/1/03	100,000	5.700%	613,886.25	713,886.25	1,327,772.50	0.57713023	412,005.34
2/1/04			611,036.25	611,036.25		0.55911502	341,639.55
8/1/04	100,000	5.800%	611,036.25	711,036.25	1,322,072.50	0.54166216	385,141.43
2/1/05			608,136.25	608,136.25		0.52475409	319,121.99
8/1/05	345,000	5.900%	608,136.25	953,136.25	1,561,272.50	0.50837381	484,549.51
2/1/06			597,958.75	597,958.75		0.49250485	294,497.58
8/1/06	365,000	6.000%	597,958.75	962,958.75	1,560,917.50	0.47713123	459,457.69
2/1/07			587,008.75	587,008.75		0.46223750	271,337.46
8/1/07	385,000	6.100%	587,008.75	972,008.75	1,559,017.50	0.44780869	435,273.96
2/1/08			575,266.25	575,266.25		0.43383027	249,567.91
8/1/08	410,000	6.200%	575,266.25	985,266.25	1,560,532.50	0.42028819	414,095.77
2/1/09			562,556.25	562,556.25		0.40716883	229,055.37
8/1/09	435,000	6.300%	562,556.25	997,556.25	1,560,112.50	0.39445899	393,495.03
2/1/10			548,853.75	548,853.75		0.38214589	209,742.21
8/1/10	460,000	6.350%	548,853.75	1,008,853.75	1,557,707.50	0.37021715	373,494.96
2/1/11			534,248.75	534,248.75		0.35866076	191,614.06
8/1/11	490,000	6.400%	534,248.75	1,024,248.75	1,558,497.50	0.34746511	355,890.71
2/1/12			518,568.75	518,568.75		0.33661893	174,560.06
8/1/12	525,000	6.450%	518,568.75	1,043,568.75	1,562,137.50	0.32611132	340,319.59
2/1/13			501,637.50	501,637.50		0.31593171	158,483.19
8/1/13	560,000	6.500%	501,637.50	1,061,637.50	1,563,275.00	0.30606985	324,935.23
2/1/14			483,437.50	483,437.50		0.29651583	143,346.87
8/1/14	14,875,000	6.500%	483,437.50	15,358,437.50	15,841,875.00	0.28726004	4,411,865.43
Subtotal:	19,650,000		23,064,262.50	42,714,262.50	42,714,262.50		19,650,000.00
Accrued:			0.00	0.00	0.00		
Total:	19,650,000		23,064,262.50	42,714,262.50	42,714,262.50	Bond Proceeds:	19,650,000.00
						Plus Accrued:	0.00
Dated Date:			12/1/94			Total:	19,650,000.00
Delivery Date:			12/1/94			Yield:	6.44418741%

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
State Guaranteed Bonds**

Construction Fund Draw Schedule

Date	Beginning Balance	Plus Construction Fund Income	Less Construction Draw	Ending Balance
12/1/94	16,895,363.40		2,320,261.36	14,575,102.04
1/1/95	14,575,102.04	65,574.71	381,818.18	14,258,858.57
2/1/95	14,258,858.57	64,151.90	636,363.64	13,686,646.83
3/1/95	13,686,646.83	61,577.47	127,272.73	13,620,951.57
4/1/95	13,620,951.57	61,281.89	254,545.45	13,427,688.01
5/1/95	13,427,688.01	60,412.39	636,363.64	12,851,736.76
6/1/95	12,851,736.76	57,821.13	1,972,727.27	10,936,830.62
7/1/95	10,936,830.62	49,205.80	2,300,454.55	8,685,581.87
8/1/95	8,685,581.87	39,077.22	1,422,000.00	7,302,659.09
9/1/95	7,302,659.09	32,855.33	1,625,425.00	5,710,089.42
10/1/95	5,710,089.42	25,690.21	1,501,000.00	4,234,779.63
11/1/95	4,234,779.63	19,052.66	1,467,425.00	2,786,407.29
12/1/95	2,786,407.29	12,536.30	1,618,968.18	1,179,975.41
1/1/96	1,179,975.41	5,308.82	1,185,279.39	4.84
2/1/96	4.84	0.02	0.00	4.86
3/1/96	4.86	0.02	0.00	4.88
4/1/96	4.88	0.02	0.00	4.90
5/1/96	4.90	0.02	0.00	4.92
6/1/96	4.92	0.02	0.00	4.94
7/1/96	4.94	0.02	0.00	4.96
8/1/96	4.96	0.02	0.00	4.98
9/1/96	4.98	0.02	0.00	5.00
		554,545.99	17,449,904.39	

Construction Fund Investment Rate: 5.460%

Cost of Construction Project: 17,625,323.98

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
State Guaranteed Bonds**

Capitalized Interest Fund Draw Schedule

Date	Beginning Balance	Plus Capitalized Int. Fund Income	Less Bond Interest Draw	Ending Balance
12/1/94	1,602,241.25			1,602,241.25
2/1/95	1,602,241.25	14,449.69	209,903.75	1,406,787.19
8/1/95	1,406,787.19	38,405.29	629,711.25	815,481.23
2/1/96	815,481.23	22,262.64	629,711.25	208,032.62
4/1/96	208,032.62	1,876.13	209,903.75	5.00
		<u>76,993.75</u>	<u>1,679,230.00</u>	

Capitalized Interest Fund Investment Rate: 5.460%

Reserve Fund Investment Rate: 6.444%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 State Guaranteed Bonds

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Capitalized Interest	Net Debt Service	Annual Net Debt Service
12/1/94							
2/1/95			209,903.75	209,903.75	209,903.75	0.00	
8/1/95		0.000%	629,711.25	629,711.25	629,711.25	0.00	0.00
2/1/96			629,711.25	629,711.25	629,711.25	0.00	
8/1/96		4.650%	629,711.25	629,711.25	209,903.75	419,807.50	419,807.50
2/1/97			629,711.25	629,711.25		629,711.25	
8/1/97	100,000	4.850%	629,711.25	729,711.25		729,711.25	1,359,422.50
2/1/98			627,286.25	627,286.25		627,286.25	
8/1/98	100,000	5.050%	627,286.25	727,286.25		727,286.25	1,354,572.50
2/1/99			624,761.25	624,761.25		624,761.25	
8/1/99	100,000	5.250%	624,761.25	724,761.25		724,761.25	1,349,522.50
2/1/00			622,136.25	622,136.25		622,136.25	
8/1/00	100,000	5.400%	622,136.25	722,136.25		722,136.25	1,344,272.50
2/1/01			619,436.25	619,436.25		619,436.25	
8/1/01	100,000	5.500%	619,436.25	719,436.25		719,436.25	1,338,872.50
2/1/02			616,686.25	616,686.25		616,686.25	
8/1/02	100,000	5.600%	616,686.25	716,686.25		716,686.25	1,333,372.50
2/1/03			613,886.25	613,886.25		613,886.25	
8/1/03	100,000	5.700%	613,886.25	713,886.25		713,886.25	1,327,772.50
2/1/04			611,036.25	611,036.25		611,036.25	
8/1/04	100,000	5.800%	611,036.25	711,036.25		711,036.25	1,322,072.50
2/1/05			608,136.25	608,136.25		608,136.25	
8/1/05	345,000	5.900%	608,136.25	953,136.25		953,136.25	1,561,272.50
2/1/06			597,958.75	597,958.75		597,958.75	
8/1/06	365,000	6.000%	597,958.75	962,958.75		962,958.75	1,560,917.50
2/1/07			587,008.75	587,008.75		587,008.75	
8/1/07	385,000	6.100%	587,008.75	972,008.75		972,008.75	1,559,017.50
2/1/08			575,266.25	575,266.25		575,266.25	
8/1/08	410,000	6.200%	575,266.25	985,266.25		985,266.25	1,560,532.50
2/1/09			562,556.25	562,556.25		562,556.25	
8/1/09	435,000	6.300%	562,556.25	997,556.25		997,556.25	1,560,112.50
2/1/10			548,853.75	548,853.75		548,853.75	
8/1/10	460,000	6.350%	548,853.75	1,008,853.75		1,008,853.75	1,557,707.50
2/1/11			534,248.75	534,248.75		534,248.75	
8/1/11	490,000	6.400%	534,248.75	1,024,248.75		1,024,248.75	1,558,497.50
2/1/12			518,568.75	518,568.75		518,568.75	
8/1/12	525,000	6.450%	518,568.75	1,043,568.75		1,043,568.75	1,562,137.50
2/1/13			501,637.50	501,637.50		501,637.50	
8/1/13	560,000	6.500%	501,637.50	1,061,637.50		1,061,637.50	1,563,275.00
2/1/14			483,437.50	483,437.50		483,437.50	
8/1/14	14,875,000	6.500%	483,437.50	15,358,437.50		15,358,437.50	15,841,875.00
Total:	19,650,000		23,064,262.50	42,714,262.50	1,679,230.00	41,035,032.50	41,035,032.50

Dated Date: 12/1/94
 Delivery Date: 12/1/94

Reserve Fund Investment Rate: 6.444%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 State Guaranteed Bonds

Reserve Requirement

Date	Reserve Requirement
12/1/94	1,650,560.89
12/1/95	2,119,218.95
	0.00
12/1/96	2,284,771.59
	0.00
12/1/97	2,273,135.95
	0.00
12/1/98	2,264,478.41
	0.00
12/1/99	2,254,363.81
	0.00
12/1/00	2,242,840.81
	0.00
12/1/01	2,230,733.40
	0.00
12/1/02	2,220,612.53
	0.00
12/1/03	2,239,398.24
	0.00
12/1/04	2,426,812.03
	0.00
12/1/05	2,412,494.85
	0.00
12/1/06	2,398,387.49
	0.00
12/1/07	2,380,622.53
	0.00
12/1/08	2,363,222.96
	0.00
12/1/09	2,345,631.83
	0.00
12/1/10	2,327,505.65
	0.00
12/1/11	2,307,629.67
	0.00
12/1/12	2,075,703.34
	0.00
12/1/13	13,575,980.57

Reserve Fund Requirement

Maximum (excluding last year): 2,426,812.03

* Reserve Fund earnings flow to support Taxable Reserve Fund Financing.

State of Minnesota: Duluth Maintenance Facility Financing Analysis
State Guaranteed Taxable Bonds

Page 40

Sources and Uses of Funds

Sources

Bond Proceeds	3,900,000.00
Other Cash Contributions - Minnesota Power & Light	481,657.35
Accrued Interest	0.00
	<hr/>
Total	4,381,657.35

Uses

Reserve Fund Requirement		481,657.35
Deposit to Capitalized Interest Fund		411,052.30
Bond Insurance Premium	0.000%	0.00
Underwriters' Discount	1.000%	39,000.00
Costs of Issuance		3,445,775.00
Accrued Interest		0.00
Rounding		4,172.70
		<hr/>
Total		4,381,657.35

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 State Guaranteed Taxable Bonds

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 8.34951494%	Present Value Debt Service
12/1/94							
2/1/95			53,850.00	53,850.00		0.98645929	53,120.83
8/1/95			161,550.00	161,550.00	215,400.00	0.94692737	152,976.12
2/1/96			161,550.00	161,550.00		0.90897967	146,845.67
8/1/96			161,550.00	161,550.00	323,100.00	0.87255271	140,960.89
2/1/97			161,550.00	161,550.00		0.83758555	135,311.95
8/1/97	105,000	7.500%	161,550.00	266,550.00	428,100.00	0.80401968	214,311.44
2/1/98			157,612.50	157,612.50		0.77179894	121,645.16
8/1/98	110,000	7.700%	157,612.50	267,612.50	425,225.00	0.74086944	198,265.92
2/1/99			153,377.50	153,377.50		0.71117942	109,078.92
8/1/99	120,000	7.800%	153,377.50	273,377.50	426,755.00	0.68267922	186,629.14
2/1/00			148,697.50	148,697.50		0.65532115	97,444.62
8/1/00	130,000	7.950%	148,697.50	278,697.50	427,395.00	0.62905945	175,317.30
2/1/01			143,530.00	143,530.00		0.60385017	86,670.61
8/1/01	140,000	8.000%	143,530.00	283,530.00	427,060.00	0.57965114	164,348.49
2/1/02			137,930.00	137,930.00		0.55642187	76,747.27
8/1/02	150,000	8.050%	137,930.00	287,930.00	425,860.00	0.53412351	153,790.18
2/1/03			131,892.50	131,892.50		0.51271875	67,623.76
8/1/03	165,000	8.100%	131,892.50	296,892.50	428,785.00	0.49217177	146,122.11
2/1/04			125,210.00	125,210.00		0.47244820	59,155.24
8/1/04	175,000	8.200%	125,210.00	300,210.00	425,420.00	0.45351505	136,149.75
2/1/05			118,035.00	118,035.00		0.43534064	51,385.43
8/1/05	190,000	8.300%	118,035.00	308,035.00	426,070.00	0.41789455	128,726.15
2/1/06			110,150.00	110,150.00		0.40114761	44,186.41
8/1/06	205,000	8.300%	110,150.00	315,150.00	425,300.00	0.38507180	121,355.38
2/1/07			101,642.50	101,642.50		0.36964022	37,571.16
8/1/07	225,000	8.350%	101,642.50	326,642.50	428,285.00	0.35482705	115,901.59
2/1/08			92,248.75	92,248.75		0.34060751	31,420.62
8/1/08	240,000	8.350%	92,248.75	332,248.75	424,497.50	0.32695781	108,631.32
2/1/09			82,228.75	82,228.75		0.31385512	25,807.91
8/1/09	260,000	8.400%	82,228.75	342,228.75	424,457.50	0.30127752	103,105.83
2/1/10			71,308.75	71,308.75		0.28920395	20,622.77
8/1/10	285,000	8.400%	71,308.75	356,308.75	427,617.50	0.27761423	98,916.38
2/1/11			59,338.75	59,338.75		0.26648896	15,813.12
8/1/11	310,000	8.450%	59,338.75	369,338.75	428,677.50	0.25580954	94,480.37
2/1/12			46,241.25	46,241.25		0.24555808	11,354.91
8/1/12	335,000	8.450%	46,241.25	381,241.25	427,482.50	0.23571745	89,865.22
2/1/13			32,087.50	32,087.50		0.22627118	7,260.48
8/1/13	360,000	8.500%	32,087.50	392,087.50	424,175.00	0.21720346	85,162.76
2/1/14			16,787.50	16,787.50		0.20849913	3,500.18
8/1/14	395,000	8.500%	16,787.50	411,787.50	428,575.00	0.20014362	82,416.64
Subtotal:							
	3,900,000		4,318,237.50	8,218,237.50	8,218,237.50		3,900,000.00
			0.00	0.00	0.00		
	3,900,000		4,318,237.50	8,218,237.50	8,218,237.50	Bond Proceeds:	3,900,000.00
						Plus Accrued:	0.00
Dated Date:			12/1/94			Total:	3,900,000.00
Delivery Date:			12/1/94			Yield:	8.34951494%

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
State Guaranteed Taxable Bonds**

Capitalized Interest Fund Draw Schedule

Date	Beginning Balance	Plus Capitalized Int. Fund Income	Less Bond Interest Draw	Ending Balance
12/1/94	411,052.30			411,052.30
2/1/95	411,052.30	3,707.04	53,850.00	360,909.34
8/1/95	360,909.34	9,852.82	161,550.00	209,212.16
2/1/96	209,212.16	5,711.49	161,550.00	53,373.65
4/1/96	53,373.65	481.35	53,850.00	5.00
		19,752.70	430,800.00	

Capitalized Interest Fund Investment Rate: 5.460%

Reserve Fund Investment Rate: 7.500%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 State Guaranteed Taxable Bonds

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Capitalized Interest	Net Debt Service	Annual Net Debt Service
12/1/94							
2/1/95			53,850.00	53,850.00	53,850.00	0.00	
8/1/95		0.000%	161,550.00	161,550.00	161,550.00	0.00	0.00
2/1/96			161,550.00	161,550.00	161,550.00	0.00	
8/1/96		0.000%	161,550.00	161,550.00	53,850.00	107,700.00	107,700.00
2/1/97			161,550.00	161,550.00		161,550.00	
8/1/97	105,000	7.500%	161,550.00	266,550.00		266,550.00	428,100.00
2/1/98			157,612.50	157,612.50		157,612.50	
8/1/98	110,000	7.700%	157,612.50	267,612.50		267,612.50	425,225.00
2/1/99			153,377.50	153,377.50		153,377.50	
8/1/99	120,000	7.800%	153,377.50	273,377.50		273,377.50	426,755.00
2/1/00			148,697.50	148,697.50		148,697.50	
8/1/00	130,000	7.950%	148,697.50	278,697.50		278,697.50	427,395.00
2/1/01			143,530.00	143,530.00		143,530.00	
8/1/01	140,000	8.000%	143,530.00	283,530.00		283,530.00	427,060.00
2/1/02			137,930.00	137,930.00		137,930.00	
8/1/02	150,000	8.050%	137,930.00	287,930.00		287,930.00	425,860.00
2/1/03			131,892.50	131,892.50		131,892.50	
8/1/03	165,000	8.100%	131,892.50	296,892.50		296,892.50	428,785.00
2/1/04			125,210.00	125,210.00		125,210.00	
8/1/04	175,000	8.200%	125,210.00	300,210.00		300,210.00	425,420.00
2/1/05			118,035.00	118,035.00		118,035.00	
8/1/05	190,000	8.300%	118,035.00	308,035.00		308,035.00	426,070.00
2/1/06			110,150.00	110,150.00		110,150.00	
8/1/06	205,000	8.300%	110,150.00	315,150.00		315,150.00	425,300.00
2/1/07			101,642.50	101,642.50		101,642.50	
8/1/07	225,000	8.350%	101,642.50	326,642.50		326,642.50	428,285.00
2/1/08			92,248.75	92,248.75		92,248.75	
8/1/08	240,000	8.350%	92,248.75	332,248.75		332,248.75	424,497.50
2/1/09			82,228.75	82,228.75		82,228.75	
8/1/09	260,000	8.400%	82,228.75	342,228.75		342,228.75	424,457.50
2/1/10			71,308.75	71,308.75		71,308.75	
8/1/10	285,000	8.400%	71,308.75	356,308.75		356,308.75	427,617.50
2/1/11			59,338.75	59,338.75		59,338.75	
8/1/11	310,000	8.450%	59,338.75	369,338.75		369,338.75	428,677.50
2/1/12			46,241.25	46,241.25		46,241.25	
8/1/12	335,000	8.450%	46,241.25	381,241.25		381,241.25	427,482.50
2/1/13			32,087.50	32,087.50		32,087.50	
8/1/13	360,000	8.500%	32,087.50	392,087.50		392,087.50	424,175.00
2/1/14			16,787.50	16,787.50		16,787.50	
8/1/14	395,000	8.500%	16,787.50	411,787.50		411,787.50	428,575.00
Total:	3,900,000		4,318,237.50	8,218,237.50	430,800.00	7,787,437.50	7,787,437.50

Dated Date: 12/1/94
 Delivery Date: 12/1/94

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 State Guaranteed Taxable Bonds

Reserve Requirement

Date	Reserve Requirement
12/1/94	327,592.24
12/1/95	420,608.34
	0.00
12/1/96	453,466.12
	0.00
12/1/97	451,156.75
	0.00
12/1/98	449,438.46
	0.00
12/1/99	447,430.98
	0.00
12/1/00	445,143.98
	0.00
12/1/01	442,740.98
	0.00
12/1/02	440,732.26
	0.00
12/1/03	444,460.72
	0.00
12/1/04	481,657.35
	0.00
12/1/05	478,815.77
	0.00
12/1/06	476,015.84
	0.00
12/1/07	472,489.97
	0.00
12/1/08	469,036.62
	0.00
12/1/09	465,545.25
	0.00
12/1/10	461,947.69
	0.00
12/1/11	458,002.83
	0.00
12/1/12	411,971.66
	0.00
12/1/13	428,575.00

Reserve Fund Requirement

Maximum: 481,657.35

* Reserve Fund earnings flow to support Taxable Reserve Fund Financing.

State of Minnesota: Duluth Maintenance Facility Financing Analysis
County Backed Bonds Reserve Fund

Sources and Uses of Funds

Sources

Bond Proceeds		1,950,000.00
Accrued Interest		0.00
		<hr/>
Total		1,950,000.00

Uses

Contribution to State's Reserve		1,908,469.38
Bond Insurance Premium	0.000%	0.00
Underwriters' Discount	1.000%	19,500.00
Costs of Issuance	1.000%	19,500.00
Accrued Interest		0.00
Rounding		2,530.63
		<hr/>
Total		1,950,000.00

Calculation of Reserve Requirement

Reserve Fund Requirement: State Tax Exempt		1,908,469.38
Reserve Fund Requirement: State Taxable		0.00
		<hr/>
Total		1,908,469.38

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 8.50204155%	Present Value Debt Service
12/1/94							
2/1/95			27,625.00	27,625.00		0.98621869	27,244.29
8/1/95			82,875.00	82,875.00	110,500.00	0.94600387	78,400.07
2/1/96			82,875.00	82,875.00		0.90742888	75,203.17
8/1/96			82,875.00	82,875.00	165,750.00	0.87042685	72,136.63
2/1/97			82,875.00	82,875.00		0.83493365	69,195.13
8/1/97			82,875.00	82,875.00	165,750.00	0.80088774	66,373.57
2/1/98			82,875.00	82,875.00		0.76823012	63,667.07
8/1/98			82,875.00	82,875.00	165,750.00	0.73690417	61,070.93
2/1/99			82,875.00	82,875.00		0.70685559	58,580.66
8/1/99			82,875.00	82,875.00	165,750.00	0.67803230	56,191.93
2/1/00			82,875.00	82,875.00		0.65038433	53,900.60
8/1/00			82,875.00	82,875.00	165,750.00	0.62386375	51,702.71
2/1/01			82,875.00	82,875.00		0.59842460	49,594.44
8/1/01			82,875.00	82,875.00	165,750.00	0.57402277	47,572.14
2/1/02			82,875.00	82,875.00		0.55061597	45,632.30
8/1/02			82,875.00	82,875.00	165,750.00	0.52816362	43,771.56
2/1/03			82,875.00	82,875.00		0.50662681	41,986.70
8/1/03			82,875.00	82,875.00	165,750.00	0.48596820	40,274.61
2/1/04			82,875.00	82,875.00		0.46615199	38,632.35
8/1/04			82,875.00	82,875.00	165,750.00	0.44714381	37,057.04
2/1/05			82,875.00	82,875.00		0.42891073	35,545.98
8/1/05			82,875.00	82,875.00	165,750.00	0.41142113	34,096.53
2/1/06			82,875.00	82,875.00		0.39464470	32,706.18
8/1/06			82,875.00	82,875.00	165,750.00	0.37855236	31,372.53
2/1/07			82,875.00	82,875.00		0.36311621	30,093.26
8/1/07			82,875.00	82,875.00	165,750.00	0.34830951	28,866.15
2/1/08			82,875.00	82,875.00		0.33410657	27,689.08
8/1/08			82,875.00	82,875.00	165,750.00	0.32048278	26,560.01
2/1/09			82,875.00	82,875.00		0.30741452	25,476.98
8/1/09			82,875.00	82,875.00	165,750.00	0.29487915	24,438.11
2/1/10			82,875.00	82,875.00		0.28285493	23,441.60
8/1/10			82,875.00	82,875.00	165,750.00	0.27132101	22,485.73
2/1/11			82,875.00	82,875.00		0.26025742	21,568.83
8/1/11			82,875.00	82,875.00	165,750.00	0.24964496	20,689.33
2/1/12			82,875.00	82,875.00		0.23946524	19,845.68
8/1/12			82,875.00	82,875.00	165,750.00	0.22970062	19,036.44
2/1/13			82,875.00	82,875.00		0.22033417	18,260.19
8/1/13			82,875.00	82,875.00	165,750.00	0.21134965	17,515.60
2/1/14			82,875.00	82,875.00		0.20273149	16,801.37
8/1/14	1,950,000	8.500%	82,875.00	2,032,875.00	2,115,750.00	0.19446476	395,322.54
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	1,950,000		3,259,750.00	5,209,750.00	5,209,750.00		1,950,000.00
Subtotal:			0.00	0.00	0.00		
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	1,950,000		3,259,750.00	5,209,750.00	5,209,750.00	Bond Proceeds:	1,950,000.00
						Plus Accrued:	0.00
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Dated Date:			12/1/94			Total:	1,950,000.00
Delivery Date:			12/1/94			Yield:	8.50204155%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 County Backed Bonds Reserve Fund

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Reserve Earnings	Net Debt Service	Annual Net Debt Service
12/1/94							
2/1/95			27,625.00	27,625.00	24,810.10	2,814.90	
8/1/95		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	11,259.59
2/1/96			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/96		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/97			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/97		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/98			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/98		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/99			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/99		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/00			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/00		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/01			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/01		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/02			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/02		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/03			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/03		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/04			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/04		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/05			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/05		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/06			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/06		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/07			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/07		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/08			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/08		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/09			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/09		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/10			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/10		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/11			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/11		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/12			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/12		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/13			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/13		0.000%	82,875.00	82,875.00	74,430.31	8,444.69	16,889.38
2/1/14			82,875.00	82,875.00	74,430.31	8,444.69	
8/1/14	1,950,000	8.500%	82,875.00	2,032,875.00	1,982,899.69	49,975.31	58,420.00
Total:	1,950,000		3,259,750.00	5,209,750.00	4,836,061.57	373,688.44	373,688.44

Dated Date: 12/1/94
 Delivery Date: 12/1/94
 Reserve Fund Investment Rate: 7.800%

* Reserve Fund earnings above are less earnings on Minnesota Power & Lights contribution.

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 County Backed Bonds Reserve Fund

Reserve Earnings on Portion Contributed by Minnesota Power & Light

Date	Reserve Earnings
12/1/94	
2/1/95	0.00
8/1/95	0.00
2/1/96	0.00
8/1/96	0.00
2/1/97	0.00
8/1/97	0.00
2/1/98	0.00
8/1/98	0.00
2/1/99	0.00
8/1/99	0.00
2/1/00	0.00
8/1/00	0.00
2/1/01	0.00
8/1/01	0.00
2/1/02	0.00
8/1/02	0.00
2/1/03	0.00
8/1/03	0.00
2/1/04	0.00
8/1/04	0.00
2/1/05	0.00
8/1/05	0.00
2/1/06	0.00
8/1/06	0.00
2/1/07	0.00
8/1/07	0.00
2/1/08	0.00
8/1/08	0.00
2/1/09	0.00
8/1/09	0.00
2/1/10	0.00
8/1/10	0.00
2/1/11	0.00
8/1/11	0.00
2/1/12	0.00
8/1/12	0.00
2/1/13	0.00
8/1/13	0.00
2/1/14	0.00
8/1/14	0.00
Total:	0.00
Contribution:	0.00
Reserve Fund Investment Rate:	7.800%

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
First Mortgage Bonds**

Sources and Uses of Funds

Sources

Bond Proceeds	5,105,000.00
Northwest Cash Contribution for Reserve Fund	510,500.00
State Contribution for Capitalized Interest	107,356.81
Accrued Interest	0.00
	<hr/>
Total	5,722,856.81

Uses

Deposit to Construction Fund	5,000,000.00
Reserve Fund Deposit	510,500.00
State Deposit for Capitalized Interest	107,356.81
Bond Insurance Premium	0.000% 0.00
Underwriters' Discount	1.000% 51,050.00
Costs of Issuance	1.000% 51,050.00
Accrued Interest	0.00
Rounding	2,900.00
	<hr/>
Total	5,722,856.81

Gross Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Disc. Factor at 8.50147781%	Present Value Debt Service
1/1/96							
2/1/96			36,160.42	36,160.42		0.99308589	35,910.40
8/1/96			216,962.50	216,962.50	253,122.92	0.95259362	206,677.09
2/1/97			216,962.50	216,962.50		0.91375239	198,250.00
8/1/97			216,962.50	216,962.50	433,925.00	0.87649488	190,166.52
2/1/98			216,962.50	216,962.50		0.84075652	182,412.64
8/1/98			216,962.50	216,962.50	433,925.00	0.80647536	174,974.91
2/1/99			216,962.50	216,962.50		0.77359198	167,840.45
8/1/99			216,962.50	216,962.50	433,925.00	0.74204940	160,996.89
2/1/00			216,962.50	216,962.50		0.71179294	154,432.38
8/1/00			216,962.50	216,962.50	433,925.00	0.68277016	148,135.52
2/1/01			216,962.50	216,962.50		0.65493076	142,095.42
8/1/01			216,962.50	216,962.50	433,925.00	0.62822650	136,301.59
2/1/02			216,962.50	216,962.50		0.60261107	130,744.00
8/1/02			216,962.50	216,962.50	433,925.00	0.57804010	125,413.02
2/1/03			216,962.50	216,962.50		0.55447098	120,299.41
8/1/03			216,962.50	216,962.50	433,925.00	0.53186288	115,394.30
2/1/04			216,962.50	216,962.50		0.51017661	110,689.19
8/1/04			216,962.50	216,962.50	433,925.00	0.48937457	106,175.93
2/1/05			216,962.50	216,962.50		0.46942072	101,846.69
8/1/05	345,000	8.500%	216,962.50	561,962.50	778,925.00	0.45028047	253,040.74
2/1/06			202,300.00	202,300.00		0.43192065	87,377.55
8/1/06	375,000	8.500%	202,300.00	577,300.00	779,600.00	0.41430944	239,180.84
2/1/07			186,362.50	186,362.50		0.39741631	74,063.50
8/1/07	405,000	8.500%	186,362.50	591,362.50	777,725.00	0.38121199	225,434.47
2/1/08			169,150.00	169,150.00		0.36566838	61,852.81
8/1/08	440,000	8.500%	169,150.00	609,150.00	778,300.00	0.35075855	213,664.57
2/1/09			150,450.00	150,450.00		0.33645665	50,619.90
8/1/09	475,000	8.500%	150,450.00	625,450.00	775,900.00	0.32273791	201,856.42
2/1/10			130,262.50	130,262.50		0.30957853	40,326.47
8/1/10	520,000	8.500%	130,262.50	650,262.50	780,525.00	0.29695572	193,099.17
2/1/11			108,162.50	108,162.50		0.28484759	30,809.83
8/1/11	560,000	8.500%	108,162.50	668,162.50	776,325.00	0.27323316	182,564.15
2/1/12			84,362.50	84,362.50		0.26209231	22,110.76
8/1/12	610,000	8.500%	84,362.50	694,362.50	778,725.00	0.25140571	174,566.69
2/1/13			58,437.50	58,437.50		0.24115484	14,092.49
8/1/13	660,000	8.500%	58,437.50	718,437.50	776,875.00	0.23132195	166,190.36
2/1/14			30,387.50	30,387.50		0.22188999	6,742.68
8/1/14	715,000	8.500%	30,387.50	745,387.50	775,775.00	0.21284260	158,650.22
Subtotal:	5,105,000		6,398,197.92	11,503,197.92	11,503,197.92		5,105,000.00
Accrued:			0.00	0.00	0.00		
Total:	5,105,000		6,398,197.92	11,503,197.92	11,503,197.92	Bond Proceeds:	5,105,000.00
						Plus Accrued:	0.00
Dated Date:			1/1/96			Total:	5,105,000.00
Delivery Date:			1/1/96			Yield:	8.50147781%

State of Minnesota: Duluth Maintenance Facility Financing Analysis
 First Mortgage Bonds

Construction Fund Draw Schedule

Date	Beginning Balance	Plus Construction Fund Income	Less Construction Draw	Ending Balance
1/1/96	5,000,000.00			5,000,000.00
4/1/96	5,000,000.00			5,000,000.00
5/1/96	5,000,000.00	22,495.45	1,129,867.42	3,892,628.03
6/1/96	3,892,628.03	17,513.29	1,466,000.00	2,444,141.32
7/1/96	2,444,141.32	10,996.41	982,000.00	1,473,137.73
8/1/96	1,473,137.73	6,627.78	982,000.00	497,765.51
9/1/96	497,765.51	2,239.49	500,000.00	5.00
		59,872.42	5,059,867.42	

Construction Fund Investment Rate: 5.460%

Cost of Construction Project: 5,059,867.42

**State of Minnesota: Duluth Maintenance Facility Financing Analysis
First Mortgage Bonds**

Capitalized Interest Fund Draw Schedule

Date	Beginning Balance	Plus Capitalized Int. Fund Income	Less Bond Interest Draw	Ending Balance
1/1/96	107,356.81			107,356.81
2/1/96	107,356.81	483.01	36,160.42	71,679.40
4/1/96	71,679.40	646.43	72,320.83	5.00
		<u>1,129.44</u>	<u>108,481.25</u>	

Capitalized Interest Fund Investment Rate: 5.460%

Reserve Fund Investment Rate: 7.500%

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Debt Service	Less Capitalized Interest	Net Debt Service	Annual Net Debt Service
1/1/96							
2/1/96			36,160.42	36,160.42	36,160.42	0.00	
8/1/96		0.000%	216,962.50	216,962.50	72,320.83	144,641.67	144,641.67
2/1/97			216,962.50	216,962.50		216,962.50	
8/1/97		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/98			216,962.50	216,962.50		216,962.50	
8/1/98		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/99			216,962.50	216,962.50		216,962.50	
8/1/99		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/00			216,962.50	216,962.50		216,962.50	
8/1/00		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/01			216,962.50	216,962.50		216,962.50	
8/1/01		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/02			216,962.50	216,962.50		216,962.50	
8/1/02		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/03			216,962.50	216,962.50		216,962.50	
8/1/03		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/04			216,962.50	216,962.50		216,962.50	
8/1/04		0.000%	216,962.50	216,962.50		216,962.50	433,925.00
2/1/05			216,962.50	216,962.50		216,962.50	
8/1/05	345,000	8.500%	216,962.50	561,962.50		561,962.50	778,925.00
2/1/06			202,300.00	202,300.00		202,300.00	
8/1/06	375,000	8.500%	202,300.00	577,300.00		577,300.00	779,600.00
2/1/07			186,362.50	186,362.50		186,362.50	
8/1/07	405,000	8.500%	186,362.50	591,362.50		591,362.50	777,725.00
2/1/08			169,150.00	169,150.00		169,150.00	
8/1/08	440,000	8.500%	169,150.00	609,150.00		609,150.00	778,300.00
2/1/09			150,450.00	150,450.00		150,450.00	
8/1/09	475,000	8.500%	150,450.00	625,450.00		625,450.00	775,900.00
2/1/10			130,262.50	130,262.50		130,262.50	
8/1/10	520,000	8.500%	130,262.50	650,262.50		650,262.50	780,525.00
2/1/11			108,162.50	108,162.50		108,162.50	
8/1/11	560,000	8.500%	108,162.50	668,162.50		668,162.50	776,325.00
2/1/12			84,362.50	84,362.50		84,362.50	
8/1/12	610,000	8.500%	84,362.50	694,362.50		694,362.50	778,725.00
2/1/13			58,437.50	58,437.50		58,437.50	
8/1/13	660,000	8.500%	58,437.50	718,437.50		718,437.50	776,875.00
2/1/14			30,387.50	30,387.50		30,387.50	
8/1/14	715,000	8.500%	30,387.50	745,387.50		745,387.50	775,775.00
Total:	5,105,000		6,398,197.92	11,503,197.92	108,481.25	11,394,716.67	11,394,716.67

Dated Date: 1/1/96
 Delivery Date: 1/1/96

Reserve Fund Earnings

Date	Reserve Earnings
1/1/96	
2/1/96	3,190.63
8/1/96	19,143.75
2/1/97	19,143.75
8/1/97	19,143.75
2/1/98	19,143.75
8/1/98	19,143.75
2/1/99	19,143.75
8/1/99	19,143.75
2/1/00	19,143.75
8/1/00	19,143.75
2/1/01	19,143.75
8/1/01	19,143.75
2/1/02	19,143.75
8/1/02	19,143.75
2/1/03	19,143.75
8/1/03	19,143.75
2/1/04	19,143.75
8/1/04	19,143.75
2/1/05	19,143.75
8/1/05	19,143.75
2/1/06	19,143.75
8/1/06	19,143.75
2/1/07	19,143.75
8/1/07	19,143.75
2/1/08	19,143.75
8/1/08	19,143.75
2/1/09	19,143.75
8/1/09	19,143.75
2/1/10	19,143.75
8/1/10	19,143.75
2/1/11	19,143.75
8/1/11	19,143.75
2/1/12	19,143.75
8/1/12	19,143.75
2/1/13	19,143.75
8/1/13	19,143.75
2/1/14	19,143.75
8/1/14	529,643.75

Total: 1,222,009.38

Reserve Fund Investment Rate: 7.500%

Reserve Fund Sizing

Maximum Annual Debt Service:	780,525.00
10% of Bond Proceeds:	510,500.00
125% Average Annual Debt Service:	756,789.34
Minimum of the three DSRF tests:	510,500.00

Construction Fund Draw Schedule

Date	Northwest Draw Schedule	County Draw Schedule	City Tax Increment Draw Schedule	City Tax "Unrelated" Draw Schedule	State Tax Exempt Draw Schedule	Total Draw Schedule
12/1/94			596,639	729,225	2,320,261	3,646,125
1/1/95			98,182	120,000	381,818	600,000
2/1/95			163,636	200,000	636,364	1,000,000
3/1/95			32,727	40,000	127,273	200,000
4/1/95			65,455	80,000	254,545	400,000
5/1/95			163,636	200,000	636,364	1,000,000
6/1/95			507,273	620,000	1,972,727	3,100,000
7/1/95			591,545	723,000	2,300,455	3,615,000
8/1/95			752,400	1,425,600	1,422,000	3,600,000
9/1/95			860,035	1,629,540	1,625,425	4,115,000
10/1/95			794,200	1,504,800	1,501,000	3,800,000
11/1/95			776,435	1,471,140	1,467,425	3,715,000
12/1/95			885,337	1,720,695	1,618,968	4,225,000
1/1/96		939,721			1,185,279	2,125,000
2/1/96		1,105,000				1,105,000
3/1/96		650,133				650,133
4/1/96						0
5/1/96	1,129,867					1,129,867
6/1/96	1,466,000					1,466,000
7/1/96	982,000					982,000
8/1/96	982,000					982,000
9/1/96	500,000					500,000
	5,059,867	2,694,853	6,287,500	10,464,000	17,449,904	41,956,125

Date	Other Financings Draw Schedule	Percentages	Northwest Input Draw Schedule	Percentages	Input Total Draw Schedule	Check
12/1/94	3,646,125	9.882%			3,646,125	0
1/1/95	600,000	1.626%			600,000	0
2/1/95	1,000,000	2.710%			1,000,000	0
3/1/95	200,000	0.542%			200,000	0
4/1/95	400,000	1.084%			400,000	0
5/1/95	1,000,000	2.710%			1,000,000	0
6/1/95	3,100,000	8.402%			3,100,000	0
7/1/95	3,615,000	9.798%			3,615,000	0
8/1/95	3,600,000	9.757%			3,600,000	0
9/1/95	4,115,000	11.153%			4,115,000	0
10/1/95	3,800,000	10.299%			3,800,000	0
11/1/95	3,715,000	10.069%			3,715,000	0
12/1/95	4,225,000	11.451%			4,225,000	0
1/1/96	2,125,000	5.759%			2,125,000	0
2/1/96	1,105,000	2.995%			1,105,000	0
3/1/96	650,133	1.762%			650,133	0
4/1/96					0	0
5/1/96			1,129,867	22.330%	1,129,867	0
6/1/96			1,466,000	28.973%	1,466,000	0
7/1/96			982,000	19.408%	982,000	0
8/1/96			982,000	19.408%	982,000	0
9/1/96			500,000	9.882%	500,000	0
	36,896,258	100.000%	5,059,867	100.000%	41,956,125	0

Exhibit E

12/13/94

Preliminary Uses of Funds Duluth Facility Cost Estimate
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	<u>(S's millions)</u>	
<u>Professional fees</u>		
Design & Process Engineering	1.7	\$1.7
<u>Facilities & Equipment</u>		
Building & Site	24.6	
Furniture, Fixtures & Equipment	0.5	
Equipment	9.6	
Subtotal - Facilities & Equipment		<u>34.7</u>
Total Construction Costs		36.4
<u>Other</u>		
Start-up & Training Allowances (includes relocation costs)	2.4	
Total Estimated Project Costs		38.8
1991 - 93 Legal & Advisors	2.6	
1991 - 93 Engineering & Design Work	2.9	
1994 Costs	1.2	
DLH Costs	0.4	
Sub - Total		45.9
Cost of Issuance (2%)	0.9	
TOTAL		<u><u>\$46.8</u></u>

Exhibit E-1

12/13/94

NWA Expense Summary for the State of Minnesota Financing (Duluth & Hibbing)
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Engineering & Design

Short Elliot Hendrickson	126,667
Productive Systems	15,700
McCluer	98,057
Andersen Consulting	966,441
NWA Duluth & Hibbing Development Costs	809,308
Salo Engineering	48,896
Simons - Eastern Consultants	513,560
Robert Yourzak & Assoc.	279,998
McCluer	45,335
Comp-U-Staff	21,850
Construction Industry Institute	10
ADIA Information Technology	3,795
Sal Skog Photography	3,406
Misc.	15,233

Total Engineering & Design	2,948,258
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Legal Invoices & Advisors

<u>1991-1993</u>	
Dorsey & Whitney	921,259
Faegre & Benson	513,703
Evensen Dodge Inc.	145,000
BRW, Inc.	1,105
Chisholm/Hibbing/CHAC	171,814
Minnesota Attorney General	41,315
Furr & Brownell	1,605
Briggs & Morgan	148,083
First Boston	94,052
Ernst & Young	24,628
Piper Jaffray	70,000
Leonard, Street	90,417
Arvai	167,695
Misc. Others (Mona, Meyer \$79K; November Group \$28K; etc.)	129,852
Fryberger, Buchanan	9,000
Springsted	2,000
St. Louis County Attorney	19,926
Sub-Total	2,551,453

1994

<u>Projected through close of transaction</u>	
Dorsey & Whitney	400,000
Faegre & Benson	400,000
Minnesota Attorney General	14,500
Oppenheimer, Wolff & Donnelly	25,000
Arvai	104,000
Piper	45,000
Dain Bosworth	17,500
Public Financial Management	100,000
Misc.	50,000
Sub-Total	1,156,000

Total Legal and Advisors	3,707,453
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Grand Total¹	6,655,711
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¹ Does not include items in the 2% cost of issuance

EXHIBIT F

Related Improvements and Estimated Costs and Cost Allocation

The Related Improvements are described in the "Sources of Funds/Related Improvement Costs" portion of the Finance Plan Overview and more particularly on attached Exhibits F-1 and F-2. The plans and specifications for the Related Improvements are as described on attached Exhibit F-1.

The City estimates that the costs of those Related Improvements described on attached Exhibit F-2 will be as set forth on attached Exhibit F-2. The costs of the Related Improvements shall be allocated, as between the City and parties other than the NAI Group, as set forth on attached Exhibit F-1; provided, however, that, as between the NAI Group and the City, the City shall have full responsibility for the completion of the Related Improvements and payment (subject to any reimbursement provided for in this Agreement) of the costs of the Related Improvements.

EXHIBIT F-1

Related Improvement Plans and Specifications

1. WATERMAIN: Construction plans for 10" watermain, City Project W2143, EDA Project #06-01-02607, Seaway Engineering. Plans to be revised to bring watermain to a location on southern boundary of the Land designated by NAI, and to reflect NAI requirements regarding pipe size.
2. SANITARY SEWER: Construction plans for 8" PVC sanitary sewer, lift station and 4" DI force main, City Project No. 8692SA92, EDA #06-01-02607. Plans to be revised to bring pipe to a location on southern boundary of the Land designated by NAI; to locate lift station on the Land as required by NAI; and to reroute pipe/stub as required by NAI. The Related Improvements shall include all such improvements to the City's sewer systems as may required in order to obtain all permits necessary to construct and use the above-referenced sewer improvements.
3. ROADWAY EXTENSION AND INTERSECTIONS: Construction plans for Martin Road-Stebner Road (access to the site), City Project No. 8690MC92. State Aid No. SAP 69-609-24.
4. GAS LINE: A drawing of the existing gas main, prepared by Seaway Engineering, was made available to NAI by the Assistant City Attorney for the City by a letter dated November 18, 1994. The gas main will be connected by the City, as part of the Related Improvements, to the southerly boundary of the Land in accordance with NAI's reasonable requirements.
5. TAXIWAY: No plans have been made available to NAI regarding the taxiway extension, which will be designed and completed by the City in accordance with NAI's reasonable requirements and all Federal Aviation Administration requirements and other applicable legal requirements and will permit aircraft using the Project to access the Project from the Duluth International Airport's runways.
6. TACAN AND ASR: The Related Improvements will also include relocation by the City or others of all or part of the Tactical Air Navigation System ("TACAN"), the Airport Surveillance Radar ("ASR"), and/or any other radar facilities on or about property not included in the Land or Future Expansion Land identified in the Survey, if and to the extent that such relocation is required as a result of construction of the Project. NAI agrees to consult with the City in designing the Project so as to minimize, to the extent possible consistent with NAI's design criteria and without extra cost to NAI, the possibility that such relocation will be required. No plans have been made available to NAI regarding the TACAN and ASR radar relocation and related improvements, which will be designed and completed by the City in accordance with all Federal Aviation Administration requirements and other applicable legal requirements.

7. SITE 2 WATER CLEAN-UP: The City's environmental remediation obligations are described in the Indemnity Agreements.

EXHIBIT F-2
Related Improvements, Costs and Allocation of Costs

Item	Proposed	US		County Highway Aid	City Sewer Fund	US		City Northwest Fund	City Gas Fund	Total
		Economic Development Administration	City/State ¹			National Guard Bureau	Federal Aviation Administration			
Roadway Extension	1,550,600	930,360	620,240							1,550,600
Sanitary Sewer	880,085	408,051			272,034					680,085
Water Main	562,905	337,743	225,162							562,905
Intersections										
Martin Access	242,800	145,680		97,120						242,800
Technical Advisor	50,000							50,000		50,000
Taxiway K(B) Phase II	2,200,000		200,000							2,200,000
Tacan Building	125,000		12,500							125,000
Site 2 Water Clean-up	1,538,290					1,538,290				1,538,290
Gas Line									10,000	10,000
Airfield Surveillance Radar	1,400,000		140,000							1,400,000
TOTALS	8,349,680	1,821,834	1,197,902	97,120	272,034	1,538,290	3,372,500	50,000	10,000	8,359,680

NOTE: City anticipates that it will receive a 90% contribution from the Federal Aviation Administration toward payment of the Taxiway K(B) (Phase II) and Airfield Surveillance Radar Costs

¹Payment of the "City/State" Costs will be as follows: (a) First, up to \$650,000 in net proceeds of the State Guaranteed Bonds, as described in the Bond Finance Plan Overview; (b) Second, to the extent funds under (a) are insufficient, an expected grant up to \$600,000 from the Minnesota Department of Trade and Economic Development; and (c) Third, to the extent funds under (a) and (b) are insufficient, from funds of the City.

EXHIBIT G

Preliminary Project Design Description

The Project will be a long span hangar of approximately 68,000 square feet capable of servicing three narrow-body aircraft simultaneously. It will be designed to "focus" the direct and indirect support functions as close to the aircraft as possible to minimize lost motion in servicing the aircraft. These direct and indirect functions (including offices, lunch rooms, spare parts and equipment storage rooms and employee locker rooms) will be housed at mezzanine levels of the hangar or in an adjacent two-story structure of approximately 54,000 square feet. The hangar will be structural steel frame with anticipated metal clad siding and a single ply roofing system. The shops, hangar space and offices will all require fire protection, with a special foam system in the hangar bay. Four hundred cycle power will be provided for aircraft maintenance applications. The Project will include emergency generator standby power capability and fire pumps. In addition, significant site work, including industrial waste treatment, storm water management, noise barriers, parking lot, landscaping, signage, lighting and utility development will occur on the site. An estimated 180,000 square feet of concrete apron will be constructed adjacent to the Duluth Airport Taxiway B to provide access and parking for the aircraft. The Project is being designed and sited to allow future expansion of two additional phases similar in function and size. When the facility opens, NAI intends to initially provide C and D check maintenance to its 50 A-320 Airbus fleet. Attached to this Exhibit as Exhibit G-1 is a preliminary site layout for the Project, including possible future phases. Exhibit G-1 represents the results of preliminary planning by NAI and is not intended to be binding on NAI, which reserves the right to change the layouts and elevation as the design process for the Project progresses, consistent with the Essential Design Concepts.

EXHIBIT H

Hibbing, Chisholm and Chisholm-Hibbing Airport Commission Costs To Be Reimbursed

NAI shall permit the Office of the Commissioner of Iron Range Resources and Rehabilitation to draw, as Project Costs, in accordance with its agreement with NAI, aggregate costs incurred by Hibbing, Chisholm and the Chisholm-Hibbing Airport Commission up to a maximum amount of \$171,813.48, such aggregate costs to be allocated among such entities by the Commissioner of Iron Range Resources and Rehabilitation.

EXHIBIT I

Related Improvements Construction Schedule

- I. Roadway and Martin Access Intersection
 - A. Begin construction May, 1995
 - B. Complete construction November, 1995, except for final bituminous layer which will be completed in June, 1996
- II. Sanitary Sewer Main and Water Main
 - A. Begin construction May, 1995
 - B. Complete construction November, 1995
- III. Taxiway K(b) Extension to NW Driveway
 - A. Begin Earthwork February, 1995
 - B. Begin Taxiway extension May, 1995
 - C. Complete project November, 1995
- IV. ASR Construction: Complete construction or obtain such other action of the FAA as is necessary to allow NAI to commence construction of the Project on July 1, 1995 and to complete the Project as required by this Agreement.
- V. TACAN Building
 - A. Begin construction May, 1995
 - B. Complete construction as necessary to allow NAI to commence construction of the Project on July 1, 1995 and to complete the Project as required by this Agreement.
- VI. Gas Line
 - A. Begin construction May, 1995
 - B. Complete construction November, 1995
- VII. Environmental: All environmental permitting and remediation obligations of the City under the Indemnity Agreements, including but not limited to the Duluth Environmental Permits and any wetlands mitigation, shall be satisfied and completed as and when necessary to permit NAI to timely complete the Project as required by this Agreement.

EXHIBIT J

State Costs to be Reimbursed

The State costs to be reimbursed by NAI are set forth on Exhibit E-1 to this Agreement.

EXHIBIT K

County Costs to be Reimbursed

Fryberger, Buchanan, Smith & Frederick P.A.	\$9,000.00
Springsted	2,000.00
County Attorney	<u>19,926.00</u>
Total	\$30,926.00

EXHIBIT L

City and DEDA Costs to be Reimbursed

NAI agrees that the City shall be reimbursed from the proceeds of the Duluth-Backed Bonds, in a maximum amount of \$430,000.00 for consultant fees it has advanced and/or will advance on its own behalf or on behalf of DEDA, including the costs of the Survey and the DEDA Consultant, regarding the Project.

DEDANWA TIF Increase Apportionments
 Estimated Actual Inflation Rate - Scenario 3(1)

Year	Assumed Inflation Rate	Assumed Total TIF Increase(2)	Cumulative DEDA TIF Objective	Actual Inflation Rate	Actual Total TIF Increase	Annual Actual Allocation [(e)/2]	Cumulative Actual Allocation [(g)]	Actual TIF Inc. - Obj. [(g)-(c)]	DEDA TIF Adjust. [(i)-(c)]	DEDA TIF Share [(j)+(k)]	DEDA Cum. TIF Share [(k)]	NWA Actual TIF Share [(l)]	TOTAL Annual TIF Increase [(m)]
1998	n/a	\$0	\$0	n/a	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1999	3.112%	17,738	8,869	3.000%	17,100	8,550	8,550	(319)	8,550	8,550	8,550	8,550	17,100
2000	3.112%	36,029	26,884	3.000%	34,713	17,357	25,907	(977)	17,357	17,357	25,907	17,357	34,713
2001	3.112%	54,888	54,328	3.000%	52,854	26,427	52,334	(1,994)	26,427	26,427	52,334	26,427	52,854
2002	3.112%	74,335	91,495	2.500%	68,426	34,213	86,547	(4,949)	34,213	34,213	86,547	34,213	68,426
2003	3.112%	94,387	138,689	3.000%	87,579	43,789	130,336	(8,353)	43,789	43,789	130,336	43,789	87,579
2004	3.112%	115,062	196,220	2.500%	104,018	52,009	182,345	(13,875)	52,009	52,009	182,345	52,009	104,018
2005	3.112%	136,382	264,411	3.000%	124,239	62,119	244,464	(19,947)	62,119	62,119	244,464	62,119	124,239
2006	3.112%	158,364	343,593	3.000%	145,066	72,533	316,997	(26,596)	72,533	72,533	316,997	72,533	145,066
2007	3.112%	181,031	434,108	3.000%	166,518	83,259	400,256	(33,852)	83,259	83,259	400,256	83,259	166,518
2008	3.112%	204,403	576,309	3.000%	188,613	94,307	494,562	(41,747)	94,307	94,307	494,562	94,307	188,613
2009	3.112%	228,502	650,561	3.000%	211,372	105,686	600,248	(50,313)	105,686	105,686	600,248	105,686	211,372
2010	3.112%	253,352	777,236	3.000%	234,813	117,406	717,654	(59,582)	117,406	117,406	717,654	117,406	234,813
2011	3.112%	278,974	916,724	2.900%	258,152	129,076	846,731	(69,993)	129,076	129,076	846,731	129,076	258,152
2012	3.112%	305,394	1,069,421	2.900%	282,169	141,084	987,815	(81,606)	141,084	141,084	987,815	141,084	282,169
2013	3.112%	332,637	1,235,739	3.000%	307,734	153,867	1,141,682	(94,057)	0	153,867	1,141,682	153,867	307,734
					\$2,283,364		\$1,141,682					\$1,141,682	\$2,283,364

(1) Estimated actual inflation rate never exceeds 3.112% resulting in a 50/50 apportionment split.
 (2) Based upon Minimum TIF Amount of \$570,000.

EXHIBIT N

Construction Schedule

Completion of SPOS: April 15, 1995

Substantial Completion of Project: August 31, 1996

CONCURRENT DOCUMENTS
NORTHWEST AIRLINES FINANCING

Document

1. Assignment, Assumption and Release
2. Termination Agreement (City of Duluth) for Assignment of Proceeds
3. Termination Agreement (City of Duluth) for Purchase Option Agreement
4. Termination Agreement (City of Duluth) for Purchase Option Agreement for Leased Equipment
5. Assignment of Proceeds
6. Purchase Option Agreement given to State
7. Rental Terms Agreement
8. Loan Agreement for Duluth-Backed Bonds
9. Nonrecourse Agreement
10. Amended and Restated Agreement of Partial Assignment of Lease Provisions
11. Amended and Restated Ground Lease
12. Short Form Ground Lease
13. Amended and Restated Master Financing Agreement and Development Agreement
14. Amended and Restated Lease
15. Short Form Lease
16. Amended and Restated State/County Financing Agreement
17. Environmental Indemnity Agreement (Northwest Airlines)
18. Environmental Indemnity Agreement (City of Duluth)
19. Purchase Option Agreement given to City
20. Minnesota Power Agreement relating to reserve fund
21. Termination Agreements relating to Hibbing Facility
 1. Grant Agreement
 2. Intergovernmental Agreement
 3. Joint Powers Agreement
 4. Development Agreement
 5. Ground Lease
 6. Lease
 7. Agreement to Loan Bond Proceeds
 8. Partial Assignment
 9. State/Hibbing/Chisholm Financing Agreement

EXHIBIT P

ANTICIPATED DOCUMENTS
NORTHWEST AIRLINES FINANCING

Document

1. Trust Indentures for State Guaranteed Bonds, Duluth-Backed Bonds, County-Backed Bonds, First Mortgage Bonds and Reserve Fund Bonds
 2. Loan Agreements for State Guaranteed Bonds, County-Backed Bonds, First Mortgage Bonds
 3. Combination Mortgage Security Agreement and Fixture Financing Statement (DEDA to State--Ground Lease)
 4. Combination Mortgage Security Agreement and Fixture Financing Statement (DEDA to Trustee--First Mortgage Bonds "First")
 5. Combination Mortgage Security Agreement and Fixture Financing Statements (DEDA to various parties reflecting positions outlined in Finance Plan Overview)
 6. Assignment of Rent and Leases (DEDA to Trustee--First Mortgage Bonds "First")
 7. Assignments of Rent and Leases (DEDA to various parties reflecting positions outlined in Finance Plan Overview)
 8. Subordination, Attornment and Nondisturbance Agreement (by Trustees holding mortgages, the State, the County and the City regarding the First Mortgage)
 9. Combination Mortgage Security Agreement and Fixture Financing Statement relating to Hibbing Project (Chisholm-Hibbing Airport Authority to State to secure State Guaranteed Bonds)
 10. Assessment Agreement
 11. Collateral Maintenance Agreement
 12. Security Agreement (Relating to International Airline Route)
 13. Third Amendment to Subordination and Intercreditor Agreement
 14. Disbursing Agreement
 15. Servicing Agreement
 16. Guaranty Agreement (NAI to various parties)
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Document

17. Guaranty Agreement
(NWA to various parties)
18. Guaranty Agreement
(NWAC to various parties)
19. County Guaranty Agreement between the County and the State
20. Reimbursement Agreement between the County and NAI
21. Termination of Assessment Agreement

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