

MINNESOTA HOUSE OF REPRESENTATIVE  
COMMITTEE ON LOCAL GOVERNMENT AND METROPOLITAN  
AFFAIRS

February 25, 2008

PRESENTATION BY THE METROPOLITAN AIRPORTS COMMISSION  
REGARDING THE EFFECTS OF POSSIBLE AIRLINE MERGERS ON  
MAC

1. Airline mergers, consolidations, bankruptcies and liquidations have been a constant, ongoing reality since passage of the Airline Deregulation Act of 1978. MAC has taken an active role in monitoring ongoing developments and has proactively negotiated agreements to protect the interests of the travelling public and citizens of the State of Minnesota.
2. MAC has negotiated agreements with airlines serving MSP (including Northwest Airlines) which guarantee competitive access (eg. gates) to new entrants, lower airline costs, and provide for MAC's future financial security.
3. MAC and the State of Minnesota have binding commitments with Northwest Airlines tied to the 1991 "State Financing Package" regarding the maintenance of a Hub, Headquarters and Minnesota Employment levels.
4. Rent reductions provided to Northwest as part of its 2007 Bankruptcy reorganization are tied to ongoing maintenance of its MSP Hub and Headquarters.
5. A merger between major airlines must be submitted to the U.S. Department of Justice for a thorough analysis of the possible anti-competitive impacts. Such a review typically takes many months.
6. If and when merger plans are announced, MAC is positioned to review the options legally available to it and act to protect air service and jobs in Minnesota. If existing commitments will not be met, those options could include required repayment of approximately \$245 million in outstanding bond obligations and loss of rent reductions and revenue sharing valued at \$11-\$18 million per year through 2020.

**AMENDED AND RESTATED FACILITIES AND EQUIPMENT LEASE AGREEMENT  
BETWEEN MAC AND NORTHWEST AIRLINES, INC.**

**Dated as of January 29, 2002**

**ARTICLE XXII  
PUBLIC POLICY REPRESENTATIONS AND COVENANTS;  
REPRESENTATIONS**

**GO 15 Hub Covenant**

21.3 Hub Covenant.

Lessee agrees that it shall, with respect to the Airport Hub:

(a) In order to ensure the continuation of the Hub in Minnesota as a major NAI Hub, NAI will maintain a sufficient proportion of connecting Flights at the Airport such that the number of NAI and NAI Code-Share Airlines enplaned revenue passengers whose Flight travel involves a Flight or Flights which arrive at and depart from the Airport (but whose Flight travel neither originates from nor terminates at the Airport) will not be less than 30% of the total number of NAI and NAI Code-Share Airlines enplaned revenue passengers whose Flight travel involves a Flight or Flights which arrive at or depart from the Airport (calculated annually); and

(b) NAI will maintain not less than Substantially 187 departing NAI and NAI Code-Share Airlines Flights per day from the Airport, calculated annually (which amount is seventy-five (75%) percent of the 1991 number of such Flights).

The above provision shall not be deemed to prevent NAI from reducing the Airport Hub in response to Force Majeure or to avoid violations of applicable law, statutes or regulations that would otherwise arise from compliance with such covenant

**GO 15 Headquarter Covenant**

(d) (Headquarters) To maintain the Corporate Headquarters of NAI in the Minneapolis-St. Paul metropolitan area.

**GO 15 Minnesota Employment Covenant**

21.2 Employment and Headquarters.

Lessee agrees that it shall, and shall cause its Affiliates, NATCO and NWA with respect to employment and Corporate Headquarters:

(a) (Overall Employment) To cause Affiliated Employees to be employed in the Minneapolis-St. Paul metropolitan area and the State of Minnesota at Substantially the level existing as of February 29, 1992 (which was 17,883 persons) (calculated annually); provided, however, Duluth Employees at the Duluth Facility and Chisholm Employees at the Chisholm Facility shall not be included in determining compliance with this provision 21.2(a);

**GO 15 Force Majeure provision**

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

(i) from moving particular categories of employment or the facilities or operations associated therewith (other than NAI's Corporate Headquarters) from Minnesota, provided the required employment levels are maintained; or

(ii) from reducing or changing its Minnesota employment, operations or facilities (other than the location of NAI's Corporate Headquarters) in response to Force Majeure, business conditions, technological changes or statutory or regulatory changes; provided, except to the extent prohibited by applicable law or contractual obligations, NAI and NWA will use their best efforts to cause any such reductions or changes in Minnesota employment, operations or facilities to be substantially proportional to the comparable reductions or changes occurring elsewhere in its Domestic business locations, taking into account the category and character of employment, facility, or operation.

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

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

**AMENDED AND RESTATED THIRD AMENDMENT TO  
AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE  
MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT**

Dated as of December 28, 2007

**XI. HUB AND HEADQUARTERS COVENANTS**

The Lease is amended to add the following language as Article XVII "Hub and Headquarters Covenants":

**XVII. Hub and Headquarters Covenants**

AIRLINE hereby covenants and agrees to maintain its Headquarters in the Minneapolis-St. Paul metropolitan area and to maintain a Hub at the Airport. As the sole remedy for breach of either such covenant and, solely with respect to the Hub covenant, subject to the force majeure exception set forth below, Revenue Sharing will be eliminated in any year in which AIRLINE violates either the Headquarters or Hub covenant (and, in the event any such violation continues for three (3) consecutive years, or either such covenant is determined to be unenforceable, AIRLINE's Revenue Sharing will be eliminated permanently).

Force majeure. Notwithstanding the foregoing, AIRLINE shall not be deemed to be in default of the Hub covenant if it is prevented from performing any of its obligations contained in the Hub covenant by reason of strikes, boycotts, labor disputes, embargoes, shortages of energy or materials, acts of the public enemy, prolonged unseasonable weather conditions and results of acts of nature, riots, rebellion, or sabotage, despite AIRLINE's best efforts to comply. No force majeure provision shall apply to the Headquarters covenant.

**DEFINITIONS:**

"Headquarters" means the corporate office which constitutes (i) the principal office of AIRLINE or any assignee holding substantially (i.e., ninety percent (90%) or more) all of the assets of AIRLINE from which its business is conducted, and (ii) the principal office of AIRLINE's or such assignee entity's CEO, CFO and a majority of its other senior management team members.

"Hub" means that AIRLINE and its regional Affiliated Airlines which are party to an Airline Services Agreement with AIRLINE shall maintain at the Airport no less than an aggregate annual average of 227 daily departing Flights on which an aggregate annual average of at least thirty percent (30%) of Enplanements are passengers whose travel neither originates from nor terminates at the Airport.