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**ANNEX I
TO COMMITMENT LETTER**

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**Outline of Terms and Conditions for
Secured Superpriority Debtor in Possession Credit Facility
in the Amount of \$35,000,000**

Borrower: MESABA AVIATION, INC., a Minnesota corporation ("**Borrower**"), as a debtor in possession in a case to be filed under Chapter 11 of the Bankruptcy Code (the "**Bankruptcy Case**", and the date of the commencement of the Bankruptcy Case, the "**Petition Date**").

Lender: MAIR HOLDINGS, INC., a Minnesota corporation ("**MAIR**")

Credit Facility: Up to a \$35,000,000 revolving credit facility (the "**Credit Facility**" and the loans made thereunder, the "**Loans**"), consisting of:

- (a) a Tranche A ("**Tranche A**" and the loans made thereunder, the "**Tranche A Loans**") in the amount of \$15,000,000 (the "**Tranche A Commitment Amount**"), with a \$6,000,000 sublimit to facilitate the issuance of standby letters of credit ("**Letters of Credit**") to be issued for purposes that are reasonably satisfactory to the Lender; and
- (b) a Tranche B ("**Tranche B**" and the loans made thereunder, the "**Tranche B Loans**") in the amount of \$20,000,000 (the "**Tranche B Commitment Amount**"), and together with the Tranche A Commitment Amount, the "**Commitment Amount**").

The sum of the aggregate outstanding amount of Tranche A Loans *plus* the undrawn amount of outstanding Letters of Credit, and the unreimbursed amount of drawings under Letters of Credit, shall at no time exceed an amount equal to (1) the Tranche A Commitment Amount *minus* (2) the sum of the Carve-Out (defined below) *plus* such other availability reserves as may be satisfactory to the Lender in its sole discretion exercised in good faith (subject to the standard described below).

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The sum of the aggregate outstanding amount of Tranche B Loans shall at no time exceed an amount equal to (1) the Tranche B Commitment Amount *minus* (2) the sum of the Carve-Out (to the extent not otherwise credited against Tranche A) *plus* such other availability reserves as may be satisfactory to the Lender in its sole discretion exercised in good faith (subject to the standard described below).

Notwithstanding the foregoing, availability reserves may not be increased after the Closing Date, in each instance, except (x) based upon one or more events, conditions and/or circumstances (i) arising after the Closing Date (including, without limitation, any change in external conditions) or (ii) existing on the Closing Date for which the Lender had no specific actual knowledge as of the Closing Date, or (y) with the prior written consent of Borrower.

Use of Proceeds: Proceeds of the Loans will be used for general corporate purposes, including working capital and capital expenditures, professional fees and other payments or expenditures authorized by the Court (as defined below), in each instance, to the extent permitted under the Agreement (as defined below).

The proceeds of Loans and Letters of Credit may not be used in connection with the investigation (including discovery proceedings), initiation or prosecution of any claims, causes of action, adversary proceedings or other litigation against Lender.

Term: Borrowings shall be repaid in full, and the Credit Facility shall terminate, at the earliest of (i) eighteen months after the date of signing of the Agreement (the "*Maturity Date*"), (ii) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the effective date) of a plan of reorganization (a "*Plan*") that is confirmed pursuant to an order reasonably satisfactory to the Lender entered by the United States Bankruptcy Court for the District of Minnesota (the "*Court*") over the Bankruptcy Case (the "*Consummation Date*"), and (iii) the acceleration of the Loans and the termination of the Credit Facility in accordance with the Agreement (the earliest of such dates described in *clauses (i), (ii), and (iii)* being herein referred to as the "*Termination Date*").

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Letters of Credit: Upon Borrower's request, Lender shall use commercially reasonable efforts to cause Letters of Credit to be issued for the account of Borrower by Wells Fargo Bank, N.A. (or any of its banking affiliates) or another bank (collectively, the "*Fronting Banks*"), each of which shall be reasonably satisfactory to Borrower and the Lender. All Letters of Credit shall expire no later than 15 days prior to the Maturity Date. Drafts drawn under Letters of Credit shall be reimbursed not later than the first business day following the date of draw. If the Termination Date occurs prior to the expiration of any Letter of Credit, each such Letter of Credit shall be replaced by Borrower and returned to the applicable Fronting Bank undrawn and marked "canceled" on or prior to the Termination Date, or to the extent that Borrower is unable to replace any of the Letters of Credit, such Letters of Credit shall be (a) secured by a back-to-back letter of credit that is in an amount equal to 105% of the maximum amount which may be drawn under such Letters of Credit, in a form that is reasonably satisfactory to the Lender and the applicable Fronting Bank and issued by a bank that is reasonably satisfactory to the Lender and such Fronting Bank or (b) cash collateralized in an amount equal to 105% of the maximum amount which may be drawn under such Letters of Credit ("*Cash Collateralization*") by the deposit of cash in such amount into an account established by Borrower under the sole and exclusive control of the Lender for Letters of Credit (each such account, a "*Letter of Credit Account*"), such cash to be remitted to Borrower from time to time upon the expiration, cancellation or other termination or satisfaction of Borrower's reimbursement obligations with respect to each such Letter of Credit in an amount equal to 105% of the undrawn amount of such Letter of Credit immediately prior to such expiration, cancellation or other termination or satisfaction.

Closing Date: Closing Date (as defined below) to occur promptly upon, but no later than 10 days after, the entry of the DIP Financing Order (as defined below).

Collateral: To secure the obligations due to the Lender by the Borrower under or with respect to the Credit Facility, the Borrower will grant, subject to approval by the Court, the Lender a first priority lien (subject to the "*Priority and Liens*" section below) on all of the Borrower's pre-petition and post-petition assets, including but not limited to accounts receivable, inventory, trademarks, patents, general intangibles (including (i) payment intangibles and (ii) all of Borrower's rights in and under the Airline Services Agreement dated August 29, 2005 by and between Borrower and Northwest Airlines, Inc. (as amended or modified from time to time, the "*ASA*")) instruments, documents, chattel paper, investment property, equipment, real estate (whether owned or leased), deposit accounts, and the issued and outstanding stock of any subsidiaries of the Borrower and the proceeds of

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each of the foregoing.

**Priority and
Liens:**

All borrowings and reimbursement obligations under Letters of Credit and other obligations under or with respect to the Credit Facility, shall at all times:

- (i) pursuant to Section 364(c)(1) of the Bankruptcy Code, be entitled to superpriority claim status in the Bankruptcy Case,
- (ii) pursuant to Sections 364(c)(2) of the Bankruptcy Code, be secured by a perfected first priority lien on all present and future accounts receivable of Borrower (including, without limitation, all accounts receivable created prior to the Petition Date), all present and future customer contracts, intercompany receivables, spare parts inventory, routes (whether operated by Borrower or on a codeshare basis), slots, QEC kits, ground service equipment, flight simulators, airport gate leaseholds, and all proceeds of the foregoing and by a perfected first priority lien on all other tangible and intangible property of Borrower's estate in the Bankruptcy Case that is not subject to valid, perfected and nonavoidable liens as of the commencement of the Bankruptcy Case, including (without limitation) aircraft, aircraft engines, propellers, trademarks, tradenames, inventory, and other property, plant and equipment of, and debt and equity investments by, Borrower, and on all cash and cash equivalents of Borrower, any residual claim of Borrower in funds held in certain trust or escrow accounts that are reasonably satisfactory to the Lender and all cash maintained in each Letter of Credit Account, excluding (a) property or agreements related to such property that is of the type described in Sections 1110(a)(3)(A)(i) and (B) of the Bankruptcy Code to the extent that Borrower is prohibited from granting liens or assignments under the terms of a security agreement, lease or conditional sale agreement of a party entitled to the protections afforded under Section 1110 of the Bankruptcy Code with respect to such property or agreements related to such property, and (b) all causes of action arising under Chapter 5 of the Bankruptcy Code (it being understood that, notwithstanding such exclusion of such causes of action, the proceeds of such causes of action shall be available to repay the Loans, the reimbursement obligations and all other obligations under or with respect to

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the Credit Facility),

- (iii) pursuant to Section 364(c)(3) of the Bankruptcy Code, be secured by a perfected junior lien on all tangible and intangible property of Borrower's estate in the Bankruptcy Case that is subject to valid, perfected and non-avoidable liens in existence at the time of the commencement of the Bankruptcy Case or to valid liens in existence at the time of such commencement that are perfected subsequent to such commencement as permitted by Section 546(b) of the Bankruptcy Code (other than property or agreements related to such property that is of the type described in Sections 1110(a)(3)(A)(i) and (B) of the Bankruptcy Code (a) to the extent that Borrower is prohibited from granting junior liens or assignments under the terms of a security agreement, lease or conditional sale agreement of a party entitled to the protections afforded under Section 1110 of the Bankruptcy Code with respect to such property or agreements related to such property, or (b) Borrower elects to return such property to the party providing financing therefor in exchange for a discharge of the related indebtedness)

subject in each case only to (x) in the event of the occurrence and during the continuance of an Event of Default, the payment of allowed and unpaid professional fees and disbursements incurred by Borrower and any statutory committees appointed in the Bankruptcy Case in an aggregate amount not in excess of \$1,500,000 and (y) the payment of fees pursuant to 28 U.S.C. §1930 ((x) and (y), together, the "*Carve-Out*"). Notwithstanding the foregoing, so long as an Event of Default shall not have occurred and be continuing, Borrower shall be permitted to pay compensation and reimbursement of fees and expenses allowed and payable under 11 U.S.C. §§ 328, 330 and 331, as the same may be due and payable, and fees previously paid shall not reduce the Carve-Out.

The Carve-Out may not be used in connection with the investigation (including discovery proceedings), initiation or prosecution of any claims, causes of action, adversary proceedings or other litigation against Lender.

Facility Fee:

An amount equal to 1.00% of the Commitment Amount. Such fee shall be payable to the Lender as follows:

- (a) 1.00% of the Tranche A Commitment Amount shall be payable on the Closing Date; and

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- (b) 1.00% of the Tranche B Commitment Amount shall be payable on the Tranche B Effective Date (defined below).

Unused Line Fee: 0.50% per annum on the average unused amount of the Commitment Amount (with all outstanding Letters of Credit being treated as usage of the Commitment Amount). Such fee shall be payable to the Lender monthly in arrears during the term of the Credit Facility.

Letter of Credit Fees:

Letter of Credit fees equal to the Applicable Margin for LIBOR Loans under Tranche A will be payable to the Lender on the outstanding maximum face amount of each Letter of Credit. In addition, Borrower will pay to the relevant Fronting Bank or the Lender for the benefit of the relevant Fronting Bank customary fees for fronting, issuance, amendments and processing of Letters of Credit.

Interest Rate:

Interest on the Loans will be computed and payable monthly, in arrears, at a rate equivalent to (x) the Base Rate plus the Applicable Margin or (y) at Borrower's option, LIBOR plus the Applicable Margin.

The "*Applicable Margin*" means, from time to time, the percentages per annum as set forth below:

Type of Loan	LIBOR <i>plus</i>	Base Rate <i>plus</i>
Tranche A Loan	4.00%	3.00%
Tranche B Loan	6.00%	5.00%

The "*Base Rate*" means a floating rate of interest per annum equal to the higher of the rate publicly quoted from time to time by The Wall Street Journal as the "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or the Federal Funds Rate plus 50 basis points.

"*LIBOR*" is the rate per annum, determined by Lender in accordance with its customary procedures, at which dollar deposits are offered to major banks in the London interbank market, adjusted by the reserve percentage prescribed by governmental authorities as determined by Lender.

For purposes of the Credit Facility, the Base Rate shall in no event be less than four percent (4%) per annum at any time and LIBOR shall in no event be less than two percent (2%) per annum at any time. Borrower may elect to use LIBOR for Loans provided (i) Borrower gives the Lender three business days prior notice of such election and (ii) there is then no

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unwaived or uncured default under the Agreement. In no event may Borrower have more than five (5) LIBOR elections at any one time.

LIBOR interest periods of 1, 2 or 3 months; interest shall be payable monthly in arrears on all Loans, on the Termination Date and thereafter on demand.

Default Interest: Upon the occurrence and during the continuance of any Event of Default under the Agreement, interest and letter of credit fees shall be payable on demand at 2% per annum above the then applicable rate.

**Mandatory Pre-
payments and
Cash**

Collateralization: Mandatory prepayments of the Tranche A Loans and Cash Collateralization of Letters of Credit shall be required to the extent that the sum of the Tranche A Loans outstanding *plus* the undrawn amount of Letters of Credit (including unreimbursed draws) exceeds an amount equal to (1) the Tranche A Commitment Amount *minus* (2) the sum of the Carve-Out *plus* other availability reserves. Any such prepayment and Cash Collateralization will be applied *first* to prepayment of the Tranche A Loans (until paid in full) and *second* to Cash Collateralization in the applicable Letter of Credit Account.

Mandatory prepayments of the Tranche B Loans shall be required to the extent that the sum of the Tranche B Loans outstanding exceeds an amount equal to (1) the Tranche B Commitment Amount *minus* (2) the sum of the Carve-Out (to the extent not otherwise credited against Tranche A) *plus* other availability reserves. Any such prepayment will be applied to prepayment of the Tranche B Loans (until paid in full).

Borrower will also be required to make quarterly prepayments of the Loans in an amount equal to 100% of its "excess cash flow" (to be defined in the Agreement). Any such prepayment will be applied to prepayment of the Tranche B Loans (until paid in full) and any such prepayment shall constitute a permanent reduction of the Tranche B Commitment Amount by the amount of such prepayment.

Mandatory prepayments, Cash Collateralization and reductions of the Commitment Amount shall also be required upon other events that are customary for transactions of the type and contemplated by the Credit Facility (subject to customary thresholds and exceptions to be agreed),

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including, without limitation, certain asset sales, debt and equity issuances and receipt of insurance and/or condemnation proceeds (subject to certain repair and replacement rights) and tax refunds.

**Optional
Prepayment:**

Amounts may be prepaid in integral multiples of \$1,000,000 without penalty (except for any applicable breakage costs associated with LIBOR Loans) upon (x) at least one business day's prior notice for Base Rate Loans (*provided* that Loans may be prepaid on the same day notice is given if such notice is received by 11:00 am, Minneapolis time) and (y) three business days' notice for LIBOR Loans.

**Conditions of
Initial Extension
of Credit under
Tranche A:**

The obligation to provide the initial extension of credit under Tranche A shall be subject to the satisfaction (or waiver by the Lender) of the following conditions (the date on which such conditions are satisfied or waived by the Lender, the "*Closing Date*"):

- (a) Not later than 45 days following the commencement of the Bankruptcy Case (or such later date as shall be agreeable to the Lender), entry of an order of the Court in form and substance satisfactory to the Lender (the "*DIP Financing Order*") on an application or motion by Borrower that is reasonably satisfactory in form and substance to the Lender, which DIP Financing Order shall have been entered on such prior notice as required by law, which prior notice shall be reasonably satisfactory to the Lender, approving the transactions contemplated herein and granting the superpriority claim status and the liens referred to above, which DIP Financing Order shall (i) authorize the extensions of credit under the Agreement in the aggregate amount of the Commitment Amount, (ii) approve the payment by Borrower of all of the fees provided for above and (iii) not have been vacated, reversed or stayed, or modified or amended without the prior written consent of the Lender.
- (b) All of the "first day motions" filed, and all of the "first day orders" entered, at the time of commencement of the Bankruptcy Case shall be reasonably satisfactory in form and substance to the Lender;
- (c) Receipt of closing documents (including security documents granting the liens in favor of the Lender contemplated hereby and

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- evidence of the perfection of such liens under applicable federal, state and foreign law) reasonably satisfactory in form and substance to the Lender;
- (d) Legal opinions of counsel to Borrower (including aviation counsel) in form reasonably satisfactory to the Lender;
 - (e) Receipt of UCC and other lien searches (including tax liens and judgments) conducted in the jurisdictions of organization of Borrower and in which Borrower conducts business and in the recording office of the Federal Aviation Administration, reasonably satisfactory to the Lender (dated as of a date reasonably satisfactory to the Lender), reflecting the absence of liens and encumbrances on the assets of Borrower other than liens and encumbrances as may be reasonably satisfactory to the Lender (none of which liens and encumbrances shall in any event be senior to any liens of the Lender on any of the assets described in *clause (ii)* of the "*Priority and Liens*" section above);
 - (f) Borrower shall have granted the Lender access to and the right to inspect all reports, audits and other internal information of Borrower relating to environmental matters and any third party verification of certain matters relating to compliance with environmental laws and regulations requested by the Lender, and the Lender shall be reasonably satisfied that Borrower is in compliance in all material respects with all applicable environmental laws and regulations and be reasonably satisfied with the costs of maintaining such compliance;
 - (g) There shall have been paid all fees and expenses owed to the Lender that have been invoiced to Borrower;
 - (h) All corporate and judicial proceedings and all resolutions, instruments, and agreements in connection with the transactions by and between Borrower and the Lender contemplated by the Agreement shall be reasonably satisfactory in form and substance to the Lender and the Lender shall have received all information and copies of all documents or papers reasonably requested by the Lender;
 - (i) The Lender shall have received such information (financial or

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- otherwise) as may be reasonably requested by the Lender (including, without limitation, Borrower's rolling 13-week cash flow projections, by week for the first full 13-week period occurring after the Petition Date (the "Initial Cash Flow Projection") and Borrower's operating budget, by month for the fiscal year ending March 31, 2006 (the "Initial Budget"), each of which shall be reasonably satisfactory in form and substance to the Lender);
- (j) The Lender's reasonable satisfaction with all insurance coverage of Borrower and the Lender shall have been named as additional insured and loss payee (as its interests may appear) on such insurance;
- (k) Lender's satisfaction with the results of an updated collateral field examination including the results of accounts receivable verifications and analysis of past due accounts receivable, accounts receivable turnover and cash collections;
- (l) During the period commencing on the Petition Date and ending on the Closing Date, there shall not have occurred any material adverse change in the operations, business, properties, assets, prospects or condition (financial or otherwise) of Borrower taken as a whole from that in effect on the Petition Date or from that presented in the Original Business Plan;
- (m) The Lender shall be reasonably satisfied that there is no pending or threatened labor strike, other work stoppage or other material labor dispute affecting Borrower;
- (n) The commitment of Lender under the Commitment Letter to which this *Annex I* is attached shall be in full force and effect on the Closing Date; and
- (o) Furnish to the Lender a recent appraisal of the net orderly liquidation value of the Borrower's inventory and PP&E, such appraisal to be conducted by an appraiser engaged by the Lender, at Borrower's expense, using a methodology reasonably acceptable to the Lender and otherwise to be in form and substance satisfactory to the Lender; and
- (p) Such other customary conditions for facilities of this type or with

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respect to the airline industry as are reasonably satisfactory to the Lender.

**Conditions of
Initial Extension
of Credit under
Tranche B:**

In addition to the conditions precedent to the initial extension of credit under Tranche A, the obligation to provide the initial extension of credit under Tranche B shall be subject to the satisfaction (or waiver by the Lender) of the following conditions (the date on which such conditions are satisfied or waived by the Lender, the "*Tranche B Effective Date*"):

- (a) Lender shall have received the Updated Business Plan (defined below) in form and substance reasonably satisfactory to the Lender; and
- (b) Payment of the Facility Fee attributable to Tranche B.

"*Updated Business Plan*" means a "bottoms-up" detailed monthly operating and restructuring plan for the fiscal year ending March 31, 2006 and each fiscal year ending thereafter through and including the fiscal year ending March 31, 2011, which Updated Business Plan shall include:

- (i) quarterly and annual pro forma income statements (with business segment breakdowns on revenue and EBITDA), pro forma balance sheets, cash flow statements, operating statistics, and a discussion of the assumptions upon which the Updated Business Plan is based; and
- (ii) identification of the restructuring efforts necessary to achieve the Updated Business Plan, including, without limitation, any fleet plan changes, revenue assumptions, cost reductions and expense savings by category and amount, contract rejections, labor costs and savings, maintenance savings, and administrative expense savings.

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Each Extension
of Credit:**

The obligation to provide each extension of credit (including the initial extension of credit under Tranche A and the initial extension of credit under Tranche B) shall be subject to the satisfaction of the following conditions:

- (a) The DIP Financing Order shall be in full force and effect, and shall not have been vacated, reversed or stayed, or modified or amended without the prior written consent of the Lender;
- (b) No Event of Default and no condition which would constitute an Event of Default with the giving of notice or lapse of time or both shall exist;
- (c) Representations and warranties shall be true and correct in all material respects at the date of each extension of credit except to the extent such representations and warranties relate to an earlier date;
- (d) Receipt of a notice of borrowing or request for issuance of a Letter of Credit, as applicable, from the Borrower; and
- (e) Such other customary conditions for facilities of this type or with respect to the airline industry as are reasonably satisfactory to the Lender.

The request by Borrower for, and the acceptance by Borrower of, each extension of credit under the Agreement shall be deemed to be a representation and warranty by Borrower that the conditions specified above have been satisfied or waived.

**Representations
and Warranties:**

Borrower shall represent and warrant in a manner reasonably satisfactory to the Lender as to:

- (a) Due incorporation or formation and good standing of Borrower;
- (b) No consent or approval is required other than the DIP Financing Order, which order shall not have been vacated, reversed or stayed, or modified or amended without the prior written consent of the Lender;
- (c) Due authorization, execution and delivery of loan documents and security documents reasonably satisfactory in form and substance to the Lender (collectively, the "*Agreement*"), no violation of other material agreements entered into after the commencement of the

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Bankruptcy Case; no violation of law as a result of execution, delivery or performance;

- (d) No liens on the assets of Borrower except for liens that are reasonably satisfactory to the Lender and are reflected on a schedule annexed to the Agreement or are permitted by the Agreement (it being understood and agreed that in any event the Lender shall have a first priority lien on the assets described in *clause (ii)* of the "*Priority and Liens*" section above);
- (e) Consolidated financial statements of the Borrower for the fiscal year ended March 31, 2005 and consolidated financial statements of the Borrower for the three fiscal month period ended June 30, 2005, in each instance, present fairly in all material respects the financial condition and results of operations of the Borrower as of the dates thereof and for the periods covered thereby and have been prepared in a manner consistent with GAAP;
- (f) Compliance in all material respects with applicable laws and regulations including (without limitation) applicable environmental laws and regulations and aviation laws and regulations;
- (g) No material adverse change in the operations, business, properties, assets, prospects or condition (financial or otherwise) of Borrower taken as a whole has occurred from that set forth in the financial statements of the Borrower for the three fiscal month period ended June 30, 2005 other than those occurring as a result of events leading up to and following the commencement of the Bankruptcy Case;
- (h) No information that has been furnished by Borrower to Lender or the Court (other than to the extent that any such information constitutes projections) contained any material misstatement of fact or omitted to state a material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, all as of the date such information was furnished to Lender or the Court, as the case may be; and, to the extent that any such information constitutes projections, such projections were prepared in good faith on the basis of assumptions, methods, data, tests and information believed by Borrower to be reasonable at the time such projections were furnished;
- (i) Except as disclosed by Borrower to the Lender prior to the date of the signing of the commitment letter, there is no unstayed litigation, proceeding or investigation which is reasonably likely to be determined adversely and if so determined would have a material

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adverse effect on the operations, business, properties, assets, prospects or financial condition of Borrower taken as a whole (other than the Bankruptcy Case);

- (j) Use of proceeds as set forth in "*Use of Proceeds*" above;
- (k) Insurance of the Borrower is sufficient and in such amounts as is customary for regional air carriers;
- (l) Borrower does not have any ownership interest in any subsidiary or affiliate; and
- (m) Such other customary representations and warranties for facilities of this type, including with respect to Borrower's operations and assets, as are reasonably satisfactory to the Lender, including, without limitation, representations and warranties as to (i) air carrier status, (ii) slot and route utilization and (iii) ownership interests in slots, routes and gate leaseholds.

**Affirmative
Covenants:**

Borrower shall:

- (a) Keep financial statements in accordance with GAAP and maintain true and complete books and records in all material respects;
- (b) Furnish consolidated monthly cash flow reports, monthly, quarterly and annual financial statements for the Borrower, monthly cash flow reports for Borrower, and other reports as may be reasonably requested by the Lender;
- (c) Furnish to the Lender, (i) on a weekly basis, Borrower's rolling 13-week cash flow projections (together with a comparison of actual payments to budgeted line items for the prior weekly period) prepared in a manner consistent with the Initial Cash Flow Projection (each a "Cash Flow Projection" and together with the Initial Cash Flow Projection herein referred to as the "Cash Flow Projections"), and (ii) within 30 days after the beginning of each fiscal year, an operating budget for such fiscal year prepared in a manner consistent with the Initial Budget (each a "Budget" and together with the Initial Budget herein referred to as the "Budgets"), in each case to be in form and substance satisfactory to the Lender;
- (d) Be available to discuss the Cash Flow Projections, the Budgets and the Updated Business Plan, as applicable, with the Lender upon Lender's reasonable request;

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- (e) Deliver to Lender and its counsel all pleadings, motions, applications, judicial information, financial information, and other documents filed by or on behalf of Borrower with the Court or distributed by Borrower to any official committee appointed in the Bankruptcy Case;
- (f) Maintain insurance on all its property and liability insurance, in each instance, in a manner and in such amounts which is customary in the industry for regional air carriers and reasonably satisfactory to the Lender with financially sound and responsible insurance companies;
- (g) Do all things necessary to preserve, renew and keep in full force its corporate existence, certifications, licenses and franchises (with certain customary exceptions);
- (h) Pay all post-petition taxes and other post-petition obligations as and when due except where contested in good faith and by appropriate proceedings (if Borrower has set aside on their books adequate reserves therefor);
- (i) Notify the Lender of any Event of Default or an event which with the giving of notice or the passage of time or both would constitute an Event of Default;
- (j) Permit the Lender and its agents to visit the premises of Borrower, confer with officers of Borrower and representatives of Borrower and review all of their books and records, and to conduct examinations of and to monitor the collateral held by the Lender in each case at Borrower's reasonable expense, all during regular business hours and upon reasonable notice;
- (k) Comply with customary ERISA covenants;
- (l) Inform the Lender if it intends to or has missed (x) a lease payment on any aircraft for which the lease has not been rejected or (y) a payment on any aircraft financing, in each case, as modified under applicable restructuring agreements or Section 1110 stipulations acceptable to the Lender;
- (m) Inform the Lender of (x) any communications or notices Borrower receives or sends with respect to the ASA, and (y) any other discussions Borrower has with Northwest Airlines, Inc. during the pendency of the Bankruptcy Case; and
- (n) Such other affirmative covenants as are customary for facilities of this type, and for Borrower's operations and assets, as are reasonably satisfactory to the Lender, including, without limitation,

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affirmative covenants with respect to (i) reports, regulatory filings, updated appraisals and other information in connection with slots and routes, (ii) maintaining authorizations from the Federal Aviation Administration, the Department of Transportation and any other applicable regulatory authority, (iii) slot, route and gate holdings and utilization and (iv) post closing deliveries in connection with security documentation.

**Negative
Covenants:**

Borrower shall not (and shall not apply to the Court for authority to):

- (a) Merge or consolidate with any other party;
- (b) Create or permit to exist any liens or encumbrances on any assets except (i) pre-petition liens and encumbrances as reflected on a schedule annexed to the Agreement (none of which shall in any event be senior to any liens of the Lender on any of the assets described in *clause (ii)* of the "*Priority and Liens*" section above), (ii) liens in favor of the Lender and (iii) such other liens as are permitted in the Agreement (the Agreement will permit (1) liens imposed by law for taxes not yet due or being contested in good faith by appropriate proceedings; (2) statutory and other like liens, pledges or deposits in connection with workers' compensation and other social security obligations (other than any liens imposed under ERISA) and certain liens of landlords, carriers, warehousemen and mechanics and other liens (other than environmental liens and liens imposed under ERISA) imposed by law in the ordinary course of business; (3) deposits to secure the performance of tenders, bids, and other contracts, other than for the payment of borrowed money, arising in the ordinary course of business; (4) easements and other similar encumbrances that are not material; and (5) other liens to be mutually agreed upon);
- (c) Create or permit to exist any other superpriority claim that is *pari passu* with or senior to the claims of the Lender under the Agreement, except for the Carve-Out;
- (d) Sell or otherwise dispose of any assets (including, without limitation, the stock of any subsidiary) except for (i) sales in arm's length transactions, at fair market value and for cash in an aggregate amount not to exceed \$500,000, and (ii) other disposals to be mutually agreed upon;
- (e) Create or permit to exist indebtedness in addition to indebtedness under the Agreement other than (i) pre-petition debt (including existing Capitalized Leases to be defined in the Agreement),

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- (ii) indebtedness evidenced by or subject to a Section 1110 stipulation acceptable to the Lender, and (iii) other indebtedness to be mutually agreed upon;
- (f) Make Capital Expenditures (to be defined in a manner reasonably satisfactory to the Lender) during the fiscal quarter ending December 31, 2005 in an amount greater than \$1,500,000;
 - (g) Guaranty the obligations of others except as permitted by the Agreement;
 - (h) Make loans or investments other than as may be permitted in the Agreement (the Agreement will permit (i) loans made by Borrower prior to the Petition Date that are outstanding on the Petition Date and the continuation (but not increase) of investments existing on the Petition Date; (ii) investments in short term obligations of, or which are guaranteed by, the United States of America, repurchase agreements with respect to such securities, short term commercial paper bearing a credit rating of at least A from Standard & Poors or A2 from Moody's Investors Service, certain certificates of deposit and time deposits; and (iii) other loans and investments to be mutually agreed upon);
 - (i) Directly or indirectly enter into or permit to exist any material transaction with any of its Affiliates (to be defined) except for transactions with Borrower, certain transactions to be scheduled and transactions that are entered into in the ordinary course of Borrower's business in good faith and upon commercially reasonable terms, and that are no less favorable to Borrower than would be obtained in an arm's-length transaction with a non-Affiliate;
 - (j) Declare or make any dividend or make any distribution on account of capital stock (other than dividends and distributions by the Borrower solely to the extent necessary to pay customary directors' fees owing by the Borrower to members of its Board of Directors);
 - (k) Modify or alter in any material manner the nature and type of its business or the manner in which such business is conducted, except as required by the Bankruptcy Code, as expressly contemplated by the Initial Cash Flow Projection and Initial Budget or the Updated Business Plan, as applicable, or as otherwise approved by the Lender;
 - (l) After delivery of the Updated Business Plan, modify or alter in any material manner such Updated Business Plan;

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- (n) For the fiscal quarter ending December 31, 2005, such other financial and negative covenants as are customary for facilities of this type, and for Borrower's operations and assets, as are reasonably satisfactory to the Lender including a performance covenant to be tested on a weekly basis as of the last day of the week, beginning with the last day of the fifth week following the Petition Date, whereby Borrower shall, on a cumulative basis from the Petition Date, have achieved at least 90% of the cash receipts set forth in the Initial Cash Flow Projection, and shall not, on a cumulative basis from the Petition Date, make more than 110% of the aggregate cash disbursements as set forth in the Initial Cash Flow Projection; and
- (o) Upon delivery of the Updated Business Plan, such other financial and negative covenants as are customary for facilities of this type, and for Borrower's operations and assets as reflected in such Updated Business Plan and which are reasonably satisfactory to the Lender, including minimum EBITDA, minimum revenues, and minimum cash collections, and maximum capital expenditures for fiscal periods beyond December 31, 2005, each to be tested on a quarterly basis.

Events of Default:

Upon the occurrence and continuance of any of the following Events of Default beyond the applicable grace period (if any) set forth below, Lender may take all or any of the following actions without further order of or application to the Court, *provided* that with respect to *clause (iii)* below and with respect to any foreclosure on any collateral, the Lender shall provide Borrower (with a copy to counsel for the Official Creditors' Committee and the appointed U.S. Trustee) with five (5) days' prior notice:

- (i) declare the principal of and accrued interest on the outstanding borrowings to be immediately due and payable;
- (ii) terminate any further commitment of the Lender under the Credit Facility to lend to Borrower or to cause the issuance of Letters of Credit;
- (iii) set-off any amounts held as cash collateral or in any accounts;
- (iv) require Borrower upon written demand to furnish immediate cash collateral to the Lender for Letters of Credit then outstanding in an amount equal to 105% of the outstanding amount of such Letters of Credit; and/or

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- (v) take any other action or exercise any other right or remedy (including, without limitation, with respect to the liens in favor of the Lender permitted under the Agreement, or by applicable law).

Events of Default:

- (a) Failure by Borrower to pay (i) interest, fees or expenses when due and such default shall continue for more than three business days or (ii) principal when due;
- (b) Breach by Borrower of any of the negative covenants described above or of the insurance covenant described above;
- (c) Breach by Borrower of any other covenant or agreement contained in the Agreement and such breach shall continue unremedied for more than thirty (30) days after the earlier of (x) receipt of notice from the Lender and (y) Borrower's knowledge thereof;
- (d) Any representation or warranty made by Borrower shall prove to have been incorrect in any material respect when made;
- (e) The Bankruptcy Case shall be dismissed or converted to a Chapter 7 bankruptcy case; a Chapter 11 Trustee, a responsible officer or an examiner with enlarged powers relating to the operation of the business of Borrower (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) shall be appointed in the Bankruptcy Case or any other superpriority Claim (other than the Carve-Out) which is *pari passu* with or senior to the claims of the Lender shall be granted in the Bankruptcy Case;
- (f) Other than (a) payments authorized by the Court (i) in respect of accrued payroll and related expenses as of the commencement of the Bankruptcy Case and (ii) in respect of certain critical vendors and other creditors, in each case to the extent authorized by one or more "first day" or other orders reasonably satisfactory to the Lender, and (b) payments made pursuant to Section 1110 of the Bankruptcy Code, Borrower shall make any payment (whether by way of adequate protection or otherwise) of principal or interest or otherwise on account of any pre-petition indebtedness or payables (including, without limitation, reclamation claims);
- (g) The Court shall enter an order granting relief from the automatic stay to the holder or holders of any security interest to permit foreclosure (or the granting of a deed in lieu of foreclosure or the like) on any assets of Borrower which have an aggregate value in excess of \$1,000,000 (it being understood that the relinquishment by

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Borrower of aircraft or other assets they do not elect to retain under Section 1110 of the Bankruptcy Code shall not be within this paragraph);

- (h) A Change of Control (to be defined in the Agreement) with respect to the board of directors of Borrower shall occur;
- (i) Any material provision of the Agreement shall cease to be valid and binding on Borrower, or Borrower shall so assert in any pleading filed in any court;
- (j) (x) An order shall be entered reversing, amending, supplementing, staying, vacating or otherwise modifying the DIP Financing Order without the prior written consent of the Lender or (y) either (1) Borrower files a Plan which does not contain a provision for termination of the Lender's commitments under the Credit Facility and payment in full of all amounts owing under the Credit Facility and the return, cash collateralization or other support for outstanding Letters of Credit as provided in the above "*Letters of Credit*" section, in each instance under this *clause (y)*, on or before the effective date of such Plan or (2) any other person files a Plan which does not contain such provision and the Borrower fails to contest such Plan in good faith or the Court enters an order confirming such Plan;
- (k) Any judgment in excess of \$2,000,000 as to any post-petition obligation not covered by insurance shall be rendered against Borrower and the enforcement thereof shall not be stayed; or there shall be rendered against Borrower a non-monetary judgment with respect to a post-petition event which causes or would reasonably be expected to cause a material adverse change or a material adverse effect on the ability of Borrower to perform its obligations under the Agreement;
- (l) Certain material ERISA-related and environment-related defaults;
- (m) If the Tranche B Effective Date does not occur on or before January 31, 2006; or
- (n) Such other Events of Default as are customary for facilities of this type, and for Borrower's operations and assets, as are satisfactory to the Lender, including, without limitation, Events of Default as a result of slot and route utilization and loss of material rights with respect thereto.

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and Increased
Costs:**

Standard yield protection and indemnification including capital adequacy requirements will be incorporated that will satisfactorily compensate the Lender in the event that any changes in law, requirement, guideline or request of relevant authorities shall increase costs, reduce payments or earnings, or increase capital requirements.

**Costs and
Expenses:**

All reasonable and documented out-of-pocket costs and expenses of the Lender (including, without limitation, reasonable fees and disbursements of counsel, including aviation counsel, and of internal and third-party appraisers and consultants advising the Lender, expenses in connection with periodic field examinations and appraisals, the monthly and other monitoring of assets, enforcement of rights and other miscellaneous disbursements), shall be payable by Borrower promptly upon written demand whether or not the transactions contemplated hereby are consummated.

Indemnification: Borrower shall indemnify the Lender against any liability arising in connection with the transactions contemplated hereby (other than, with respect to the Lender, in the case of the bad faith, gross negligence or willful misconduct of the Lender).

Documentation: Satisfactory in form and substance to the Lender.

Governing Law: Minnesota except as governed by the Bankruptcy Code.

**Counsel to the
Lender:** Haynes and Boone, LLP