



BAA 

Indianapolis Airport Authority • Indianapolis International Airport
managed by **BAA Indianapolis LLC**

Patrick F. Dooley
Airport Director

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April 5, 2006

Mr. Dan Hindes
Northwest Airlines, Inc.
2700 Lone Oak Parkway
Eagan, MN 55121-1534

VIA E-MAIL AND FEDERAL EXPRESS

CONFIDENTIAL COMMUNICATION

Dear Dan,

I've enjoyed speaking with you a few times in the past week and now I can follow on the "heads up" I shared with you regarding potential expansion by Federal Express at IND. As I mentioned on the telephone, our discussions have been fast and furious with Federal Express – and they are now poised to move forward with a major expansion of their hub and facilities at Indianapolis International Airport (IND).

If we are able to successfully complete the negotiation, the result would include extension of the existing agreement (option to extend exercised by Federal Express) and an amendment to provide for expansion of the existing sort facility by 330,000 sq. ft. (to be designed, built and financed directly by Federal Express). In addition, an expansion of the existing ground lease is anticipated, to include the proposed apron expansion project with 14 new aircraft parking positions (Authority Special Facility Lease). I've attached a project summary for your review. Both parties have targeted April 14th to complete and execute the amendment.

This expansion will position Federal Express with capacity to significantly increase their operations in Indianapolis. Under the current residual Airline Use and Lease Agreement, all of the passenger carriers will benefit from incremental landed weight provided by cargo carriers, through a reduction in the overall airport landing fee rate achieved through increases in landed weight.



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The signatory airlines were introduced to the Cargo Apron Expansion project last summer during IND's capital budget review process. At that time, we shared with the carriers our approach in structuring the agreement where rentals sufficient to cover the Authority's debt on this project would be recovered through incremental landing fee revenues generated at the airport. As negotiations with Federal Express have proceeded during the last several months, we are pleased to provide you with even stronger lease terms than originally communicated during last year's budget process.

The current proposed lease terms between the Authority and Federal Express remove financial risks to the passenger carriers through a guarantee of rentals sufficient to cover all debt service costs. In addition, Federal Express will pay ground and supplemental rentals ranging from \$.50 - \$.60 per sq. ft., which contributes to non-airline revenues in the range of \$600 - \$700 thousand annually, upon completion of all three phases of the proposed expansion. Passenger carriers also benefit as a portion of incremental landed weight from Federal Express continues to help mitigate increases to the landing fee rate for all carriers.

The proposed terms provide a credit back to Federal Express for up to 75% of incremental landed weight achieved by Federal Express, above a 5 billion pound base (adjusted 3% annually after 2010), up to a maximum annual credit equal to the associated debt service payment. Passenger carriers will benefit from base landed weights, as well 25% of incremental landed weight achieved through expanded capacity created as a result of this expansion.

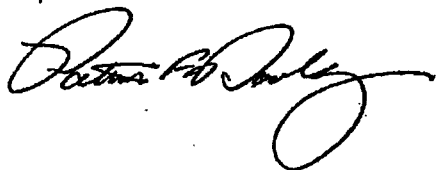
As you are aware, passenger airlines have gone through significant restructuring of aircraft fleets and operations. As a result, landed weight from passenger airlines has not grown at the rate anticipated in Indianapolis. Therefore, the ability to achieve higher levels of landed weight through cargo activities becomes even more critical to the Authority's ability to manage to a lower airport-wide landing fee rate. The proposed expansion by Federal Express certainly helps the Authority in achieving its goal to grow cargo activity at the airport, which ultimately helps influence reductions in costs / landing fee rates for all carriers.

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Should the Authority approve the proposed amendment to the lease on April 14, we hope the passenger carriers will join Federal Express and the Authority in celebrating this airport-wide partnership and commitment to growth in Indianapolis. Once the Authority documents are ready and signed by Federal Express we will provide you with notice of the final terms. Until that time we request that you treat this information as confidential and proprietary within the signatory carrier group. As you may know, Federal Express has been engaged in similar discussions with other cities, we remain concerned that the opportunity could go to another airport.

Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick F. Dooley". The signature is fluid and cursive, with a large loop at the end.

PATRICK F. DOOLEY, SCMD, Airport Director
BAA Indianapolis LLC
Managing Agent for Indianapolis Airport Authority

Cc: Lacy Johnson, IAA Board President
John Kish – IAA Midfield Program Director
Marsha Stone, BAA Finance Director