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August 30, 2002

MP&T Director
File Reference 1082-200
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear MP&T Director:

Northwest Airlines has reviewed the exposure draft of the proposed interpretation of ARB No. 51, Consolidation of Certain Special-Purpose Entities ("SPE Interpretation"). We appreciate the opportunity to respond to this proposed SPE Interpretation. In general, Northwest supports the proposed Interpretation but would appreciate the FASB's guidance in clarifying several items.

Application of the Interpretation with respect to the pre-funding period of an Enhanced Equipment Trust Certificate (EETC):

EETCs are a type of financing tool utilized by airlines that allows them to securitize debt on aircraft by bundling equipment notes into different classes of certificates for investors. Often the certificates are marketed in advance of the delivery of the aircraft, resulting in a "pre-funding" period during which proceeds are held in trust. Subsequent acquisition of aircraft is achieved either through secured debt or leveraged leases. The EETC Trust, established for the purpose of issuing the notes and acting as a pass-through vehicle for investors, holds and controls the cash received from the investors. The cash can only be accessed for the purchase of a qualified aircraft delivery. If a qualified delivery does not occur, the cash is given back to the investors via the process detailed in legal agreements.

It is unclear under the proposed SPE interpretation how to treat the cash proceeds during the pre-funding period, when they are held in escrow and are not assets or direct obligations of, or guaranteed by, the Company. Please provide a specific example of the accounting related to this type of transaction.

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SPE Interpretation's interrelationship with the Guarantee Exposure Draft:

On May 22, 2002 the Financial Accounting Standards Board issued a proposed interpretation of FASB 5, 57, and 107, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("Guarantee Interpretation"). The Guarantee Interpretation discusses the need to reflect residual value guarantees on the balance sheet. How does the Guarantee Interpretation interrelate with the SPE Interpretation? If the special purpose entity is consolidated and the same company (i.e., the consolidating entity) also reflects the residual value guarantee on the balance sheet, there is a double counting of a portion of the asset and liability.

Definition of Qualifying Special Purpose Entity:

The scope clause provides an exception for qualifying special purpose entities (QSPEs). The definition of a QSPE is provided in FASB 140, paragraph 35. This definition is quite vague as it relates to the SPE Interpretation and allows for substantial legal interpretation. It would provide more clarity if specific examples of the QSPE definition as it relates to the SPE Interpretation could be provided.

Again, Northwest Airlines appreciates the opportunity to offer comments on the SPE Interpretation. If we can provide further information regarding our comments, please do not hesitate to call me at 612-726-2252.

Sincerely,

/s/ james g. mathews

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