UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File No. 0-17895

MESABA HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Minnesota	41-1616499
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7501 26th Avenue South
Minneapolis, Minnesota 55450
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (612) 726-5151

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the registrant as of June 5, 2001 was approximately $228,038,000.

As of June 5, 2001, there were 20,288,141 shares of Common Stock of the registrant issued and outstanding.

Documents Incorporated By Reference

Certain portions of the documents listed below have been incorporated by reference into the indicated part of this Form 10-K.

Document Incorporated	Part of Form 10-K
Proxy Statement for 2001 Annual Meeting of Shareholders	Part III

CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this Annual Report on Form 10-K under the captions "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as oral statements that may be made by the Company or by officers, directors or employees of the Company acting on the Company's behalf, that are not historical fact may constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward looking statements involve factors that could cause the actual results of the Company to differ materially from historical results or from any results expressed or implied by such forward-looking statements. The Company cautions the public not to place undue reliance on forward-looking statements, which may be based on assumptions and anticipated events that do not materialize. Factors which could cause the Company's actual results to differ from forward-looking statements include material changes in the relationship between the Company and Northwest Airlines; reductions or interruptions in Northwest Airlines' air service; changes in regulations affecting the Company, including DOT and FAA regulations or directives affecting airworthiness of aircraft; the acquisition and phase-in of a new aircraft; downturns in economic activity; seasonal factors; and labor relationships, including labor shortages, slow downs and/or work stoppages associated with the outcome of contract negotiations between the Company and the Association of Flight Attendants.

PART I

Item 1. BUSINESS

Mesaba Holdings, Inc. ("Mesaba Holdings" or the "Company") is the holding company for Mesaba Aviation, Inc. ("Mesaba"). Mesaba is a regional airline currently providing scheduled passenger service under the name "Mesaba Airlines/Northwest Airlink" or "Mesaba Airlines/Northwest Jet Airlink" to 99 cities and metropolitan areas in 27 states and three provinces of Canada. All flights currently operated by Mesaba are designated as Northwest Airlines flights under agreements with Northwest Airlines, Inc. ("Northwest"). Mesaba's flight schedules are coordinated with those of Northwest to facilitate interline connections at the Minneapolis/St. Paul International Airport, Detroit Metropolitan Airport and the Memphis International Airport.

Recent Developments

On November 1, 2000, Northwest Airlines presented the Company with an offer to purchase all of the Company's outstanding shares not currently owned by Northwest at a price of $13.00 per share. Northwest owns 5.7 million shares, or approximately 28% of the Company's current shares outstanding. The Company's Board of Directors appointed a special committee of independent directors to consider and act upon Northwest's offer and other alternatives on behalf of Mesaba and its public shareholders.

On June 14, 2001, Northwest Airlines announced that it had withdrawn its offer to purchase the Company's shares.

Agreements with Northwest

The Company operates as a regional air carrier providing scheduled jet-prop passenger and air freight service as Mesaba Airlines/Northwest Airlink under an Airline Services Agreement (the "Airlink Agreement") with Northwest to 78 cities in the Upper Midwest and Canada from Northwest's hub airports in Minneapolis/St. Paul and Detroit. The Airlink Agreement provides for exclusive jet-prop rights to designated service areas and extends through June 30, 2007. Either Northwest or Mesaba has the right to terminate the Airlink Agreement without cause upon 365 days' notice.

Mesaba also operates regional jet aircraft under a separate Regional Jet Services Agreement (the "Jet Agreement"), under which Mesaba operates Avro RJ85 ("RJ85") regional jets for Northwest. As of June 1, 2001, Mesaba served 48 cities under the Jet Agreement. The aircraft are subleased from Northwest and are operated as Northwest Jet Airlink from the Minneapolis/St. Paul, Detroit and Memphis hubs. Northwest has the right to terminate the Jet Agreement without cause upon not less than 180 days nor more than 365 days notice, such notice not to be given before October 25, 2003.

Under the agreements, all flights that Mesaba currently operates are designated as Northwest flights using Northwest's designator code in all computer reservations systems, including the Official Airline Guide, with an asterisk and a footnote indicating that Mesaba is the carrier providing the service. In addition, flight schedules of Mesaba and Northwest are closely coordinated to facilitate interline connections, and Mesaba's passenger gate facilities at the Minneapolis/St. Paul International Airport, Detroit Metropolitan Airport and Memphis International Airport are integrated with Northwest's facilities in the main terminal buildings, rather than at the more remote commuter air terminals. The agreements with Northwest also permit Mesaba to offer its passengers fares between the cities serviced by Mesaba and all of the destinations served by Northwest as well as participation in Northwest's frequent flyer program. Mesaba's jet aircraft are painted in the colors of Northwest Airlines and the jet-prop aircraft are painted in a distinctive "Northwest Airlink" configuration, with a Northwest Airlines logo in addition to Mesaba's name.

Mesaba, through the agreements, receives ticketing and certain check-in, baggage, freight and aircraft handling services from Northwest at certain airports. In addition, Mesaba receives its computerized reservations services from Northwest. Northwest also performs all marketing, schedules, yield management and pricing services for Mesaba's flights.

Mesaba believes that its competitive position is enhanced as a result of its marketing and other agreements with Northwest, particularly through the ability of Mesaba to offer its passengers coordinated flight schedules to the destinations served by Northwest. Loss of Mesaba's affiliation with Northwest or Northwest's failure to materially perform under the Airlink Agreement or Jet Agreement for any reason would have a material adverse effect on the Company's operations and financial position.

Route System

The following sets forth certain information with respect to Mesaba's scheduled route system for June 2001.

Cities served from Minneapolis/St. Paul: Grand Rapids, MN, Brainerd, MN, Pierre, SD, Sioux Falls, SD, Bemidji, MN, Thief River Falls, MN, Aberdeen, SD, Wausau, WI, Lincoln, NE, Grand Forks, ND, Watertown, SD, Fargo, ND, Omaha, NE, Moline, IL, Houghton/Hancock, MI, Marquette, MI, LaCrosse, WI, Bloomington, IL, Thunder Bay, Ontario, St. Cloud, MN, Escanaba, MI, Ely, MN, Bismarck, ND, Kalamazoo, MI, Rochester, MN, Kenora, Ontario, Green Bay, WI, Cincinnati, OH, Traverse City, MI, Waterloo, IA, Mason City, IA, Fort Dodge, IA, Sioux City, IA, Hibbing, MN, Duluth, MN, Rhinelander, WI, Eau Claire, WI, Dubuque, IA, Peoria, IL, Rockford, IL, Appleton, WI , International Falls, MN, Pellston, MI, Cedar Rapids, IA, Aspen, CO, White Plains, NY, Saginaw, MI, Madison, WI, Rapid City, SD, Flint, MI, Pittsburgh, PA, St. Louis, MO, Charlotte, NC, Columbus, OH, Dayton, OH, Winnipeg Ontario.

Cities served from Detroit: Erie, PA, Akron/Canton, OH, Dayton, OH, Flint, MI, Traverse City, MI, Pellston, MI, Wausau, WI, Houghton/Hancock, MI, Marquette, MI, Toledo, OH, Muskegon, MI, Columbus, OH, Kalamazoo, MI, Cincinnati, OH, Lansing, MI, Youngstown, OH, Fort Wayne, IN, Lexington, KY, Charleston, WV, London, Ontario, Binghamton, NY, Roanoke, VA, Lafayette, IN, Bloomington, IL, South Bend, IN, Louisville, KY, Escanaba, MI, Champaign, IL, Evansville, IN, Knoxville, TN, State College, PA, Saginaw, MI, Harrisburg, PA, Ottawa, Ontario, Elmira, NY, Allentown, PA, Cleveland, OH, Rochester, NY, Appleton, WI, Rockford, IL, Pittsburgh, PA, Des Moines, IA, Green Bay, WI, Peoria, IL, Rhinelander, WI, Montreal, Quebec, White Plains, NY, Alpena, MI, Sault Ste. Marie, MI, Dubuque, IA, Duluth, MN, Greensboro, NC, St. Louis, MO, Buffalo, NY, Charleston, SC, Grand Rapids, MI.

Cities served from Memphis: Cincinnati, OH, St. Louis, MO, Knoxville, TN, Huntsville, AL, Wichita, KS, Cleveland, OH, Fayetteville, AK, Baton Rouge, LA, Jackson MS, Biloxi/Gulfport, MS, Nashville, TN, St. Louis, MO, Birmingham, AL, Charlotte, NC, Grand Rapids, MI.

From time to time Mesaba reviews the feasibility of expanding the frequency of its service to airports currently being served, as well as initiating passenger service to additional cities generally within its service area. Mesaba works closely with Northwest to coordinate flight schedules and to facilitate connections between Mesaba and Northwest. See "Business ─ Agreements with Northwest."

Aircraft

The following table sets forth certain information as to Mesaba's passenger aircraft fleet as of June 1, 2001:

Type of Aircraft	Number of Aircraft	Seating Capacity	Approximate Single Flight Range (miles)	Approximate Average Cruising Speed (M.P.H.)
Avro RJ85	36	69	1,400	410
Saab 340	73	30/34	500	300

Mesaba leases or sub-leases its Avro RJ85 aircraft from Northwest under operating leases with terms of up to 10 years. The Jet Agreement allows Mesaba to return aircraft to Northwest upon the occurrence of certain events. The Avro RJ85 aircraft are pressurized jet airplanes with galleys, dual class cabins, standup headroom, lavatories, ACARS, radar, ground proximity warning, traffic collision avoidance and de-icing systems.

Mesaba leases all of its Saab 340 aircraft, either directly from aircraft leasing companies or through sub-leases with Northwest under operating leases with initial terms of up to 17 years. The Airlink Agreement allows Mesaba to return aircraft to Northwest upon the occurrence of certain events. The Saab 340 aircraft are fast, fuel efficient, pressurized jet-prop airplanes with galleys, standup headroom, lavatories, radar, global positioning, ground proximity warning, traffic collision avoidance and de-icing systems.

All of Mesaba's aircraft comply fully with all current Federal Aviation Regulations issued by the Federal Aviation Administration ("FAA").

As of June 2001, Mesaba's existing fleet of Avro RJ85 and Saab 340 aircraft had remaining lease terms of six months to 15 years. The current aggregate monthly lease payments for all aircraft is approximately $8,900,000.

Competition

The airline industry is highly competitive as a result of the Airline Deregulation Act of 1978 (the "Deregulation Act"). In general, the Deregulation Act increased competition by eliminating restrictions on fares and route selection. The Deregulation Act also contributed to the withdrawal of national and major carriers from short-haul markets by allowing them to more easily obtain additional long-haul routes, which can be more efficiently and profitably served by larger jet aircraft. Elimination of barriers to entry into new markets, however, also creates greater potential for competing service by other carriers operating small, fuel-efficient aircraft on short-haul routes serving small and medium-sized cities. Mesaba currently competes directly with other regional airlines on some routes it serves. Mesaba also faces competition from regional carriers offering service to alternative hubs for connecting flights. No assurance can be given that other carriers, including major carriers, will not institute competing service on routes served by Mesaba.

Competitive factors in the airline industry generally include fares, frequency and dependability of service, convenience of flight schedules, type of aircraft flown, airports served, relationships with travel agents, and efficiency and reliability of reservations systems and ticketing services. The compatibility of flight schedules with those of other airlines and the ability to offer through fares and convenient inter-airline flight connections are also important competitive factors. The Company believes that Mesaba is competitive with respect to each of such factors because of its established reputation, cost structure, aircraft fleet which is properly suited for the small and medium-sized cities served, and especially its relationship with Northwest.

Fuel

The cost of aviation fuel accounted for 6.5% of total operating costs for the year ended March 31, 2001, 7.5% the year ended March 31, 2000, and 8.5% for the year ended March 31, 1999.

The Company has arrangements with Northwest and ten major fuel suppliers for substantial portions of its fuel requirements. The Company believes that such arrangements assure an adequate supply of fuel for current and anticipated future operations. Both the cost and availability of fuel, however, are subject to factors beyond the control of the Company. Certain provisions of the Airlink Agreement protect Mesaba from fluctuations in aviation fuel prices and Northwest provides fuel for all of the jet operations.

Fares

Mesaba derives its passenger revenues by selling its capacity to Northwest at predetermined rates. Passenger fares vary primarily in relation to the length of the flight and other factors and are established by Northwest. Under the agreements with Northwest, the Company has the ability to enter into arrangements with other air carriers for service to cities not served by Northwest, so long as the Company does not use the "NW" designator code, Avro RJ85 or Saab 340 aircraft with respect to such service. The Company would need to acquire additional aircraft if it entered into an arrangement for service to carriers other than Northwest.

Regulation

Pursuant to the Federal Aviation Act of 1958, as amended (the “Aviation Act”), the Federal Department of Transportation (“DOT”), principally through the FAA, has certain regulatory authority over the operations of all air carriers. The jurisdiction of the FAA extends primarily to the safety and operational provisions of the Aviation Act, while the responsibility of the DOT involves principally the regulation of certain economic aspects of airline operations.

FAA Regulation. Mesaba holds an “Air Carrier Certificate” from the FAA, under Part 119 of the Federal Aviation Regulation, permitting it to conduct flight operations in compliance with Part 121 of the Federal Aviation Regulations. The Part 121 regulations are the same regulatory requirements applied to major airlines. The FAA regulations to which Mesaba is subject are extensive and include, among other items, regulation of aircraft maintenance and operations, equipment, ground facilities, dispatch, communications, training, weather observation, flight personnel and other matters affecting air safety. To ensure compliance with its regulations, the FAA requires airlines to obtain operating, airworthiness and other certificates that are subject to suspension or revocation for cause. Mesaba holds all certificates necessary for its operations.

DOT Regulation. Prior to October 1992, Mesaba was registered under Part 298 of the economic regulations of the DOT. On October 26, 1992, the DOT granted Mesaba a Certificate of Public Convenience and Necessity under Section 401 of the Aviation Act. As a certificated carrier, Mesaba is required to file certain additional quarterly reports with the DOT, including a report of aircraft operating expenses and related statistics. The Certificate of Public Convenience and Necessity is a prerequisite for operations with aircraft larger than 60 seats.

Other Regulation. Under the Noise Control Act of 1972 and the Aviation Safety and Noise Abatement Act of 1979, the FAA has authority to monitor and regulate aircraft engine noise. Management of the Company believes that Mesaba’s aircraft comply with or are exempt from such regulations and that Mesaba complies with standards for aircraft exhaust emissions and fuel storage facilities issued by the Environmental Protection Agency. The Company is also required to comply with the drug-testing program adopted under Part 14 CFR by the DOT. As a foreign carrier operating in Canada, the Company is subject to regulation by the Canadian Department of Transport and has been issued Foreign Air Carrier Operating Certificates by such agency. Because Northwest maintains certain contracts with the Department of Defense (the “DOD”), Mesaba is subject to periodic inspections by the DOD.

Insurance

Mesaba carries the types of insurance customary in the airline industry, including coverage for public liability, passenger liability, property damage, aircraft loss or damage, baggage and cargo liability, and workers’ compensation. The Company believes that this insurance is adequate as to amounts and risks covered. There can be no assurance, however, that the insurance carried would be sufficient to protect the Company adequately in the event of a catastrophic accident.

Aircraft Maintenance

Mesaba employs its own aircraft, avionics and engine maintenance staff that perform substantially all routine maintenance to its aircraft and engines. Major overhauls on its airframes, engines, and other rotable parts on Saab 340 and RJ85 aircraft are performed internally or at FAA authorized facilities.

Airport and Terminal Facilities and Services

Mesaba’s ticket counter and baggage-handling space is leased from local airport authorities or other airlines at all of the airports served. In 47 of the cities it serves, Mesaba receives support service under agreements with Northwest.

Mesaba pays local airport authorities for the use of landing fields at rates that are based on the number of flights per day, fixed fees, or on the number of aircraft landings and aircraft weight.

Properties

The Company's principal executive offices are located at the Minneapolis/Saint Paul International Airport. Mesaba leases approximately 293,000 square feet of facilities, ramp, parking and unimproved land at the airport under separate ground and facilities leases with the Metropolitan Airports Commission. Mesaba's primary facility contains approximately 83,000 square feet of office, shop, and hangar space. Mesaba is obligated to make payments of approximately $35,000 per month under the lease for the hangar, office and maintenance facility, in addition to approximately $13,000 per month under the ground lease for the underlying land and access ramp. Mesaba has entered into an agreement with the Metropolitan Airports Commission ("MAC") to terminate these leases on January 1, 2003, to accommodate planned runway construction. As part of the runway expansion plan, Mesaba will relocate its hangar facilities to the west side of the airport and is currently evaluating lease options with the MAC.

Mesaba leases approximately 394,000 square feet of facilities, ramp, parking and unimproved land at the Detroit Metropolitan Airport under separate ground and facilities leases. The facilities lease covers approximately 60,000 square feet of hangar and maintenance space and obligates Mesaba to pay monthly rentals ranging between approximately $22,000 and $36,000 until August 1, 2002 as part of Special Facilities Bond financing provided by Wayne County, Michigan. The ground lease has a 20-year term concurrent with the facilities lease, which expires August 1, 2010. Monthly lease payments of approximately $7,000 are currently required under the ground lease, subject to an annual adjustment on January 1 each year based upon the percentage change in an index published by the Bureau of Labor Statistics of the U.S. Department of Commerce. On May 9, 2000, the hangar collapsed due to a severe storm. During reconstruction, Mesaba expanded the facility to approximately 60,000 square feet. Due to the hangar incident and corresponding reconstruction, the lease was reclassified from a capital to operating lease. The hangar facility reopened on June 1, 2001.

Mesaba owns approximately 38,000 square feet of hangar and office space located on approximately 102,000 square feet of land and parking areas of which Mesaba is ground lessee, at the Central Wisconsin Airport in Mosinee, Wisconsin. Mesaba pays approximately $800 per month under the terms of the ground lease relating to such facility, which expires on December 31, 2011, subject to two 10-year renewal options.

Mesaba leases approximately 497,000 square feet of facilities, ramp, parking and unimproved land at the Cincinnati/Northern Kentucky Airport under separate ground and facilities leases. The facilities lease covers approximately 126,000 square feet of hangar and maintenance space and Mesaba pays monthly rentals of approximately $88,000 until January 29, 2029 as part of Special Facilities Bond financing provided by Cincinnati/Northern Kentucky Airport Authority. The ground lease has a 30-year term concurrent with the facilities lease, which expires January 29, 2029. Monthly lease payments of approximately $10,500 are required under the ground lease.

Employees

As of June 1, 2001, Mesaba employed 3,700 persons, of whom 975 were pilots, 345 were management, administrative and clerical personnel, 360 were aircraft maintenance personnel, 1,400 were station managers, station agents and line services personnel, and 620 were flight attendants. Approximately 600 of Mesaba's employees are part-time.

The Air Line Pilots Association ("ALPA") represents Mesaba's pilots. Mesaba concluded negotiations with ALPA and reached a collective bargaining agreement effective June 1, 1996, with a term of four years. In October 1996, Mesaba and ALPA reached agreement on a modification of the collective bargaining agreement which, in addition to other enhancements, extended the term of the agreement to June 1, 2002.

The Aircraft Mechanics Fraternal Association ("AMFA") represents Mesaba's mechanics. Mesaba concluded negotiations with AMFA and reached a new collective bargaining agreement effective August 22, 1999, with a term of four years.

The Transportation Workers Union ("TWU") represents Mesaba's dispatchers. Mesaba concluded negotiations with TWU and reached a new collective bargaining agreement effective May 26, 2000, with a term of five years.

The Association of Flight Attendants ("AFA") represents Mesaba's flight attendants. Formal negotiations between Mesaba and AFA are currently in progress. The Company has yet to achieve its first contract with AFA, although negotiations have been underway since May 2000.

The Railway Labor Act precludes any job action without a formal declaration of an impasse by the NMB, which has not occurred. Any work stoppage, whether from a failure to enter into a new collective bargaining agreement or otherwise, could have a material adverse impact on the Company. Mesaba has had no work stoppages and management, in general, believes that its relations with its employees are good.

Cyclicality and Seasonality

The airline industry generally is subject to cyclical moves in the economy. Because both personal discretionary travel and business travel may be expected to decline during periods of economic weakness, the airline industry tends to experience poorer financial results during such periods. Seasonal factors, primarily weather conditions and passenger demand, historically have affected Mesaba's monthly passenger boardings. The first and second fiscal quarters have typically shown a higher level of passenger boardings as compared with the third and fourth quarters for many of the cities served by Mesaba. As a result of such factors, the Company's revenues and earnings historically have been higher during the first six months of the fiscal year.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information regarding the executive officers of the Company and its subsidiary, Mesaba Aviation, Inc.

Name	Age	Position	Officer Since
Carl R. Pohlad	85	Chairman of the Company and Mesaba	1995
Paul F. Foley	48	President and Chief Executive Officer of the Company and Mesaba	1999
John S. Fredericksen	52	Executive Vice President, Administration, General Counsel and Secretary of the Company and Mesaba	1992
Robert E. Weil	36	Vice President, Chief Financial Officer and Treasurer of the Company and Mesaba	2000
James B. Glennon	40	Vice President, Strategic Planning of the Company and Mesaba	2000
Scott L. Durgin	39	Vice President, Customer Service of Mesaba	1996
John G. Spanjers	46	Vice President, Flight Operations of Mesaba	1999
Scott R. Bussell	48	Vice President, Technical Operations of Mesaba	2000
Jeffrey W. Wehrenberg	41	Vice President, Minneapolis Hub Operations of Mesaba	2001
Joseph E. Fillar	43	Vice President, Detroit Hub Operations of Mesaba	2001
Robert T. Meekin	39	Vice President, People and Processes of Mesaba	2001

Carl R. Pohlad is a Class Two director and Chairman of the Board of Directors. Mr. Pohlad has been President and a director of Marquette Bancshares, Inc. since 1993. Prior to 1993, Mr. Pohlad served as President and Chief Executive Officer of Marquette Bank Minneapolis and Bank Shares Incorporated. Mr. Pohlad is also an owner, director and the President of CRP Sports, Inc., the managing general partner of the Minnesota Twins baseball club, and is a director of Genmar Holdings, Inc.

Paul F. Foley is a Class Three director and President and Chief Executive Officer of the Company. Mr. Foley was appointed President and Chief Executive Officer of the Company in October 1999. Prior to joining the Company, Mr. Foley was Vice President of Operations Support at Atlas Air, Inc. In this position, he was responsible for Airline Flight Crew and Ground Operations in 66 cities and 33 countries. He was previously at LSG Lufthansa Service/Sky Chefs as Group Vice President of Operations, North America. He also served as President of Continental Airline's subsidiary, Chelsea Catering Corporation. Mr. Foley holds a Bachelor of Science degree from Cornell University and a Masters Degree from Southern Methodist University.

John S. Fredericksen joined the Company as Vice President, General Counsel in July 1992. In August 1993, Mr. Fredericksen was appointed Senior Vice President, Operations of the Company and Mesaba. He was appointed Secretary of the Company and Mesaba in November 1994. In October 1999, he was appointed to his current positions with the Company and Mesaba. From March 1987 until joining the Company, Mr. Fredericksen was employed by the Regional Airline Association, Washington, D.C. and served most recently as its President. From 1980 until 1987, Mr. Fredericksen was an attorney with the Federal Aviation Administration.

Robert E. Weil was named Vice President, Chief Financial Officer and Treasurer of the Company and Mesaba in January 2000. Mr. Weil was the Managing Director of Finance – Ground Operations for Northwest Airlines from December 1997 until joining the Company. He also held the position of Controller – Ground Operations and held various other finance positions at Northwest since 1991. Mr. Weil holds a Masters degree in Management from the Kellogg Graduate School of Management at Northwestern University.

James B. Glennon was named Vice President, Strategic Planning and Business Development in June 2000. Before joining the Company, Mr. Glennon was Senior Vice President and Chief Financial Officer of Atlantic Coast Airlines, Inc. from 1994 to 1997. He held various financial positions during twelve years at Continental Airlines, including Chief Financial Officer of Continental's subsidiary, Chelsea Catering Corporation. He also served as a consultant to Northwest Airlines, Chautauqua Airlines and Aeromexico. Mr. Glennon holds a Masters of Business Adninistration from Wharton Graduate School of Business at the University of Pennsylvania and a Bachelor's of Arts degree from Davidson College.

Scott L. Durgin joined the Company as Vice President, Customer Service in December 1996. Mr. Durgin was Vice President, Customer Service of Business Express Airlines from May 1995 until joining the Company. He served as a Regional Director for Express I Airlines from December 1991 to May 1995, and held various positions, the last being Director of Stations, at Pilgrim Airlines from 1983 until December 1991.

John G. Spanjers was named Vice President, Flight Operations of Mesaba when he joined the Company in November 1999. Mr. Spanjers was employed by Northwest Airlines from June 1988 to November 1999, serving most recently as Director of Performance Engineering. Prior to that, Mr. Spanjers held various operational positions within the regional and charter airline industry.

Scott R. Bussell was named Vice President, Technical Operations of Mesaba in May 2000. Mr. Bussell joined the Company in October 1995 as Director of Maintenance for Mesaba Airlines. Before coming to Mesaba in 1995, Mr. Bussell held the position of Director of Maintenance for Renown Aviation in Roswell, New Mexico. From 1977 to 1994 Mr. Bussell held numerous positions in Technical Operations while employed at Continental Airlines and Frontier Airlines in Denver, Colorado. Mr. Bussell graduated with honors from Colorado Aero Tech and holds a FAA Airframe and Powerplant License.

Jeffrey W. Wehrenberg was named Vice President, Minneapolis Hub Operations for Minneapolis in March 2001. Mr Wehrenberg joined the Company in September 2000 as Director of Systems Operations Control. Before coming to Mesaba, Mr. Wehrenberg held the position of Senior Vice President and Chief Operating Officer at TransMeridian Airlines since May 1999. He also was President and Chief Operating Officer at Chicago Express Airlines between November 1998 and May 1999 and served in a variety of senior operational positions with Express Airlines I, between 1995 and 1998 including Vice President of Customer Service and Vice President and General Manager of the Express' northern region.

Joseph E. Fillar was named Vice President, Detroit Hub Operations when he joined the Company in April 2001. Before joining the Company, Mr. Fillar worked for Northwest Airlines since 1979. He served most recently as Director of Customer Service in Detroit since 1998 and Manager of Ramp Procedures and System Deicing prior to 1998.

Robert T. Meekin was named Vice President, People and Processes in March 2001. Before joining the Company, Mr. Meekin held the position of Director of Organization Development for Becton Dickinson in Franklin Lakes, New Jersey. Mr. Meekin has held numerous positions in human resource management and organizational development at Becton Dickinson since 1997, The Perrier Group of America from 1992 to 1997 and Exxon Chemical Company from 1987 to 1992. Mr. Meekin holds a Masters Degree in Labor and Industrial Relations from the University of Minnesota and a Masters Degree in Management and Organizational Development from American University.

Item 2. PROPERTIES

See information provided under the captions "Business – Aircraft," "– Airport and Terminal Facilities and Services," and "– Properties" in Item 1 herein.

Item 3. LEGAL PROCEEDINGS

In early November 2000, the Company was served with four lawsuits filed in Hennepin County District Court and one lawsuit filed in Dakota County District Court. The Dakota County suit has been transferred to Hennepin County, where all five suits are now pending. The lawsuits have been styled as purported class actions on behalf of the Company's shareholders. Also named as defendants in the lawsuits are each of the Company's current directors and Northwest Airlines Corporation.

The lawsuits arise out of the proposal by Northwest Airlines Corporation to acquire all of the outstanding shares of the Company's common stock which Northwest does not presently own. The lawsuits allege that the defendants have breached their fiduciary duties to the Company's shareholders in connection with the proposed transaction. Each of the lawsuits seeks to enjoin the defendants from proceeding with the proposed transaction and, if the transaction is completed, to rescind the transaction or to compensate the Company's shareholders for alleged damages. The complaints also seek legal fees and other expenses on behalf of the plaintiffs.

The Company believes the lawsuits are without merit particularly since Northwest has withdrawn its proposal, and intends to defend them vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS DURING FOURTH QUARTER OF FISCAL YEAR

There were no matters submitted to a vote of the Company's shareholders during the three-month period ended March 31, 2001.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded under the symbol "MAIR" on the NASDAQ National Market.

The following table sets forth the range of high and low sale prices for the Company's Common Stock and the dividends per share for each of the fiscal quarters of the two years ended March 31, 2001. Quotations for such periods are as reported by NASDAQ for National Market issues. The Company has not issued cash dividends since September 1995.

Stock Quotations

	($) High	($) Low
Fiscal 2000		
First quarter	17.00	12.00
Second quarter	14.75	10.75
Third quarter	14.13	8.88
Fourth quarter	12.56	10.00
Fiscal 2001		
First quarter	12.88	9.13
Second quarter	11.06	9.00
Third quarter	14.00	10.25
Fourth quarter	13.50	10.25

On June 6, 2001, the number of holders of record of Common Stock was 790.

The transfer agent for the Company's Common Stock is Wells Fargo Bank Minnesota, National Association, 161 North Concord Exchange, South St. Paul, Minnesota, 55075-0738, telephone: (651) 450-4064.

Item 6. SELECTED FINANCIAL DATA AND STATISTICAL COMPARISON

The following table sets forth selected financial data with respect to the Company as of the dates and for the periods indicated. The selected financial data has been derived from the audited financial statements. The financial data set forth below should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7.

	For the Year Ended March 31,				
	2001	2000	1999	1998	1997
Statement of Operations Data:	(amounts in thousands, except per share data)				
Operating revenues	$439,803	$406,199	$331,753	$277,225	$185,701
Operating expenses	410,455	359,364	299,531	246,856	166,118
Operating income	29,348	46,835	32,222	30,369	19,583
Net income	19,784	31,061	21,271	19,804	11,986
Net income per share – Basic	$ 0.98	$ 1.54	$ 1.07	$ 1.03	$ 0.63
Weighted average number of common shares outstanding – Basic	20,288	20,177	19,793	19,270	19,143
Net income per share – Diluted	$ 0.94	$ 1.48	$ 0.99	$ 0.95	$ 0.62
Weighted average number of common shares outstanding and common share equivalents – Diluted	20,941	21,043	21,512	20,846	19,310

	As of March 31,				
	2001	2000	1999	1998	1997
Balance Sheet Data:	(dollars in thousands)				
Current assets	$156,740	$139,952	$116,369	$89,499	$67,601
Net property and equipment	56,248	54,109	47,195	32,097	19,772
Other noncurrent assets	10,746	13,663	15,659	15,595	17,193
Total assets	223,734	207,724	179,223	137,191	104,566
Current liabilities	46,566	44,686	48,674	42,509	33,393
Long-term liabilities	12,487	18,320	21,310	19,136	21,379
Shareholders' equity	164,681	144,718	109,239	75,546	49,794
Total liabilities and shareholders' equity	$223,734	$207,724	$179,223	$137,191	$104,566

Mesaba Aviation, Inc.

	Year ended March 31,				
	2001	2000	1999	1998	1997
Selected Operating Data:					
Revenue passengers carried	6,207,400	5,667,600	4,342,200	3,324,146	1,959,632
Revenue passenger miles (000's) (1)	1,725,460	1,534,116	1,112,050	805,495	445,871
Available seat miles (000's) (2)	2,948,239	2,677,712	1,994,626	1,469,229	864,083
Passenger revenue per available seat	$ .146	$ .150	$ .165	$ .186	$ .212
Cost per available seat mile	$ .139	$ .134	$ .150	$ .168	$ .192
Passenger load factor (3)	58.5%	57.3%	55.8%	54.8%	51.6%
Yield per revenue passenger mile (4)	$ .249	$ .262	$ .295	$ .340	$ .416
Departures	269,596	274,357	236,209	201,622	144,266

(1) "Revenue passenger miles" are determined by multiplying the number of fare paying passengers carried by the distance flown.

(2) "Available seat miles" are determined by multiplying the number of seats available for passengers by the number of miles flown.

(3) "Passenger load factor" is determined by dividing revenue passenger miles by available seat miles.

(4) "Yield per revenue passenger mile" is determined by dividing passenger revenue by revenue passenger miles.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (As used herein, "unit cost" means operating cost per available seat mile. Dollars and shares outstanding are expressed in millions.)

Earnings Summary

The Company reported net income of $19.8 million or $0.94 per diluted share for the fiscal year ended March 31, 2001, compared to $31.1 million or $1.48 per diluted share in fiscal 2000 and $21.3 million or $0.99 per diluted share in fiscal 1999. Weighted average common shares and common share equivalents outstanding was 20.9 million, 21.0 million and 21.5 million in fiscal years 2001, 2000 and 1999, respectively.

Results of Operations

Operating Revenues. Operating revenues rose 8.3% to $439.8 million in fiscal 2001 from $406.2 million in fiscal 2000 and $331.8 million in fiscal 1999. Passenger revenue per available seat mile ("RASM") decreased 2.7% to $0.146 from $0.150 in 2000 and 11.5% from $0.165 in 1999, primarily due to additional deliveries of the higher capacity RJ85 aircraft. Mesaba's revenue per available seat mile is lower on the RJ85 than the Saab 340 because Northwest provides more services under the Jet Agreement. Mesaba's average passenger load factor was 58.5% in 2001, up from 57.3% in 2000 and 55.8% in 1999. The improvements in traffic and load factor are attributable to the introduction of three RJ85 aircraft as well as overall increases in passenger demand within the industry offset by lower levels of planned capacity in response to adverse weather conditions and higher than planned pilot attrition.

Operating Expenses. Due to additional aircraft as well as adverse weather and high levels of pilot attrition, total operating expenses increased 14.2% to $410.5 million in 2001 from $359.4 million in 2000 and $299.5 million in 1999. Mesaba experienced a 3.7% increase in the cost per available seat mile ("CASM") to 13.9 cents compared with 13.4 cents in 2000. Seat capacity (measured in available seat miles or "ASM") increased 10.1% in 2001 to 2.95 billion, primarily as a result of the introduction of three RJ85 aircraft. The following table compares components of Mesaba's operating cost per ASM for the years ended March 31, 2001, 2000 and 1999:

	2001	2000	1999
Wages and benefits	3.9¢	3.7¢	4.0¢
Aircraft fuel	0.9	1.0	1.3
Aircraft maintenance	2.6	2.6	2.8
Aircraft rents	3.4	3.3	3.5
Landing fees	0.2	0.3	0.4
Insurance and taxes	0.2	0.2	0.4
Depreciation and amortization	0.6	0.5	0.5
Other	2.1	1.8	2.1
Total	13.9¢	13.4¢	15.0¢

Wages and benefits increased 15.2% to $114.1 million in fiscal 2001 compared to $99.1 million in fiscal 2000 and $80.3 million in fiscal 1999. Unit cost increased 5.9% to 3.9 cents from 3.7 cents. The overall dollar increase is a result of increased cost of flight crews due to a 2.0% increase in block hours flown, the addition of flight crews to support the continued introduction of the RJ85 aircraft and the increase in pilot attrition year over year. Wage and benefit cost of mechanics increased with the opening of a new maintenance facility in Cincinnati. Wage and benefit cost of airport personnel also increased due to an increase in scheduled operations and introduction of RJ85 ground handling at the Minneapolis/St. Paul Hub. Normal wage and benefit increases also contributed to the higher expenses. Overall, personnel levels (measured on a full time equivalent basis at the fiscal year end) increased to approximately 3,700 from 3,000.

Total fuel costs decreased 3.2% to $25.9 million in fiscal 2001 from $26.8 million in fiscal 2000 and $25.5 million in fiscal 1999. The change is attributable to decreased consumption caused by a decrease in block hours flown by the jet-prop operation. The average price per gallon, including taxes and into-plane fees, was 83.5 cents in fiscal years 2001, 2000 and 1999. Certain provisions of the Airlink Agreement protect Mesaba from future fluctuations in fuel prices. Unit cost decreased 10.0% to 0.9 cents from 1.0 cents. Mesaba is not required to provide fuel for the jet operation.

Direct maintenance expense, excluding wages and benefits costs, increased to $78.4 million in fiscal 2001 from $69.8 million in fiscal 2000 and $56.7 million in fiscal 1999. This increase was attributable to the aging of the fleet as well as the addition of three RJ85 aircraft to the fleet during fiscal 2001. Unit costs remained unchanged at 2.6 cents.

Aircraft rentals were $100.0 million in fiscal 2001, $88.9 million in fiscal 2000 and $70.4 million in fiscal 1999. Mesaba added three RJ85 aircraft during fiscal 2001. The new aircraft, combined with the full year effect of the 11 aircraft added in fiscal 2000, led to unit costs increasing 3.0% to 3.4 cents from 3.3 cents.

Landing fees were $6.3 million in fiscal 2001, $7.5 million in fiscal 2000 and $6.9 million in fiscal 1999. The decrease in 2001 is attributable to a 5.8% decrease in jet-prop departures, which caused a decrease in the total gross landing weight as well as a one-time credit of $0.6 million from the Detroit Wayne County airport due to a budget surplus at the airport. On a unit cost basis the cost decreased to 0.2 cents from 0.3 cents in fiscal 2000. Mesaba is not required to pay landing fees for the jet operation.

Insurance and taxes were $5.4 million in fiscal 2001, $5.7 million in fiscal 2000 and $6.9 million in fiscal 1999. This decrease in fiscal 2001 compared to fiscal 2000 is due primarily to decreasing fleet values partially offset by an increase in passenger volume. The decrease in 2000 compared to fiscal 1999 is attributable to lower insurance rates due to joint purchasing efforts with Northwest. Because of the greater capacity generated by the additional aircraft, unit costs were unchanged at 0.2 cents.

Depreciation and amortization totaled $17.8 million in fiscal 2001 compared to $14.4 million in fiscal 2000 and $10.0 million in fiscal 1999. The increase in Mesaba's depreciation and amortization resulted primarily from the acquisition of spare parts to support the RJ85 and Saab 340 fleet and the amortization of the Northwest warrants. In April and June 1998, the Company paid a contract rights fee in the form of stock purchase warrants to Northwest as part of the amendments to the Jet Agreement allowing for the increase from 12 to 36 aircraft. Contract rights are being amortized on a straight-line basis over the minimum term of the Jet Agreement. Unit cost increased 20.0% to 0.6 cents from 0.5 cents.

Administrative and other costs totaled $62.6 million in fiscal 2001, $47.3 million in fiscal 2000 and $42.8 million in fiscal 1999. This increase is primarily attributable to 31.1% higher crew related expenses due to increased flying and training to support the RJ85 and Saab 340 fleet as well as a significant increase in pilot attrition levels. Pilot attrition increased from approximately 10% annually in fiscal 1999 to 20% annually in fiscal 2001, primarily due to increased hiring at the major airlines. Additionally, higher passenger and airport related expenses were incurred due to increases in traffic, adverse weather and the number of cities served. Unit cost increased 16.6% to 2.1 cents from 1.8 cents. Mesaba is generally not required to provide airport and passenger related services for the jet operation.

Operating Income. The Company's operating income was $29.3 million in fiscal 2001, $46.8 million in fiscal 2000 and $32.2 million in fiscal 1999. Mesaba's operating margins were 6.7% in 2001, 11.5% in 2000 and 9.7% in 1999. Fiscal 2001 operating margins decreased due to lower revenues and higher expenses associated with pilot attrition, adverse weather, the Detroit hangar collapse and proposed Northwest buyout.

Nonoperating income. Nonoperating income was $5.6 million in fiscal 2001, $4.4 million in fiscal 2000 and $4.0 million in fiscal 1999. Interest and investment income increased $2.0 million to $6.3 million in 2001 from $4.3 million in 2000 due to higher yields on cash balances.

Provision for Income Taxes. The provision for income taxes was $15.2 million in fiscal 2001, $20.2 million in fiscal 2000 and $14.1 million in fiscal 1999. The effective tax rate was 43.5% in 2001, 39.4% in 2000 and 39.0% in 1999. The effective tax rate increased due to higher levels of nondeductible expenses.

Liquidity and Capital Resources

The Company's working capital increased to $110.2 million with a current ratio of 3.4 at March 31, 2001 compared to $95.3 million and 3.1 at March 31, 2000. Cash and cash equivalents decreased by $81.3 million to $18.9 million at March 31, 2001 due to a change in the investment portfolio from cash and cash equivalents to short-term investments. Net cash flows provided by operating activities totaled $16.8 million in fiscal 2001, $31.5 million in fiscal year 2000 and $35.9 million in fiscal 1999. The change from fiscal 2000 is primarily due to the increase in receivable balances for insurance recoveries. Net cash flows used for investing activities totaled $97.8 million in fiscal 2001, $18.4 million in fiscal 2000 and $22.7 million in fiscal 1999. The change from fiscal 2000 is primarily a result of the change in the investment portfolio to the use of more short-term investments. Net cash flows used in financing activities amounted to $0.2 million in fiscal 2001 and consisted of principal payments of $0.4 million, offset by issuance of common stock of $0.2 million related to the exercise of stock options.

Long term debt, net of current maturities, totaled $2.1 million at March 31, 2001 and $3.9 million as of March 31, 2000. Long-term debt consists principally of capitalized lease financing for the Minneapolis/St. Paul hangar facility. The ratio of long-term debt to shareholders' equity was 1% at March 31, 2001, compared to 4% at the end of fiscal 2000. The change is as a result of the reclassification of the Detroit maintenance hangar from a capital lease to an operating lease.

As of June 2001, Mesaba's fleet consisted of 109 aircraft covered under operating leases with remaining terms of six months to 15 years and aggregate monthly lease payments of approximately $8.9 million. Operating leases have been the Company's primary method for acquiring aircraft, and management expects to continue relying on this method to meet most of its future aircraft financing needs. Continued funding of the monthly lease payments is ensured as long as the current operating contracts with Northwest are in effect.

During fiscal 2001, Mesaba committed to reconstruct its maintenance facility located at the Detroit Metropolitan Airport. The new facility is approximately 25% larger than the previous hangar, which was substantially destroyed on May 9, 2000 due to severe weather. Mesaba has committed to pay for the additional space that will not be covered by insurance proceeds. This commitment amounts to approximately $3.0 million and will be funded with current cash balances. The Company maintains property and business interruption insurance coverage on their facilities. The Company is preparing a claim to recover certain lost revenues and expenses under the business interruption policy related to the hangar damage. No amounts have been recorded under this claim as of March 31, 2001. Recovery amounts will be recorded upon ultimate resolution.

During fiscal 2000, Mesaba leased approximately 497,000 square feet of facilities, ramp, parking and unimproved land at the Cincinnati/Northern Kentucky Airport. The lease covers approximately 126,000 square feet of hangar and maintenance space and obligates Mesaba to pay monthly rentals of $0.9 million until January 29, 2029 as part of Special Facilities Bond financing provided by Cincinnati/Northern Kentucky Airport Authority. The ground lease has a 30-year term concurrent with the facilities lease, which expires January 29, 2029. Monthly lease payments of approximately $0.1 million are required under the ground lease. Mesaba intends to make these lease payments from cash provided by operations.

Approximately 80% of Mesaba's passengers connected with Northwest in fiscal 2001, 80% in 2000 and 81% in 1999. Approximately 80% of the Company's accounts receivable balance at March 31, 2001 are due from Northwest. Loss of the Company's affiliation with Northwest or Northwest's failure to make timely payment of amounts owed to the Company or to otherwise materially perform under the Airlink Agreement or Jet Agreement for any reason would have a material adverse effect on the Company's operations and financial results.

The Company has historically relied upon internally generated funds to support its working capital requirements. Management believes that funds from operations will provide adequate resources for meeting non-aircraft capital needs in fiscal 2002.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s principal market risks are changes in interest rates and the availability of jet fuel.

The Company does not have significant exposure to changing interest rates on its long-term debt because the interest rates on such debt are fixed. Likewise, the Company does not hold long-term interest sensitive assets and therefore is not exposed to interest rate fluctuations from its assets. The Company does not purchase or hold any derivative financial instruments for trading purposes.

The Company has not experienced difficulties with fuel availability and expects to be able to obtain fuel at prevailing prices in quantities sufficient to meet its future requirements. As a part of the Airlink Agreement, Northwest Airlines, Inc. bears the economic risk of fuel price fluctuations for the fuel requirements. As such, the Company reasonably expects that its results of operations will not be directly affected by fuel price volatility.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company and the related Report of Independent Public Accountants are included in this Form 10-K on the pages indicated below.

ARTHUR ANDERSEN

Report of independent public accountants

To Mesaba Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Mesaba Holdings, Inc. (a Minnesota corporation) and Subsidiary as of March 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mesaba Holdings, Inc. and Subsidiary as of March 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 2 to the financial statements, effective April 1, 1998, the Company changed its method of accounting for start-up costs.

Arthur Andersen LLP

Minneapolis, Minnesota,
May 17, 2001

MESABA HOLDINGS, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Information)

	As of March 31, 2001	As of March 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 18,916	$100,172
Short term investments	78,049	-
Accounts receivable, net of reserves of $400 and $2,298	35,771	20,090
Inventories	8,046	6,103
Prepaid expenses and deposits	5,583	4,371
Deferred income taxes	10,375	9,216
Total current assets	156,740	139,952
PROPERTY AND EQUIPMENT:		
Facilities under capital lease	4,862	9,147
Flight equipment	69,480	55,446
Other property and equipment	23,681	26,676
Less: Accumulated depreciation and amortization	(41,775)	(37,160)
Net property and equipment	56,248	54,109
OTHER ASSETS, net	10,746	13,663
	$223,734	$207,724
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of capital lease obligations	$ 229	$ 429
Accounts payable	15,819	13,003
Accrued liabilities –		
Payroll	7,626	8,271
Maintenance	14,246	14,064
Deferred income	2,579	2,579
Other, primarily property and income taxes	6,067	6,340
Total current liabilities	46,566	44,686
CAPITAL LEASE OBLIGATIONS, net of current maturities	2,172	3,866
OTHER NONCURRENT LIABILITIES	10,315	14,454
COMMITMENTS AND CONTINGENCIES (Notes 3 and 6)		
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value, 60,000,000 shares authorized; 20,288,141 and 20,267,141 shares issued and outstanding, respectively	203	203
Paid-in capital	49,606	49,427
Warrants	16,500	16,500
Retained earnings	98,372	78,588
Total shareholders' equity	164,681	144,718
	$223,734	$207,724

The accompanying notes are an integral part of these consolidated balance sheets.

MESABA HOLDINGS, INC. AND SUBSIDIARY
Consolidated Statements of Operations
(In Thousands, Except Per Share Information)

	For the Years Ended March 31, 2001	2000	1999
OPERATING REVENUES:			
Passenger	$429,811	$401,342	$328,244
Freight and other	9,992	4,857	3,509
Total operating revenues	439,803	406,199	331,753
OPERATING EXPENSES:			
Wages and benefits	114,082	99,070	80,297
Aircraft fuel	25,946	26,809	25,512
Aircraft maintenance	78,364	69,767	56,682
Aircraft rents	100,048	88,877	70,422
Landing fees	6,322	7,520	6,886
Insurance and taxes	5,336	5,677	6,894
Depreciation and amortization	17,768	14,354	10,027
Other	62,589	47,290	42,811
Total operating expenses	410,455	359,364	299,531
Operating income	29,348	46,835	32,222
NONOPERATING INCOME (EXPENSE):			
Interest expense	(367)	(404)	(443)
Interest and investment income and other	6,014	4,785	4,405
Income before provision for income taxes and change in accounting principle	34,995	51,216	36,184
PROVISION FOR INCOME TAXES	15,211	20,155	14,113
Net income before change in accounting principle	19,784	31,061	22,071
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, net of tax	-	-	(800)
Net income	$ 19,784	$ 31,061	$ 21,271
Earnings Per Common Share Before Accounting Change – Basic	$ 0.98	$ 1.54	$ 1.12
Earnings Per Common Share – Basic	$ 0.98	$ 1.54	$ 1.07
Weighted Average Number of Common Shares Outstanding – Basic	20,288	20,177	19,793
Earnings Per Common Share Before Accounting Change – Diluted	$ 0.94	$ 1.48	$ 1.03
Earnings Per Common Share – Diluted	$ 0.94	$ 1.48	$ 0.99
Weighted Average Number of Common Shares Outstanding and Common Share Equivalents Outstanding – Diluted	20,941	21,043	21,512

The accompanying notes are an integral part of these consolidated statements.

MESABA HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Shareholders' Equity
For the Years Ended March 31, 2001, 2000 and 1999
(In Thousands, Except Share Information)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Warrants Shares	Warrants Amount	Retained Earnings	Total Shareholders' Equity
BALANCE, March 31, 1998	19,397,253	$ 194	$ 41,196	2,242,500	$ 7,900	$ 26,256	$ 75,546
Issuance of warrants	-	-	-	1,909,422	8,600	-	8,600
Exercise of stock options, net of related tax effects	466,576	5	3,817	-	-	-	3,822
Net income	-	-	-	-	-	21,271	21,271
BALANCE, March 31, 1999	19,863,829	199	45,013	4,151,922	16,500	47,527	109,239
Exercise of stock options, net of related tax effects	403,312	4	4,414	-	-	-	4,418
Net income	-	-	-	-	-	31,061	31,061
BALANCE, March 31, 2000	20,267,141	203	49,427	4,151,922	16,500	78,588	144,718
Exercise of stock options, net of related tax effects	21,000	-	179	-	-	-	179
Net income	-	-	-	-	-	19,784	19,784
BALANCE, March 31, 2001	20,288,141	$ 203	$ 49,606	4,151,922	$ 16,500	$ 98,372	$ 164,681

The accompanying notes are an integral part of these consolidated statements.

MESABA HOLDINGS, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(In Thousands)

	For the Years Ended March 31,		
	2001	2000	1999
OPERATING ACTIVITIES:			
Net income	$ 19,784	$ 31,061	$ 21,271
Adjustments to reconcile net income to net cash provided by operating activities –			
Depreciation and amortization	17,768	14,354	10,027
Gain on sale of equipment	-	(125)	-
Loss on lease conversion	694	-	-
Deferred income taxes	(524)	(2,889)	(517)
Change in current operating items:			
Accounts receivable, net	(15,681)	(4,185)	(1,018)
Inventories	(1,943)	461	(443)
Prepaid expenses and deposits	(1,212)	(652)	69
Accounts payable and other	(2,060)	(6,521)	6,493
Net cash flows provided by operating activities	16,826	31,504	35,882
INVESTING ACTIVITIES:			
Purchases of short-term investments	(265,220)	-	-
Sales of short-term investments	187,171	-	-
Purchases of property and equipment, net	(19,784)	(19,343)	(22,669)
Proceeds from sale of equipment	-	898	-
Net cash flows used in investing activities	(97,833)	(18,445)	(22,669)
FINANCING ACTIVITIES:			
Repayment of capital lease obligations	(428)	(457)	(437)
Proceeds from issuance of common stock, net	179	4,418	3,822
Net cash flows provided by (used in) financing activities	(249)	3,961	3,385
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(81,256)	17,020	16,598
CASH AND CASH EQUIVALENTS:			
Beginning of year	100,172	83,152	66,554
End of year	$ 18,916	$100,172	$ 83,152
SUPPLEMENTARY CASH FLOW INFORMATION:			
Cash paid during the year for –			
Interest	$ 367	$ 404	$ 443
Income taxes	$ 17,121	$ 19,636	$ 14,569

The accompanying notes are an integral part of these consolidated statements.

Item 1. CORPORATE ORGANIZATION AND BUSINESS:

Corporate Organization

The consolidated financial statements include the accounts of Mesaba Holdings, Inc. (the "Company") and its subsidiary, Mesaba Aviation, Inc. ("Mesaba"). All significant intercompany balances and transactions have been eliminated in consolidation.

Business

The Company operates a regional air carrier providing scheduled passenger and air freight service as Mesaba Airlines/Northwest Airlink and Mesaba Airlines/Northwest Jet Airlink under two separate agreements with Northwest Airlines, Inc. ("Northwest") to 97 cities from Northwest's hub airports, Minneapolis/St. Paul, Detroit and Memphis.

Under the Airline Services Agreement (the "Airlink Agreement") the Company operates SAAB 340 jet-prop aircraft for Northwest. This agreement provides for exclusive rights to designated service areas and extends through June 30, 2007, automatically renewing indefinitely thereafter. Either Northwest or the Company may terminate the Airlink Agreement on 365 days notice. In addition, Mesaba purchases fuel, reservation systems, ground handling and other services from Northwest. The Company paid $28,738 to Northwest in fiscal 2001, $20,645 in 2000 and $16,440 in 1999 for these services.

Under the Regional Jet Services Agreement (the "Jet Agreement") the Company operates Avro RJ85 ("RJ85") regional jets for Northwest. This agreement extends through April 30, 2007, automatically renewing indefinitely thereafter. Northwest may terminate the Jet Agreement on not less than 180 days nor more than 365 days notice any time after October 25, 2003. Under the Jet Agreement, Mesaba is not required to provide fuel and airport and passenger related services.

Under the agreements, all Mesaba flights appear in Northwest's timetables and Mesaba receives ticketing and certain check-in, baggage and freight-handling services from Northwest at certain airports. Mesaba also benefits from its relationship with Northwest through advertising and marketing programs. The Airlink Agreement and Jet Agreement provide for certain incentive payments from Northwest to Mesaba based on achievement of certain operational or financial goals, as defined. Such incentives totaled $3,165 in 2001, $5,159 in 2000 and $4,830 in 1999 and are included in passenger revenues in the accompanying consolidated statements of operations.

Approximately 80% of Mesaba's passengers connected with Northwest in fiscal 2001, 80% in 2000 and 81% in 1999. Approximately 78% and 84% of the March 31, 2001 and 2000 accounts receivable balances in the accompanying consolidated balance sheets are due from Northwest.

Although Mesaba maintains an expanding air system serving different markets, loss of Mesaba's affiliation with Northwest or Northwest's failure to make timely payment of amounts owed to the Company or to otherwise materially perform under the Airlink or Jet Agreements would have a material adverse effect on the Company's operations, financial position and cash flows. Northwest and the Company review contract compliance on a periodic basis.

Item 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents

Cash equivalents consist primarily of U.S. government securities and interest-bearing deposits with average maturities of less than 90 days and are stated at cost, which approximates fair value.

Investments

Investments consist principally of corporate bonds and municipal securities and are classified as available-for-sale as of March 31, 2001. Available-for-sale investments are reported at fair value with unrealized gains and losses excluded from operations and reported as a separate component of shareholders' equity, except for other-than-temporary impairments, which are reported as a charge to current operations and result in a new cost basis for the investment. The amortized cost and fair value of the investments as of March 31, 2001 were not materially different. All investments are due within one year.

	March 31, 2001 Fair Value
Corporate bonds	$ 43,845
Municipal securities	28,699
U.S. government obligations	4,147
Asset backed securities	1,358
Total	$ 78,049

Inventories

Inventories are stated at the lower of average cost or market and consist of expendable aircraft service parts and fuel. Expendable parts are charged to maintenance as used.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis for financial reporting purposes over estimated useful lives of 5 - 10 years for aircraft engines, flight equipment and rotable parts; 3 - 10 years for all other equipment; 5 - 36 years for buildings and improvements; and over the lease term for facilities under capital lease. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset. Depreciation and amortization expense on property and equipment totaled $15,488, $12,429 and $8,475 for the years ended March 31, 2001, 2000 and 1999, respectively.

Other Assets

In connection with the Jet Agreement as amended, the Company paid Northwest a contract rights fee in fiscal 1998 and 1999 in the form of stock purchase warrants. Contract rights totaled $11,700 and related accumulated amortization totaled $5,006 and $3,204 at March 31, 2001 and 2000, respectively. Contract rights are amortized on a straight-line basis over six years to coincide with the minimum term of the Jet Agreement. The Company's warrants under the Jet Agreement consisted of the following as of March 31, 2001:

Grant Date	Shares	Exercise Price	Vesting Date	Expiration Date
October 1996	922,500	$ 7.25	May 1998	October 2006
April 1998	474,192	21.25	October 1998	October 2006
June 1998	1,435,230	21.25	May 2000	October 2006

In connection with the Airlink Agreement, the Company paid a contract rights fee in the form of a stock purchase warrant to Northwest for 1,320,000 shares of common stock at $9.42 and were fully exercisable upon issuance and expire July 1, 2007. Contract rights totaled $4,800 and related accumulated amortization totaled $1,800 and $1,320 at March 31, 2001 and 2000, respectively. Contract rights are amortized on a straight-line basis over ten years to coincide with the term of the Airlink Agreement.

Impairment of Long-Lived Assets

The Company periodically evaluates whether events and circumstances have occurred which may affect the estimated useful life or the recoverability of the remaining balance of its long-lived assets. If such events or circumstances were to indicate that the carrying amount of these assets would not be recoverable, the Company would estimate the future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) were less than the carrying amount of the intangible assets, the Company would recognize an impairment loss. No such impairment losses were required to be recorded in the years ended March 31, 2001, 2000 and 1999.

Revenue Recognition

Mesaba is paid by Northwest for each completed flight. Under the Airlink Agreement, Mesaba is paid for each completed ASM and under the Jet Agreement, Mesaba is paid for each block hour flown. Passenger revenues are recorded as income when the services are rendered.

Frequent Flyer Awards

As a Northwest Airlink carrier, Mesaba participates in Northwest's frequent flyer program (WorldPerks), and passengers may use mileage accumulated in that program to obtain discounted or free trips that might include a flight segment on one of Mesaba's flights. However, under the Airlink and Jet Agreements, Northwest is responsible for the administration of WorldPerks, and Mesaba receives revenue from Northwest for WorldPerks travel awards redeemed on Mesaba flight segments.

Income Taxes

The Company accounts for income taxes under the liability method whereby deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities. These differences will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Other Noncurrent Liabilities

In order to assist the Company in integrating new aircraft into its fleet, certain manufacturers provide the Company with spare parts or other credits. The Company has deferred these amounts and amortizes them over the terms of the Airlink Agreement as a reduction of aircraft rent expense. Amortization of $4,139, $2,497 and $1,822 was recorded during the years ended March 31, 2001, 2000 and 1999, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

Start Up Costs

Effective April 1, 1998, the Company adopted AICPA Statement of Position (SOP) 98-5 "Reporting on the Costs of Start-Up Activities" which requires all start-up costs to be charged to expense as incurred. The adoption of SOP 98-5 resulted in an $800 charge (net of tax) to operations, or $0.04 per basic and diluted share for previously capitalized start-up costs and was recorded as a cumulative effect of change in accounting principle.

Segment Reporting

The Company has reviewed Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information" and determined that the aggregation criteria outlined in SFAS No. 131 have been achieved and therefore the Company's operations are reported as a single reportable segment.

New Accounting Pronouncement

On April 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. SFAS No. 133 requires all derivative contracts to be reported on the balance sheet at fair value through earnings currently, unless special hedge accounting criteria are met. Since the Company does not have any of these types of instruments, the adoption of SFAS No. 133 did not have an impact on the Company's results of operations, financial position or cash flows.

Item 3. FLIGHT EQUIPMENT:

The Company's airline fleet consisted of the following aircraft held under operating leases as of March 31, 2001:

Number of Aircraft	Type of Aircraft	Seating Capacity
73	Saab 340	30/34
36	Avro RJ85	69

Under terms of the Jet Agreement, the Company subleases its RJ85 aircraft from Northwest under operating leases with original terms of up to ten years. The Jet Agreement allows the Company to return aircraft to Northwest upon the occurrence of certain events, including termination or breach of the Jet Agreement.

The Company leases all of its Saab 340 aircraft, either directly from aircraft leasing companies or through subleases with Northwest under operating leases with terms of up to 17 years. The Airlink Agreement allows Mesaba to return aircraft to Northwest upon the occurrence of certain events.

Aircraft maintenance and repairs on Saab 340 and RJ85 aircraft are charged to expense when incurred, except for the cost of major airframe inspections, for which the estimated cost is accrued and charged to maintenance expense based upon hours flown, thus providing for the inspection cost when it occurs.

The aircraft operating leases require future minimum rental payments as follows at March 31, 2001:

2002	$106,890
2003	105,535
2004	102,457
2005	99,617
2006	98,547
Thereafter	247,149

Rent expense under aircraft operating leases totaled approximately $100,048 in 2001, $88,877 in 2000 and $70,422 in 1999 (including $61,598, $48,422 and $32,472 paid to Northwest in 2001, 2000 and 1999, respectively).

Item 4. INCOME TAXES:

The provision for income taxes for the three years ended March 31 is comprised of the following elements:

	2001	2000	1999
Current:			
Federal	$ 12,942	$ 19,213	$ 11,657
State	2,793	3,831	2,973
Deferred	(524)	(2,889)	(517)
Total provision for income taxes	$ 15,211	$ 20,155	$ 14,113

The actual income tax expense differs from the expected tax expense for 2001, 2000 and 1999 as follows:

	2001	2000	1999
Computed tax expense at federal statutory rate of 35%	$ 12,248	$ 17,926	$ 12,664
Increase (decrease) in income taxes resulting from:			
State taxes, net of federal tax benefit	1,785	2,490	1,932
Non-deductible flight crew expenses	769	877	754
Other, net	409	(1,138)	(1,237)
Total income tax expense	$ 15,211	$ 20,155	$ 14,113

Deferred tax assets and liabilities are comprised of the following as of March 31:

	2001	2000	1999
Deferred tax assets:			
Maintenance	$ 4,029	$ 4,064	$ 3,456
Prepaids	1,153	1,938	1,288
Warrants	2,618	3,069	411
Leases	-	3,181	1,320
Inventories	538	678	892
Other Accruals	6,566	2,536	1,460
Gross deferred tax assets	14,904	15,466	8,827
Deferred tax liabilities:			
Property and equipment	3,477	4,563	746
Preoperating costs	-	-	67
Gross deferred tax liabilities	3,477	4,563	813
Net deferred tax assets	$11,427	$10,903	$ 8,014

Item 5. SHAREHOLDERS' EQUITY:

Stock Option Plans

The Company has stock option plans for key employees, directors, consultants and advisors to the Company and employees of its subsidiary or business partner, which authorize the issuance of shares of common stock for such options. Under the plans, options are granted by the compensation committee of the board of directors and vesting is determined at the time of the award. The purchase price of the stock for non-qualified options is determined at the time of the award and is 100% of the fair market value at the time of the award for incentive stock options.

Stock option transactions for the three years ended March 31 were as follows:

	Shares	Weighted Average Exercise Price
Options outstanding, March 31, 1998	1,306,566	$ 6.85
Granted	190,000	21.82
Exercised	(470,779)	5.74
Options outstanding, March 31, 1999	1,025,787	10.07
Granted	420,000	10.73
Exercised	(403,312)	6.28
Canceled	(265,475)	12.66
Options outstanding, March 31, 2000	777,000	11.51
Granted	374,000	9.85
Exercised	(21,000)	7.14
Canceled	(61,500)	11.76
Options outstanding, March 31, 2001	1,068,500	$11.00
Exercisable at March 31, 2001	405,000	$11.39

Options outstanding at March 31, 2001:

Exercise Price Range	Shares	Weighted Average Remaining Contractual Life
$ 4.75	22,500	.56 years
$ 8.00 - $14.25	941,000	4.05 years
$18.00 - $23.00	105,000	3.25 years
	1,068,500	

As of March 31, 2001, 1,086,975 options are available for grant to non-employee directors and certain management personnel.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions summarized below:

	2001	2000	1999
Risk free interest rate	5.90% - 6.31%	5.26% - 6.23%	5.56% - 5.59%
Expected life of option grants	6 yrs.	6 yrs.	6 yrs.
Expected volatility of option grants	42.83%	51.08%	54.91%
Weighted average fair value of options granted	$5.02	$6.28	$11.90

The Company applies Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized in the accompanying consolidated statements of operations. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of SFAS No. 123, “Accounting for Stock-Based Compensation,” the Company’s net income and net income per common share would have been decreased to the following pro forma amounts:

	2001	2000	1999
Net Income			
As reported	$19,784	$31,061	$21,271
Pro forma	$18,305	$29,515	$19,904
Basic Earnings Per Share			
As reported	$ 0.98	$ 1.54	$ 1.07
Pro forma	$ 0.90	$ 1.46	$ 1.01
Diluted Earnings Per Share			
As reported	$ 0.94	$ 1.48	$ 0.99
Pro forma	$ 0.87	$ 1.40	$ 0.93

Item 6. COMMITMENTS AND CONTINGENCIES:

Lease Commitments

In addition to the aircraft described in Note 3, the Company leases land, office and hangar facilities and certain terminal facilities under capitalized and operating leases through 2019 which provide for approximate future minimum rental payments as follows at March 31, 2001:

	Capitalized Leases	Operating Leases
2002	$ 424	$ 2,592
2003	424	2,051
2004	424	1,940
2005	424	1,916
2006	424	1,853
Thereafter	1,591	16,851
	3,711	$27,203
Less – Amount representing interest	1,310	
	2,401	
Less – Current maturities	229	
Total long-term capital lease obligations	$ 2,172	

Rent expense under all facility operating leases totaled approximately $3,864 in 2001, $3,850 in 2000 and $3,421 in 1999. On May 9, 2000, the Detroit hangar collapsed due to a severe storm. During reconstruction, Mesaba expanded the facility to approximately 60,000 square feet and it reopened on June 1, 2001. Due to the hangar incident and corresponding reconstruction, the lease was reclassified from a capital to operating lease. The Company maintains property and business interruption insurance coverage on their facilities. The Company is preparing a claim to recover certain lost revenues and expenses under the business interruption policy related to the hangar damage. No amounts have been recorded under this claim as of March 31, 2001. Recovery amounts will be recorded upon ultimate resolution.

Mesaba has entered into an agreement with the Metropolitan Airport Commission ("MAC") to terminate the lease for its Minneapolis/St. Paul facility on January 1, 2003 with specific early termination fees, to accommodate planned runway construction. As part of the runway expansion plan, Mesaba will relocate its hangar facilities to the west side of the airport and is currently evaluating lease options with the MAC.

Benefit Plan

The Company maintains a 401(k) benefit plan for eligible employees whereby the Company will match 25% to 75% of employee contributions to the plan, up to 8% of each employee's compensation, depending on each employee's length of service. The Company's contribution to the plan totaled $1,355 in 2001, $1,086 in 2000 and $882 in 1999.

Related Party

On November 1, 2000, Northwest Airlines presented the Company with an offer to purchase all of the Company's outstanding shares not currently owned by Northwest at a price of $13.00 per share. Northwest owns 5.7 million shares, or approximately 28% of the Company's current shares outstanding. The Company's Board of Directors appointed a special committee of independent directors to consider and act upon Northwest's offer and other alternatives on behalf of Mesaba and its public shareholders.

On June 14, 2001, Northwest Airlines announced that it had withdrawn its offer to purchase the Company's shares.

Litigation

The Company is a party to ongoing legal and tax proceedings arising in the ordinary course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or its cash flows.

In early November 2000, the Company was served with four lawsuits filed in Hennepin County District Court and one lawsuit filed in Dakota County District Court. The Dakota County suit has been transferred to Hennepin County, where all five suits are now pending. The lawsuits have been styled as purported class actions on behalf of the Company's shareholders. Also named as defendants in the lawsuits are each of the Company's current directors and Northwest Airlines Corporation.

The lawsuits arise out of the proposal by Northwest Airlines Corporation to acquire all of the outstanding shares of the Company's common stock which Northwest does not presently own. The lawsuits allege that the defendants have breached their fiduciary duties to the Company's shareholders in connection with the proposed transaction. Each of the lawsuits seeks to enjoin the defendants from proceeding with the proposed transaction and, if the transaction is completed, to rescind the transaction or to compensate the Company's shareholders for alleged damages. The complaints also seek legal fees and other expenses on behalf of the plaintiffs. On June 14, 2001, Northwest Airlines announced that it had withdrawn its offer to purchase the Company's shares.

The Company believes the lawsuits are without merit particularly since Northwest has withdrawn its proposal, and intends to defend them vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty.

Item 7. EARNINGS PER SHARE:

Basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed by dividing net income by the sum of the weighted average number of shares of common stock outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to stock options and warrants had been issued. Options and warrants totaling 4,503, 4,063 and 3,459 were excluded from the computation of diluted earnings per share for the years ended March 31, 2001, 2000 and 1999, respectively, as the impact would have been anti-dilutive. The following table reconciles the number of shares utilized in the earnings per share calculations:

	2001	2000	1999
Numerator:			
Net Income	$ 19,784	$ 31,061	$ 21,271
Denominator:			
For Earnings per Common Share – Basic:			
Weighted average number of issued shares outstanding	20,288	20,177	19,793
Effect of dilutive securities:			
Computed shares outstanding under the Company's stock option plan utilizing the treasury stock method	130	230	486
Computed shares outstanding under warrants issued utilizing the treasury stock method	523	636	1,233
For Earnings per Common Share – Diluted:			
Weighted Average Common Shares and Common Share Equivalents Outstanding	20,941	21,043	21,512
Earnings per share – Basic	$ 0.98	$ 1.54	$ 1.07
Earnings per share – Diluted	$ 0.94	$ 1.48	$ 0.99

Item 8. QUARTERLY FINANCIAL DATA (UNAUDITED)
(in thousands except share and per share data)

	Quarters of Fiscal Year Ended March 31, 2001				
	June 30, 2000	September 30, 2000	December 31, 2000	March 31, 2001	Fiscal Year 2001
Total operating revenues	$ 107,826	$ 115,070	$ 105,621	$ 111,286	$ 439,803
Operating income	11,725	13,411	2,111	2,101	29,348
Net income	7,718	8,800	2,280	986	19,784
Earnings per Common Share – Basic	$ 0.38	$ 0.43	$ 0.11	$ 0.05	$ 0.98
Weighted Average Common Shares Outstanding – Basic	20,269	20,278	20,288	20,288	20,288
Earnings per Common Share – Diluted	$ 0.37	$ 0.43	$ 0.11	$ 0.05	$ 0.94
Weighted Average Common Shares and Share Equivalents Outstanding – Diluted	20,956	20,692	21,134	20,983	20,941

	Quarters of Fiscal Year Ended March 31, 2000				
	June 30, 1999	September 30, 1999	December 31, 1999	March 31, 2000	Fiscal Year 2000
Total operating revenues	$ 99,815	$ 102,503	$ 101,008	$ 102,873	$ 406,199
Operating income	14,028	11,224	11,593	9,990	46,835
Net income	9,076	7,318	7,851	6,816	31,061
Earnings per Common Share – Basic	$ 0.45	$ 0.36	$ 0.39	$ 0.34	$ 1.54
Weighted Average Common Shares Outstanding – Basic	19,968	20,221	20,252	20,267	20,177
Earnings per Common Share – Diluted	$ 0.43	$ 0.35	$ 0.38	$ 0.33	$ 1.48
Weighted Average Common Shares and Share Equivalents Outstanding – Diluted	21,266	21,119	20,913	20,875	21,043

ARTHUR ANDERSEN

Report of independent public accountants

To Mesaba Holdings, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Mesaba Holdings, Inc. and Subsidiary included in this registration statement and have issued our report thereon dated May 17, 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II, Valuation and Qualifying Accounts, is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Minneapolis, Minnesota,
May 17, 2001

SCHEDULE II

MESABA HOLDINGS, INC.

VALUATION AND QUALIFYING ACCOUNTS

	BALANCES AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO REVENUE	DEDUCTIONS	BALANCE AT END OF YEAR
FOR THE YEAR ENDED MARCH 31, 2001:					
Allowance for doubtful accounts	$ 2,298	-	5,175	7,073 (1)	$ 400
FOR THE YEAR ENDED MARCH 31, 2000:					
Allowance for doubtful accounts	$ 2,287	688	2,295	2,972 (2)	$ 2,298
FOR THE YEAR ENDED MARCH 31, 1999:					
Allowance for doubtful accounts	$ 1,368	-	1,547	628 (2)	$ 2,287

(1) Write-off of uncollectible receivables of $ 4,977 and recoveries of $ 2,096.
(2) Write-off of uncollectible receivables.

EXHIBIT 23

Consent of independent public accountants

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K into the Company's previously filed Registration Statements File Nos. 333-49138, 33-89930, 33-62386, 33-42757, 33-42759, 33-19528 and 2-93739.

Arthur Andersen LLP

Minneapolis, Minnesota,
June 29, 2001

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the directors of the Company is incorporated herein by reference to the descriptions set forth under the caption "Election of Directors" in the Proxy Statement for the 2001 Annual Meeting of Shareholders (the "2001 Proxy Statement"). Information regarding executive officers of the Company is incorporated herein by reference to Item 1 of this Form 10-K under the caption "Executive Officers of the Company" on page 9.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive compensation is incorporated herein by reference to the information set forth under the caption "Compensation of Executive Officers" in the 2001 Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management of the Company is incorporated herein by reference to the information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 2001 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions with the Company is incorporated herein by reference to the information set forth under the caption "Certain Transactions" in the 2001 Proxy Statement.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed with this report.

(1) Financial Statements of Mesaba Holdings, Inc.

(3) Exhibits

3A. Restated Articles of Incorporation. Incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarter ended September 31, 1995.

3B. Articles of Amendment to the Company's Articles of Incorporation. Incorporated by reference to exhibit 3A to the Company's 10-Q for the quarter ended September 30, 1997.

3C. Bylaws. Incorporated by reference to Exhibit 3.2 to the Form S-4, Registration No. 333-22977.

4A. Specimen certificate for shares of the Common Stock of the Company. Incorporated by reference to Exhibit 4A to the Company's Form 10-K for the year ended March 31, 1989.

4B. Common Stock Purchase Warrant dated October 25, 1996 issued to Northwest Airlines, Inc. Incorporated by reference to Exhibit 4A to the Company's 10-Q for the quarter ended September 30, 1996.

4C. Common Stock Purchase Warrant dated October 17, 1997 issued to Northwest Airlines, Inc. Incorporated by reference to Exhibit 4A to the Company's 10-Q for the quarter ended September 30, 1997.

9A. Shareholder's Agreement regarding election of representative of Northwest Aircraft Inc. to Board of Directors. Incorporated by reference to Exhibit 9A to Mesaba's Registration Statement on Form S-1, Registration No. 33-820.

10A. FAA Air Carrier Operating Certificate. Incorporated by reference to Exhibit 10A to the Company's Form 10-K for the year ended March 31, 1989.

10B. 1986 Stock Option Plan (as Amended). Incorporated by reference to Exhibit 10D to the Company's Form 10-K for the year ended March 31, 1990.

10C. 1991 Director Stock Option Plan. Incorporated by reference to Exhibit 10(i) to the Company's Registration Statement on Form S-8, Registration No. 33-62386.

10D. CAB Part 298 Registration. Incorporated by reference to Exhibit 10G to Mesaba's Form 10-K for the year ended March 31, 1987.

10E. Revolving Credit and Term Loan Agreement Dated as of November 7, 1988 between Norwest Bank Minnesota, N.A. and Mesaba Aviation, Inc. Incorporated by reference to Exhibit 10F to the Company's Form 10-K for the year ended March 31, 1989.

10F. Airline Services Agreement between Mesaba Aviation, Mesaba Holdings, Inc. and Northwest Airlines, Inc. dated July 1, 1997 (certain portions of this agreement are subject to an order granting confidential treatment pursuant to Rule 24b-2). Incorporated by reference to Exhibit 10A to the Company's Form 10-Q for the quarter ended September 30, 1997.

10G. Regional Jet Services Agreement between Mesaba Holdings, Inc., Mesaba Aviation, Inc. and Northwest Airlines, Inc., dated October 25, 1996 (certain provisions of this agreement are subject to an order granting confidential treatment pursuant to Rule 24b-2). Incorporated by reference to Exhibit 10A to the Company's Form 10-Q for the quarter ended September 30, 1996.

10H. Foreign Air Carrier Operating Certificates issued May 6, 1991 by the Canadian Department of Transport. Incorporated by reference to Exhibit 10H to the Company's Form 10-K for the year ended March 31, 1991.

10I. Facility Lease and Operating Agreement dated April 18, 1988, between the Metropolitan Airport Commission and Mesaba Aviation, Inc. Incorporated by reference to Exhibit 10K to the Company's Form 10-K for the year ended March 31, 1989. Incorporated by reference to Exhibit 10J to the Company's Form 10-K for the year ended March 31, 1997.

10J. Ninth Amendment to Revolving Credit and Term Loan Agreement and Amendment to Revolving Note between Mesaba Aviation, Inc. and Norwest Bank Minnesota, National Association. Incorporated by reference to Exhibit 10J to the Company's Form 10-K for the year ended March 31, 1997.

10K. Letter of Credit and Reimbursement Agreement dated as of August 1, 1990 between Mesaba Aviation, Inc. and Norwest Bank Minnesota, National Association. Incorporated by reference to Exhibit 10A to the Company's Form 10-Q for the quarter ended September 30, 1990.

10L. Special Facilities Lease dated as of August 1, 1990 between Charter County of Wayne, State of Michigan and Mesaba Aviation, Inc. Incorporated by reference to Exhibit 10B to the Company's Form 10-Q for the quarter ended September 30, 1990.

10M. Ground Lease dated August 1, 1990 between Charter County of Wayne, State of Michigan and Mesaba Aviation, Inc. Incorporated by reference to Exhibit 10C to the Company's Form 10-Q for the quarter ended September 30, 1990.

10N. Combination Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement dated as of August 1, 1990 between Mesaba Aviation, Inc. and Norwest Bank Minnesota, National Association. Incorporated by reference to Exhibit 10D to the Company's Form 10-Q for the quarter ended September 30, 1990.

10O. Letter Agreement dated December 24, 1992 relating to the repurchase of shares of Common Stock from Northwest Aircraft, Inc. Incorporated by reference to Exhibit 10EE to the Company's Form 10-K for the year ended March 31, 1993.

10P. DOT Certificate of Public Convenience and Necessity dated October 26, 1992. Incorporated by reference to Exhibit 10FF of the Company's Form 10-K for the year ended March 31, 1993.

10Q. Stock Purchase Agreement between AirTran Corporation and Carl R. Pohlad dated as of October 18, 1993. Incorporated by reference to Exhibit 10 of the Company's Form 8-K dated October 19, 1993.

10R. 1994 Stock Option Plan (as amended July 1, 1997). Incorporated by reference to Exhibit 10B to the Company's Form 10-Q for the quarter ended September 30, 1997.

10S. Agreement between AirTran Corporation, Mesaba Aviation, Inc., Northwest Aircraft, Inc., and Northwest Airlines, Inc. dated May 18, 1995. Incorporated by reference to Exhibit 10A of the Company's Form 8-K as filed May 18, 1995.

10T. Preliminary Agreement between AirTran Corporation, Mesaba Aviation, Inc. and Northwest Airlines, Inc. dated March 8, 1995. Incorporated by reference to Exhibit 10 of the Company's Form 8-K as filed March 8, 1995.

10U. Term Sheet Proposal for the Acquisition of Saab 340 Aircraft by Mesaba Aviation, Inc. dated March 7, 1996 (certain portions of this document have been deleted pursuant to an application for confidential treatment under Rule 24b-2). Incorporated by reference to Exhibit 10U to the Company's Form 10-K/A for the year ended March 31, 1996.

10V. Letter Agreement regarding Saab 340B Plus Acquisition Financing dated March 7, 1996 (certain portions of this document have been deleted pursuant to an application for confidential treatment under Rule 24b-2). Incorporated by reference to Exhibit 10V to the Company's Form 10-K/A for the year ended March 31, 1996.

10W. Letter Agreement of April 26, 1996 relating to Airline Services Agreement between Mesaba Aviation, Inc. and Northwest Airlines, Inc. (certain portions of this document have been deleted pursuant to an application for confidential treatment under Rule 24b-2). Incorporated by reference to Exhibit 10W to the Company's Form 10-K/A for the year ended March 31, 1996.

10X. Letter Agreement of October 25, 1996 relating to Regional Jet Services Agreement between Mesaba Aviation, Inc. and Northwest Airlines, Inc. (certain portions of this document have been deleted pursuant to an application for confidential treatment under Rule 24b-2). Incorporated by reference to Exhibit 10A to the Company's Form 10-Q/A for the quarter ended September 30, 1996.

10Y. Amendment No. 1 to Regional Jet Services Agreement dated April 1, 1998 between Mesaba Holdings, Inc., Mesaba Aviation, Inc. and Northwest Airlines, Inc. (certain portions of this document have been deleted pursuant to an application for confidential treatment under Rule 24b-2). Incorporated by reference to Exhibit 10A to the Company's Form 10-Q for the quarter ended June 30, 1998

10Z. Amendment No. 2 to Regional Jet Services Agreement dated June 2, 1998 between Mesaba Holdings, Inc., Mesaba Aviation, Inc. and Northwest Airlines, Inc. (certain portions of this document have been deleted pursuant to an application for confidential treatment under Rule 24b-2). Incorporated by reference to Exhibit 10B to the Company's Form 10-Q for the quarter ended June 30, 1998

10AA. Lease Agreement, dated as of July 1, 1999, between Kenton County Airport Board and Mesaba Aviation, Inc. Incorporated by reference to Exhibit 10AA to the Company's Form 10-K for the year ended March 31, 2000.

10BB. Ground Lease, dated as of September 1, 1999, between Kenton County Airport Board and Mesaba Aviation, Inc. Incorporated by reference to Exhibit 10BB to the Company's Form 10-K for the year ended March 31, 2000.

21. Subsidiaries. Incorporated by reference to Exhibit 21 to the Company's Form 10-K for the year ended March 31, 1997.

23. Consent of independent public accountants. Filed herewith.

24. Powers of Attorney. Filed herewith.

(b) Reports on Form 8-K. The Company did not file any reports on Form 8-K for the three-month period ended March 31, 2001.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MESABA HOLDINGS, INC.

Dated: June 29, 2001

By ______________________
Paul F. Foley
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

______________________ Paul F. Foley	President and Chief Executive Officer (Principal Executive Officer) and Director	June 29, 2001
______________________ Robert E. Weil	Vice President and Chief Financial Officer (Principal Financial Officer)	June 29, 2001
______________________ Jon R. Meyer	Director of Accounting and Controller (Principal Accounting Officer)	June 29, 2001
* Donald E. Benson	Director	June 29, 2001
* Richard H. Andersen	Director	June 29, 2001
* Douglas M. Steenland	Director	June 29, 2001
* Carl R. Pohlad	Director	June 29, 2001
* Robert C. Pohlad	Director	June 29, 2001
* Pierson M. Grieve	Director	June 29, 2001
* Raymond W. Zehr, Jr.	Director	June 29, 2001
*By ______________________ Paul F. Foley	Attorney-in-fact	June 29, 2001