

named fiduciary for purposes of section 402(a) of ERISA for the Plans.

In addition to Northwest, other fiduciaries include State Street Global Advisors, The Northwest Airlines Pension Investment Committee, investment managers hired by the Pension Investment Committee, Aon Fiduciary Counselors, Inc. as it relates to the transactions described in this proposal, certain employees of the Plan Sponsor, and the Retirement Board as it relates to the Pilots Plan. Northwest, as sponsor of the Plans, by and through the Pension Investment Committee appointed by it as named fiduciary, generally has discretion with respect to the investment of the Plans' assets. However, the discretion to value, acquire, hold and dispose of the Pinnacle Stock as described below, will be exercised by an independent fiduciary.

3. The Plans. The Applicant provides the following description of the Plans:

Contract Plan. The plan year for the Contract Plan is the calendar year. The Contract Plan was established effective January 1, 1970, pursuant to a series of collective bargaining agreements with several unions at various times during 1970. Nearly all the participants in this Plan are employees represented for collective bargaining purposes by several Northwest unions that have negotiated for participation in the Contract Plan. At this time, these unions include the Aircraft Technical Support Association (ATSA), Aircraft Mechanics Fraternal Association (AMFA), the International Association of Machinists and Aerospace Workers (IAM), International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Airline Division (IBT), Northwest Airlines Meteorologists Association (NAMA), and Transport Workers Union of America (TWUA). The number of employees participating in the Contract Plan as of January 1, 2002, was 53,911. The Applicant states that as of January 1, 2002, the Contract Plan had assets with a fair market value of \$1.279 billion, and was underfunded by \$741 million.

Salaried Plan. The plan year for the Salaried Plan is the calendar year. The Salaried Plan was established in October 1946. All participants in this Plan currently accruing benefits are "salaried" or "management" employees. None of the employee participants in this Plan who are currently accruing benefits are represented for collective bargaining purposes by any union. The Salaried Plan is a cash balance plan. The number of employees participating in the Salaried Plan as of January 1, 2002, was 10,517. The Applicant states

that as of January 1, 2002, the Salaried Plan had assets with a fair market value of \$349 million, and was underfunded by \$67 million.

Pilots Plan. The plan year for the Pilots Plan is the calendar year. The Pilots Plan was established effective October 29, 1956. All participants in the Pilots Plan are employees represented for collective bargaining purposes by the Airline Pilots Association (ALPA). The number of employees participating in the Pilots Plan as of January 1, 2002, was 8,326. The Applicant states that as of January 1, 2002, the Pilots Plan had assets with a fair market value of \$2.753 billion, and was underfunded by \$248 million. Pursuant to collective bargaining agreements negotiated between the Pilot's union and Northwest, the Pilots Plan is currently prohibited from investing in employer stock; however, the Applicant anticipates that an agreement with ALPA will be reached to permit the contributions. Northwest represents that no contributions to the Pilots Plan will be made unless such an agreement is reached. The Applicant proposes that in the event that no agreement is reached to permit contributions of Pinnacle Stock to the Pilots Plan, the Master Trust will be modified to permit the holding of Pinnacle Stock for the benefit of the Contract Plan and Salaried Plan.

4. Contributions. The Applicant represents that Northwest has remitted the full amount of all quarterly contributions when due, including the full amount of quarterly contributions due to the Contract Plan on April 15, July 15 and October 15, 2002. The last quarterly contribution to the Contract Plan for the 2002 plan year is due January 15, 2003.¹ The "catch-up" contribution due in September 2003 relates to the 2002 plan years of the Contract Plan and the Salaried Plan. The Applicant represents that the minimum funding rules require (and permit) such a make-up contribution when the quarterly contributions for a plan year as determined under Code section 412(m), if any, total less than the full minimum funding amount determined to be owed with respect to the plan year.²

The Applicant represents that the contributions required to satisfy the Contract Plan's funding requirements for the 2002 plan year total approximately \$314 million, of which

¹ According to the Applicant, under Code section 412(m)(4), Northwest owed no quarterly contributions during calendar year 2002 to the Pilots Plan or Salaried Plan for the 2002 plan year. However, see below concerning a September 2003 "catch-up" contribution due to the Salaried Plan.

² See Code subsections 412(a) and (c)(10).

\$111 million already has been paid in three required quarterly contributions. For plan year 2002, an additional quarterly contribution of \$41 million is due January 15, 2003 and a final contribution of \$162 million is due in September 2003. Additionally, a plan year 2002 contribution of \$20 million is due to the Salaried Plan in September 2003 (the "catch-up" contributions). There are no 2002 plan year contributions due to the Pilots Plan. The Applicant states that contribution requirements for plan years 2003 and 2004 cannot be forecast with certainty because Northwest does not yet have final numbers regarding its funding requirements for those plan years. Northwest's minimum funding obligations for plan year 2003 will not be finally determined until its actuary completes its actuarial valuation as of January 1, 2003, which will be completed in April or May of 2003. In addition, all of the asset returns for the Plans are not yet known. Northwest will provide the plan year 2003 information when they are finalized and publicly available. The Applicant represents, however, it is likely that all Plans will require contributions for the 2003 and 2004 plan years.

5. The Master Trust. Contributions required to fund the Contract Plan, the Salaried Plan, and the Pilots Plan are made to and held under a single master trust, the Northwest Airlines, Inc. Master Trust for Defined Benefit Plans (the Master Trust). The Master Trust is structured so that each Plan has an undivided commingled interest in all of the trust fund assets. The Trustee of the Master Trust is State Street Bank and Trust Company. In addition to the Northwest Contract Plan, Pilots Plan and Salaried Plan, the Master Trust holds assets attributable to the Northwest Pension Plan for German Employees that currently has assets of approximately \$300,000.00. No assets are held on behalf of any other plans in the Master Trust.

6. Pinnacle Airlines, Inc. Pinnacle Airlines, Inc. (Pinnacle Airlines) is an indirect, wholly owned subsidiary of NWAC, and is a sister corporation of Northwest. Pinnacle Airlines recently changed its name from Express Airlines I, Inc., which was incorporated in 1985 in Georgia. It is a regional airline with principal hubs in Detroit, Michigan; Minneapolis, Minnesota; and Memphis, Tennessee. Pinnacle Airlines Corporation was incorporated in Delaware on January 10, 2002, to become a holding company of Pinnacle Airlines.

Northwest requests exemptive relief for the in-kind contribution of Pinnacle