

Independent Fiduciary an annual fee of \$250,000 for as long as Pinnacle Stock is owned by the Master Trust.

The Independent Fiduciary has engaged the law firm of Jones, Day, Reavis & Pogue to advise it and to serve as legal counsel. As previously noted, the Independent Fiduciary has engaged the services of Eclat to assist it in determining the value of the Pinnacle Stock at the time of the initial acquisition by the Plans.

The Agreement contemplates that either party may terminate such Agreement for any reason upon 60 days notice and that the Agreement may be terminated immediately for cause. In the event that a successor Independent Fiduciary is appointed, or there is a change in control of Fiduciary Counselors, the rights exercised by Fiduciary Counselors on behalf of the Plans in connection with the Term Sheet and the proposed Omnibus Agreement (see below) shall be exercised by the successor Independent Fiduciary (with the approval of the Department). The parties to the Agreement shall notify the Department within thirty (30) calendar days of any decision regarding the resignation, termination or change in control of the Independent Fiduciary.

14. The Term Sheet and the Proposed Omnibus Agreement. The Term Sheet (as provided to the Department on January 10, 2003) provides that Northwest and Fiduciary Counselors will enter into an Omnibus Agreement that governs the terms upon which Northwest may make periodic contributions of Pinnacle Stock to the Plans in order to satisfy all or any portion of Northwest's minimum funding requirements that are due in calendar years 2003 or 2004. Contributions may also be made during calendar years 2003 or 2004 with respect to a plan year for which there is no required minimum funding contribution, thus creating a credit balance with respect to the relevant plan. No contribution of Pinnacle Stock shall be made that would cause the total combined value of all employer securities or employer real property held by any plan, immediately after the contribution, to exceed 10 percent (10%) of the total assets of such plan.

The SEC Form S-1 registration statement for the IPO involving Pinnacle Airlines, Inc. describes a proposed share exchange. The Applicant represents that prior to the initial contribution, the following transactions will take place in the order indicated:

(a) Pinnacle Airlines, Inc. will distribute, as a dividend, a \$200 million

promissory note to NWA Inc., the sole shareholder of Pinnacle Airlines, Inc.

(b) NWA Inc. will transfer to Pinnacle Airlines Corp. all of the outstanding shares of Pinnacle Airlines, Inc. and in consideration thereof, Pinnacle Airlines Corp. will issue to NWA Inc. 15 million shares of common stock of Pinnacle Airlines Corp. and one share of Series A Preferred Stock of Pinnacle Airlines Corp.

(c) NWA Inc. will transfer the common stock of Pinnacle Airlines Corp. and the Series A Preferred Stock to Northwest as a contribution to the capital of Northwest.

As a result of these transactions, Pinnacle Airlines, Inc. will become a wholly owned subsidiary of Pinnacle Airlines Corp. and Pinnacle Airlines Corp. will be a wholly owned subsidiary of Northwest. The terms of the Series A Preferred Stock and the terms of the \$200 million note are set forth in exhibits to the SEC Form S-1 registration statement.

The Applicant represents that the holder of the Series A Preferred Stock has certain other voting rights in addition to the right to elect two members to the board of directors. An affirmative vote of NWA Inc. (the affiliate of Northwest which currently holds all of the shares of Pinnacle Airlines, Inc., including the Series A Preferred Stock) will be required in order for Pinnacle to:

- Enter into business combinations and change of control transactions with a third party;
- Sell or dispose of any capital stock of Pinnacle Airlines, Inc. or substantially all of the assets of Pinnacle Airlines Corp. or Pinnacle Airlines, Inc.;
- Effect reorganizations and restructuring transactions;
- Acquire airline assets that generate annual revenues of \$500 million or more;
- Increase the size of the board of directors;
- Agree to allow a major airline other than Northwest to appoint more than one director to Pinnacle Airlines' board;
- Amend Pinnacle Airlines' certificate of incorporation in a manner that would adversely affect the rights of the Series A preferred shareholder; or
- Enter into any definitive agreements relating to the foregoing matters.

The effect of this voting right will be to enable NWA Inc. to preclude Pinnacle Airlines from carrying out any of the foregoing proposals if NWA Inc. does not vote in favor of the proposal. Under the Term Sheet, Northwest has agreed not to exercise its rights under the Series A Preferred Stock to block an IPO or sale of Pinnacle Airlines if the

Independent Fiduciary, on behalf of the Plans, initiates such an IPO or a sale after an "Early Termination Event" (defined below). The Term Sheet material terms that will be reflected in the Omnibus Agreement between the Independent Fiduciary and Northwest are set forth below.

Request To Contribute Pinnacle Shares

Except with respect to the first such contribution, as to which Northwest and the Independent Fiduciary will agree on a shorter notice period, no later than 60 days before any date in calendar year 2003 or 2004 on which Northwest proposes to make a contribution of Pinnacle Stock to the Plans, Northwest shall provide written notice to the Independent Fiduciary of its proposal to make such contribution and shall indicate the dollar value of the Pinnacle Stock that it intends to contribute.

Valuation of Pinnacle Shares

The Term Sheet states that no later than 30 days prior to each date on which Northwest proposes to contribute Pinnacle Stock (or, with respect to the first such contribution, such earlier date as may be agreed), the Independent Fiduciary shall notify Northwest in writing (accompanied by a written valuation report) of the per share value that the Independent Fiduciary then preliminarily ascribes to the shares of Pinnacle Stock. In addition to determining the value of Pinnacle Stock at the time of a proposed contribution, the Independent Fiduciary shall provide to Northwest on an annual basis a written valuation of the per share value of all Pinnacle Stock held by the Plans as of each December 31 and at any time the Independent Fiduciary exercises the Put Option.

On the relevant contribution date, subject to the Independent Fiduciary's review and approval, Northwest may contribute to one or more Plans shares of Pinnacle Stock based on the per share value ascribed to such shares by the Independent Fiduciary. The Independent Fiduciary and the Plans will have the rights associated with such shares as described below. As a condition to any such contribution by Northwest, the Independent Fiduciary must determine on behalf of the Plans that the acceptance of the contributed shares is prudent and in the interests of the Plans' participants and beneficiaries and otherwise consistent with the fiduciary standards of ERISA. In addition, the Independent Fiduciary shall monitor on an ongoing basis the prudence of the Plans' continued holding of Pinnacle Stock consistent with the fiduciary standards of ERISA,