

described below, or in a bona fide public offering in accordance with the registration rights described below. In no event may shares be transferred directly or indirectly in any manner that would result in Northwest being in violation of the "scope clause" under Northwest's collective bargaining agreement with its pilots.⁹

The July 1, 2006 sunset date, together with the inclusion of an Early Termination Event, are the product of negotiation between Northwest and Fiduciary Counselors and balance Northwest's interest in having a reasonable period of time during which to determine the most advantageous timing of an IPO and the Plans' interest in enhancing the liquidity of Pinnacle Stock.

In the event of a transfer of shares of Pinnacle Stock by the Plans, the Plans will exercise commercially reasonable efforts to maximize the amount realized for such shares, and to that end will follow customary procedures (including the retention, at Northwest's expense, of a nationally recognized investment banking firm) applicable to a transaction such as the sale of such shares.

In the event of a proposed transfer of shares of Pinnacle Stock by the Plans after July 1, 2006, absent an Early Termination Event, Northwest will have a right of first refusal. This means that, if the Plans receive a bona fide offer from a third party to purchase such shares, the Plans must first offer such shares to Northwest at the offered price. If after 30 days from such offer Northwest declines to purchase such shares at the offered price, the Plans will be free for 90 days to sell such shares to the third party who made the initial offer to purchase such shares at a price not less than the offered price. The Pinnacle Stock may not be sold at a price less than such offered price without re-offering such shares to Northwest and having these provisions apply again.

Initial Public Offering

According to the Term Sheet, it is contemplated that Pinnacle Airlines will undertake an IPO. Until July 1, 2006, or the earlier occurrence of an Early Termination Event, the IPO will

be undertaken at the sole discretion of Northwest. After such date or the earlier occurrence of an Early Termination Event, either the Plans or Northwest may trigger the IPO. In the event of an IPO, the Plans will be required to sell shares of Pinnacle Stock held by the Plans in accordance with the following requirements:

- If at the time of the IPO the Plans own less than 50 percent (50%) of the outstanding Pinnacle Stock, the Plans will sell shares ratably with Northwest's sale of shares in the IPO. If the aggregate number of shares sought to be sold by Northwest and the Plans collectively exceeds the number of shares that the managing underwriter advises can be sold without having an adverse effect on the IPO, Northwest and the Plans will be cutback *pro rata*.

- If at the time of the IPO the Plans own 50 percent (50%) or more of the outstanding Pinnacle Stock, the Plans will sell, ratably with Northwest's sale of shares in the IPO, not less than such number of shares as is requested by the managing underwriter in the IPO in order to have an offering of optimal size (taking into account all the shares being sold). Beyond that, the Plans may sell additional shares at their discretion. However, if the aggregate number of shares sought to be sold by Northwest and the Plans collectively exceeds the number of shares that the managing underwriter advises can be sold without having an adverse effect on the IPO, Northwest and the Plans will be cutback *pro rata*.

- Any shares as to which the Put Option shall have already been exercised (but shall not yet have been purchased) must be included in the IPO if requested by Northwest.

The Independent Fiduciary may, on behalf of the Plans, engage an investment bank reasonably acceptable to Northwest to provide advice to the Plans in connection with any proposed IPO and subsequent disposition of Pinnacle Stock by the Plans, and Northwest will pay the reasonable fees and expenses in this regard. Northwest will consult with the Independent Fiduciary regarding any changes in the managing underwriter currently contemplated for the IPO.

Any sale of shares in a registered public offering will be subject to the requirements described below:

Northwest and the Plans will enter into a customary registration rights agreement covering the registration of all of the shares previously contributed to the Plans that are to be sold in the IPO or that are to be sold through a shelf registration or as otherwise contemplated by the Term Sheet. Such

registration rights agreement will provide that, in the case of an underwritten offering, the Plans will enter into a customary underwriting agreement as may be negotiated by Northwest with the managing underwriter(s), and the Plans will sell in accordance with such underwriting agreement the shares of Pinnacle Stock that are to be sold by the Plans, on the same economic terms that shares of Pinnacle Stock held by Northwest are sold. The Plans will receive the net proceeds from the sale of their shares in the IPO. If Pinnacle Airlines has not consummated the IPO by the earlier of July 1, 2006, or the date of the occurrence of an Early Termination Event, the Plans may exercise demand registration rights for an IPO.

The Plans will be entitled to retain all of the net proceeds from the sale, even if such net proceeds are in excess of the initial contribution value ascribed to the Pinnacle Stock being sold in the IPO. If such net proceeds are less than such initial contribution value, however, Northwest will be obligated, no later than the closing date of the IPO, to remit to the Plans immediately available funds representing the amount by which, with respect to the shares actually sold, such net proceeds are less than the initial contribution value.

If less than all of the shares of Pinnacle Stock held by the Plans are sold in the IPO, the Plans will have continuing registration rights to sell all or any portion of its remaining shares (subject to the same lock-up provisions that are imposed on Pinnacle Airlines). If there is an Early Termination Event or if at the time of the IPO such remaining shares are valued (based on the IPO price) at \$50 million or more, the Plans will have one demand registration right.

In the underwriting agreement, the indemnification obligation of the Plans will be limited to what a selling stockholder normally provides, namely, an obligation to indemnify in respect of information relating to itself and its holdings that is provided by the Plans to the underwriters expressly for inclusion in the registration statement. The Independent Fiduciary will cause the Plans to provide such information to the underwriters and otherwise to provide reasonable cooperation in order to facilitate the offering. Northwest will provide the Plans with the same indemnification and contribution it provides to the underwriters in the offering. In no event will the Plans be obligated to provide in such underwriting agreement representations and warranties beyond due authorization, good title, no conflicts and the like.

⁹The Applicant notes that in general terms, as relevant to Pinnacle Airlines, the pilot scope clause requires that all "revenue flying" performed by or for Northwest be performed by Northwest's pilots and generally prohibits Northwest from codesharing with another air carrier that operates aircraft with 60 or more seats or with another air carrier whose parent or subsidiary operates aircraft with 60 or more seats. The scope clause also requires that any regional jets operated by Pinnacle Airlines be operated at all times with the Northwest designator code.