

Description of the Put Option

Northwest noted that the description of the Put Option in the first and second columns at 68 FR 2580 of the **Federal Register** notice accurately describes the structure of the Put Option as described in Northwest's Application. However, as noted in Northwest's Application, the final terms of the Put Option were subject to negotiation with Fiduciary Counselors. Northwest believes that the final terms for the Put Option, which are more favorable to the Plans, are more completely and accurately stated in the description of the Put Option contained in the description of the Term Sheet as set forth at 68 FR 2587.

Fair Market Value of Pinnacle Stock

Northwest noted that, as reflected in the Term Sheet, Fiduciary Counselors will determine the fair market value of the Pinnacle Stock contributed to the Plans on an annual basis and in advance of each contribution to the Plans. Fiduciary Counselors will also determine fair market value at the time it exercises the Put Option so long as the shares of Pinnacle Stock are not publicly traded. Accordingly, the reference in the first column at 68 FR 2585 to quarterly valuations is no longer correct. Northwest notes that quarterly valuations were contemplated in the Application, but a change to annual valuations was made when Northwest and Fiduciary Counselors agreed to the Term Sheet.

Corporate Governance Rights

Northwest explained that the Omnibus Agreement granted the Plans additional rights in order to protect their interest in the Pinnacle Stock. Omnibus Agreement at section 7.2, Certain Approval Rights. In this regard, beginning at such time as the Plans hold more than 50% of the issued and outstanding Pinnacle Stock, and until the earlier of (i) the date the Plans hold less than 25% of such shares or (ii) the Put Option with respect to such shares has terminated, the affirmative vote of the Plans' director will be required to (1) approve the election, appointment and compensation of any new Chief Executive Officer (CEO), (2) approve any modification or other changes to the Note Pinnacle has issued to Northwest (3) approve any amendment to Pinnacle's bylaws that affects the Plans' shares of Pinnacle Stock in a manner different from other shares of Pinnacle Stock or otherwise amends the Series A Preferred Stock, and (4) unless Pinnacle is publicly traded, approve the issuance of

shares of capital stock of Pinnacle or otherwise effect changes in the capital structure of Pinnacle. Thus, the fourth bullet point in the second column at 68 FR 2585 (describing certain voting rights) should be modified accordingly.

The requirement (detailed in the last bullet point in the second column of the Proposed Exemption at 68 FR 2585) that Plan shares of Pinnacle Stock be voted in favor of certain corporate actions is now set to expire upon the occurrence of an Early Termination Event. See Omnibus Agreement at section 7.3.

Independent Directors

Northwest noted that the second bullet point in the third column at 68 FR 2585 (respecting the obtainment of fairness opinions) has been revised. In this regard, section 11.3(b) of the Omnibus Agreement now provides that at the request of a majority of Pinnacle's independent directors, a fairness opinion will be obtained from an investment bank respecting certain Affiliate Transactions. The Term Sheet originally placed the right to request this fairness opinion solely on the Plans' director, who asked that this duty be placed on the independent directors of which the Plans' director is a member.

Valuation in Connection With the Right of First Refusal

Northwest noted that the Omnibus Agreement added certain valuation details that expand the discussion of the Right of First Refusal at 68 FR 2586. The description of Northwest's right of first refusal with respect to Pinnacle Stock is accurate; however, if the Plans negotiate the sale of Pinnacle Stock to a third party for non-cash consideration, the Omnibus Agreement includes a specific valuation mechanism with respect to such consideration. See Omnibus Agreement at section 6.2. First, the Plans must provide Northwest with an "Offer Notice" which shall contain an independent valuation of the consideration by a nationally recognized valuation expert acceptable to Fiduciary Counselors and Northwest. If Fiduciary Counselors and Northwest are unable to agree on the valuation expert, the Omnibus Agreement sets forth a dispute mechanism to arrive at a final determination. In this process, Northwest and Fiduciary Counselors each select their own nationally recognized valuation expert (Principals' Experts), which experts submit their appraisals to a third expert chosen by the Principals' Experts. The third expert then determines which of the two assessed values should be assigned to such non-cash consideration.

Modification of Final Deferral Rule

Northwest observed that the Term Sheet, as reflected in the Proposed Exemption, allows Northwest to defer the closing date with respect to Pinnacle Stock repurchased pursuant to the Put Option (such delay, a "Deferral"). The length of the Deferral varies based upon a function of (1) the "liquidity" of Northwest (as defined in the Omnibus Agreement) and (2) the value of Pinnacle Stock contributed to the Plans. In the Proposed Exemption, it was noted that the length of the Deferral would be shortened if Pinnacle Stock was publicly traded at the time that the Put Option is exercised. As with the Term Sheet, the final Omnibus Agreement provides that the Deferral shall be shortened if Pinnacle Stock is publicly traded. However, the Omnibus Agreement revises this provision to provide that, if Pinnacle Stock is publicly traded, the Deferral will be reduced, in each case, by thirty days except that in no event shall Northwest have less than a 30 day Deferral in which to close the transactions contemplated by the Put Option. This change generally reduces the length of the available Deferral when the Plans hold more than \$325 million in Pinnacle Stock (measured as of the date of each contribution). See Omnibus Agreement at section 8.2.

Fiduciary Counselors March 5, 2003 Comment

On March 5, 2003, Jones Day submitted comments on behalf of Fiduciary Counselors, the Independent Fiduciary (the March 5 Comment).

Restrictions on Transfer and Voting

The Independent Fiduciary notes that the Proposed Exemption, in the first column of 68 FR 2580 (first full paragraph), makes reference to voting restrictions and limits on the ability of the Plans to dispose of the Pinnacle Stock, except pursuant to an initial public offering (IPO) initiated by Northwest or by exercise of the Put Option. In addition, as reflected in the Omnibus Agreement, the Independent Fiduciary has negotiated a lapse of all transfer restrictions on the Pinnacle Stock held by the Plans on July 1, 2006, and upon an "Early Termination Event" (including a breach of the Omnibus Agreement by Northwest or Pinnacle or Northwest's failure to honor its Put Option obligations, but excluding violations of the "scope clause" limitations in certain of Northwest's collective bargaining agreements⁵). A

⁵ below for discussion of the Northwest and ALPA Letter Agreement).

⁵ Section 1C of the Northwest Pilots Agreement, the Collective Bargaining Agreement between