

greatest of (i) the initial contribution value (the "Floor Price"), (ii) the fair market value as determined by the Independent Fiduciary at the time of the exercise of the Put Option, or, if greater, at the closing date of the Put Option, and, (iii) if a third party sale is elected for the Plans (under the limited circumstances described above) and Northwest does not exercise its right of first refusal, the proceeds from the sale of Pinnacle Stock held by the Plans to such third party. If the Pinnacle Stock is publicly traded, the Plans will receive the greater of (i) the Floor Price, or (ii) the average closing price for the stock on the public market for the 10 trading days preceding the exercise date or, if greater, the closing price on the day before the Put Option closing date.

- Once Pinnacle Stock is publicly traded, the Put Option will be suspended if all of the remaining shares of Pinnacle Stock held by the Plans have a market value not less than 110% of the Floor Price and such shares are freely tradable. Fiduciary Counselors and its advisors negotiated with Northwest and Pinnacle concerning the ability of the Plans to transfer the Pinnacle Stock and the rights of the Plans to cause Northwest to register the shares of Pinnacle Stock under Federal and State securities laws for resale to third parties. In negotiating the rights and restrictions set forth in the transfer and registration rights provisions of the Omnibus Agreement, Fiduciary Counselors balanced the need of the Plans to achieve greater diversification in light of the anticipated holdings of shares of Pinnacle Stock with the need to maximize the value of the investment in such stock.

- In addition, the Independent Fiduciary negotiated that Northwest Airlines Corporation (NWA Corp), Northwest's ultimate parent company, will guarantee Northwest's obligations under the Omnibus Agreement, including the consummation of the Put Option.

- 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 will monitor on an ongoing basis the prudence of the Plans' continued holding of Pinnacle Stock consistent with the fiduciary standards of ERISA. The appropriate fiduciary of the Plans (other than the Independent Fiduciary) will determine that such investment will not impair the

liquidity of the Plans such that the Plans would not be able to pay benefits and expenses when due. If such appropriate Plan fiduciary determines the liquidity of the Plans is impaired, such fiduciary shall direct the Independent Fiduciary to dispose of all or a portion of the Pinnacle Stock consistent with the terms of the Omnibus Agreement to the extent commercially reasonable.

- All transactions involving the Plans in connection with the contribution of Pinnacle shares will be no less favorable to the Plans than arm's length transactions involving unrelated parties.

- No commissions, fees, costs, charges or other expenses will be borne by the Independent Fiduciary or the Plans in connection with any acquisition, holding or disposition of Pinnacle shares to or from the Plans, other than the underwriters' discount or other broker-dealer fees or commissions charged in any sale of such shares. In addition, the Independent Fiduciary negotiated the right to engage an investment banker on behalf of the Plans in an IPO, at Northwest's expense.

- Northwest will provide at least quarterly notice to the Independent Fiduciary of its cash liquidity. More frequent notice will be required based on Northwest's liquidity and the value of the Pinnacle Stock contributed to the Plans. In addition, Northwest will provide the Independent Fiduciary with the information required to be provided to its lenders under its credit agreement. In addition, Northwest shall provide it with copies of any amendments to the credit agreement.

- The Independent Fiduciary negotiated a comprehensive set of governance rights accorded to the Plans as a condition of acceptance of Pinnacle Stock. In this regard, as long as the Plans hold at least 5 percent of the Pinnacle Stock, the Plans will have the right to designate one nominee to Pinnacle's board of directors, and Northwest will vote the Series A Preferred Share held by it in favor of such designee. The director designated by the Plans will have the right to serve on Pinnacle's audit committee to the extent permitted under applicable SEC and stock exchange rules. Once the Plans hold more than 50 percent of the Pinnacle Stock, the affirmative vote of the director designated by the Plans shall be required to approve the appointment of any new CEO of Pinnacle and compensation of any CEO, any amendments to the \$200 million Note of Pinnacle Airlines, Inc. held by Northwest, the amendment of Pinnacle's charter or by-laws in certain respects, or the implementation of certain changes in Pinnacle's capital structure or the

issuance of capital stock prior to an IPO. The Independent Fiduciary negotiated further powers with respect to the Plan director, including the right to object to Business Combinations involving Northwest's affiliates.

- Any change to the ASA, including any early termination of the ASA by Pinnacle, must be approved by a majority of Pinnacle's independent directors, which majority must include the director designated by the Plans. Any transaction involving Northwest outside the ordinary course of business that involves more than \$2 million and any ordinary course transaction that involves more than \$5 million must be approved by a majority of the independent directors. In this event, a majority of the independent directors may require a fairness opinion from a nationally recognized investment banking firm.

- The Independent Fiduciary negotiated a comprehensive set of representations and warranties relating to both Pinnacle Corp. and Northwest and its affiliates relating to Northwest's ability to honor the Put Option and to the value of Pinnacle Corp. The representations and warranties must be true at the time of any Contribution. The Independent Fiduciary negotiated the survival of the representations and warranties in general for 24 months after the Closing Date and indefinitely with respect to those relating to Northwest's ownership of the Pinnacle Stock and Pinnacle's ownership of the outstanding shares of Pinnacle Airlines, Inc. prior to the Initial Contribution; Northwest's ownership of the Pinnacle Stock prior to any subsequent Contribution; and Northwest's and NWA's representation that the contemplated transactions do not violate or result in a default under any of their material contracts, including without limitation, the Credit Agreement.

Valuation of the Put Option

Fiduciary Counselors stated that, in conjunction with Northwest's contribution of Pinnacle stock to the Plans, Northwest has provided the Plans with a Put Option to protect them from a possible decline in Pinnacle's shares' value. The value of the transaction is enhanced due to the downside protection that this Put Option provides. In valuing the Pinnacle shares, it was necessary to assign a value, not only to Pinnacle, but also to the Put Option.

Prior to valuing the put option, Eclat's estimate of the value of Pinnacle was \$333,436,072, after application of an illiquidity discount of 15% and a minority discount of 5%. This value was further discounted by 4.48%, to