

4.8 million shares outstanding are convertible into 6.6 million shares of Common Stock.

The holders of outstanding Series C Preferred Stock have a "put right" in 2003 to require NWA Corp. to repurchase such shares for an amount equal to the actual wage savings achieved under the 1993 labor agreement (projected to be \$226 million at the August 1, 2003 put date). NWA Corp. has the option to repurchase such shares in cash, by the issuance of additional Common Stock, or by the use of cash and stock. A decision to issue only additional Common Stock must be approved by a majority of the three directors elected by the holders of the Series C Preferred Stock. If NWA Corp. decides not to repurchase the Series C Preferred Stock, quarterly dividends will accrue beginning August 1, 2003, at 12% per annum and the employee unions will receive three additional Board of Directors positions. If, on August 1, 2003, NWA Corp. decides not to repurchase the Series C Preferred Stock, beginning on August 1, 2003 and on each succeeding quarter end date, NWA Corp. must use all "Available Cash" (a defined term in the Agreements) to effect partial repurchases of the Series C Preferred Stock, but only if and to the extent NWA Corp. is not prohibited from making such repurchases under applicable Delaware corporate law or any loan agreement to which NWA Corp. is a party. Any decision not to use all Available Cash to effect such partial purchases must be approved by a majority of the directors elected by the holders of the Series C Preferred Stock.

On August 1, 2003, Northwest issued a press release that announced its decision on the Series C Preferred Stock. The Northwest board of directors determined that at this time the company could not legally redeem the 4.8 million shares of its Series C Preferred Stock still outstanding and made the following statement:

After a thorough review of the legal restrictions applicable to the company, the board concluded that Northwest was not able to buy back the Series C Preferred Stock, at this time. As a board, we recognize the valuable contributions our employees made to the company during the 1993-1996 wage reduction period and acknowledge the company's obligation to buy back the Series C Preferred Stock. We want to do so as soon as possible. We devoted substantial time and effort to this issue. We discussed the Series C Preferred Stock buy back at length in our regularly scheduled April and June board meetings, and held two special meetings in July devoted exclusively to the Series C issue * * *. At the conclusion of these deliberations, it was clear that the legal

restrictions applicable to stock buy backs under Delaware Law did not permit Northwest to proceed at this time with the buy back of the Series C Preferred Stock.

The board noted that the company's obligation to the holders of the Series C Preferred Stock continues until Northwest has the ability to repurchase the Series C Preferred Stock. Until the Series C stock is repurchased, each share will accrue a 12% per year dividend on the \$46.96 per share buy back price.

On August 1, 2003, in response to the Department's questions concerning the "legal restrictions" that prevented Northwest from repurchasing the Series C Preferred Stock and whether these legal restrictions were tied to Northwest's financial condition, Northwest explained that in making the Series C stock repurchase decision, the board of NWA Corp. was subject to a Delaware law that applies only to NWA Corp.'s repurchase of its own stock. The Delaware law does not apply to the repurchase of Pinnacle Stock, which is not treated as NWA Corp.'s own stock. The Delaware law applicable to the repurchase of the Series C stock requires the Board to make a finding that NWA Corp. has adequate surplus, defined as the net asset value of the corporation in excess of its capital. At the present time, the Board was unable to make this finding.

The Department also questioned whether such restrictions would similarly preclude Northwest from honoring the Put Option. Northwest responded that no similar legal restriction would apply to the repurchase of Pinnacle Stock pursuant to the exercise of the Put Option. Minnesota law would not restrict the repurchase of Pinnacle stock by Northwest, a Minnesota corporation, which issued the Put Option. In addition, Delaware law would not restrict NWA Corp., a Delaware corporation, from repurchasing the Pinnacle Stock as the guarantor of the Put Option. Both the Minnesota law and the Delaware law relate to the repurchase of the stock issued by Northwest Airlines, Inc. and NWA Corp., respectively, and would not apply to the repurchase of stock of Pinnacle (the Pinnacle Stock). Northwest notes that the board previously approved the Omnibus Agreement, which includes the Put Option, and no further action would be required of the board in the event that the Put Option is exercised by the Independent Fiduciary.

Northwest stated that the language at section 5.1(b) of the Omnibus Agreement contains a representation

that Northwest has the corporate and legal authority to meet its obligations under the agreement, including the Put Option. Northwest asserts that it couldn't make this representation if there were restrictions that limited its ability to honor the Put Option or other aspects of the Omnibus Agreement and this representation was the product of the negotiations between the Independent Fiduciary and Northwest (as noted above).

Fiduciary Counselors' July 11, 2003 Submission

Additional Information

Fiduciary Counselors sent additional information to the Department on July 11, 2003. The information addressed, among other issues, how the possibility of a Northwest bankruptcy was factored into the valuation, how the valuation was "stress" tested for other assumptions contained in the valuation, and the reasons for the selection of a 15% liquidity discount.

Fiduciary Counselors, AIC and Eclat represent that the ASA between Northwest and Pinnacle provided the framework for the final valuation. There were significant changes made to the original valuation performed for the PBGC (the Eclat Report) based on this agreement that proved to be more conservative with respect to the ultimate valuation. Fiduciary Counselors, AIC and Eclat also noted that some of the information used by Eclat for the January 15, 2003 Valuation was not available during the initial valuation in the Eclat Report.

Additionally, by letter dated July 15, 2003, Fiduciary Counselors represents that in preparing the valuation for subsequent contributions, Eclat will reexamine the assumptions used in preparing the initial valuation and will continue to stress test the assumptions in its valuation model to reflect the credit-worthiness of Northwest and changing conditions in the regional jet market.

Change of Affiliation of Fiduciary Counselors

On July 11, 2003, Fiduciary Counselors informed the Department that Fiduciary Counselors Inc. (formerly Aon Fiduciary Counselors, Inc.) (Fiduciary Counselors) is no longer a subsidiary of Aon Corporation. As of June 30, 2003, Fiduciary Counselors was acquired by Fiduciary Group, Inc., in a management-led buyout.

Fiduciary Counselors notes that there will be no change in its providing objective and independent investment management. Ellen A. Hennessy will