

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

PINNACLE AIRLINES CORP., et al.,

Debtors.

Chapter 11

Case No. 12-11343 (REG)

(Jointly Administered)

**STIPULATION AND ORDER APPROVING SECTION 1110(b)
EXTENSION FOR N277MJ**

Pinnacle Airlines Corp. and its subsidiaries that are debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”), and the aircraft financing parties set forth on Exhibit A hereto (each, an “**Aircraft Party**” and, if more than one, collectively, the “**Aircraft Parties**”) hereby stipulate and agree as follows:

1. On April 1, 2012 (the “**Petition Date**”), the Debtors each filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Pursuant to certain financing arrangements with the Aircraft Parties (the “**Aircraft Agreements**”), the Debtors have the right to use the aircraft described on Exhibit A hereto and all engines, appliances and related parts and equipment, and all records, logs and documents relating thereto (collectively, the “**Aircraft Equipment**”).

3. The Aircraft Equipment may constitute “equipment” within the meaning of sections 1110(a)(3)(A)(i) and 1110(a)(3)(B) of the Bankruptcy Code. Accordingly, the Aircraft Equipment and the Aircraft Agreements may be entitled to the protections of section 1110 of the Bankruptcy Code; provided, however, that entry of this stipulation (together with any and all

exhibits attached hereto, the “**Stipulation**”) shall not be deemed to constitute an admission by the Debtors that any of the Aircraft Equipment constitutes “equipment” within the meaning of section 1110 of the Bankruptcy Code or that the Aircraft Agreements are entitled to the protections of section 1110 of the Bankruptcy Code, nor a waiver by the Aircraft Parties of any right to assert that any of the Aircraft Equipment constitutes “equipment” within the meaning of section 1110 of the Bankruptcy Code or that the Aircraft Agreements are entitled to the protections of section 1110 of the Bankruptcy Code, and the Debtors and the Aircraft Parties reserve all their respective rights and defenses with respect thereto.

4. Pursuant to section 1110(b) of the Bankruptcy Code, if the Aircraft Equipment is “equipment” under section 1110 of the Bankruptcy Code, the Debtors have requested that the Aircraft Parties extend the 60-day period set forth in section 1110(a)(2) of the Bankruptcy Code (the “**Section 1110 Period**”) in order to provide additional time to negotiate and document certain modifications to the Aircraft Agreements. The Aircraft Parties have agreed to, among other things, this extension of the Section 1110 Period, and the continued effectiveness of this Stipulation is subject to the following conditions:

- (a) the Debtors’ compliance with each and every term of this Stipulation during the Extension Period (as defined below); and
- (b) the Debtors’ taking all actions reasonably necessary to ensure that there are no unwaived Events of Default (as defined in the Aircraft Agreements) (other than (i) Events of Default based on the failure to pay amounts due thereunder or referenced therein and not otherwise expressly required to be paid under this Stipulation, (ii) Events of Default of a kind specified in section 365(b)(2) of the Bankruptcy Code, (iii) Events of Default based on defaults under other indebtedness or leases or other obligations of any

of the Debtors, or (iv) Events of Default based on a failure to comply with financial covenants), during the Extension Period (as defined below).

5. The Section 1110 Period is hereby extended, for all purposes, effective May 30, 2012, until 11:59 p.m. (prevailing Eastern Time) on [REDACTED] or such other date as the Debtors and the Aircraft Parties may agree (such extension, together with any further extensions on the terms set forth below, the “**Extension Period**”).

6. The Aircraft Parties party hereto represent and warrant that they have full authority under the Aircraft Agreements and related controlling documents to enter into and perform this Stipulation and otherwise authorize the Debtors’ continued use of the Aircraft Equipment.

7. In consideration of the extension, the Debtors shall pay to the Aircraft Parties the payment set forth in Exhibit B hereto on the date set forth therein. Such payment shall be made and applied in accordance with the terms of the Aircraft Agreements, shall be credited against the Debtors’ obligations thereunder and shall not be subject to disgorgement on any grounds. By accepting these payments, the Aircraft Parties do not waive any right to receive the full amounts due under the Aircraft Agreements, except to the extent otherwise provided in Exhibit B.

8. Notwithstanding anything in the Bankruptcy Code to the contrary, including the provisions of sections 363(e) and 365(d)(5) of the Bankruptcy Code (to the extent applicable), the Debtors shall not be obligated to make, and the Aircraft Parties shall not seek, any payments under the Aircraft Agreements or with respect to the Aircraft Equipment during the Extension Period, except as specifically provided in paragraph 7 of this Stipulation.

9. The parties hereby agree and acknowledge that this Stipulation does not constitute an election or, except as expressly set forth in paragraphs 5 and 7 of this Stipulation, an

agreement by the Debtors under section 1110(a) of the Bankruptcy Code or any other provision of the Bankruptcy Code, and nothing contained herein shall be construed as such an election or agreement. The parties also agree and acknowledge that this Stipulation does not constitute an assumption by the Debtors of the Aircraft Agreements under section 365 of the Bankruptcy Code (to the extent such section is applicable) and in no way restricts the Debtors' ability to later restructure such Aircraft Agreement or abandon the Aircraft Equipment relating to such Aircraft Agreement, and nothing contained herein shall be construed to constitute such an assumption. The Aircraft Parties agree that they shall not assert in any judicial proceeding that this Stipulation constitutes either an agreement under section 1110(a) of the Bankruptcy Code or an assumption under section 365 of the Bankruptcy Code.

10. Except to the extent otherwise provided herein, this Stipulation does not limit or affect the rights, remedies or claims of the Aircraft Parties, if any, under other provisions of the Bankruptcy Code, subject to all rights, defenses and objections of the Debtors and any other party-in-interest.

11. The Debtors and the Aircraft Parties agree that this Stipulation does not otherwise affect any term or provision of the Aircraft Agreements except as expressly set forth in this Stipulation, and that the parties hereto reserve all of their respective rights and remedies with respect thereto.

12. This Stipulation shall be binding upon (a) the Debtors and any trustee or examiner that may be appointed in the pending chapter 11 cases, and their respective successors and assigns, (b) the Aircraft Parties and their respective successors and assigns and (with respect to those Aircraft Parties that are trusts or trustees) trust beneficiaries who so direct or authorize the trusts or the trustee of the trusts to enter into this Stipulation, (c) the trustee in the event that the

above-captioned cases are converted to cases under chapter 7 of the Bankruptcy Code and (d) all creditors and other parties-in-interest in the above-captioned cases. Notwithstanding anything else contained herein, any provision of this Stipulation is binding on an Aircraft Party only to the extent that such Aircraft Party is a signatory hereof or the signatories hereof have the authority under the Aircraft Agreements or otherwise to bind such Aircraft Party with respect to the subject matter of such provision.

13. This Stipulation is subject to and effective upon the approval of the Court. The Debtors shall promptly cause this Stipulation to be presented to the Court for approval in accordance with the Order Authorizing the Debtors to (i) Elect to Perform Certain Agreements Under Section 1110(a) of the Bankruptcy Code, (ii) Enter into Stipulations to Extend the Time to Comply with Section 1110 of the Bankruptcy Code and (iii) File Redacted Section 1110(a) Election Notices and Section 1110(b) Stipulations, as entered on April 23, 2012.

14. This Stipulation may be executed in one or more counterparts, by facsimile, electronic transmission or otherwise, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

15. This Stipulation, together with section 1110 of the Bankruptcy Code and the Aircraft Agreements, each as modified pursuant to the terms of this Stipulation, contain the entire agreement between the Aircraft Parties and the Debtors as to the subject matter hereof, and all understandings, agreements and communications prior to the date hereof, whether express or implied, oral or written, relating to the subject matter hereof are fully and completely extinguished and superseded by this Stipulation and the Aircraft Agreements as modified or otherwise affected hereby. In the event of any inconsistency between this Stipulation and either the Aircraft Agreements or the Order, or between this Stipulation and the Debtors' Motion with

respect to the Order, this Stipulation shall govern. This Stipulation shall not be altered, amended, modified or otherwise changed, and the rights hereunder may not be waived, except by a writing dated subsequent to the date hereof and duly signed by each of the Aircraft Parties and the Debtors.

16. To the extent non-bankruptcy law governs any provision of this Stipulation, this Stipulation shall be interpreted, and the rights and duties of the parties hereto shall be determined, in accordance with the laws of the State chosen by the Debtors and the Aircraft Parties in the Aircraft Agreements.

17. Unless otherwise specifically provided herein, all notices required or permitted by the terms of the Aircraft Agreements or this Stipulation shall be in writing, and any such notice shall become effective upon receipt by the addressee of such notice by certified mail, return receipt requested, overnight courier service or facsimile to the following addresses:

(A) If to the Debtors:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Marshall S. Huebner, Juliet Cain, Damian S. Schaible and Brian Rooder
Facsimile: (212) 607-7984

(B) If to any Aircraft Party, then as is set forth on Exhibit C hereto or to its counsel filing any Notice of Appearance in these chapter 11 cases.

(C) If to counsel to the Official Committee of Unsecured Creditors:

Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104
Attention: Brett H. Miller, Lorenzo Marinuzzi, and Todd M. Goren
Facsimile: (212) 468-7900

Dated: New York, New York

May 29, 2012

By: /s/ Juliet Cain
Marshall S. Huebner
Juliet Cain
Damian S. Schaible
Brian Rooder

DAVIS POLK & WARDWELL LLP
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000
Facsimile: (212) 607-7984

*Counsel to the Debtors
and Debtors in Possession*

.Dated: May 29, 2012

CESSNA FINANCE CORPORATION

By: /s/ Robert Knowles

This Court having determined that the approval requested in the Stipulation is in the best interests of the Debtors, their estates and creditors, and it appearing that proper and adequate notice has been given and that no other or further notice is necessary, and upon the record herein, and after due deliberation thereon, and good and sufficient cause appearing therefore,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Stipulation and the transactions contemplated therein are APPROVED in their entirety.
2. Notwithstanding any provision of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure or the Local Rules of this Court to the contrary, this Order shall take

effect immediately upon entry and the Stipulation shall be effective *nunc pro tunc* to May 30, 2012.

SO ORDERED

Dated: New York, New York
June 11, 2012

s/ Robert E. Gerber
THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

**AIRCRAFT U.S. FEDERAL
AVIATION
ADMINISTRATION
REGISTRATION
NUMBERS**

**ENGINE SERIAL
NUMBER**

AIRCRAFT PARTIES

N277MJ

785401
785379

Cessna Finance Corporation

Exhibit B

Interim Payments

Payment

[\$REDACTED]¹

Payment Date

May 30, 2012

¹ The parties hereto agree that the payment of [\$REDACTED] is accepted in full satisfaction of any and all amounts past due under the Aircraft Agreements as of the date hereof.

Exhibit C

Notice Information for Aircraft Parties

Cessna Finance Corporation 220 West Douglas Suite 300 Wichita, Kansas 67202 Tel: (316) 660-1200 Fax: (316) 660-1260	
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