



## **IAM-Northwest Airlines Series C Stock**

The IAM-Northwest Airlines 1994 Employees Stock Ownership Plan (ESOP) required Northwest to repurchase all outstanding ESOP shares from IAM members on October 30, 2003 at a “put price” of \$46.96 per share. Northwest previously had announced that it would redeem the shares for cash and the Trustee of the shares previously had exercised the “put” to Northwest.

Northwest announced on August 1, 2003 that it would not repurchase the unredeemed shares on October 30, 2003. The Machinists Union immediately filed a lawsuit in New York State Supreme Court to compel Northwest to repurchase the unredeemed shares, for damages, and for other relief. That lawsuit is pending.

The ESOP agreement contains penalties if Northwest failed to repurchase the unredeemed shares of Series C Preferred Stock beneficially owned by IAM members and other Northwest Airlines employees by October 30, 2003.

Northwest is required to pay a 12 percent annual dividend penalty until it repurchases the 4.8 million unredeemed shares. The agreement also provides for a second IAM-appointed member to the Northwest Airlines Board of Directors to join retired IAM International President George Kourpias, who has served on the Board since 1994.

The IAM and Northwest Airlines have agreed that the IAM will appoint an advisor to the Northwest Board of Directors in lieu of a second Board member. The IAM-appointed observer will have substantially the same rights as each of the Northwest Board members, although he will not have a vote or the fiduciary responsibility to all Northwest shareholders that a voting member has. The observer’s responsibility will be to the IAM-represented employees of Northwest Airlines.