

IAM

March 10, 2008  
Northwest Airlines

#06-01

Air Transport District 143

# Flashpoint

## Pre-Petition Bankruptcy Grievances

As many of you are aware your District Lodge inherited thousands of backlogged and unresolved grievances many of which were filed long before Northwest declared bankruptcy on September 14, 2005. As a protective matter all pre-petition grievances that were pending at the time of the bankruptcy filing regardless of merit were listed and filed with the Bankruptcy Court in a proof of claim with the agreement that the parties would meet to determine which grievances had sufficient merit to be considered allowed claims. After an intensive review and evaluation process with District Lodge 143 representatives and our counsel, a number of claims, particularly the older ones, were found lacking in merit. Each individual grievant was then advised of the decision to dismiss the claim.

Following Northwest's emergence from bankruptcy, representatives of District Lodge 143 and our counsel met with Northwest Airlines to discuss the pending claims believed to have merit and to reach agreement with Northwest as to the total amount which would be allowed for them. A settlement was reached which must now be approved by the Bankruptcy Court. As with all allowed claims in the Bankruptcy Court, the settlement amount will be paid in common stock which would have to be sold. The proceeds from the sale would then be placed in a Northwest interest bearing account under the IAM's direction. At this point in time, we understand that for every dollar of allowed claims once converted to common stock and sold about 33 cents on the dollar will actually be realized.

Those grievances filed prior to the bankruptcy which were determined to have potential merit were resolved as follows subject to the Bankruptcy Court's approval:

In full and final satisfaction of the Grievances, (i) Claim No. 8961 is liquidated and fixed in the amount of \$3,000,000.00 and Allowed as a General Unsecured Claim (as such terms are defined in the Plan) against the estate of Northwest (the "Unsecured Claim"); and (ii) IAM shall also have a \$1,000,000.00 Allowed Administrative Expense Claim (the "Administrative Claim," and together with the Unsecured Claim, the "Allowed Claims") as a result of the 1113(c) process and the ratified IAM restructuring letters of agreement. Any amount in excess of the Allowed Claims is disallowed in its entirety.

The \$1,000,000 settlement refers to the indoor sky cap arbitration which was resolved and distributed as appropriate.

Again it is important to note that in the bankruptcy proceeding allowed claims are paid in shares of NWA common stock. Those shares will have to be sold by NWA's transfer agent Merrill Lynch. Again, currently we understand that we will end up with one-third of the \$3,000,000 allowed amount once the stock is sold. The agreement further provides that the IAM with the assistance of a third party neutral will determine the amount of each distribution. At the direction of the IAM, NWA will make distribution of the proceeds to IAM members through the payroll department with all applicable taxes and withholding amounts made by Northwest. A portion of the proceeds will be used to defray the administrative expenses and professional costs associated with the distribution.

A hearing has been scheduled for March 20, 2008, for approval of the settlement with objections due by March 17, 2008. Assuming the agreement is approved by the Bankruptcy Court, the common stock will be issued, sold and the proceeds deposited in a Northwest interest-bearing account under the IAM's direction. Thereafter a neutral will be appointed to assist in the distribution process. Once the funds are deposited we anticipate that the final evaluation process involving the neutral for each of the allowed claims will take a number of months.



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Fraternally,

Stephen M. Gordon  
President/Directing General Chair

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