



Vice President
Compensation, Benefits &
Services

Post Office Box 20706
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July 22, 2008

Captain Jim Gray
DP3, Inc.
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Dear Jim:

Richard Anderson asked that I respond to the letter to him dated July 3, 2008 from the trustees of DP3. That letter essentially proposed that Delta make a payment to the PBGC which it would then use to increase payments to former Delta pilots who retired prior to September 2, 2006, the termination date of the Delta Pilots Retirement Plan (the "Retired Pilots"). As we have stated before, we understand and appreciate the sacrifices that have been made on behalf of Delta by all stakeholders, including our retired pilots. Nevertheless, the problems associated with your proposal are insurmountable, and therefore we can offer no encouragement for its further review or consideration.

First, you have stated that the payment you would have us make to the PBGC should be used exclusively for the benefit of Retired Pilots. Even if such a payment were technically possible (and we are not sure that it is), we believe it would, by law, be treated as an asset of the terminated plan, and as such, would be subject to the normal asset allocation rules of ERISA. Those rules would in turn require that the payment be shared among all plan participants in accordance with the priority categories applicable to each participant, whether active or retired. Even if the PBGC were theoretically inclined to segregate such a payment, we believe they would subject themselves to numerous lawsuits from individual active pilots who could make a claim that such an addition to plan assets should be distributed according to the ERISA statutorily mandated allocation rules – and not according to the desires of the former plan sponsor. Remember that, from the PBGC's standpoint, active pilots are considered to be individual plan participants the same as retired pilots, and not a group that can be collectively bargained for. Having such a payment distributed to both active and retired pilots would clearly defeat the intent of the DP3 proposal and would dramatically increase the associated costs. You may then believe we should simply make such payments directly to the Retired Pilots in order to avoid this problem. Such an arrangement would constitute a "follow-on" plan and would therefore directly violate the terms of the settlement agreement we signed with the PBGC as part of our bankruptcy and therefore is not something we can consider.

Second, even if we were able to make a payment that targeted only the Retired Pilots, the costs associated with what you propose are prohibitive and would run into the \$700 million range. It would more than double if, as described above, it had to cover both active pilots as well as Retired Pilots. Both in emerging from bankruptcy and in figuring out how to deal with fuel costs that have more than doubled since that time, we have built our business plans to be able to pay, among other things, our known liabilities for benefits to our tens of thousands of retirees. Those business plans include more than \$1 billion we will spend over the next 5 years for things like on-going health-care, survivor income, life insurance and pension benefits for Delta retirees. Northwest has similar known obligations in its plans. We have not planned for and cannot now add such enormous additional costs to that load.

While it is true that we were able to preserve the retirement plan for Delta ground employees and flight attendants, and Northwest was able to preserve its defined benefit plans during its bankruptcy, as you are

well aware, the Delta Pilots Retirement Plan had unique features that made it an unaffordable plan for Delta, and we had no choice but to terminate it during our bankruptcy. None of the other defined benefit plans sponsored by either Delta or Northwest had those same features. One of those features, the ability to take a lump sum of one half of the formula benefit, all paid from the qualified plan, was particularly noteworthy in our inability to preserve that plan. It is, of course, that lump sum feature that allowed pilots who retired prior to bankruptcy to take one half of their total retirement benefit – including both the qualified plan benefit as well as the non-qualified plan benefit – as a lump sum when they retired, often resulting in payments from the qualified plan of close to or over \$1,000,000. As you will recall, while calculated as one-half of the total benefit, virtually 100% of the money to pay the lump sums came from the qualified plan. While I know that some pilot retirees now receive very little or no monthly benefit from the PBGC, it is those very pilots who usually received the largest lump sums. As to the claim for the non-qualified benefits, the substantial majority of the claim was paid in the initial distribution, and while it is true that our stock has not reached a \$25 trading price since our emergence from bankruptcy, it was just under \$20 per share when the initial distribution was made and there were no restrictions on trading the stock once it was distributed. Though not recently, our stock traded near or above that level for a good bit of the time since we emerged.

As you know, the PBGC is now responsible for determining payments from the Pilots Retirement Plan. As part of the bankruptcy, Delta gave the PBGC a claim of \$2.2 billion and a note of \$225 million. The PBGC continues to work through their internal processes to determine the amount of their final payments to plan participants, and we continue to work with them to provide the information they request in order to complete that process. When they do finish it, the amounts the PBGC will credit to the PRP from the claim and the note should help provide more benefits to plan participants in the future and when they do, those increases will be paid retroactively to the point of plan termination.

While preparing this response, I have received several emails from individual retired pilots who have read your letter. A common theme among these emails is the view that if Delta can afford to fund Northwest's pension plans, then we can afford to meet DP3's request. This view, of course, overlooks an important point. When we merge with Northwest, we gain both the liability associated with Northwest's pension plans and the revenue franchise that is currently in place at standalone Northwest helping to fund those liabilities. Delta could not on its own take on those kinds of additional liabilities.

Jim, I realize this is not the answer for which DP3 and many retired pilots hoped. As unfortunate as the termination of the PRP was, we are simply not in a position to rewrite that piece of our bankruptcy history. The fact that we cannot do so does not lessen at all the deep appreciation we have for all that our retired pilots and many other retirees of all backgrounds have done to help build and preserve the company. While we cannot respond positively to this proposal, I look forward to working with your group on other matters that might arise in the future.

Sincerely,



Rob Kight
Vice President – Compensation, Benefits & Services